APEC Social Safety Net International Meeting

July 25–26, 2002
Seoul, Korea
This proceedings has been prepared by International Studies and Cooperation Office (ISACO) led by Chanyong PARK (Director) and Jae Youn WOO (International Project Coordinator).

The preparation of APEC Economy Papers were supported by the governments of Australia, Canada, Chile, Japan, Korea, Malaysia, Mexico, New Zealand, Chinese Taipei, Thailand, and also by International Organizations such as APEC Secretariat, OECD, and World Bank. In addition, Dr. Terry McGee from University of British Columbia, also contributed to a paper for the International Meeting.
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I. Summary of APEC Social Safety Net International Meeting
1. Background

The Twelfth APEC Ministerial Meeting held 12-13 November 2000 endorsed the proposal on the Revitalization of Social Safety Net Activities in APEC by Korea and Thailand. Then, APEC Ministers agreed to establish the Ad Hoc Task Force on Strengthening APEC Social Safety Nets (hereinafter the ‘Task Force’) in the twelfth APEC Ministerial Meeting in November 2000. Furthermore, the Eighth APEC Economic Leaders Meeting, held in Brunei on 16 November 2000, welcomed “the proposal to strengthen social safety net activities in APEC to address economic disparities.”

In February 2001, the First Meeting of the Task Force was held immediately after Senior Officials’ Meeting (SOM) I on 13 February 2001 in Beijing. The Second Meeting of the Task Force was held on 28 May 2001 in Shenzhen, and also the Third Meeting of the Task Force was held on 19 August 2001 in Dalian, the People’s Republic of China.

As a result of the three meetings of the Task Force and a preliminary research paper made by Korea and Thailand, two recommendations were made to 2001 APEC SOM III. These included the establishment of an APEC Social Safety Net Capacity Building Network(SSN CBN) that would function virtually and holding an International Meeting of Policymakers, Experts and Other Stakeholders to address specific capacity building issues on Social Safety Net(SSN). These recommendations were subsequently submitted to, and endorsed by, the APEC Ministerial Meeting(AMM).

2. Objectives and Activities

After the establishment of APEC SSN CBN through virtual networking, there was also a need to supplement it with a physical networking as well as to promote the discussion within the network to other policy makers, experts, and stakeholders so that effective capacity building experience could be shared. The Meeting focused on the discussion of current issues on social safety nets and explored the way in which specific capacity building needs on SSNs could be augmented in the APEC economies. These should include, inter alia, the member economies’ current status on social safety nets, the problems and limitation in APEC, and the assessment of social safety net strengthening activities carried out by the member economies and the IFIs.
As adopted at the 2001 APEC Ministerial Meeting, Korea and Thailand jointly hosted an International Meeting to address social safety net related capacity building issues. The APEC Social Safety Net (SSN) International Meeting was convened in Seoul, Korea, 25-26 July 2002, and co-hosted by Korea and Thailand. This meeting was organized by Head Institution of the APEC SSN CBN, *Korea Institute for Health and Social Affairs* (KIHASA). In order to prepare the meeting, KIHASA started to establish a master plan of the meeting with details in close cooperation with the Thai government and contacted with the APEC member economies since the end of February of 2002. Furthermore, Korea had an agreement to hold a preparatory meeting for the International Meeting with the APEC member economies in Thailand.

The Preparatory Meeting for the International Meeting was held at the Ministry of Foreign Affairs of Thailand in Bangkok on 27 June 2002. During the Preparatory Meeting in Bangkok, the Korean and Thai delegation discussed and exchanged views on the progress of the preparation for APEC Social Safety Net International Meeting (See Appendix 3).

Based on the agreement in the Preparatory Meeting, the International Meeting was prepared and held on 25-26 July 2002 in Seoul, Korea. Subsequently, in APEC Social Safety Net International Meeting, 55 participants from 13 member economies (Australia, Brunei Darussalam, Canada, Chile, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, Philippines, Chinese Taipei, and Thailand) and representatives of the APEC Secretariat, the Head Institution of the APEC SSN CBN (*Korea Institute for Health and Social Affairs*: KIHASA), the United Nations Development Programme (UNDP), and the World Bank participated.

In the International Meeting, participants discussed social safety net related issues in APEC with focus on the following four agenda: i) Each Member Economy’s Current Social Safety Net Status, Problems, and Limitations; ii) International Perspectives of Social Safety Net Activities in the Asia-Pacific Region; iii) Stocktaking and Lessons from the Practices of Social Safety Nets; and iv) Future Activities for Strengthening Social Safety Nets in APEC (See Appendix 1).

In the International Meeting, the suggestion was made that closer collaboration with other APEC fora should be further explored to mainstream the issue into APEC processes, and that information
exchange would be facilitated by establishing a matrix through circulating relevant questionnaires to survey member economies’ common concerns on social safety net capacity building. The International Meeting asked Head Institution to provide examples and detailed information of the matrix.

3. Program

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<td>Presentations - Overview of Each Member Economy's</td>
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4. Chairs’ Statement

The APEC Social Safety Net (SSN) International Meeting was convened in Seoul, Korea, 25-26 July 2002, and co-hosted by Korea and Thailand. Representatives from Australia, Brunei Darussalam, Canada, Chile, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, Philippines, Chinese Taipei, and Thailand participated in the meeting. The meeting was also attended by the representatives of APEC Secretariat, Head Institution of APEC SSN CBN(Korea Institute for Health and Social Affairs: KIHASA), the United Nations Development Programme(UNDP), and the World Bank. An OECD paper was presented and discussed at the meeting although no representative was present. The Meeting was co-chaired by Mr. Kye Woo Lee, Professor at Ewha Womans University in Seoul, Korea and Mr. Kirasak Chancharaswat, Deputy Permanent Secretary of the Ministry of Labour and Social Welfare of Thailand.

Opening of the Meeting

The Meeting was opened by Mr. Ha Jeong Park, Director General for Bureau of Basic Livelihood Security, Ministry of Health and Welfare, Republic of Korea. Mr. Park welcomed all participants and highlighted the importance of addressing the issue of social safety nets as a means to cushion the impact of structural adjustment created by the trade and investment liberalization in APEC member economies.

Session I

Each Members Economy’s Current Social Safety Net Status, Problems and Limitations

Ten member economies presented their Economy Papers on the status, problems and limitations of their SSN programs. The Session began with a presentation by developed member economies: Australia, Canada, New Zealand and Japan. Then, it followed by developing member economies: Korea, Malaysia, Thailand, Brunei Darussalam, Chile, Chinese Taipei and Mexico. Australia discussed their income security system as well as their retirement income system. The presentation also touched upon the
development assistance that Australia extended to developing economies to reduce poverty and achieve sustainable development.

Canada gave a presentation on the overview of their income security system, including the emerging challenges of the system. The presentation discussed the topic of instruments of their system, objectives, descriptions and their target population.

New Zealand briefed the meeting on their current social assistance system, which includes Family Tax Assistance and Income Support - core benefits, add-on assistance, hardship assistance and others - as well as Student Services and Active Labour Market Policies.

Meanwhile, Japan made their presentation on the impacts of changes in the structures of elderly households on increases in medical expenses of the elderly, in relation to the demand behavior of individual elderly people. In order to help understand income security system and the other safety nets, Japan distributed a related booklet, “Social Security in Japan.”

In the second sub-session, Chile presented on the focus of its government on two important guidelines: improving conditions to search for and maintain jobs and upgrading the protection standards against social contingencies.

Korea reported that social safety net programs in Korea consist mainly of two components: Social Insurance Schemes and Social Assistance. There are four groups of social insurance in Korea: National Pension, Health Insurance, Employment Insurance and Industrial Injury Assistance.

Malaysia discussed its experience in poverty eradication, including its strategy and programs, and presented that Malaysia's development policy gives priority to long-term economic uplift and human resource development of the poor.

Thailand made a presentation of its social safety net system including the definition, past performance, problems and limitations, confronting factors and the critical issues: policy implication.

Brunei Darussalam briefed the meeting on their efforts to achieve balanced socio-economic development, address rapid development in human resources, and development of SMEs.
Chinese Taipei discussed the background of the establishment of their social safety net, and the existing social safety net program. Chinese Taipei also discussed the future prospect of the program.

Similarly, Mexico also outlined their program on social safety nets including the problems and limitations of the program.

Peru was represented at the meeting, but no country paper was presented.

Session II

International Perspectives of Social Safety Net Activities in the Asia Pacific Region

The meeting discussed the OECD paper, which describes the social safety net activities, implemented among its members. The paper also touched upon the activities in OECD non-member countries, which are sponsored and supported by OECD.

The representative from the World Bank made a presentation on the Bank’s recent program on SSNs (and Social Protection). The presentation touched upon the background of the World Bank’s involvement in the issues, and its efforts during the East Asia Crisis.

The APEC Secretariat briefed the meeting on the programs and policies on social safety nets in APEC, including the results of the Ad Hoc Task Forces’ work on the Strengthening of Social Safety Nets in APEC and its recommendations to SOM and Ministers.

Session III

Stocktaking and Lessons from the Practices of Social Safety Nets

The session was started by the presentation made by Prof. Terry McGee, Professor at the University of British Columbia in Canada, on “The Poor at Risk: Surviving the Economic Crisis in Southeast Asia”. The paper focused on SSN programs in selected Southeast Asian countries from 1997 to 2000. Many participants felt that the paper raised some issues which could be discussed through the APEC SSN Capacity Building Network (CBN) process.
Session IV
Future Activities for Strengthening Social Safety Nets in APEC

Inspired by the ten recommendations from Prof. McGees’ paper, the meeting discussed future activities for APEC SSN CBN in strengthening social safety nets in APEC. The APEC Secretariat also gave background and goals of the APEC SSN CBN as presented in two APEC documents, which were submitted to the 2001 APEC ISOM and 2002 APEC SOM I. The documents defined the following six points as guidelines for strengthening SSNs:

1. Pre-crisis social safety net planning and prevention measures;
2. Capacity for evaluating effectiveness of policy action;
3. Collection of dis-aggregated data and access to current data;
4. Identifying at-risk populations;
5. Designing response institutions and financing; and
6. Strengthening transparency and accountability in social safety net operations

The suggestion was made that closer collaboration with other APEC fora should be further explored to mainstream the issue into APEC processes, and that information exchange would be facilitated by establishing a matrix through circulating relevant questionnaires to survey member economies’ common concerns on social safety net capacity building. The International Meeting asked Head Institution to provide examples and detailed information of the matrix.

Closing of the Meeting

Mr. Kirasak Chancharaswat from Thailand closed the Meeting by thanking all participants for their attendance and valuable participation.
5. Participants

• Australia

  *Mr. Anthony Aspden*, Second Secretary, Australian Embassy in Korea

• Brunei

  *Mrs. Hajah Zaliha H Mohiddin*, Head/Controller of Pensions, Social Affairs Services, Unit Ministry of Culture, Youth and Sports
  *Mrs. Hajah Misnah H Bolhassan*, Deputy Controller of Pensions Social Affairs Services Unit, Ministry of Culture, Youth and Sports

• Canada

  *Ms. Genevieve Jones*, Economic Policy Officer, Int’l Economic Relations and Summits Division, Department of Foreign Affairs and International Trade
  *Mr. Brian Hunter*, Chief Economist Canadian International Development Agency
  *Dr. Terry McGee*, Professor, Institute of Asian Research, University of British Columbia

• Chile

  *Mr. Fernando Schmidt*, Ambassador, Embassy of Chile in Korea
  *Mrs. Maria Eliana Cuevas*, Counsellor, Embassy of Chile in Korea
  *Mr. Jose Miguel Concha*, Third Secretary, Embassy of Chile in Korea

• Japan

  *Dr. Yoshihiro Kaneko*, Senior Research Fellow, Department of Empirical Social Security, National Institute of Population and Social Security Research

• Korea

  *Mr. Kye Woo Lee*, Professor, Ewha Womans University
  *Mr. Ha Jeong Park*, Director-General Bureau of Basic Livelihood Security, Ministry of Health and Welfare
  *Mr. Gil-Sang Nho*, Director, Welfare Policy Division, Ministry of Health and Welfare
  *Mr. Suk Kyu Lee*, Senior Deputy Director, International Cooperation Division, Ministry of Health and Welfare
Mr. Chan Buom Lee, Senior Deputy Director, Ministry of Foreign Affairs and Trade

Mr. Ik-Hee Han, Deputy Director, Welfare Policy Division, Ministry of Health and Welfare

Mr. Koo-Hyung Kwon, Deputy Director, Employment Insurance Division, Ministry of Labor

Mr. Young-Kwon Yang, Deputy Director, Industrial Accident Insurance Division, Ministry of Labor

Mr. Kwang-Jei Min, Deputy Director, International Cooperation Division, Ministry of Labor

Mr. Kyungbae Chung, Former President of KIHASA

Mr. Jai-Joon Hur, Research Fellow, Korea Labor Institute

Ms. Charnim Park, Research Fellow, Korea Labor Institute

Mr. In Sik Kim, Chair, Institute of International Strategy

· Malaysia

Ms. Suhana BT. MD. Saleh, Assistant Director, Economic Planning Unit, Prime Minister's Department

· Mexico

Mr. Pedro Reyes, Special Advisor, Ministry of the Economy

Ms. Rosalina Robledo, Deputy Director, Ministry of the Economy

· New Zealand

Mr. Mark Pearson, Counselor, New Zealand Embassy in Korea

· Peru

Marco Hinojosa Arenas, Counselor, Embassy of Peru in Korea

Gustavo Lembeke, Assistant Counselor, Embassy of Peru in Korea

· Philippines

Micanor S. Bautista, Commercial Counselor, Embassy of Philippines in Korea

Gregg A. Angeles, Cultural Officer and Attache, Embassy of Philippines in Korea

· Chinese Taipei

Ms. Mei-yang Chang, Senior Specialist, Manpower Planning Department, Council of Economic Planning and Development
Dr. Hsiao-hung Nancy Chen, Professor, National Chengchi University

Thailand

Mr. Pradap Pibulsonggram, Director-General, Department of Economic Affairs, Ministry of Foreign Affairs

Mr. Kirasak Chancharaswat, Deputy Permanent Secretary, Office of Permanent Secretary, Ministry of Labour and Social Welfare

Mr. Paiboon Wattanasiriitham, Chairman, Community Organization Development Institute

Mr. Soonthorn Chaiyindeeupum, Counsellor, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs

Ms. Urasa Mongkolnavin, First Secretary, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs

Ms. Pimpaporn Thitayanun, International Affairs Officer, Office of Permanent Secretary, Ministry of Labour and Social Welfare

Mrs. Somporn Thongcheunchit, Director, Technical Studies and Planning Division, Social Security Office

Ms. Surasvadee Chantharat Chiang Mai, Director, Provincial Social Security Office

Mr. Surichai Wun' Gaeo, Director, Center for Social Development Studies Chulalongkorn University

Ms. Kusol Soonthorndhada, Associate Professor/Specialist Academic Advisor, Thailand-Australia Social Protection Facility, Institute for Population and Social Research, Mahidol University

Ms. Chavalee Upaphai, Social Worker, Department of Public Welfare

Ms. Nongluck Yasoongnern, Social Worker, Department of Public Welfare

Head Institution of the APEC SSN CBN

Mr. Soon-il Bark, President, Korea Institute for Health and Social Affairs (KIHASA)

Mr. Chanyong Park, Director, KIHASA

Mr. Dahoe Coue, Consultant, KIHASA

Ms. Jae Youn Woo, Program Officer, KIHASA

Mr. George Ritchie, International Project Coordinator, KIHASA

APEC Secretariat

Ms. Siti Nugraha Mauludiah, Director (Program), APEC Secretariat
II. Opening Ceremony for APEC Social Safety Net International Meeting
1. Welcome Address for Working Dinner

Dr. Soon-il Bark
President, KIHASA,
Republic of Korea

Representatives of APEC member economies, specialists from international organizations, distinguished ladies and gentlemen, it is my great honor to be able to join you this evening. I believe that this working dinner will be both an icebreaker event and an opportunity to share and confirm our vision of social safety net issues.

We are gathered here to participate in the “APEC Social Safety Net International Meeting” to be held for the next two days. As all of us are well aware, this momentous international meeting is co-hosted by the Governments of Korea and Thailand. And it is a response to the consensus forged among the APEC member economies on the need for establishing and strengthening social safety nets in the region.

During the two-day sessions, we will be addressing a number of concrete agenda items. These are: first, overview of the social safety nets each member economy has in place and their limitations; second, examination of the efforts that member economies and international organizations have made thus far in the APEC region for strengthening social safety nets; third, drawing of common threads and lessons from the practices of social safety nets in the APEC region; and fourth, charting of future direction and finding ways for future cooperation among APEC member economies in the field of social safety nets.

As the president of the Korea Institute for Health and Social Affairs, a head institution in creating the APEC Social Safety Net Capacity Building Network, I am hoping that this meeting will be conducive and encouraging to our activities toward the development and strengthening of APEC social safety nets.

Now, after the meeting, if your schedule allows, please give yourself a day or two to experience the country before you leave.
You can simply take a city tour and feel the everlasting World Cup spirit, or you may visit Korea’s mainstay industries—IT and automobiles—that played a key role as the country surmounted the obstacles of the 1997 economic crisis. Also, as befits your vocation, you are free to visit any central or local government agencies and learn more about Korea’s diverse range of social safety net programs in place and in train.

I would like to close this brief speech by extending my heartfelt gratitude to you all present here and those who have worked very hard to prepare for the meeting.

Now, let us toast to our health, happiness, and the successful completion of the meeting.

Thank you and please enjoy the dinner.

2. Opening Remarks

Mr. Ha Jeong Park
Director-General,
Bureau of Basic Livelihood Security,
Ministry of Health and Welfare,
Republic of Korea

APEC member economies, international experts of international organizations, distinguished colleagues and guests, it is my honor to have all of you here today. Let me thank you in advance for your insight and participation for crafting a new vision for establishing and strengthening social safety nets in the Asia Pacific region.

As we are all well aware the APEC economies are now advancing on the field of globalization. The APEC was organizing also the original economy organization who seeks to liberalize the trade and investment markets. It also strives to globalize the digital economy. It is the long-term goal to enhance general well being of local residents of the region. In the year 1997 when the economic crisis hit the Asia region, the member economies learnt a painful yet valuable lesson. That is we came to realize that in order to fully
enjoy benefits from globalization we need to establish solid infrastructures that could observe possible negative effects from the process of globalization on the political or social sector of each member economy. In the sixth APEC summit of 1998 marked the starting point for APEC member economies to confront and deal with any possible social or economic negative effects from the process of globalization. Most of you know this meeting was approved by APEC Ministerial meeting of 2001. Although it was Korea and Thailand that took the initiative to hold this international meeting, it should be noted that it was the common vision of all twenty-one APEC member economies that actually made this meeting possible. Likewise the success of APEC SSN CBN would depend on the continuous conscience and lists of all APEC member economies. I sincerely hope that through the coming two days international meeting all member economies will be encouraged to work together for the betterment of the Asia Pacific social safety net. Finally I also hope this meeting will provide a setting stone for the APEC long-term goal to achieve free trade and perpetual prosperity for the entire APEC community. I expect today’s meeting to be most productive. Once again I would like to express my sincere appreciation to you for all of you time and participation.

Thank you.

3. Welcoming Dinner Note

Mr. Gil-Sang Nho
Director, Social Welfare Policy,
Ministry of Health and Welfare,
Republic of Korea

Ladies and Gentlemen, thank you for partaking in this special occasion. I hope you all enjoyed the first day of the conference to discuss the agenda. I think today’s sessions have been successfully completed thanks to your participations and efforts. At this point, I am quite convinced that this meeting will be a great starting point for the APEC SSN CBN.
As I sincerely hope that you all now share my conviction, I would like to encourage you to extend the enthusiastic visions and great insights you have shown today to the remaining sessions.

In this spirit, tonight's occasion has been arranged by the Ministry of Health and Welfare of Korea. Please enjoy yourself and thank you again.
III. SESSION I:

Each Member Economy's Current Status, Problems and Limitations
Co-Chair

We will be trying to lead our discussion together and it will be our great honor to cooperate with you over the next two days. Before we start our work it may be good to have a common understanding on the outline of our work program for the next two days. Perhaps you have received the program of our meeting, so let me just briefly go over so you can have an idea and then if you have some suggestions we are open to them throughout the course of the meeting.

We will have four sessions, in the first session it will be "Each Member Economies Current Social Safety Net Status, Problems and Limitations." Here we want to discuss each member economy's experience with social safety net programs recognized in the course of implementation. Session two is "International Perspectives of Social Safety Net Activities in the Asia Pacific Region". Here we will be hearing the APEC Secretariat's presentation of social safety net activities in the Asia Pacific region. Also we will be hearing some international organizations activities on social safety net strengthening aspect. Thirdly is "Stocktaking and Lessons from the Practices of Social Safety Nets." This will be the first session tomorrow morning and in this third session we will be drawing some common lessons learned from the experiences of SSNs in APEC member economies. It's about focusing more on specific economies. We want to draw some common lessons from our experiences. Also lessons from some advanced economies, which weren't directly affected by the crisis, but had some experiences by collaborating with Asian economies in strengthening social safety nets in the wake of the Asian Economic Crisis, so their comments and experiences will be highlighted here. The last session is on individual economy experiences, common stocktaking and lessons. Here we want to shed some light into the future directions of strengthening SSNs in APEC economies. We will also discuss some broad issues of cooperation among APEC member economies, especially the more advanced economies and those more affected by the crisis. The areas to be collaborated and some programs for collaboration will be discussed. Inevitably CBN will be the center of future activities and we'll be discussing future programs and frameworks of CBN activities also.
In the first session I mentioned earlier that we will discuss each member economy's current SSN programs including status, problems and limitations. I think each economy will make presentations on its own programs. The first presentation will be made by the Australian delegation, Mr. Anthony Aspden.

**Mr. Anthony Aspden**  
*Australia*

The Australian income security system provides a range of non-contributory indexed pensions and other transfer payments financed from consolidated revenue. These payments provide a minimum income for people in the event of unemployment, sickness and disability, and to maintain a living standard in retirement.

Government policies focus on the creation of an economic environment that is conducive to generating employment, as self-provision through employment reduces or eliminates reliance on the social safety net.

We have a range of policies assists low-income families, youth, women, people from an Aboriginal, Torres Strait Islander or non-English speaking background and people with a disability, to obtain and retain employment. For example, education equity for indigenous Australians is a key national priority.

The Government aims to maximize the engagement of all Australians in society by encouraging increased participation, both economic and social, fostering a culture of self-reliance and of planning for the future, providing an effective safety net, and developing partnerships with key stakeholders such as business and community organizations to improve the efficiency and effectiveness of services and to identify emerging problems and their solutions.

The Federal government funds employment and community services to assist Australians looking for work. Introduced in 2000, the "Australians Working Together - Helping people to move forward" package provides incentives and extra help for parents, mature age people, Indigenous Australians and people with disabilities to take up full-time, part-time or irregular casual jobs by allowing them to keep more of their income support payments when they start work.
From July 2002, working-age people receiving income support payments are required to take up opportunities available to help them become job-ready and better able to take part in Australia's economic and community life, having regard to their individual circumstances.

Prevention of child poverty comprises another element in Australia's wide-ranging social safety net. The Child Support Scheme, introduced in 1988, ensures that children whose parents have separated do not suffer unnecessary financial hardship as a result of the relationship breakdown. Family Tax Benefit, introduced on 1 July 2000, assists Australian families meet the costs of having children.

Australia recognizes that easy and affordable access to health and hospital care is part of an effective social safety net. Medicare, a universal health care system introduced in the 1970s, permits all individuals access to cost-effective medical services, medicines and acute health care, regardless of income.

Long-standing government policies that facilitate relatively high home ownership levels and assist low-income earners, and people otherwise disadvantaged, to meet their housing needs, also serve to limit reliance on the social safety net. Most of this assistance is provided through the Commonwealth State Housing Agreement and the Rent Assistance program.

Federal Government training programs assist welfare recipients become job ready. Many working age income support recipients can receive supplements for education participation, 'Work for the Dole' and 'Literacy and Numeracy Training', building a more active participation-based social safety net. If you are interested in any of Australia's programs you can visit the centerlink website (www.centrelink.gov.au) which is responsible for delivering these programs.

Total Commonwealth appropriations for social security and welfare in 2001-02 are estimated to be around $A56.9 billion, representing 36.6 per cent of Australian Federal Budget expenditure in 2001-02.

The retirement income system in Australia consists of three pillars:

- the means tested, taxpayer funded old age pension;
- compulsory tax-supported superannuation for employees
through occupational superannuation – the Superannuation Guarantee (SG);
- voluntary tax-supported contributions, which is a top-up superannuation.

The age pension is the keystone of Australia’s retirement income system. The system is funded from Australian Government revenue on a pay-as-you-go basis. It is currently available on a means-tested basis to men from age 65 and to women from age 62 (rising to age 65 by July 2013).

The payment structure consists of a basic rate that varies with marital status. The single or un-partnered rate is 60 per cent of the combined-partnered rate. A range of subsidiary payments may be added, depending on the circumstances of the recipient.

Under the compulsory SG arrangements, a minimum level of employer contributions to superannuation is mandatory for all workers, except for the self-employed or very low paid. Specifically, the SG system requires all employers to provide minimum superannuation support for employees earning over $450 per month, or else face the penalty of paying a higher amount to the Australian Taxation Office (ATO). The minimum level of support is nine percent of salary (effective from 1 July 2002).

Issues for the Future

The major issue facing retirement incomes in Australia – as in other OECD countries – is the expected increase in the aged population relative to the workforce in the next few decades, as a result of the ‘baby boomer’ generation and advances in medicine. The challenge of an aging population is heightened by changing patterns of employment, including trends towards broken work patterns, part-time (casual) employment and early retirement. These factors could lead to a narrower tax base supporting a larger age pension population.

Australian Development Assistance

The aim of the Australian Government aid program is to assist developing countries to reduce poverty and achieve sustainable development. Australia’s development assistance has a strong emphasis on assisting the most vulnerable and helping the poor to
increase their productivity by providing assistance in the health, education, infrastructure and social governance sectors.

In 2002-2003 the Australian Government will provide $1.815 billion as official development assistance (ODA), with around A$700 million in direct bilateral assistance being provided to APEC member economies. Examples of the type of assistance provided through the Australian aid program to assist developing economies within APEC to strengthen their social safety nets and social protection policies include the following projects:

**Thailand-Australia Social Protection Facility (SPF)**- which was announced in September 1999 by Australia’s Prime Minister that we have established the SPF. Impetus for the initiative came from the 1998 APEC Leaders Meeting where leaders agreed to intensify efforts to address the social impacts of the financial crisis and to “formulate strategies of concrete actions aimed at strengthening social safety nets”. In response Australia commissioned a survey of the impact of the crisis on children and its implications for the design and implementation of social safety nets. The findings of this survey were presented at the 1999 APEC Leaders Meeting when the establishment of the SPF was announced.

The $5 million three-year Social Protection Facility (SPF) aims to strengthen social policy and social protection in Southeast Asia (Indonesia, Philippines, Thailand and Vietnam) through customized capacity-building initiatives designed to facilitate an exchange of experience and expertise across the region.

The SPF is managed by the Australian National University and has been developed in strong partnership with Thailand, with Mahidol University (Bangkok) taking a lead role in implementation. The SPF commenced operations in May 2001 and an initial round of training courses and workshops have been undertaken for senior social policy executives and staff from operational units and teams delivering social programs. Areas in which activities have been undertaken include the provision of social worker training, street and urban working children, health insurance and the provision rural medical services.

SPF programs combine academic style workshops and placements
with relevant departments, agencies, or organizations in either the participants' own country or elsewhere within the region. This approach is designed to enhance participants' knowledge of social policy and social protection; to allow participants time to reflect on their own experiences; and to foster the exchange of experience and expertise between social policy professionals in the region.

Our final project is of course the *ASEAN Social Safety Nets Project*, which was announced by the Australian Foreign Minister and our support was announced at the 1999 ASEAN Post Ministerial Conference. Australia is now delivering a $600,000 *ASEAN Social Safety Nets Project* to assist ASEAN member countries to develop greater capacity to assess the ongoing social impacts of the 1997 Asian crisis and design safety net programs. Between May 2001 and March 2002 the Australian National University conducted four separate workshops for senior policy makers, social protection program managers, and social program delivery personnel in Jakarta, Manila, Bangkok and Kuala Lumpur. The workshops covered rapid needs assessment and targeting for social programs; implementation of core social protection programs; partnerships in social policy; and the delivery of social services. As a final stage of the project, a synthesis document is now being developed to disseminate more broadly the key findings and papers delivered in the workshops.

**Co-Chair**

Thank you for the comprehensive presentation. I think Mr. Aspden gave us a snapshot picture of the Australian overall welfare programs covering working-aid, children, universal health programs, training programs and also retirement income programs. In addition I think he gave us some short ideas about the Australian development assistant programs, I think this feature is more interesting from the international perspective and we hope from the collaborator's point of view, especially like the Philippines, Thailand and Vietnam can also comment on these SPF programs later in the afternoon. Hopefully we can get some more explanations on these programs.
If there are no comments then we will proceed to the second paper, which will be presented by the Canadian delegation. The “Canadian Income Security System: Overview and Emerging Challenges”, is going to be presented by Ms Genevieve Jones who is the Economic Policy Officer of the Department of Foreign Affairs and International Trade. Ms. Jones.

Mr. Genevieve Jones
Canada

Thank you very much. Canada has other SSN programs such as our Medicare program, which has provided to all Canadians, but today my presentation concentrates on our Income Security System.

Approximately C$80 billion is spent on the Federal/Provinces/Territories income security system, when divided by the population it translates to about C$2.75 per person on income security. C$50 billion of this money comes from federal spending. The largest chunk of this money is spent on our senior population, Old Age Security, Guaranteed Income Supplements, Spouses Allowance and this constitutes the largest share at C$26.3 billion. We have C$7.9 billion spent on children. These expenditures account for approximately 26% of total government expenditures, which is federal, provincial and territorial and 28% of federal government expenditures. In the 1990’s, income security system underwent significant spending cuts as well as program restructuring that affected every aspect of the system, especially on spending for the non-elderly.

Instruments of the Canadian Social Security System:

I am going to breeze through the next two slides, you’ve got them in your papers, it’s a break down on the amount of money that’s spent on each instrument of the Canadian Income Security System.

Employment Insurance.

This is to provide temporary income support for interruptions in earnings due to sickness, layoffs and our parental and maternity benefits are also covered under our Employment Insurance (EI) system. One of the advantages of our EI system is that it encourages
workforce attachment.

**Social Assistance.**

Social assistance is our income of last resort. People who are applying for social assistance need to submit to a needs and means test. So that we are assured that people who are applying for social assistance are in need of social assistance.

**Province/Territory Child Benefits and Earnings Supplements.**

Provinces and territories look after child benefits and earnings supplements and this is designed to give low-income families with families income support and supplementation.

**Federal/Provincial/Territorial Taxes and Transfers.**

Federal, provincial and territorial taxes and transfers raise revenues for a variety of social and economic objectives.

**GST Credit.**

GST stands for Goods and Services Tax, it’s a 7% tax that’s applied to most goods and services in Canada. Low-income families receive relief from some of the GST that they have paid over the course of the taxation year.

As I mentioned the largest chunk of our spending on income support is on our senior population. There are many tiers to this which I will get into later. One of the instruments to support seniors is:

**OAS/GIS (Old Age Security / Guaranteed Income Supplement).**

This is the first tier of income support for seniors and guarantees all seniors a certain minimum level of income.

**CPP/QPP (Canada Pension Plan / Quebec Pension Plan).**

CPP and QPP are wage related pension plans for retirement with disability and survivors. All Canadians who work, or are self-employed must contribute to this plan and then can draw on it once they reach retirement age.

**Veteran’s Benefit.**

Veteran’s benefits are support that’s provided for Canadian in war
service followed by veterans or civilians.

**F/P/T Workers’ Compensation.**

We also have a workers compensation program in Canada offered at the federal, provincial and territorial levels. This provides income support for workers and their families who are injured or killed on the job.

**Employment Insurance**

Provides income benefits to people who are off work due to a layoff. They provide fishing benefits to fisheries, parental and maternity benefits are covered under EI, under the EI scheme people can get up to fifty weeks of maternity or paternity pay when they are taking this leave. There are also sickness benefits.

We have active measures for people who participate in the EI system to help the unemployed integrate into the labor market, this includes skills development, counseling information and wage subsidies.

**Social Assistance.**

Social assistance programs are our income support of last resort. These are for individuals, families and children. Social assistance is based on a means test. Since implementing this means test in 1995 the usage of social assistance had declined quite a bit in all provinces and territories. The social assistance system is administered separately by each province and territory, so there are wide variations in generosity and eligibility for people who live in different provinces and territories. One scheme that has come into place recently is our aboriginal populations are starting to administer their own social assistance programs. In 1990/2000 fiscal year 538 First Nations participated in this program where they administered social assistance at their band level.

Canada is increasingly using tax relief as a policy instrument. One of the key trends in social policy over the two decades is the delivery of tax benefits through refundable tax credits. These tax credits either reduce income tax or deliver direct cash benefits to the beneficiary.

We found the delivery of refundable tax credits a very efficient and
effective way to deliver income support. It enables us to target by income level, it minimizes the stigmatization of having to pick up an income support check or having it delivered to one’s house and we found it to be administratively efficient as well. One of the drawbacks of using the personal income tax system as a policy instrument is that it is not as responsive to sudden changes in circumstances. The first tax relief measure that was used in Canada was the Child Tax Credit, 1979. Over the last decade we introduced the GST credit, Child Tax Benefit and the Canada Child Tax Benefit (CCTB).

The CCTB is the most significant refundable tax credit, in most jurisdictions this is also harmonized with our social assistance program. Currently the CCTB reaches 80% of Canadian families, by 2004 it will reach 90%. That translates into 5.6 million children who will benefit from the CCTB. Increases to the National Child Benefit Supplement which amount to approximately to C$2.5 billion are components of the CCTB constitute the Government of Canada’s contribution to the national child benefit initiative.

Another way that the personal income tax system is been applied to income support in Canada is to provide income support for persons with disabilities. There are a number of tax measures in place for persons with disabilities, ranging from the disability tax credit, medical expense tax credit, to such things as education credits that’s available to disabled students attending university or college part time.

A Retirement Income System as I mentioned has three tiers to it. Old Age Security is the first tier. This is available to every Canadian it constitutes the largest income security expenditure and provides virtually all Canadians, sixty-five years and over with a financial benefit. For those Canadian seniors who have no additional financial support available to them they are also eligible to receive a guaranteed income supplement. All Canadians who have worked contribute to the Canadian Pension Plan or the Quebec Pension Plan, which forms our second tier of income security for seniors. It’s a compulsory contributory social insurance plan, covers both employed and self-employed individuals aged between 18-70.

The third tier in Canada is private savings and this is also supported by the personal income tax system. Canadians who contribute to
their registered retirement savings plan receives tax credits on their tax returns which provides them with incentives for more people to contribute to their private savings.

Canada's retirement income system has been a success story, because since 1980 we have had a significant reduction among low income seniors, in 1980 it was approximately 20%, currently we are at a level closer to 10%. The public pension system has played a significant role in reducing low income among Canadian seniors.

In summary Canada's income security system is a comprehensive system with some elements of integration across instruments and levels of Government. It was not built over night, it was built incrementally over the post-war period. Our system is shaped by several factors: social, economic, fiscal, demographic and federal-provincial. We have reported significant success with our senior population and made recent progress on families with children. There is a strong federal role in our income security system. The provinces comparative advantage is provision of in-kind benefits and services that are appropriate to their particular region.

Driven by global economic pressures that emphasized fiscal restraint, Canadian governments moved aggressively to cut costs during the 1990's and the consequence of that was that our income security system was fundamentally reshaped. As a result our expenditures of income security have declined over time. However because of our demographic which is that we have more Canadian seniors than ever before, spending on seniors is rising due to increase in population of seniors. But non-elderly expenditure is falling which is creating a balance in expenditures. The reason for non-elderly expenditures falling is due to strong economic performance, spending restraint and restructuring of the income security program.

We have learned many lessons in our income support system:
1. The social support system must adjust to reflect societal changes.
2. Creating passive income support is not as sufficient as the need for active measures that involve assistance.
3. There is a need to manage the tensions between adequacy, coverage and incentives.
4. Income support programs on their own are not enough. Government programs must be linked to sound fiscal management and must be economically sustainable.

5. Restraint of transfers has had ongoing consequences.

Emerging Challenges for the Income Security System.

We have experienced a current period of strong economic growth and this has brought a significant decline in the number of Canadians who depend on income support. But there are important social challenges, the new face of poverty, we still have significant income inequality in Canada and we are challenged by adapting to economic and social challenges.

In Canada's opinion new directions in social policy should have a strong human capital component, encourage labor force participation, promote coherence between major elements of the income security system and promote self-sufficiency and lifelong learning.

In conclusion Canada's income security system remains central to Canadians' quality of life. It's a means of achieving social cohesion and economic growth. An income support system is a shared Canadian value and is something we are quite proud of. Promotes adaptability and mobility focusing on individual security and the development of human capital. And finally shares the risks and benefits of prosperity by reducing inequalities of income and opportunity.

That's the end of the presentation, if you have any questions I will do my best to answer them. I am not an expert on social security but I can usually find the answers. Thank you.

Mr. Peter Moock
The World Bank

Genevieve Thank you. A couple of questions, one is that you mentioned it was only in 1995 that the needs test was introduced for the social assistance program. My question is how were beneficiaries determined prior to 1995?

Also in listing challenges you didn't specifically mention the aging
population which I suspect is a major challenge. I am wondering the extent of old age security in Canada, whether the programs are in fact self-financing or whether you suspect there is going to be a growing problem in financing these schemes.

Ms. Genevieve Jones
Canada

Thank you for those questions and as I said earlier I am certainly no expert, but before 1995 social assistance was still a last resort and in most cases people who applied for it had exhausted other measures, they had exhausted their allowance on employment insurance. But there was not a needs test and there were some cases where Canadians had other assets stashed away.

You are absolutely right about the challenge of an aging population. Our second tier income support is the Canada Pension Plan which is funded by those who are contributing. I would like to defer you last question about how stable our pension plan is until I speak to my colleagues at Human Resources Development in Canada, but perhaps I can get back to you tomorrow.

Mr. Pradap Pibulsonggram
Thailand

To follow up on the question of the World Bank, you used the word beneficiaries in plural and you talk about income security, this means there must be a few groups. Does each group have a stand out level of income to ensure that security?

Ms. Genevieve Jones
Canada

There is not a standard level that is used-they are universal benefits. But for particular benefits i.e. the Child Tax Benefit is provided on an income level, however there is not one specific income level that applies to all benefits. Our benefits are accessible to all Canadians and there are additional benefits to those with low income, but it is
not defined as a magic number across the board.

**Mr. Pedro Reyes**  
*Mexico*

May I ask Canada how is the income distribution? If you have any fears related to the Gini coefficient, because I am very much surprised that 95% of families will be allowed to this Canadian Child Tax Benefit. Supposedly this kind of support is basically for poor groups.

**Ms. Genevieve Jones**  
*Canada*

That’s right Dr. Reyes, regarding the Child Tax Benefit, the family who receives the lowest income would receive the most benefit from this instrument. It is a proportionately reduced amount of tax credit as income increases. Regarding your question on income distribution I can look for some figures and provide them for you.

**Dr. Soon-il Bark**  
*Korea*

We have already spent much time so I made a quick question. You said that the Canadian Government has been successful in reducing old age poverty. May I know the replacement rate of the old age pension system in Canada? Compared to predetermined income. I am asking you what is the replacement ratio of pensioner’s income.

**Ms. Genevieve Jones**  
*Canada*

That is something that varies on individual circumstances. As I mentioned every senior in Canada is entitled to a minimum. The Canada pension plan amounts are distributed upon two factors. The length of time a person has worked in Canada, and the amount earned while working. That means if you worked longer and earned
more then you as a pensioner are entitled to more. There are set maximums though.

Dr. Terry McGee  
Canada

In the Canadian system the Canada Pension Plan and the Old Age Security Plan income is regarded as income that is eligible for taxation. So if indeed you are earning income from other sources that pension is added to the sources and thus if you were earning a higher income you can reach a situation where virtually no Old Age pension or counter pension contributes to your income.

Co-Chair

We will be moving to Japan. The Japan delegation will present a paper on “Household Structure and Health Care Needs of the Elderly”, I think which responds to many countries concerns to aging populations. The presenter will be Mr. Yoshihiro Kaneko.

Due to logistical problems in presenting the papers Mr. Kaneko has asked to change the sequence, so we will postpone Japan and I hope the representative from New Zealand can present a paper. The paper will be “A Simplified Description of the Current Social Assistance System in New Zealand.” Mr. Pearson.

Mark Pearson  
New Zealand

Thank you very much Mr. Chairman. My presentation will briefly summarize the paper that has been distributed to you all and it will also make some additional comments on other parts of the New Zealand Social Welfare System and also sum international aspects of our work in that area. I would be very happy to field any questions after the presentation, but on points of detail I may need to refer the question for an answer in a longer time frame to the Ministry of Social Development. Which was last week designated the New Zealand Lead Institution on APEC SSNs and which I
By way of background New Zealand is well known for its pioneering role in the development of social welfare systems. The New Zealand social welfare system began to emerge in the 1890’s with the first pension scheme. It developed into a comprehensive social safety net including a universal health care scheme in the 1930’s-40’s following the great depression. There was some refinement of the system in the market lead economic reforms of the 1980’s with the aim of better targeting of social assistance, improving administrative efficiency of the system and providing better incentives for those on benefits to return to the workforce where this would be feasible. But the comprehensiveness of the New Zealand system is probably still its leading feature.

The New Zealand social assistance system is currently based around five types of assistance:

1) Firstly we have tax transfers which offer support to low and middle income families with children, the largest of these tax transfers is the Family Support program, which provides tax benefits for low income families with children irrespective of whether the parents are working or receiving other benefits. Then we have three types of social security benefits.

2) The first type of benefit, what we call core benefits granted on the basis of need. These include provisions for the unemployed, single parents, for those suffering sickness or infirmity or those caring for the sick or informed, there are provisions for parents of newborn infants, for children and youths without parental support and there are various forms of emergency assistance. It is important to note that many of these benefits are subject to various forms of qualification such as an income test, a stand down test or a work test. In the case of the unemployment benefit the recipient is required to have an agreement with the government agency concerned setting out steps to improve that persons job prospects and this may require participation by that person in government sponsored training programs.

3) The second type of benefit is the supplementary benefits, granted in cases of need due to a particular circumstance. These
include an accommodation benefit for low income earners with high housing costs, benefits for the disabled to meet additional costs associated with their disability, various forms of assistance for child care and also for the elderly requiring long term care.

4) A discretionary benefit, which is given in cases of extreme personal need, these benefits may be refundable or non-refundable. Examples include hardship assistance such as a special benefit for people who cannot meet essential living costs, they can receive that benefit while they make attempts to reduce those living costs.

5) Last among the five types of assistance provided in New Zealand is New Zealand superannuation. This is available to all people over sixty-five years of age who meet certain residence requirements. The scheme has been unfunded in the sense the disbursements are made from taxation receipts, however the Government is setting aside funds to meet the increased payments that will be necessary as New Zealand society continues to age. The age for eligibility has already been raised from sixty years to sixty-five years in order to cope with this change.

In terms of expenditure 36% of Government spending is for pensions and various forms of social assistance, of this total 41% of benefits are for pensions, 10% for unemployment payments, 10% for various forms of domestic assistance, 9% for sickness and invalids benefits and 9% for family tax credits. The total expenditure on benefits in the most recent fiscal year is estimated at about NZ$ 13 billion, which is about US$6 billion. The figures in the handout are slightly lower than that because they do not include pensions. A further NZ$ 2.5 billion was spent on administration of the benefit system. Benefit payments are handled through the Ministry of Social Development while tax credits are delivered through the department responsible for taxation.

In addition to these programs there are two other aspects to New Zealand’s social safety net system that I should mention. While they are not strictly part of the social safety net, they are never the less an important part of the overall New Zealand welfare system. The first is the New Zealand health system. The Government provides health care to all New Zealanders from the national budget and over 75% of health care in New Zealand is publicly funded. So
Government funding covers most of the cost for visits to the doctor, pharmaceutical products, the Government owns many of the country’s larger hospitals and provides free hospital care. Although there is a growing private sector for those who wish to use it.

Secondly in 1974 New Zealand became the first country in the world to introduce a comprehensive accident compensation corporation. It is funded through levies from earners and businesses. The corporation pays for medical treatment, loss of earnings and rehabilitation, which any person may require due to an accident, which could have occurred at work, during sport, at home or wherever. Lastly I should mention that primary and secondary education is free. At the tertiary level the Government covers approximately 75% of the cost of the university system, which is publicly owned and it also makes available loans to students to cover tuition and living expenses and further grants are also available for living costs. Data on the New Zealand Student Loan scheme is made available in the New Zealand Country Paper, because the management of that scheme is carried out through the social security system.

Let me briefly touch on some of the key issues facing the New Zealand social security sector today. Like many countries New Zealand faces a duel challenge, we must try to resolve social problems that create the need for a safety net while at the same time ensuring the net itself is strong enough to meet the expectations of the population. Over the past fifteen years New Zealand has undergone profound change as a result of economic forces and wider demographic factors e.g. the ethnic diversity of the New Zealand population is increasing because of the growth of non-European groups such as the Maori, Polynesian and Asian populations. Secondly the age structure of the population is changing with a large and sustained rise in the proportion of older people and also a rapid growth in numbers of young people aged ten to fifteen.

Thirdly income inequality has increased partly because the labor market increasingly rewards skilled workers better, while unskilled workers become relatively disadvantaged. So among the problems with the social security system identified by the New Zealand Government I would just like to refer to the following five:
• First we see a risk some sectors of the population, particularly Māori and Polynesian groups, will suffer entrenched multiple disadvantages that could threaten social cohesion.

• Secondly we are aware that families are under greater social and economic pressure due to falling real family incomes and other social changes.

• Thirdly we are concerned about long-term dependency on benefits in some social growths, despite an overall fall in the growth of benefit numbers. Getting beneficiaries back to work through a mixture of incentives and support programs remains vital.

• Fourthly Māori and Polynesian people are over represented among beneficiaries and devising counter measures demands an innovative approach across a wide variety of fields.

• Lastly the problem of the aging society threatens the viability of the pension schemes and of the country’s fiscal position as a whole. Long term measures are required to address these issues. Aging also raises numerous issues in respect to the place of the elderly people in the work force and society as a whole.

We recognize these kinds of problems cannot be solved quickly and that active measures such as training are important along side the provision of benefits. The challenge is to find the right mix of policies based on sound research, effective administration structures and sound economic management to provide the resources necessary to fund programs.

*International Issues:*

In regards to New Zealand’s co-operation with other APEC economies in the field of social security, I would like to mention the various bilateral social security agreements New Zealand has in place. These have traditionally focused on countries where there has been a flow of people to New Zealand or in some cases from New Zealand. Among APEC economies New Zealand has comprehensive social security agreements with Australia and Canada which cover a range of benefits. We also have bilateral arrangements with a number of European and Pacific countries. There is work to do to strengthen the interface between pension
programs in New Zealand and other APEC economies, which are increasingly the source of migrants to New Zealand. In respect to development assistance cooperation, New Zealand has for many years contributed through its ODA program to assistance programs in APEC developing economies. One example, which focused on Social Safety Nets, was our support for the UNDP, which operated a community recovery program in Indonesia from 1998. The community recovery program is a civil society organization established by a consortium of twenty-seven national NGOs. It began in 1998 in response to the Asian crisis to bridge the gaps in Indonesia’s social safety net program. The fund is utilized to assist those on the lowest incomes through the mechanism of partner NGOs and community organizations within local civil society. It is coordinated by the UNDP. The community recovery program is an innovative and effective aid delivery mechanism which ensures international aid efforts reach the poorest and most vulnerable sections of communities and also gives donor and local agencies a chance to work together and build up experience and capacity in core functions. To date a total of US$ 27 million has been pledged by the UNDP, UK, Netherlands, Sweden and New Zealand and the community recovery program has delivered 1,746 grants in support of projects in the field of food security, basic social services, job creation and income generation. The program is now in transition from crisis recovery to enabling the poor to work together to achieve sustainable development.

That concludes my presentation. Thank you.

Dr. Chanyong Park
Head Institution of APEC SSN CBN

Thank you Chairman. Thank you to Australia, Canada and New Zealand. I think we all know that you three have very developed social safety net systems. We are here today to discuss how to strengthen social safety nets in the APEC region. As you are aware APEC is an economic corporation institution to globalize the world market, especially the Asia Pacific region. So I am very interested in the linkage between social safety nets and globalization. Advanced economies in APEC should liberalize investment and
trade until 2010, according to the Bogor declaration. So my question is, do you have any plans or preparation against the liberalization of trade and investment in 2010 because liberalization may cause some aggravation of inequality or some class of income will get some negative effect of this kind of globalization. So I would like to know your countries' preparation in terms of social safety net to cope with trade and investment liberalization.

Mr. Mark Pearson
New Zealand

I think the point you have made is a very good one. There is a clear link in countries such as New Zealand between the ability/capability of the social safety net system and our ability to make adjustments to our economy to cope with trade liberalization in particular. In the case of New Zealand we moved from a situation in the mid 1980's where we had a highly protected economy to a situation today where most of that protection has disappeared. E.g. where New Zealand had high tariff rates in the 1980’s we now have virtually no tariffs at all and so we are very well placed to meet to APEC trade liberalization targets.

The existence of the social safety net in New Zealand was I think critical to be able to make some of those changes because as the Government removed protection for local industry and regulated the economy it caused enormous disruption in certain industries. In New Zealand the process happened very quickly and rather than giving industries a long time frame to plan for these changes, the Government took the view that it was better to make the changes in the matter of a few years. So if you look at the statistics for unemployment benefit in the late 1980’s and early 1990’s as these changes went through there was a rapid rise in the level of unemployment. At the same time the fact that the unemployed did have a basic means of support meant that the social impact of the changes in trade policy could at least be managed. There also were training programs in place to help workers adjust or acquire the skills required by the industries that came to fill the gap in the economy.
There are still problems in these areas, especially in the sense that it tends to be unskilled workers who tend to have a large proportion of Maori and Polynesian people in them, who suffer the negative effects of liberalization. But at the same time we have mechanisms in place and over the past decade we have tried to improve the delivery mechanisms for social assistance in order to focus on the most vulnerable groups. So in many areas such as child support, this is no longer a universal entitlement. If you are an upper middle class family with a good income you will not receive child support from the Government, those funds have been shifted into other areas where there is a greater need.

Co-Chair

I understand what Mr. Mark Pearson says, is that in New Zealand, rather than responding in an emergency basis on the basis of globalization or opening, the system as a whole overtime has made reforms to cope with this kind of more opening and liberalization effect. I think this is a very good lesson for the rest of the economies—especially those economies affected by the Asian crisis because their social security system has not been comprehensively arranged before hand and so when they encountered the Asian economic crisis they had to hurry to make emergency programs. Probably the approach has been somewhat different between New Zealand and some Asian countries in the face of globalization.

Mr. Anthony Aspden
Australia

Thank you Mr. Chairman, I have to some extent echo Mr. Pearson’s comments. Australia since 1983 has aggressively reduced tariffs, apart from textiles and passenger motor vehicles, and like in New Zealand the established social safety nets played an important role in helping in the adjustment process. Recently we have also begun improving the delivery mechanisms, as in New Zealand, especially focusing on education and helping people to get back into the workforce.
Ms. Genevieve Jones  
Canada

The only comment we have is to reflect what New Zealand and Australia have said. Our social safety net program allows us to manage some of the challenges placed by trade liberalization and facilitation and again with a focus on active measures such as education and re-training we are able to encourage more workforce participation sooner than if these measures were not in place.

Mr. Pradap Pibulsonggram  
Thailand

To be specific you have seven and a half years to open up. Do you feel that what you have in place now is good enough, sufficient or is it adequate to cope with the free trade investment area you have to establish according to the Bogor declaration? Is what you have now good enough, you don’t need to make any more drastic adjustments at all?

Mr. Mark Pearson  
New Zealand

In the case of New Zealand we believe that the hard work has already been done. The New Zealand Government has believed for some time that there are benefits to small economies like New Zealand through unilateral liberalization. The New Zealand economy is probably one of the most open in the world and certainly in terms of remaining work required in the area of tariff liberalization there is very little left to do. The only work left to do on tariffs is on textiles, footwear and clothing and they are relatively manageable and the framework for investment is at an international level so we are confident that we can meet any further challenges in the area of liberalization.

Ms. Genevieve Jones  
Canada

I think, as in the case of New Zealand, Canada has a very good base
in our income support and social safety net systems. To say that we have no work to do would be wrong, but I believe Canada is in a position to make adjustments as necessary and our current system allows us to manage any challenges until such time as we can respond to those.

Mr. Anthony Aspden  
Australia

I can only concur with the comments from New Zealand and Canada, Australia is already a very open economy and our tariffs are minimal already.

Mr. Pedro Reyes  
Mexico

Thank you Mr. Chairman. Two things I would like to hear from these three economies. One is we haven’t taken into account the world rate of the economies, because as far as the economy grows reaching higher rates of growth, then you possibly need less social safety net programs. For instance Australia put a lot of emphasis on the new economy policies and so more or less half of its economic growth rate is explained by these new economic policies. This is part of the reaction to the new economy. Regardless of globalization or the new economy, as neither of these provides an explanation of the reduction of poverty due to economic growth is important and I would like to hear about this.

Co-Chair

You mean how as a result of the new economy, how the economy growth-rate has changed, and as a result of that economic growth performance how the poverty level has been affected in connection with the social safety net program.

Mr. Mark Pearson  
New Zealand

I will try to give a short response but I don’t think it will be as
comprehensive as it could be. There is one question that we will discuss as to how economies can use social safety nets to cope with the process of economic change. It seems to me you are asking a slightly different question which is, what other active economic policy measures can country's use to ensure they maximize their growth in the framework of a more liberal global environment? Obviously one might expect that if growth rates were higher and societies became richer much more quickly that they would have less need for a social safety net. I am not sure in New Zealand whether that proposition would hold true. We have certainly found that we still have a lot to learn on how to achieve high growth policies in the new economy, whether that is a liberalized global economy or simply a high-tech economy where knowledge becomes a much more important tool than it has in the past. If we can manage those kind of changes within the economy, then hopefully that will reduce the need for social assistance in some areas. But we are still going to be left with problems such as social marginalization, the treatment of marginalized groups, provision of income support to the elderly population, etc. Which are going to require a high level of social expenditure. I think one of the great challenges for countries such as New Zealand in the new economy is simply the very fast pace of change and the need to provide the workforce with a new set of skills at increasingly shorter intervals. At a certain level, particularly for low income groups this is going to be a challenge that the Government will have to step in to meet, because it will not be able to rely on individuals themselves to go through the training that is required.

Co-Chair

I think this question is very fundamental and also requires interventions from other economies as well, both more advanced and those more directly affected by the Asian crisis. I think we need to involve more economy's response to this question, as this is one of the more fundamental objectives of our discussion. So I suggest Mr. Reyes that you raise this one again in the third session when we are “Stocktaking and Lessons Learnt from the Practices of SSNs” to assess the impact of economic changes and also impacts of the
Mr. Kaneko will make a presentation on the “Household Structure and Healthcare Needs of the Elderly”.

Dr. Yoshihiro Kaneko  
Japan

Thank you very much Mr. Chairman. I am very pleased to be here. The title of the paper is “Household Structure and the Demand for Health Care of the Elderly in Japan”.

Of course in Japan we have a lot of tools and research tools to guarantee the income security for the elderly persons. So Japan has public pension systems and corporate pension plans and health care systems that includes health insurance systems and public health systems for the elderly persons under the poverty line. In addition we introduced long-term care systems two years ago. But I put emphasis on the reform of health care systems in the Japan. I would like to explain why I am interested in the health care system in Japan is because one of the important problems in the health insurance reform is how to keep the medical expenses of the elderly at a more appropriate level. Japan had an economic crisis not just in 1997 but more importantly in 1991. This is a big problem and after that Japan did not get any golden Asian economic growth, so we are interested in the pension and health insurance reforms, because the Japanese Government did not take appropriate methods to keep the good financial status of the health insurance, especially after 1991.

After the collapse of Japan’s economic bubble in 1991, its economic growth rate showed structural decrease, but the budgetary transfer from the Employees’ Health Insurance (EHI) to the National Health Insurance (NHI), through the medical expense contribution system of the health service system for the elderly, increased due to increases in medical expenses of the elderly, accelerated by the growth of the elderly people. Recently, not merely NHI but also the government-managed and association-managed EHI have suffered deterioration’s in their financial conditions (Figure 1; Japan Country Paper). To receive the benefits of the Health Service System for the elderly, people have to
participate in any of the EHI or NHI plans, so retired elderly people become the members of the NHI; naturally, the ratio of elderly participants on NHI is higher than that of those in EHI. As a result, the percentage of medical expenses for the elderly to total NHI medical expenses continued increasing after it exceeded 20% in October 1973, when free medical service system for elderly people was introduced, until 1991, when the law on Health Services for the Elderly was amended and the insured’s co-payment rate was raised. In 1991 and after, the co-payment of medical expenses of the elderly was increased gradually (the amount of outpatients’ co-payment was raised from Y800/month in 1991 to Y900/month in 1992 and then to Y1,000/month in 1993 and 1994), and the growth rate of medical expenses per beneficiary of medical care for the elderly temporarily declined in 1992, and has been on the decrease since 1995. However, because those eligible for medical care for the elderly have consistently been increasing with rising rates of population aging, the ratio of medical expenses of the elderly to the total NHI medical expenses has continued rising, reaching as high as 50.6% in 1996.

As if in parallel with the rising tendency of medical expenses of the elderly, households of elderly people increased at a quicker pace than the growth of the total number of households in 1975 and after. Consequently, the ratio of elderly households (households composed only of those aged 65 or over, or households of those aged 65 or over and unmarried members under 18 years) to total households also increased. While this growth trend is observed in the number of households with members aged 65 or over, the structure of these households has also changed greatly. Three-generation households had grown in 1975-91, but thereafter decreased, resulting in a sharp decline in the percentage of these households to families having aged 65 or over. By contrast, there has been a remarkable growth of households with a couple only and single member households in the period from 1975 to the present. As a result, the ratio of these two types of family to those with members’ aged 65 or over increased. Households of a couple and unmarried child or children also grew in the same period, but because their increase rate was lower than that of families of a couple and of single-member families, the growth in the percentage
Changes in the structures of households with elderly members affect the situation of nursing and nursing care ("kaigo") for elderly members when they fall ill or become bedridden, and so may influence the elderly person's demand behavior for medical service. In the case of single-member households of elderly people, if they get seriously or chronically ill and if they cannot live with their children or relatives (or if they do not choose to do so), it means they are unable to lead a normal family life. Because of this, the members of single-member households of the elderly have greater needs for constantly receiving medical care to prevent illness from growing more serious, and thus their demand for medical services is likely to become greater than that of other types of family. In households of an aged couple, too, if they do not choose to live with their children or relatives, they will find difficulty leading a normal life when one of the couples falls ill. Therefore, their needs for medical care may be greater than in the case where they can live with other members.

Therefore, this paper conducts empirical analysis of the impacts of household structure on elderly people's demand for medical services, considering the effects of physician-induced demand and income level. More specifically, by estimating the linear probability model where the probability of old people visiting a medical institution is a dependant variable, using the data of the "Comprehensive Survey of the Living Conditions of People on Health and Welfare," it attempts empirical analysis of the influences of household structure and patients' co-payment on demand for medical care, after controlling individual attributes and physician-induced demand. I mentioned "Comprehensive Survey of the Living Conditions of People on Health and Welfare," this is a public statistic managed by the Statistical Bureau of the Ministry of Health, Labor and Welfare. We made surveys every year but every three years we make a big survey, this survey has household data and income data in addition we can get health status data. So every three years we can get these three kinds of data.
The situation of the elderly's participation in health insurance changes with changes in their employment situation with the advancement of age. In the class of those aged 55 or over but under 65, the percentage of NHI participants in 1995 was lower than that of 1992, reflecting the change in employment structure, i.e., decreasing self-employed people and increasing employees. The ratio of participants in EHI, composed of government and association managed health insurance, both of which cover employees, is over 50% for the males of the 55-year group but is 40% for those of the 60-year group. The percentage of NHI participants goes up with age, and in 1995 it reached 71.5% and 76% respectively, for the males and females of the 65-year class and 88% for both men and women of the 70-year class to whom the Health Service System for the Elderly begins to be applied (Comprehensive Survey of the Living Conditions of People on Health and Welfare).

The elderly people covered by the health service system for the elderly are exempted from health insurance premiums and can receive medical care benefits just by paying their co-payment portion. Influenced by the fact that the burden of medical service costs is relieved, medical care demand for those aged 70 or over is greater than that of younger people. According to Figure 3 (Country Paper), that shows the rate of those visiting medical institutions ("physician visit rate") by age class, the figures increase with age for men and women aged 55 years or over but under 85.

I would like to explain Elderly People's Income Levels and Income Composition because of course if we examine health care demand of the elderly class, so economic variables influenced the demand for health care assistance for the elderly. So I would like to explain income levels and income composition of the elderly class.

As Table 4 (Country Paper) shows, total average income of the elderly tends to decline with the advance of age. To examine the reason for this, we look at the average income by age class and income source. Because the percentage of those retiring, is high among those aged 55 or over but under 65, average employee income greatly decreases in this age class and then tends to continue decreasing with age. Average business income also tends
to decrease with age, reflecting retirement because of old age. On the other hand, the average amount of pensions is small for the 55-age class, but is greater for those in their sixties and seventies, and then decreases for those aged 80 or over who receive welfare pension, etc. As if to supplement smaller amounts of pensions, remittance and other types of increase among those in their eighties.

The next section I provided is the “Preconditions of the Microeconomic Model”, because of course if you want to get some information to change health care policies or other social policies you have to have good information about the objectives, tools and the impacts of the policy changes. In addition, in order to get information about the impacts of the policy changes, maybe we have to put the hypothesis and next we have to have a family model, economic model or something like that, because based on those models we can make up a hypothesis about those policy changes. If you are interested the economics model you can check this section. Please turn to page 18.

In this section, we measure the impacts of household structure on medical care demand, using the probability of visiting medical institutions as an indicator of the elderly’s demand for medical services, after controlling such individual attributes as age, employment status and health. The data used for the estimation are questionable data of elderly people (55 or over but under 100), which combines household, health, and income cards of the “Comprehensive Survey of the Living Conditions of People on Health and Welfare” for 1995 and 1992. The effective samples of the elderly for which household, health and income cards could be matched to each other totaled 35,670 males and 44,888 females for 1995 and 82,816 males and 84,569 females for 1992. A linear probability model was used for the estimation, and the dependant variable is the index, which is 1 (the case where the elderly visit medical institutions) or 0 (the case when they do not). “The case in which the elderly visit medical institutions” here means the case in which they visit clinics, hospitals or health facilities for the elderly.

In 1997, these outpatient medical expenses made up 53.5% of general medical expenses (the ratio to the national medical expenses: 42.6%). This ratio is increasing yearly: it was 49.5% in
1985 and rose to 51.8% in 1989 and then to 52.8% in 1993. Moreover, the ratio of outpatient medical expenses of those aged 70 or over to total outpatient medical expenses was 23.4% in 1989 and 27.7% in 1993, but reached as high as 31.7% in 1997. The supply system of medical services has recently been re-examined and restrictions have been imposed on the number of beds and others in an attempt to control medical expenses, which has helped check the increase in the percentage of inpatient medical expenses. By contrast, outpatient medical expenses have increased especially those for the elderly. Therefore, it will be necessary considering how to control growing expenses to shed light on the relations between household structure and medical care demand, using the probability of visiting medical institutions as an indicator of such demand. Based on this idea, the empirical analysis below used people of the ages covered by the Health Service System for the Elderly as samples.

Maybe you can look at the sub-national economic variables that I used in this study. But maybe it is better for us to look at the estimation results on page 36 (Country Paper), Table 5. "Probability Function of Medical Care Demand of People of Ages Covered by the Health Service System for the Elderly." There are age and family dynamics, public pension down to Kenko, which indicates health status. I would like to explain the estimation results on page 21.

The points commonly observed in the estimation result of the function are that the samples are employed and they consider they are in good health have the effect of decreasing the probability of medical care demand. On the other hand, probability tends to increase with the advance of age. In the case that the dummy variable showing that the sample is injured or sick has a positive coefficient, it suggests that the probability of visiting medical institutions is significantly higher than in other cases. The impact of income levels on medical care demand differed between men and women: while men's probability of medical care demand is higher among those with higher income levels, no such tendency was observed among women.

The single-member households are used as standard dummy variables of household structures: FAMILY2=1 for households of a
couple only; FAMILY3=1 for those of a couple and their unmarried child or children; FAMILY4=1 for those of a parent and his or her unmarried child or children; FAMILY5=1 for three-generation households; and FAMILY6=1 for households composed of a couple, their child or children or relative or relatives, or other persons (Table 5). Therefore, if the dummy variable has a negative sign, it indicates that a household with more than one member has a lower probability of medical care demand than a single-member family. The dummy variables (family structure) had mostly negative signs, but were not always significant. But, in the estimation using all female samples, all of the dummy variables had negative signs, and the coefficients of households of a couple only and of those of a parent and his or her unmarried child or children were significant. In the case of female pensioners, households of a mother and her unmarried child or children also have significantly negative coefficients. In these households, because the mothers are aged 70 or over, their unmarried child or children are considered to be unmarried people of middle ages, who live with their mothers, giving them financial and other assistance. Thus, as the model analysis shows, it can be assumed that in the households of a parent and his or her unmarried child or children, elderly members have a smaller rate of risk aversion than those of single-member households and that as a result, the probability of medical care demand of these households is lower than that of single-member families.

I would like to make a conclusion. As a result it was found out that every members of households with two or more members have a lower probability of medical care demand, than those of single member households. This was consistent with the results of the model analysis.

Recently, ways to make health insurance finance more sound have been sought as important problem of health insurance reform, and the policy of increasing the patient’s co-payment of the Health Service System for the Elderly was introduced as one solution. However, whether or not an increase in the co-payment checks medical care demand depends on the increased co-payment’s elasticity of medical care demand. Thew elasticity of demand was deduced from the elderly’s function of medical care demand, which
relies on their budget constraints and personal attributes as well. Therefore, it appears too simplistic to consider that an increase in co-payment would depress medical care demand and reduce medical expenses in the Health Service System for the Elderly, thus improving health insurance finances. The author has already pointed out that the co-payments elasticity of medical care demand is affected by the incomes of individual elderly people and that when elasticity is small, if the elderly’s income increases with time, the temporary controlling effect of increased co-payment on medical expenses might be lost and medical care demand might begin to grow again. This paper supplements and reinforces this argument. To reform the finance of the Health Service System for the Elderly and also that of all health insurance systems, there is a need to accurately understand the impact of a policy change on medical expenses. To achieve this it is necessary to conduct careful empirical analysis of medical care demand, taking into account both income levels, household structures and other economic variables and individual attributes.

This is my conclusion. Maybe all of the participants or all of the common ministers will make social policy changes. But at the time maybe all of us need some tea or coffee and after that evidence based management or evidence based social policy changes are the main theme of our SSN CBN.

Co-Chair

Thank you very much Mr. Kaneko. I think all economies in APEC will face the same aging problems and its impact of aging and also on the need for health services of those aging family structures was analyzed. I think it was a very analytical paper and maybe difficult to digest in this context but these policy implications will be useful to all other APEC members.

Mr. Pradap Pibulsonggram
Thailand

The Japanese paper is very analytical and detailed. I just wonder in general if the general features of your SSN scheme, is it closer to
New Zealand, Australia or Canada?

**Dr. Yoshihiro Kaneko**  
*Japan*

In Japan we have a public pension, health insurance system and especially the health insurance system it is similar to Canada. Because we have a universal health disability and that is financed through the contribution and the public Japanese health insurance is financed through tax revenue. So in this instance it is similar to Canada. On the other hand the public pension is financed almost wholly through contribution rates on the other hand the Canadian pension is financed through tax revenue and so there are some differences. If you would like more information on Japanese social security then I can give you copies of this paper “Social Security in Japan”.

**Co-Chair**

The next presentations will be Korea, Malaysia, Chinese Taipei and Thailand. I would like you to try to cope with only twenty minutes for the four presentations. Try your best please. We will start with Korea.

**Dr. Kyungbae Chung**  
*Korea*

Thank you Mr. Chairman. I would like to read you through, followed by the paper already distributed. The title is “Social Safety Nets and International Cooperation in Korea”.

Koreans have experienced various and rapid socio-economic changes during the past three decades. Since the beginning of the first Five-year Economic Development Plan in 1962, the Korean economy has been rapidly improved and the quality of life has also been gradually upgraded. As Korea achieved considerable success such as improvement of income levels through continuing
economic growth, demand for welfare services has greatly increased because of the socio-economic problems such as mass-unemployment, family disintegration and disparities in income levels among the social classes. In addition, the local autonomous government structure, launched in 1991, drew inhabitants' attention to social welfare benefits in their region. In order to meet peoples’ expectations and desires and to promote social welfare policies harmonized with income and economic levels, the Ministry of Health and Welfare (MOHW) has made continuous efforts in the fields of social welfare. However, the economic crisis in 1997 exposed the inability of Korea to deal with external shock as well as the weak domestic social infrastructure's inability to cushion against the impact of the shock. In this situation, Korean government has reformed and strengthened the social safety net in order to protect people against the crisis. The social safety net in Korea mainly consists of two components: (I) the first safety net social insurance includes the National Health Insurance Scheme (NHIS), National Pensions Scheme (NPS), Employment Insurance, Industrial Accident Compensation Insurance; (ii) the second safety net, social assistance includes the National Basic Livelihood Security, medical aid, veterans relief, disaster relief and social welfare services for the disabled, the elderly, children, women and the mentally handicapped.

Social Assistance:

The economic crisis at the end of 1997 has brought a massive unemployment and caused a great increase in the poor and number of Livelihood Protection recipients. Poverty caused by this crisis is a huge social problem. Therefore, strengthening of the social safety net was necessary for coping with this problem. In order to secure the minimum standard of living, the Government has made a new social assistance policy and enacted the “National Basic Livelihood Security Act (NBLSA)” in September 1999. It has been enforced by replacing the Livelihood Protection Act as of October 2000. The Livelihood Protection Act that has been enforced during the past 40 years simply served as a beneficial protection measure. However, a major paradigm shift has been undertaken to strengthen the Government’s responsibility. Some of the changes include full coverage of the social safety net to secure the basic livelihood
protection for the low-income class, a comprehensive poverty countermeasure to enhance recipients' ability to self-support, and strengthening of the rights of the recipients and social responsibility regarding poverty. The NBLSA guarantees minimum living standards to all of the low-income family whose income are below the official minimum cost of living, without considering their ability to work. So all low-income earners with the ability to work, also become eligible for benefits, unlike the previous system. Its introduction has tripled the number of livelihood payment beneficiaries from 540,000 in 1999 to 1.51 million in 2001. The measurement of the minimum cost of living is readjusted and rationalized based on the size, special features and place of residence of each house. The result of the research study for calculating the minimum cost of living that was completed by the Korea Institute of Health and Social Affairs (KIHASA). As measures to provide self-support aid to those having the ability to work, a self-support aid plan for each household depending upon the recipient’s ability to work, desire for self-support and living condition is provided. The direction and the kind of services necessary for self-support are firstly determined, and services seen as providing job search information and vocational training, participating in joint projects for self-support, and financing for self-reliance fund are provided. The social welfare services such as day care services and home-based services are systematically linked and provided. Systematic measures are undertaken to motivate those with working ability to work. Living expenses are provided with a condition that recipients voluntarily participate in the joint project for self-support, job search activities and job training. Income generated by labor activities is partly deducted during income assessment procedures. Current self-support center, social welfare centers, religious groups, and civil organizations are appointed as sponsoring institutions for self-support. Aid projects for self-support, such as joint self-support projects and cooperative work place project are expanded. Jobs are created through a third sector method to be assigned to the cooperative work group for self-support. Simple public services are developed such as repairing houses for the poverty class, assisting tasks at social welfare facilities and maintaining exercise and educational facilities.
Medical Aid:

The Medical Aid Program is designed to assist people with low incomes, those receiving livelihood assistance and those who are unable to pay for health care. It provides the poor with health care services from the national budget. Medical Aid, as a social assistance program is categorized into Class I and Class II. Class I includes those unable to work as defined by the National Basic Livelihood Security Act. Persons in nursing and welfare facilities and victims of natural disasters etc. Class II includes persons other than Class I, as defined by the National basic Livelihood Act.

Disaster Relief Program:

The Disaster Relief Program was enacted in 1962 in order to assist the victims of natural disasters resulting from drought, wind, flood, fire and earthquake. In the case where a natural disaster occurs, all of the disaster relief activities are controlled by the Disaster Relief Headquarter in the MOHW. Task forces are organized and operated at each local level. General relief team, communicable disease control team, medical aid team, and sanitation instruction team are organized by the headquarters.

Social Insurance:

The social insurance system has undergone rapid changes since 1998. The mainstream of this change is to have drastically reduced uncovered groups through applying the National Pension Scheme to all people. The integrated management system of the Health Insurance Funds for Wage Earners (HIFW) and the Health Insurance Funds for Non Wage Earners (HIFNW), and expanded coverage of Employment Insurance and Industrial Injury Insurance to all workplaces. As a result, anyone who has income is now covered by the National Pension scheme, regardless of employment category, opening an era of the universal National Pension. Now even if a pension premium is paid only once, pension payment for the disabled and survivors is permitted. In addition, through integration of management systems of Health Insurance, it could obtain a ground to raise the social solidarity and actualize fair charge. Also by abolishing limits on the period for Health Insurance service, one can get medical service throughout the year. Since the
1997 economic crisis, economic recession and dramatic restructuring accelerated the unemployment rate. Accordingly, the expansion of Employment Insurance coverage was applied earlier than previously planned, beginning March 1998, in order to provide unemployment benefits even to workers at the workplace with 5 or more persons. Considering the severe unemployment situation, the coverage scope was again expanded even more in October 1998, to include workers at the workplace with four or less persons as well as temporary or part-time workers. As for Industrial Injury Insurance, membership has become mandatory even for the workplace hiring less than 5 persons in beginning July 2000. Expanded implementation of social insurance by reducing mandatory employment period was geared toward expanding coverage to include temporary and daily workers.

On table 2 you can see our National Pension Scheme starting from 1960 for Government employees and our universal scheme which is a National Pension scheme starting in 1988. Since 1999 this coverage extended to the entire population. For Health insurance starting in 1977 has been expanded to cover the entire population and also for Employment Insurance starting from 1995 and Industry Injury Insurance starting in 1964.

However, there are still difficulties in improving the system of National Pension and Health Insurance because of the low rate of income survey carried out for the self-employed. Even if the self-employed report less than their actual income in an effort to pay a low insurance premium, it’s not easy to disclose this problem exactly. In contrast, the salary earners pay their full National Pension and Health Insurance premium by getting their premium deducted at their income source. So that’s why regular income earners complain about those self-employed people who hide away their income reports. This may lead to unfair circumstances in which the self-employed and the salary earners receive the same medical service and to the salary earners’ discontent resulting in boycotting payment of the social insurance premium. However, resolutions have not yet been made due to the fact that the Ministry of Health and Welfare, which is in the urgent situation of facing this problem, is not the Ministry that has the ability to handle it. But for the Ministry in charge of income survey of the self-employed, it
could be a burden enforcing the income survey just for effective management of social insurance. Consequently, a low rate of income survey of the self-employed has been maintained, and resolutions have not been reached up to this point.

Moreover, destabilization of Health Insurance finance has become a core issue these days, which was in fact predicted several years ago. Although increasing Health Insurance premiums is the most reasonable device, the Government announced its policies of increasing a government subsidy to support Health Insurance finance to overcome the situation, in which persuading the people’s resistance does not seem to be an appropriate option.

Since we adapted the separation of prescription and dispensing of pharmaceuticals two years ago, the financial situation of our Health Insurance has deteriorated. Our deficit marked up to three trillion Korean won. All Government steps and all people are worrying about this matter and if the Government raises the premium level then the NGOs are shouting against it.

International Cooperation:

Korea has been successful in securing social safety. With the accumulated experience of social safety net programs, the Government will strengthen its cooperation with developing member economies to help them attain their basic living standard targets. However, Korea's actual development assistance is a rather recent phenomenon of the early 1980s, when the Korean government designed a program for sharing development experiences with fellow developing nations based on the spirit of South-South cooperation, self-help, and self-reliance among developing countries. Many people believed that Korea's first-hand experience in her rapid and dynamic development could be helpful in assisting follower nations.

Korea, as an emerging donor with modest contributions to development cooperation, shares in principle the vision of progress the Development Assistance Committee (DAC) of OECD defined. However, we may place those motivations in a different order with some modifications considering Korea's unique status in its capacity and maturity. The Korean economy and the society as a
whole are now experiencing an unprecedented challenge to excel as a sophisticated and highly competitive community. Government and business are undergoing a process of massive reform and restructuring. The very recent reform process provides us with a variety of valuable lessons applicable to the high-performing economies in the world, in particular, the Asian nations. In 1999, Korea extended US$317.5 million of ODA, equivalent to 0.079 percent of its GNP. This is far below the average GNP ratio of 0.24 percent of DAC member countries. Though its ODA volume is small, Korea has increased its ODA rapidly in recent years. The volume of ODA in 1999 was five times larger than in 1991. Of Korea's ODA volume in 1999, around two-fifths was bilateral aid (US$131.4 million) and the rest multilateral (US$186.1 million). Among the bilateral assistance, around 30 percent of the volume was grant aid and technical cooperation (US$39.0 million), and the other was conditional development loans (US$92.4 million).

The international community is increasingly calling on Korea to play a larger role in international affairs and, specifically, in international development efforts. At the same time, requests from developing countries for our development cooperation are also increasing constantly. In order to respond to international expectations in recognition of the importance of ODA, it is necessary for Korea to substantially increase its ODA volume and to enhance the quality of ODA as well. Korea is still a small country in that it cannot affect the outcomes of major world events. However, it is not so small as to avoid responsibility. Korea is expected to participate actively in sharing burdens and responsibility of any international development and other agenda for global cooperation as well. Korea will continue to devote its efforts to international cooperation, thereby contributing to the construction of a human society in which we can all live better together. Thank you.

Ms. Suhana BT. MD. Saleh
Malaysia

Thank you Mr. Chairman. Malaysia has subscribed quite strongly to the belief that economic development must involve and benefit all
citizens. The development thrusts were centered on the philosophy of 'growth with equity'. With regard to poverty eradication, Malaysia has adapted long-term policies since the early 1970’s. In providing for the vulnerable groups, the thrust of development efforts has always been to enhance income-earning opportunities. Pure transfers to the needy are limited to a modest scale for a small group of people such as the elderly and the handicapped.

The success of Malaysia’s poverty eradication program is evident from the sharp decline in the incidence of poverty, which decreased from 52.4 percent in 1970 to 6.1 percent in 1997. Due to the implementation of the long-term measures, the impact of the 1997 financial crisis was minimal with the incidence of poverty reaching 8.5 percent in 1998 and declined to 7.5 percent in 1999. With regard to hardcore poverty, the implementation of the Development Program for the Hardcore Poor (PPRT) resulted in the reduction of incidence of hardcore poverty from 2.1 percent in 1995 to 1.4 percent in 1997. This rate subsequently increased to 1.9 percent in 1998 but declined to 1.4 percent in 1999. Malaysia constantly monitors incidence of poverty and state of the vulnerable groups through the Household Income Serves (HIS).

The incidence of poverty in Malaysia was within manageable levels even with the onslaught of the financial crisis due to the Government’s efforts, which are long term in nature. This is due to the Government’s belief that economic development if it is to be really meaningful and sustained, must involve and accrue to all citizens, including the poor, unemployed and marginalized communities.

Malaysia has been undertaking a concerted strategy by allocating proportionate budgetary resources for social services to ensure that all groups have an opportunity and means to participate in the growth process. Substantial amount of financial allocation was given to health and education sectors to improve the quality of human resources. Specific programs to protect the vulnerable groups were implemented, especially in low income generating activities. In this regard, during the East Asian Crisis of 1997, the Government ensured that the provision of social services continued. Budget for the social sector was maintained at its appropriate level.
as outlined in the respective development plans.

Since 1998, in response to the economic crisis, the Government undertook measures to further expand social programs, particularly the provision of basic services and amenities. The allocation for the PPRT and other programs was increased. To reduce the adverse impact of the economic slowdown, the Government introduced measures to extend social programs for the low-income groups. Among the measures introduced include:

- An additional allocation of RM100 million to Amanah Ikhtiar Malaysia (Endeavour Project) for the provision of loans to poor families under the micro-credit financing scheme;

- Establishment of a RM200 million micro-credit fund to assist petty traders and hawkers in urban areas. This scheme was designed to target the poor and low-income group, who may have suffered a drop in real income as a result of higher prices and retrenchment. For this purpose, the Government established the Small Entrepreneur Fund, which provides finding facilities up to a maximum of RM20,000, and the Tabung Ekonomi Kumpulan Usaha Niaga, which provides loans up to a maximum of RM10,000;

- Substance allowance, totaling RM18 million per year, for 6,000 hardcore poor families in various land development schemes;

- Financial assistance for the provision of electricity and clean water to 22,100 houses of the hardcore poor, totaling RM19 million;

- 30 percent increase in the allocation for village roads, totaling RM76 million;

- An additional allocation of RM4 million for rubber replanting schemes.

In addition, the implementation of measures to moderate the increase in the prices of food and other essentials as well as the ‘Buy Malaysian’ campaign managed to contain inflationary pressures and cushion the poor and hardcore poor, in particular, from the adverse effects of the crisis. With these initiatives, the reduction of poverty was back on track, despite being affected by the 1997 crisis.
The additional measures undertaken by Malaysia during the economic crisis to reduce the effects of the economic slowdown on the poor can be considered as Social Safety Nets. However, the Malaysian Government has always adopted long-term strategies to help the poor, which are embodied in all the national development plans. It is strongly felt that for economic development to be meaningful and sustainable involves and accrue to all citizens, including the poor, unemployed and marginalized communities.

In the education sector, sufficient allocation was provided to construct as additional 500 single-session schools at the primary and secondary levels to provide greater accessibility and improved facilities for quality education. In addition, the allocation to the Higher Education Loan Fund was increased from RM605 million to RM1.5 billion to provide greater accessibility to tertiary education, especially for the students from the low-income households. Various education projects were identified for immediate implementation. These included the construction of 200 single session schools and computer labs in 2,000 schools throughout the country, the upgrading of rural kindergartens and the construction of four universities amounting to a total of RM3.9 billion.

In the health sector, to cater for the increase in the number of patients utilizing public facilities, an additional allocation of RM1.5 billion was provided to cater for the increased demand for medical treatment and supplies. The construction of 300 new health clinics and 21 new hospitals assisted in reviving the economy, while providing improved accessibility to health care.

In the housing sector, an Integrated Housing Program was undertaken to implement squatter resettlement programs in major towns. A Home Ownership Campaign was introduced in 1998 with various incentives to provide more opportunities for the public to own homes. These incentives included, among others, a purchase discount of up to 15 percent, easy credit facilities, exemption from stamp duties and processing fees, as well as discounted legal fees and insurance premiums. Access to bridging finance for the construction of low and low-medium cost housing was also made easier by streamlining procedures and making speedy approval. In addition, the Government approved the construction of 6,600 units
of housing quarters for the armed forces in 2001.

Strategy and Programs:

The main strategy for poverty eradication was providing employment opportunities in higher paying jobs, while welfare handouts were reserved for the aged and disabled who could not find employment. Since the poor were largely engaged in agriculture, they were encouraged to be involved in modern farming and non-farm or off farm activities. The programs implemented under the NEP, NDP and NVP are as follows:

- Resettling the landless and those with uneconomic holdings in new land development schemes. The settlers were provided with single unit houses complete with piped water and electricity;
- Undertaking in-situ development of existing agricultural land through rehabilitation and consolidation of the land, replanting of old commercial crops with new higher-yielding clones and better planting techniques;
- Integrating agricultural and rural development with downstream processing of farm products and encouraging village industries and rural entrepreneurship to generate additional sources of income;
- Introducing double-cropping or off-season cropping for padi, inter-cropping and mixed farming on the same plots of land to supplement the income derived from main crops;
- Establishing farmers’ markets in urban centers so that farm produce can be sold directly by the farmers and fetch better prices;
- Providing training and education on the topics pertaining to farming as well as work attitudes and values to motivate participants to become more productive farmers;
- Providing industrial and vocational training for the rural manpower, coupled with credit facilities and related support, to enable them to be employed in non-farm occupations or start their own businesses in rural areas or urban centers;
- Improving educational access as well as providing textbooks
and financial assistance to children of poor households;

- Providing infrastructure and social amenities as part of a broader program to improve the quality of life for all Malaysians. For the rural population, they include the provision of portable and piped water, electricity, roads, medical and health services and schools, including rural hostels. With that I would like to thank you for the invitation. Thank you.

**Dr. Hsiao-hung Nancy Chen**  
*Chinese Taipei*

Thank you Mr. Chairman. In the interests of time I think I would like to skip the slides and prepare for this mornings presentation. Before I do that I would like to summarize so to speak what is contained in the slides. There are mainly four parts. The first part deals with the background of why the Chinese Taipei Government has started a full fledged, so to speak, social welfare scheme in recent years. The second part will give you some idea as to the status quo in terms of what types of programs have been implemented or in the planning so far, which covers mainly four parts: Social relief programs; Social insurance program; Welfare services; Welfare subsidies.

To supplement is undergoing in all of these programs I would like to provide you with some of the data of the social welfare expenditure changes over the past decade. Particularly I would like to mention the National Health Insurance Program and the National Pension Scheme, which is undergoing right at the moment. Lastly some future prospects will be provided.

The background of the establishments of social safety nets in Chinese Taipei and they are mainly the following points, demographic structural change—mainly an aging situation, family structural change; labor market structural change; decreasing family protection function; value premises change.

In terms of the demographic structural change there are a few points I would like to emphasize here. The first one is the aging situation and the second is the rapid decrease of the younger population. Both of these will create different demands on social security,
namely health and pension demand and so forth. This is the picture of the population pyramid occurred in the past decade and in the future about the Chinese Taipei, you can see the growing aging population in the future and right at the moment more than 8% of the total population which is aged above 65. In the future, maybe in twenty years from now the aging population will have doubled. The main thing you can see from this is that the time it would take for the population aged 65 and over to rise from 7% to 14% is only 26 years which is much shorter than most of the European countries. The other thing, dealing with the aging situation is their living conditions, you can see the ratio of age to working population with 65 and above compared to those between 15 to 64, in 1998 it was 11.9. It is estimated that by 2025 there will be a quarter of the population aged 65.

In terms of living arrangements, Chinese Taipei used to have the tradition that the family played a very important role in social security and welfare in general. But now-a-days since the social change those who live with their children in terms of percentage is decreasing over the years and those living alone and with a spouse only is increasing. In terms of source of living expenses, it used to be that the children would pay or would help their parents when they grow old but these days the parents cannot depend on the children for their elderly living. In terms of family structural change, the increase in nuclear family, increasing divorce rate and the increasing single family all creates social security demands in terms of the elderly care and the child-care.

In terms of labor market structural change we see the women labor participation rate increasing, the double income families also increasing and the structural unemployment is also increasing. All of this lead to growing unemployment protection demands. On the other hand the family protection function is decreasing, so the decreasing cohabitation of the elderly with their children, the decreasing economic dependency of the elderly on their children may lead to growing handicapped protection demands. The richest 20% of the population compared to the lowest income of 20%, the difference is only five times in terms of income, but when you take into consideration of the property weather or not they own a house the difference will reach twenty times.
Value premises change, by that I mean the growing welfare consciousness is creating a demand on the service quality and different kinds of programs used to be played by the family and now they hope the state will take the major role.

That's the background as to why the Government cannot neglect the importance of the social safety net. In the second part I am going to discuss the existing social safety net programs that have been implemented or are undergoing discussions. The second part here social welfare systems includes social relief, social insurance, social welfare services, social welfare subsidies. Under insurance we have four different kinds, the first is the National Health Insurance System, which was already started in 1995. The second is the National Pension System, which was completed in terms of planning more than three years ago. But due to the change of the Government, which came into power two years ago, they have established a new set of National Pension Schemes but it hasn't gone to the legislative UN yet. We are hoping and expecting maybe when they go through the legislative process something's will be changed here and there again. So you can see the political elements play a very important part in terms of the social security system in Chinese Taipei situation. The third one is the Unemployment Insurance System, awhile ago we just talked about the impact of globalization and of course in Taiwan, we used to have very high growth rates. At a time of the 1970's it was at double digits, but in recent years like last year it has been negative growth rate and in the next couple of years the economic outlook is not optimistic either. The employment rate, we used to have a full employment situation but now the unemployment rate is increasing to more than 5 % per year. Due to this situation many industries are migrating or moving to Mainland China and so the unemployment situation is going to be more serious in the next few years.

The Government Budgetary Allocation situation in terms of the percentage of social welfare, which is all the way increasing, starting in the 1990s. The other Government budget is decreasing for instance economic development although we had very high growth rate for a long time, but in recent years because of the increase in social welfare the budget allocation to economic development is decreasing. At the same time the military, we used
to have a very high percentage spending on the military and that is also decreasing somehow, but in terms of retirement pension, the subsidies and the social welfare’s on the increasing-side, and this is just another way of showing the public expenditure in terms of different sectors of the Government. This picture tells you different levels of Government in terms of social welfare expenditure and the highest spending is on social insurance, then welfare services, social relief program, employment and health and so you can see insurance expenses composes of the biggest chunk.

In terms of social insurance, the point I would like to make is that we don’t have a national pension scheme yet although the plan has been established more than three years ago. But because of the change of the Government the pension scheme is under heated debate. The newly elected Government would like to put more welfare flavor into the pension scheme, whereas the old Government focuses more on social insurance. The old Government doesn’t want to have a system that will eventually lead to the financial downfall of the system. This is always cited by the Government of the past and we don’t want to copy the experiences that happened in Europe because they have done so much in social safety net especially in pension and that will create tension in their finance. So keep that in mind the old Government is trying to emphasize the social insurance on the insurance system per-say. But the new Government is looking for a handout to give the elderly and this is creating big debate.

If you look at the charts in the Country Paper you can see some data related to the National Health Insurance program. Perhaps this chart will explain much clearer, you can see the red line is the medical expense over the years starting in 1995 when we introduced our National health Insurance program up to last year and the medical expenses all the way increasing. The insurance fee is also, of course, increasing but the rate of the insurance fee is lower than the medical expenses. So we are right now in a very critical situation just as the situation in Korea. Last week the Government was trying to increase the insurance fee but the legislative bureau, general public and the NGOs don’t like the idea, they say that it’s not fair especially for the lower income group. Here are some of the other data showing you the other types of social insurance, one of the
things is for the farming families, this is almost like a subsidy and it is already in a deficit situation. I remember in our first session one gentleman asked about the impact of globalization. I think now a days since Chinese Taipei joined the WTO one of the issues that has been discussed widely is what is going to happen to our agriculture form the economic point of view, but if you come from the social point of view then what is going to happen to our farmers. These are some of the underlying issues that we are going to look into the social safety net.

In terms of pension there are some problems and concerns in terms of old age protection systems, namely the first one is approximately 3.84 million population aged 25 –64 are uninsured so far. The second problem we are facing is the old age benefits of social insurance programs maintaining the form of lump sum payment-it is not an annual payment it is a one-time type of situation. The third problem is insured years among existing social insurance programs are not transferable-especially for laborers, if you change jobs you loose your pension. Also the age for initial entitlement of old age benefit is too young, which means for some people if you work for twenty years then you are entitled to retire-even if you are in your mid-forties. This means that with life expectancy rates reaching 80 years for both male and females it could be a great burden on the Government. Lastly due to the job change or the short average life span of the small to medium enterprise (SME), few of their employees can earn the required seniority for the benefit of the Labor Retirement Fund. For instance the average life for SME according to a study is eleven years, but according to law for laborers to receive the pension then they have to work for fifteen years so that means for many labors who only work for one factory and it closes after eleven years the laborers get nothing. So, because of that background, recently when we discuss the pension we try to rectify the situation and the following data (Country Paper, pg. 28) is to show you some of the situations for labor insurance. Here (pg. 29) is a summary as of last year for the total population aged 25-64. You can see 32% of the population have never been covered by old age benefits and out of those aged 65 and above without any kind of benefit covers nearly 23% of the total population. This also paved the background for why the Government is working so hard
to prorogate a so-called social insurance or a national pension insurance. I don’t want to go into detail about this program, but the major point now is due to the financial not so bright situation at the moment. So the Government is trying to target the newly established National Pension Insurance for those who are not already covered by any insurance only and not to the general public.

We also talk about the three tier protection system prorogated by the World Bank, but one thing to mention here is that for civil servants, the military, veterans groups and some people who work in certain occupations, they have had very good pensions—even university professors teaching in national universities. When you retire your income replacement ratio could be as high as 80-90% of your salary, but for those 32% who get nothing they are the target group. During the process of the National Scheme, here are some of the issues debated: whether we should adopt a defined benefit or defined contribution scheme, whether we should provide only basic pension or supplementary pension at the same time, what kind of burden in terms of intergenerational transfer, pension and labor mobility, income replacement rate, public verses private partnership, fund management etc.

I think these are familiar areas for anyone who is studying pension worldwide. We are because of the unemployment situation getting worse and worse and so unemployment insurance becomes a big thing, which was never thought about even two years ago. Next we are of course talking about Occupational Injury but this compared to Health and compared to Pension no matter if you talk about the budget or talk about the scale, which is very minimal type of thing. Next of course is Welfare Services, which is mainly divided by age groups or gender: Child Welfare, Juvenile Welfare, Women Welfare, Welfare for the Elderly, Social Relief and Disabled Welfare.

The Welfare Subsidies I think is unique to Chinese Taipei because we do not have the Pension Scheme but we do have an aging population, we have low income groups and we have people in need. So the Government is trying to provide cash benefits for these different groups: Low income elderly living allowances, elderly farmers’ welfare subsidies, low income households’ handicapped living allowances, veterans’ living allowances and elderly welfare allowances.
Under all these subsidies there is one argument that the legislators say, that we have to set up a type of “Sunset” clause, meaning once we begin our National Pension all of these subsidies should be stopped. But at the moment all of these groups can get between NT$3-6,000 per month, some of them are means tested and some are not.

Future Prospect: we have three major issues: Financial viability, the impact of globalization, and the role of NGOs

We used to have very high economic growth as you can see from 1989-2001. 2001 was minus growth but previously it was 6% or 8% or even further back it was 10% or 12%. The tax burden is not very high compared to many European countries or welfare states. For instance when you talk about Sweden or Europe in general, you talk about tax as more than 30% and sometimes as much as 50%, but in the case of Chinese Taipei tax is only 17%. The financial situation is getting worse, in terms of the deficit financing you can see it averaged 2. something in the 1970s, but in the 1990s the average is 20%. So the Government becomes poorer and poorer and the demand on social security is higher and higher, the population is aging and the tax cannot be increased drastically due to political consideration so how far can you go from there.

This is another picture showing the tax burden. On the other hand some people say maybe the picture is not that pessimistic because many of the welfare delivery was actually functioning or provided by the private sector rather than the public sector. Here is the picture showing the percentage provided by public, private and not certain and the total situation. From there I don’t have answers or time and so perhaps this afternoon or tomorrow morning we can have some issues and come up with to pursue further. Thank you very much for your attention.

Mr. Kirasak Chancharaswat
Thailand

In Thailand there are two types of SSNs, one is formal and the other is informal. Before the crisis very few Thai agencies who pay much attention to formal SSNs, therefore there are many ministries which handle SSNs in Thailand, the Ministry of Public Health, the
Ministry of Education, the Ministry of Interior, and the Ministry of Labor and Social Welfare. Therefore in terms of the macro picture it is very it is very fragmented, there is no coordinating mechanism and there is no core agency to handle in terms of the country’s point of view. Besides that in terms of target groups not all can cover from the SSN only some groups, in terms of accessibility and funds. Those are not sufficient, they are the existing problem facing Thailand. However we are quite fortunate, we have the second highest of SSN that exist in the informal one. Thai society, especially that of the rural areas, rely heavily on agriculture, it is quite fortunate for the country as a whole. During the crisis four or five years ago we didn’t have any crisis strategies, therefore it was very fortunate for the country that they rely on agriculture, at least they have food for eating they don’t have trouble like many other countries.

The second characteristic that is good for Thailand is that the way of life the way of belief. The cultural and traditional way of life in Thailand especially one who lives in the rural areas. Most of us believe in Buddhism, Buddhism domination helped us in many ways, instead of doing something aggressive, we do it in moderate ways. In Thai culture we stick together, we help each other, friends help friends, relatives help relatives, members in the community help other members in the community. This type of tradition relieved the crisis quite a lot therefore in terms of informal SSN Thailand should maintain this type of characteristic.

**Future Issues:**

In terms of the future, in terms of recommendations and future issues I would like to conclude in this way. First, Thailand should develop a national mechanism in order to integrate all of the fragmented SSN agencies, otherwise it is very difficult to extend the coverage and improve the accessibility. Secondly, it is quite fortunate also that the current Government is in the process of establishing a new Ministry, the Ministry of Social Development, to help coordinate and oversee the improvement of new and existing SSNs. Thailand should maintain a good cultural, a good traditional as I mentioned earlier friend help friend, members of the family and community helping each other should be maintained for ever. The third one, again there are many programs launched recently by the
current Government even though the program intends to eradicate poverty however if we try to develop some kind of program some kind of project under those programs it maybe developed as a SSN for the country as well. These are the programs launched recently by the current Government. The first one is: universal healthcare insurance, village rebuilding fund-each village receives 1 million baht, one village-one product, peoples’ development bank, unemployment insurance program.

All these even though the Government has the intention to develop the program for poverty eradication, however it will examine it thoroughly, and it could be a SSN as well. Ladies and Gentlemen this is the overviews that I would like to add to the paper that is already circulated. Thank you.

Ms. Hajah Zaliha H Mohiddin
Brunei Darussalam

There is growing consciousness among economies in this region to work together to improve the conducive environment so vital in accelerating economic growth. At the same time, each economy accepts that it is a national responsibility to improve the living conditions of its people and therefore national governments should take the lead in realizing sustainable social development in the country.

As for Brunei Darussalam, the current 8th National Development Plan, covering the period from 2001 to 2005, has been outlined to concentrate specifically towards a balanced socio-economic development, rapid development in human resources, development of Small and Medium Enterprises and value-added activities, encouragement in the service sectors including tourism and financial services, the wide use of information communication technology, and the continuous quality control of the environment. Such programs are aimed at creating a sustainable economic growth and to open up employment opportunities to the people as well as to increase active involvement of local entrepreneur.

As a developing state in the region, Brunei Darussalam remains committed in ensuring poverty reduction, employment expansion and social integration, which will enable our people to achieve...
sustainable social development. Our economy continues exerting all efforts to realize a decent and prosperous standard of living for its people.

The lack of education and illiteracy are factors contributing to reduced employability and to poverty. In view of this, Brunei citizens are provided with free education for twelve years, seven in primary, three years in lower secondary and two years in upper secondary or vocational school or technical college. However those who are qualified may further their studies to tertiary level including university.

Medical and healthcare services are also provided with a minimal charge whereas, for the eligible landless and low-income earners, they can own comfortable housing under the National Housing Scheme, Landless Scheme for the Indigenous Citizens, Land Entitlement and Infill Scheme.

As for the vulnerable groups in the society, including the poor, the elderly, the disabled and those who are unable to meet most of the basic needs of life are provided with financial assistance from the Government and Non-Government agencies including, the Brunei Islamic Council, Sultan Haji Hassanal Bolkiah Foundation and other non-profit making organizations. Beside financial aid, assistance in kind is also granted to enable the recipients to embark on the income generating projects.

To uplift the living standards of the village communities, Rural Agriculture Development Communities are set up to coordinate the necessary assistance required for the development of agricultural activities in the rural areas. The marketing outlets (kedai Tani) are also provided by the Government for villagers to sell their produce. Many villagers throughout the state also set up they own cooperative shops so that they can serve the villagers better and at the same time, they can improve their livelihood. In line with the national food security policy, various assistance is also extended to farmers through our National Development Plan Program to increase their production.

Beside education, healthcare, housing and the social safety net program, both the urban and rural population now have access to basic facilities such as clean portable water, electricity and
telephone communication. With an aggressive development program of road building across the country, more and more areas are becoming accessible, thus enabling more and more people to gain access to the public services which are readily available.

We are fortunately blessed with the wealth of our natural resources, which has enabled the Government of his Majesty to provide its people with the provision of social safety nets encompassing education, health, housing and infrastructure, including the basic amenities such as energy, water and sanitation. Nevertheless, the economic crisis that hit our region a few years before the new millennium has served to remind Brunei Darussalam of its vulnerability, because of its heavy dependence on oil. It is thus subjected to the mercy of fluctuations in oil prices. Some of the lessons to be learned from this therefore, are that Brunei Darussalam needs to be more prudent in its economic decisions, particularly in its fiscal policy, and the well-being, discipline and self-reliance of its people is the fuel for its economic progress.

Alongside efforts to Reduce Brunei Darussalam’s dependency on oil are efforts to ensure the continued provision of financial assistance from the Government and Non-Government Organizations as well as other social safety nets to the people of Brunei Darussalam. While maintaining and enhancing the safety net for the needy, the Government has to ensure such support does not continue unconditionally for long periods to people with the capacity to contribute to their own welfare and to their communities. To achieve this objective, our economy has undertaken several strategies including the introduction of new frameworks to the present welfare system and developed policy options that could strike a better balance between providing a strong safety net and allowing people to participate in economic and social development of the country. The Government is now working towards a new approach in delivering some of its services to the public by encouraging more NGOs, private sectors and community to share some of the responsibilities in providing public goods and services to the needy. To achieve this, the Government has established new partnerships between all levels in government, NGOs, private sectors and the communities. Such social collaboration is essential to expand available opportunities for economic and social development.
participation and to provide substantial supports that people need in maximizing their potential and their contributions to society.

Brunei Darussalam has always attached great importance in promoting close cooperation with other economies in the region in all mutual benefits. It is therefore my greatest hope that through this meeting, we will be able to further strengthen our efforts to enhance mutual cooperation and collaboration, and to learn from one another’s experience. I thank you.

Mr. Fernando Schmidt
Chile

Thank you very much Mr. Chairman. Let me begin first with a general remark. Since its creation the APEC forum has improved significantly in a number of areas mainly related to economic issues. However the efforts on the normal citizen’s life are sometimes negligible. In this regard this meeting, its conclusions and its follow-up is very important for enhancing a broader citizen’s support to this APEC process.

Secondly, I want to beg your excuse for talking amid experts being a generalist. However I will try to do my best for presenting in a very broad terms the situation in my country.

According to the UNDP Chile is one of the counties that have suffered the most from the crisis of globalization that begun in East Asia in July 1999. It experienced an economic decline of 1.1% in 1999 and an 8% reduction in per capita income. This represented an increase of the unemployment rate that reached 9.2% in 2000. The Government is therefore committed to focus its attention into two important guidelines: improve the conditions to search and maintain jobs, upgrade the protection standards against social contingencies.

Employment: There are many action plans in this regard:

Employment Program:

The Employment Program is aimed to implement 4 action lines this year
a. Learning Benefaction. In 2002 we are going to give 50,000 of these bonuses.
b. Investment in labor intensive infrastructure and equipment. The program should produce 15,000 jobs this year.

c. Basic Education Leveling. This program will benefit 160,000 workers this year.

d. Electronic Employment Search Network. It will benefit 80% of the unemployed people of the country.

*Labor Skills Programs:*
Different programs will allow this year 900,000 Chileans improve their working skills. 120,000 companies have applied to the special tax reduction to this purpose.

*Temporary Labor Contracts:*
It is being prepared for its presentation to the Parliament a project of Law for easing at different levels of the production chain a temporary working force. The project includes qualifying people for better and permanent employment.

*Social Protection:*
1) Implementation of the Unemployed Insurance: The Unemployment Insurance was approved last year by the Parliament. Its full implementation will start from September 2002. It covers 5 monthly payments from a special account, different from the legal compensations.

2) Modernization of the Labor Justice:

3) Increase of controlling measures by the National Labor Direction:

4) Expansion of the Pension Fund’s Investment. This will allow a broader investment of Pension Funds abroad. The law will enter in force in August this year:

5) Update of the risk prevention policies, specifically in the ergonomic evaluation of jobs.

We have other plans in different areas but we mention only three: Eradication of Extreme Poverty, Gender Equality and Education.

*Eradication of Extreme Poverty:*
Despite the economic achievement, our country has not had the same success in regard to the struggle against extreme poverty, especially cases concerning the eradication of marginal poverty and the reduction of the unemployment and underemployment indexes. Today 6% of Chileans still live in poor conditions. In other words, 2000,000 families or 850,000 individuals.

In elaborating a strategy to cope with the problem, the Government has considered a new strategy that considers:

1) That poverty has definitively a spatial dimension that has not been sufficiently considered.

2) It is necessary to emphasize that poverty has a structural element. Poverty cannot be solved unless, for instance, the problem of pension funds-among others-is dealt with.

3) A social weakness needs to be addressed, and social capital strengthened. One of the reasons for the failure or weakness of many public policies is the lack of knowledge and visibility of the social actors.

Among the extreme poverty we are working in many lines, but mention only two of them:

1) Monthly Family Protection Bond. Each family holding this Bond shall immediately have access to other subsidies such as Sole Family Subsidy, Assisting Pension, Drinking Water Subsidy and will be assigned over US$ 100 per month to aid their scarce budgets.

2) Neighborhood Chile Program (CHILEBARRIO). It is a program created in 1997 in an effort to resolve the situation of some 500,000 residents in precarious urban and rural settlements. Through participatory projects, solutions are generated to overcome their housing difficulties, improve their surroundings and provide them with effective opportunities to join the mainstream in social and employment terms. Of the 105,000 families living in precarious settlements in 1996, some 28,000 have already received solutions via this program. By 2006 Chile hopes to lift the remaining 77,000 families out of such precarious conditions.
The most important point of all aid programs consists of integrating this important part of the population into the social network, guaranteeing them access to health, education and social precautions. It involves thus a very large set of measures in different Ministries and the action of civil society.

*Other state interventions for improving the Chilean Social Safety Net.*

*Education:*

1) 12,000,000 textbooks have been distributed in all schools of the country.

2) Internet is available in all public schools.

3) University fellowships and State credit for College education has been duplicated in the last 10 years.

4) In 2001 50,000 teachers have been professionally further qualified in Chile and in other countries.

5) In 2001 the Government distributed 206,000 daily meals in all schools of the country.

*Gender Equality:*

1) Achieving women’s economic autonomy and overcoming poverty:
   - To improve the conditions of women’s economic participation, particularly lower-income women, by promoting their full integration into the economic and social development of the country (productive initiatives, self-employment, training, independent work, working conditions of female wage earners, female seasonal workers, quality of employment, wage differential, social security inequalities, child care for working mothers, among other issues).

2) Promoting women’s rights and participation:
   - To improve the conditions of women’s rights through amendments to the legislation, creating conditions for access to justice and the promotion of rights.
   - To promote women’s participation in the power structures and in the decision-making process (women’s leadership, initiatives
that foster participation of the civil society in favor of equality, explicit integration of women into government policies).

- Promotion of rights.
- Follow-up to the implementation of new legislation.

3) Women, family and well-being in everyday life:

- Development of policies that will improve the quality of life of women and their families, harmonizing the different areas of their lives, and promoting their physical, psychological and social well-being.
- Governmental proposal for responsible sexuality, together with the Ministry of Education and the Ministry of Health.

4) Public management for equal opportunities for women and men:

- Incorporation of gender equality into public policies and State management, considering the different situations of men and women (with gender equality cutting across of strategic management of the State, diagnosis of inequality problems, publication of statistics and indicators together with the National Institute of Statistics, follow-up of commitments by other ministries).

I could extend to much more about the what is doing with the Health Ministry, Housing Ministry, and the Infrastructure Ministry in this regard, but I think there are a lot of examples I should present a paper with compendium of all the initiatives my country has taken in order to create a safety net in APEC. Thank you very much.

Dr. Pedro Reyes
Mexico

Before I start let me give you some figures and basic ideas. The total population of Mexico is 100 million and more or less 20% are on extreme poverty, which means they don’t satisfy their basic
needs. So SSN programs are orientated to alleviate extreme poverty.

We have experienced various safety net programs. When I was doing some work for the National Government I counted something like sixty social safety net programs but most of them have several programs, one of the problems of most these programs is that they are not well focused. The errors of inclusion and exclusion were very high and then there was no assessment. This is very serious for us, as an experience to transmit to you because then the public expenditures are not used efficiently. This then sometimes becomes a political issue because if you increase the errors of inclusion, which means you are including people who are not poor or extremely poor, then it becomes a political issue.

There are four programs which I will be referring to which have proved to be very successful in Mexico. They are:

1. CONTIGO, which means withdue. This is related to education, health care and nutrition programs.

2. Temporary Employment Program

3. PROCAMPO, which is a program, which substituted all the subsidies to agriculture for just one income subsidy, and this is related to the methodology used by OECD countries to estimate the degree of protection to agricultural products.

4. Pension Systems; which in 1998 we started to change from the pay as you go system to the one that is being used in Chile, which is Defined Contribution Systems.

Let me just refer to the Withdue program. The objectives of this Withdue program are that social benefits are focused to disadvantaged groups and also the idea is to provide social development and economic growth. This is an action in the whole country and being coordinated by the Federal Government so local and national governments avoid duplication. So these stages of the CONTIGO program have been very efficient from the public expenditures point of view.

Strategies for reducing poverty and improving quality of life through:

Human Capacity Building such as; education, health care and nutrition, labor skills.
Employment Opportunities; creation of local opportunities, access to employment opportunities.

These programs of reducing poverty and improving the quality of life is then related to Social Safety Nets and Housing and Savings Support.

Location of Benefited People

Actually this is one of the main problems, we have to identify not just the number of extreme poor but also where they are located and how do you measure the who are really poor, who are the ones in the targeted population. So we started several services and with the census data we rely on four incenses, one is level of income, the rate of literacy, concrete floors in their houses or if they have an adequate water supply. So defining these incenses we could define them in 200 micro-regions in where most of the extreme poverty population live. In this program we have two main legs. One is health and the other is education. To provide the poor with two kinds of support, one is in income and the other is in providing health care. We are tidying up the target population to health, why, because we want the population to receive the basics of health and the education so they could compete with other groups in the labor markets. In the case of health we are attending to more or less 12,000 units of health centers and in the last year we did something like 22.1 million checkups. We implemented nutrition courses of about 2.2 million, because most of the people when they increase their incomes that is there is not a clear understanding if they are substituting food with food of higher doses of vitamins and proteins and so on, because sometimes the substitutions are not sufficient and this is why nutrition courses are implemented.

In education we are attending basically attending to primary schools in the mainly rural areas of the 200 micro regions which I referred to. So we offered 2.3 million scholarships to children with a gender breakdown of almost 50% each for boys and girls so we have more or less an even situation as according to the census the Mexican population is composed of 51.5% of women and the other 49.5% by men.

For the secondary schools we offered more or less 1 million scholarships and the proportion was roughly the same as in the case of the primary.
In nutrition we offered income subsidies for 2.6 million families in rural areas and a little more than half a million urban families benefited as well. Nutritional supplements were given to women (180 million per year) and children five years and younger (504 million per year).

Temporary Employment Program (TEP) is a measure used to help complement incomes of the extreme poor mainly in the rural areas. They are offered when the flow of income in the rural areas is zero, so this helps in the reduction of poverty in the rural areas in a way we use these human resources to increase the infrastructures or developments of the construction work in highways or in their rural areas themselves increasing the amount of infrastructure for rural resources and so on.

The goals for this year are more or less reaching a budget of US$15.54 million with the objective of creating almost 300,000 temporary jobs. The actions are that we have already created new guidelines in February of this year. TEP is part of the integrated System for Social Programs and is considered under the National Program of Social Development and that it belongs to the CONTIGO program. During the period from January-March 2002, this TEP helped to create 44,000 jobs, however the gender breakdown is very much in favor of men encompassing 81% of the new jobs. This is because of the agricultural producers, when they compare their wage to the wage they could receive in the United States, they prefer to go and work in the United States. So these jobs are preferably offered to men and this then helps to lower the social problems because the family is destroyed when the man goes to work in a foreign country and who sometimes never returns.

Now in the case of the APEC Agenda and the SSN Program we have to consider this proposal and this is why we are carrying out a high level meeting on micro-enterprises? We consider micro-enterprises as part of the SSN, to offer a productive economic solution to the poor. Also the SSN is very much relevant to the new Ecotech agenda, these things have already been pointed out by several of our colleagues. Because of globalization and the new economy our APEC economies have to undertake structural adjustments and of course in this change of evolution some of the
families and the workers will encounter losses, so we have to minimize the transition of costs created with these adjustment processes. Then, this is why SSNs become very important, one of the basics instructions of the APEC leaders is we have to take care of the differences in income distribution among countries and within the countries.

Micro-enterprises, they can absorb non-qualified employees, which usually pertain to the poorer group of society, and also cover the social and economic situations as people working in micro-enterprises is very precarious. For these reasons and because micro-enterprises employ women and youngsters, micro-enterprises should be considered as a main component of SSNs, serving to cushion the negative impacts of structural change in economies undertaking modernization and market opening. The relevance of SSNs in the new Ecotech agenda in the way that will help us expand benefits of cooperation for growth and development. Thank you very much.

Mr. Pedro Reyes
Mexico

Is Japan deciding to sign a policy to reduce the number of single member households to diminish the demand for medical services, according to the model you offered to us?

Dr. Yoshihiro Kaneko
Japan

In my model I made experiments. First the model implication is if risk aversion is high then the demand for health care for the elderly increases. Unfortunately we did not have any direct questionnaire, so we have to make use of assumptions. I wrote on page 17 “the numerator of (11) becomes positive and its denominator becomes negative. Judging from assumptions (4) and (5) and the signs of these coefficients”. Maybe you have some criticisms against assumptions (4) and (5), but if you cannot accept assumptions (4) and (5) then I can read you this; “…As a result the signs of Equation become positive. In other words, by showing the
individuals rate of risk aversion with relative figures based on the preconditions of the model and Equation (11), we can obtain this result: the quantity of medical care demand increases as the rate of risk aversion becomes higher.” We do not have any direct questionnaire so I have another assumption. Maybe single households of the elderly have more risk aversion. So I made a regression analysis. The outcomes of the regression analysis are: Even after we control individual attribute such as age, income groups...etc. even after that the dummy variable of the husband and wife households for the elderly shows negative coefficients and the dummy variable of households with husband, wife and children also have negative coefficients. So deducing from these outcomes the single household of the elderly has a positive to the demand for health care of the elderly. So combining these results we made this conclusion. Single households have a greater management of risk aversion and after that the demand for health care is larger then other households.

Dr. Terry McGee  
Canada

I wonder if I could ask you Mr. Kirasak. I think it is a very interesting policy initiative to think how you can re-emphasize the role of the family in social policy and certainly not unusual in the history of social policy-many governments have tried to do that and some have been successful and some not so successful. I would just like you to elaborate a bit more about how in the Thai context you can move that program forward? Because I think it has some very interesting implications for other countries in the APEC region.

Mr. Kirisak Chancharaswat  
Thailand

Professor McGee the one who could provide you with the best answer is the one who does this kind of program by himself, that is Mr. Paiboon. Please Mr. Paiboon, provide the answer to Professor McGee.
Mr. Paiboon Wattanasiritham  
Thailand

In Thailand family ties are still quite strong, relatively speaking that is. Over the years the ties have weakened but relatively to western countries Thai family ties are strong. Not only are family ties strong but in rural areas Thai communities are still together and partly because of the crisis families and community bonds increased and were reemphasized. Because of that potential, something that we call “Social Capital”, the Thai Government are now reemphasizing the importance of the family and community. You will see that in Thailand in the past few years the degree in public and community participation has increased, not only in the field of social protection but also economically and politically. E.g. a few years ago we had a political reform, the drafting of a completely new constitution, now that had the participation of thousands of people spending over a year on the project. Presently we are undergoing health reform, of which the objective is to try and do more on the preventive side. Again in order to undertake health reform many people from a cross section of society have participated in deliberating the issues in order to come up with the kind of national health act—a faster plan for health reform. It is broad based and has very active participation of the people. Now I give those examples to show in Thailand there is now a revival of people and community participation and the importance given to communities concerning their livelihood and social safety nets.

Mr. Pedro Reyes  
Mexico

I would like to ask Dr. Nancy from Chinese Taipei about the table on page 49. Could you tell us what is the deficit of the Government as a proportion of G.D.P? Because if the deficit as a proportion of G.D.P is high, then the Chinese Taipei economy could run into very difficult problems. Just let me remind you Argentina started with a very high deficit proportion of G.D.P.

Ms. Mei-yang Chang  
Chinese Taipei

Our Government is not used to having a deficit financing for a long time, so when the figure came up it was a worrying figure. Maybe to some countries 3 percent is bearable still.
IV. SESSION II:

International Perspectives of Social Safety Net Activities in the Asia-Pacific Region
International Perspectives of SSN Activities in the Asia-Pacific Region. I understand that every member economy has had their opportunity to make a presentation on its own current status on SSN. If any member economy still has something to discuss or present at this time, please raise your hand let us know. If not then we understand that everyone has had a satisfactory opportunity.

We will now invite some International Organizations to make a presentation on their activities in the field of SSNs in Asian-Pacific economies. The first presentation will be presented by the OECD but due to time restrictions an OECD member could not make the trip for the meeting and so they have requested that an expert in the field make the presentation for them. Mr. Dalhoe Coue.

Mr. Dalhoe Coue
Head Institution of APEC SSN CBN

Thank you Mr. Chairman. I am greatly honored to share the contents of the OECD paper with you this afternoon. This paper submitted by OECD is kind of abnormal, in that it is OECDs ongoing working program. This paper lists about eleven OECD programs, which can be classified as SSN activities. Of the eleven programs listed seven are for the OECD member countries, two are for regional activities, one for Southeast Asia and one for the Latin American region. The paper also lists two activities specifically for China, which I want to share with you.

Activities in OECD Member Countries

In this paper OECD’s activities for member countries are very well defined and each specific program which places high emphasis on reconciliation of work and family life be reassessing the value of certain services such as childcare for working mothers and fathers. The paper lists the following seven activities:

1. Making Work Pay: I think basically OECD’s intention, is to pay mothers who are temporally out of work for child-care. So, OECD would like to provide some values for child-care and try to invent some sort of mechanism to pay those mothers or
fathers who are taking care of children.

2. Family-Friendly Social Policies: This is also closely related to Making Work Pay. Basically the reconciliation of family care and work places. I think your attention to is drawn the title of OECDs paper which will be published by the end of December this year. The title will be “Babies and Bosses: Reconciling Work and Family Life.” I would like to underscore the order of the title, the Babies precede the Bosses. I think this can be interrupted as a shift in values to families and childcare over their bosses.

3. Transforming Disability into Ability: OECD mentioned that the majority of people considering themselves as disabled do not receive benefits. I am quite surprised that in OECD countries most people considering themselves disabled are not subject to benefits. I think this would be a major piece of work to be published by the OECD.

4. The Welfare Implications of Social Protection Systems:

5. Social Aspects of Sustainable Development:

6. OECD Health Project:

7. Aging-Related Diseases: Basically they pinpointed three diseases which are closely related to high income: heart diseases, stroke and breast cancer.

These seven activities reflect real characteristics of OECD member countries with high income. I do hope twenty too thirty years down the road we are discussing these kinds of subjects like today. Since these seven projects are very important for OECD countries I think they are not relevant to developing economies in Asia and Latin America.

Activities in Non-Member Countries

There are two regional projects:

i) Income Security and Social Protection in South-East Asia:

These studies were based on the OECD workshop, which was held in April last year in cooperation with the OECD Development Center in Paris. Experts from Malaysia, Indonesia, Philippines and Thailand were invited, and contributions from Korea, Australia,
ADB, ILO and the World Bank have been incorporated in the book which has been titled “Towards Asia’s Sustainable Development: The Role of Social Protection.” I would like to underscore one of OECDs findings, which states: “Existing social protection programs in many Asian countries were found to be insufficient and not well designed. It is now widely agreed that considerable effort is required to set up and further develop appropriate social protection mechanisms in the region.”

ii) Insurance and Private Pension Reform:

OECD is going to undertake a major review of insurance and private pension reform in cooperation with International Association Pension Fund Supervision Organization (AIOS). This will cover emerging Latin American countries.

Apart from these two regional programs, it is noteworthy to mention the OECD lists country’s, especially two country specific studies related only to China. The title of the studies are: “Improving Governance in China’s Social and Labor Market Policies” and “Social Policy and Labor Market Reform in China: Income Inequality in China.” Even the quite sensitive nature of income inequality in China I do hope that OECD can successfully undertake this study with professional expertise and I do hope that it will be a successful undertaking. Thank you Mr. Chairman.

Co-Chair

I’d like to turn the floor to the World Bank representative Mr. Peter Moock, it is on “The World Banks activities in the Social Safety Nets”.

Mr. Peter R. Moock
The World Bank

Thank you Mr. Chairman. The World Banks involvement in Social Safety Nets and more generally Social Protection is relatively recent. The early focus of the Bank after WWII was on infrastructure and hardware. There was very little attention given to social sectors or to issues of poverty and income distribution perhaps for the Banks first twenty years. The first education loan
was in 1963, and it was ten to fifteen years later when education was added to the Banks sectorial roster. Government investments in health and education can be seen as a form of social protection, especially if targeted at the poor, since its human capital that’s needed to raise individual productivity and adaptability and provide them with protection against shock. But the Banks earliest education and health projects also focused largely on hardware, on what is sometimes referred to as “Bricks and Mortar”. Only gradually did the Banks social sector projects begin to address some of the “softer” aspects of human development.

The advent of structural adjustment in the 1980s provided a major impetus for the Banks movement into issues of social protection. Because of worries both inside and outside the Bank of the social cost of adjustment. SSNs and social protection components were incorporated into adjustment programs to protect the poor and vulnerable. But it’s safe to say the Banks focus of that time was on macroeconomic stabilization and structural reform, social protection was almost an afterthought.

Perceptions inside the Bank would change during the 1990s for a number of reasons. The World Development Report in 1990 on poverty was a milestone in that it redefined the Banks mission. Poverty reduction replaced economic growth as the Banks number one goal for developing countries, which borrowed from the Bank. Of course, there are strong efficiency arguments for the development of robust social protection programs. Mr. Reyes’ question between the linkage of social protection and economic growth, and I am no expert in the area of SSNs, but it seems to me that one of the strong arguments is that they allow individuals a level of comfort to take on risks, which are an important ingredient in economic growth. So I think the linkage there is important.

The early 1990s also marked the break up of the Soviet empire and the end of the “cradle to grave” social security schemes in Eastern and Central Europe. More than anything else these events focused the Banks attention on social protection issues. Then came the financial crisis of 1997, which hit East Asia first followed by other parts of the world, Russia and Brazil. This had a large negative impact on household welfare, but countries like Indonesia and
Thailand particularly, but Korea and Malaysia as well, perhaps less so but also, were faced with a situation they had not experienced during more than twenty years of rapid and uninterrupted growth. Large numbers of households fell into poverty. Government responses differed by country, but in many cases new loans or restructured loans from the Bank were used to finance programs of social assistance.

Lending for social protection has increased dramatically since the early 1990s. In 1999 the Bank lent US$ 3.6 billion for social protection which was 13% of all new commitments. But there has been much fluctuation:

2000, $890 million = 6% of new loans
2001, $3.5 billion = 10%
2001, $831 million = 4%

Projections for 2003 will triple that of 2002, so as you can see there is tremendous fluctuations year to year.

The World Bank's social protection database lists 268 projects both current and closed or in the pipeline. About half of these are currently active—about 129 projects, of which only 15 are in the East Asia Pacific region. 3 in China, 2 each in Cambodia, Lao Peoples Democratic Republic, East Timor, Indonesia and Vietnam, and 1 each in Philippines and Thailand. 106 projects are already closed of which only 5 were in East Asia Pacific. There are 24 in the pipeline of which 1 is in the East Asia Pacific region, Philippines. So in summary about 8% of the Bank's social protection projects are in East Asia Pacific. Most of these have been introduced since 1997 in response to the financial crisis. If you are interested in information on the Bank's role in this area, there is a website you can look at: www1.worldbank.org/sp/

East Asia had as we know and extended period of export led growth from the 1970s onward. The World Bank, much to its embarrassment, came out with a book called the “Asian Miracle”, in about the mid 1990s. Of course the Asian miracle came to a crashing halt, or at least a temporary interruption a few years later. The period of economic growth had benefited the poor as well as the non-poor, poverty rates declined consistently in the region. East
Asia was characterized by very limited social insurance and public safety net programs with a very high reliance on family and informal safety nets, limited public programs, some public works, practically no unemployment insurance (except Korea) and limited pension coverage. The focus in the region had been on longer-term investment spending in basic health and education, which had served the region well. The impact of the crisis in the region was severe, as we know, if we look at indicators like GDP growth, the period from 1990-96 the average rate of growth in Indonesia and Korea was about 6%, in Malaysia and Thailand it was about 7%. In 1998 right after the crisis Indonesia had a -14%, Thailand -11%, Malaysia -9% and Korea -6%. Inflation, the average from 1990-96 in Indonesia had been about 8.8%, in 1998 Indonesia had an inflation rate of 58%. Other countries in the region experienced increased inflation rates but most were below double digits. Poverty was a clear impact of the crisis. In 1996 Indonesia and Thailand had brought poverty levels down to about 11% and Korea to about 9-10%. In 1998 Indonesia’s’ poverty rate grew to 20%, Korea to 19% and Thailand to 13%. So the impact over that period was dramatic. If you look at Government spending on education and health and if you compare 1998 with 1997, we took the ratio of those two years Indonesia’s’ spending was about 80% of pre-crisis levels, Malaysia 88% and Korea and Thailand about 95%, so there clearly were reductions. However interestingly there was no major increase in inequality. Just as the poor had benefited in times of economic growth, both the poor and non-poor felt the effects of the crisis. However the poor did fare worse in some areas such as school enrollments, there were significant declines, especially in Indonesia. There is also a recent article by Martin Ravallion, in the World Bank, which studied three countries, Argentina, Bangladesh and India to see how social spending has been affected as total spending fluctuates in response to business cycle fluctuations. He found that the tendency is for spending on the poor to fall more than proportionately as total spending contracts. So unless there are social safety nets in place, or what he calls “automatic social safety nets”, it’s spending on the non-poor that gets protected during periods of economic contraction, that’s the natural tendency, that’s the political economy of the situation. So there needs to be systems in place that
kick in automatically during crisis or when it’s very hard.

Let’s take the example of Indonesia during the crisis because it was the hardest hit country in the region. Two questions came to bear;

1. How did the Government respond to the crisis?

There were four major types of intervention in Indonesia. The largest by far was subsidized rice sales. The second type of program was employment creation, labor-intensive programs set up by a variety of ministries. Thirdly, in education there were scholarships to elementary, junior and secondary schools as well as block grants to schools. Fourthly there were health subsidies for clinical services, nutrition and midwifery. All of these attempted to target but the success of the targeting was rather mixed. The coverage of the bottom quintile—the poorest 20% ranged from below 10% in the case of education scholarships to over 50% in case of subsidized rice program. But the success of the rice subsidies in benefiting the very poor is explained in part by the share size of the program. If you look at a targeting index where 0 = perfect targeting, that is every poor households benefit before any rich households benefit and 1 = coverage, where non-poor are as likely to benefit as poor and >1 = pro-rich: education programs 0.9, subsidized rice program 0.9, medical services at best about 0.8

So targeting was a problem, even though there were serious attempts to do so.

2. How did households cope, not just in Indonesia but generally in the region?

Sensibly and systematically I think we can say. First of all households reduced non-essential spending, spending on clothing, home improvements, recreation, just on the necessities. Secondly there was a change in employment patterns, with people taking on additional jobs and working additional hours. There were also changes in how many family members were working, including school aged children. There were big declines in education and health as I mentioned but the scholarship program did have an impact. Another way in which households coped was through migration back to rural areas, and generally reliance on informal transfers. East Asia had a good system of informal community;
family based safety nets as I said before. Not a lot of public programs were in place.

What does the World Bank see in terms of key lessons of the crisis and the response to the crisis? The first lesson in that information is critical, at least two kinds of information, one is the routine data collection that is needed for geographic targeting, you have to have the information in order to know where you are going to spend your money. The second thing is something that Mr. Reyes mentioned earlier is the monitoring and evaluating of the programs, you need to know what works in order to make decisions on public expenditure. The second lesson is that pre-crisis planning is essential, you cannot wait for the crisis to occur, social safety nets need to be in place. As I said to the extent possible theses should kick in automatically. Public work programs are a good example. Government employment at below market wage rates will automatically expand during periods of economic recession, but there is also a need for cash or in kind transfers for those who can’t work, i.e. the disabled, or for those who should not work, i.e. school age children.

The response to the 1997 East Asia crisis was massive and it had an effect, but many programs were slow to kick in, and they were less well targeted than they should have been, and they were uncoordinated across Government departments-there needs to be better coordination and planning. Then the question is what should the role of the donors be? First of all I think donors should help Governments help put safety nets in place during normal times and not wait for the crisis to come. Try to intervene at a time when resistance from entrenched political forces is likely to be greatest. Another area where donors can help is trying to identify where the private sector responds well so the Government can focus on where it’s most needed. Thank you.

Co-Chair

Thank you very much. I think, as in the name, the World Bank it covers a very wide area of programs and then also many countries in the Asian Pacific region.
If you can hold any comments of discussions I would like to invite two more programs. This morning when we were hearing the Australian presentation there was a reference to their social protection program with several Asian and Pacific countries. So from the collaborators point of view, I have asked the Thailand representative to elaborate a little more on the Social Protection Facility, which the Australian Government collaborates with other Asian Pacific countries. I am inviting Professor Kusol of Mahidol University in Thailand, where she manages the Social Protection Facility. We can hear more in terms of specific operations, how they perceive this program, what are the contents and what are the lessons if any. Other countries can use this example as an international program, on whether there is room for further application or expansion. So Professor Kusol can you proceed?

Ms. Kusol Soonthorndhada
Thailand

Thank you very much Dr. Lee. I was just informed last night that I have to present more details of this program and so I will try.

We have the background of this program in both papers from Thailand and Australia. This program that we call the Social Protection facility (SPF), is a result of the consultation in APEC member agreement to intensify the efforts to address the social impacts of the financial crisis and strengthen the regions capacity of the social safety net related activities. In response to this call the Australian Government established a three years and A$ 5 million Social Protection Facility in 1999. Thailand and Australia agreed to work together in partnership in implementation of the facility, so this facility was established in May 2001. The location of the facilities regional base is at the Institute for Population and Social Research, Mahidol University in Bangkok.

The SPF aims to strengthen the capacity of focused countries: Indonesia, Thailand, Vietnam and the Philippines to develop social protection programs or social policies. The social protection also aims to promote the exchange of expertise, experience and best practice example across the region. The approach the facility uses is
a customized capacity building initiative designed to facilitate and exchange of the experience and expertise across the region. It might be different from the general training we tried to negotiate or try to discuss with the customer or the agency first that proposed the proposal to the facility and we have to discuss and agree with the learning agreement together before we have the capacity building implementation.

The SPF is managed solely by the Mahidol University and the Australian National University. Australia funds the facility and we will work in partnership to ensure high quality program that combines expertise and practical hands on experiences. The principal of the facility which includes the main driving focus and customized capacity building and also we will use the participating organization capacity of both Mahidol University and the Australian National University. Also we try to encourage the opportunity for regional exchange and also vertical integration within the agency. We will have the evaluation of the training outcomes for individuals too. The facility will focus on the matching of needs arising from the nominating agency and individuals, with the predetermined arrangement of training strategy and formality of the training outcomes to be delivered by the facility.

When we started the program the facility offered three types of the capacity building program: the first one we call the Senior Executive Extension and Development Program. This program is provided for the professionals who are involved with policy making and the senior executives who are responsible and the commitment and the position they fit. This program runs between 2-6 weeks for each program. The second one is called the Technical Assistance Package, which we provide for the middle level and the people who are working as implementors. The third one is the program provided for the leadership and network program. It is provided for the graduates who are no more than five years out of university with the social protection program with each agency. But after we work for the first stage we try to adjust the stream that we offer to be individual programs, team package programs and regional forums. In the first stage, since we start in May 2001, we set up many activities such as to develop and initiate information dissemination strategies to inform out stakeholders about the program objectives and operation. To create the participant
selection procedure and initial country focus visit and establish a line of communication with the partner institution in Australia. Also establishing facility policy, website, brochures etc... In the first stage, since May until December last year, we implemented five SPF activities for three or four focused countries e.g. in Vietnam we implemented a program that we call Health Policy and Finance Insurance for the Vietnamese Health Insurance agency. This program was proposed by the Vietnam Health Insurance agency. We provide three weeks for the study. The first week they are placed in the Ministry of Health in Thailand and also we have studies in many other agencies, not just Government but private agencies in order to share the experience and the expertise and also share the problem we face with the Vietnam participants. In the second week we send them to the Australian Health Insurance Commission for a week, with the mentors who are experts in Health Insurance in New Zealand. The last week they come back to Thailand to come back to the facility to work on the learning agreement which provides three papers called “The Lessons Learned from the Two Countries”, “The Implementation Plan in Vietnam Health Insurance”, and the third one is “The Cost Containment of Health Insurance Program in Vietnam.” This program is not just three weeks—it has three stages. The second stage is we send a mentor to study the management information system in the Vietnam Health Insurance and also to give them some advice about preparing the management information system. The third stage, which happens this August, we send the head of the department of the Computer Management Information System of the Vietnam Health Insurance to learn more about the system they have to prepare for the Health Insurance, in order to provide for the extension of the coverage of the Health Insurance in Vietnam.

This is only one example. Another example we did with the Thailand rural medical service, because the Ministry of Public Health tended to encourage medical doctors to work in rural areas and we have to provide a curriculum for them so we tried to provide the program for this group, which is senior executives who have initiated the rural medical studies for the medical doctors and we tried to find a mentor to set a curriculum for them. The next stage is to place them in University to share the experience with other
doctors and experts in this theme. This is an activity we have done, and after we have implemented this type of program we follow up each individual who participated in each organization of this program. We try to look at the outcome of this program, how they share the information and experience of the program and also to integrate the health insurance program with the social insurance program in the year 2003.

Co-Chair

Thank you Ms. Kusol. We have learned that the Australia-Thailand Social Protection Facility does not benefit Thailand alone but also networked with other member economies of APEC. I think this is a good example of collaboration among economies.

Finally we will have a presentation from the APEC Secretariat on the Social Safety Net Activities in the APEC Asian Pacific economies. The presentation will not only cover SSN activities by this task force but also other groups in the APEC. Also there are related activities and so she will make a linkage between these SSN activities and other related activities. Ms. Siti.

Ms. Siti Nugraha Mauludiah
APEC Secretariat

Thank you Mr. Chair. Good afternoon ladies and gentlemen, first of all I would like to extend an apology from the Executive Director of the APEC Secretariat, Ambassador Alejandro de la Pena, due to a prior engagement. He wishes us all a very successful and fruitful meeting. Now let me begin with my report on “APEC Activities on Social Safety Nets”, please kindly refer to the written report for the complete information, I will just highlight some information which is mostly related.

The SSN issue was first discussed in APEC in late 1997 under the broad issue of the Impact of the Crisis. The discussions were more focused on the issue of SSNs after the Leaders Meeting in Kuala Lumpur in 1998, where they specifically stated an investigation of the crisis and the importance of addressing social vulnerabilities,
APEC leaders agreed that as a matter of high priority APEC should intensify efforts to address the social impacts of the crisis. Further APEC directed their ministers to work with the ADB, the World Bank, the Inter-American Development Bank, and where appropriate public and private institutions to formulate strategies of concrete actions aimed at strengthening SSNs. Prior to these instructions, as a matter of fact, the APEC finance ministers who met in Kananakis, Canada in 1998, has already stated deliberations on the issue. Which focused on the assessment of the current economic situation and policies, to restore financial stability and growth, including measures to strengthen SSNs to help cushion the effects of the crisis on the poor. Following the finance ministers leadership, the ministers responsible for SME, who met in Kuala Lumpur in 1998, agreed to develop immediate measures to support SMEs and strengthen SSNs in affected economies. Other sectorial ministers meeting which also discussed and made deliberations on SSN issues, besides the finance SME ministerial, ministers meetings are human resource development meetings which were held twice in 1999 in the U.S and 2001 in the Peoples Republic of China.

On the senior officials level, the economic committee, which serves as a forum for member economies to exchange information and provide views and analysis on economic issues in the region, has lead APEC on the discussion on the impact of the financial crisis as early as 1998. It had initiated a two-year research project on APEC economies view on the Asian crisis, that included a strong analytical component dealing with the social impact of the crisis. The broad focus of this project is to examine vital issues arising from the crisis from longer term’s perspective. The project research shows SSNs is among priority areas for cooperation in APEC for consolidating the methods for growth.

Meanwhile, another effort, which is worth noting, is the one made by the Human Resources Development Working Group. The group established a task force on the human resource and social impacts of the financial crisis. The task force recommended some new or expanded projects in key areas of crisis response. They include assessing the nature and scope of SSNs and their significance in the current crisis. I should also mention here that various discussions have also been done in the Finance Ministers Process, this is the
senior officials meeting prior to the Finance Ministers meeting, which is to address the issue of SSNs as one of the focus issues in the impact of the crisis. One paper was submitted and discussed at the APEC Finance Ministers Meeting in February 2001 and from the discussion the following major lessons have emerged:

- The availability of timely and reliable information on poor and vulnerable groups is critical for the design and implementation of SSN programs.
- Pre-crisis planning can contribute to the design of effective SSNs.
- SSN should build on existing public programs and mechanisms for targeting and delivery.

Further APEC leaders in their 1999 declaration recognized that wealth and income disparities between and within economies could force a challenge for social stability. They were fully aware that appropriate SSNs play a role in facilitating economic adjustment. At this end they agreed that they would enhance dialogue and continue to seek policy approaches that encourage inclusion and economic advancement as well as initiative and innovation. This statement was re-iterated and enforced during the meetings in Bandar Seri Begawan in 2000 and in Shanghai in 2001. Responding to the leaders instructions, APEC trade and foreign ministers in a joint ministers meeting in September 1999 in Auckland New Zealand, directed APEC to join efforts in building the capacity of members in the areas of SSNs and exploring ways of strengthening SSNs in a framework integrating poverty reduction into group micro-economic policies. The ministers in the meeting in 2000 in Bandar Seri Begawan was more focused in the instruction by asking senior officials to implement the proposal under Revitalization of SSN in APEC, the proposal made by Korea and Thailand. They also agreed to establish an Ad Hoc Task Force on Strengthening APEC SSNs for reviewing APECs activities on SSNs.

Ladies and gentlemen based on this mandate APEC senior Officials established the Ad Hoc Task Force on Strengthening SSNs in February 2001. The first Meeting of the Task Force was held in the margin of SOM I held in February 2001, in Beijing, China. The Meeting was co-chaired by Korea and Thailand. The Meeting
discussed the Terms of Reference as well as the Work Program for the Task Force. The Meeting agreed that a preliminary research would be undertook to take stock of social safety net activities in APEC and investigate options for cooperative APEC endeavors. Korea and Thailand volunteered to lead the research.

The Second Meeting of the Task Force was held on in May 2001 in Shenzen, China, in the Margin of SOM II. The Meeting discussed the overview of the draft preliminary research paper which takes stock of social safety nets (SSN) programs in APEC member economies hit by the 1997 economic crisis, and existing SSN activities undertaken by international financial institutions, as well as by APEC member economies.

The objective of the research is to provide necessary information and help establish basic directions for strengthening APEC social safety nets by reviewing and assessing social safety net activities under way within and among APEC members and international organizations. This research also aims at identifying gaps and missing links between collective APEC social safety net-related activities and similar undertakings elsewhere and to suggest possible areas where APEC can contribute to strengthening social safety nets.

The Third Meeting of the Task Force was held in August 2001 in Dalian, the People’s Republic of China. The Task Force concluded that capacity building should be the focus of APEC SSN activity. The Task Force forwarded two recommendations to SOM III, which later was fully endorsed by SOM:

Establishment of a Capacity Building Network;

Convening an International Meeting of policymakers, experts and other stakeholders to address specific social safety net related capacity building issues.

The Task Force also agreed that the initial framework for the CBN would be to build capacity for the implementation of recommendations on SSNs made by APEC Finance Ministers Process and HRDWG, and that attention to gender dimension would form an integral part of the work of the CBN. The Task Force was disbanded after its final report to Minister in October 2001.
The APEC Joint Ministers Meeting in Shanghai, October 2001, welcomed the recommendations of the Ad Hoc Task Force on Strengthening APEC Social Safety Nets (SSN). They endorsed the proposed establishment of an APEC SSN Capacity Building Network that, in the first instance, would focus on capacity building to implement the SSN recommendations made by the Finance Ministers and in the study conducted in the HRDWG. Ministers welcomed the proposals by Korea and Thailand to co-organize an international meeting to address specific capacity building issues on SSN. In short APEC is moving towards a new stage in its concerted effort in the issue, which is to work together in the capacity building network of SSN. With this I conclude my brief report on the activities in APEC, thank you very much.

Co-Chair

Thank you Ms. Siti. With this presentation I would like to open the floor to exchange your views, questions clarifications or anything to the presenters of OECD or World Bank or APEC or any other organizations.

Dr. Terry McGee
Canada

Thank you. I was pleased to hear the representative of the World Bank talk about the Indonesian programs. There is one program in particular which has been put in place after the crisis period, which is the Social Monitoring and Early Response Units. I think this is a model of the kind of tightly organized evaluative institution, which can give good feedback on how successful the targeting programs have been. Thailand also I believe has a similar institution which I think is called Social Monitor. I just wanted to comment that it has just emerged, published in the Journal of Developing Economies, an article on the assessment of the SSN programs in Indonesia. It is a very detailed analysis, very carefully reviewed in my judgement, I think I’d like to hear the comment from the World Bank representative on this particular program. I haven’t seen much in the way of evaluation from outside people, I’ve seen lots of
information coming out of that group. By the way if anybody would like a copy and the secretary would like to produce this then I can make it available. Thank you.

Mr. Peter Moock
The World Bank

I am not sure if I know more about this program than Mr. McGee, but I do know the social monitoring initiatives in Indonesia and Thailand I think they have been terribly important in providing the information that is absolutely critical. I was going to make a different comment. I have ticked off all the papers that have been presented and the one paper left is by Terry McGee and it hasn’t been presented. It’s a general paper and I’ve been looking through it and it’s really excellent and I hope at some point you will have an opportunity to present some of the material that’s in that.

Dr. Chanyong Park
Head Institution of APEC SSN CBN

I would like to add just one small thing because our institution made a meeting plan, and we have to make a ‘Statement of Chairs’ and then we have to report to the APEC Ministers Meeting and then the Leaders Meeting of this year. So I’d like to just briefly explain the goal of this meeting. Of course the general goal is to “Strengthen Social Safety Nets in the APEC Region”, but we have to discuss more about how to. Since 1997 there have been three series of very similar workshops or conference organized by World Bank, OECD and ADB etc.. But most of those conferences are concentrated on very academic aspects. Now we all know what is the major problem of country A or country B already, but we don’t know still how can we get rid of this obstacle to strengthen SSNs in APEC region or member economies and so tomorrow because our working hours have been shortened, so I will hope to concentrate our discussion on more practical strategies issues than theoretical. I would like to announce that at the end of tomorrow’s session we are going to circulate a “Statement of Chairs” and if all participants agree we will fix it as a result of this meeting.
Also are you going to discuss the matrix you have distributed to all participants?

**Dr. Chanyong Park**  
*Head Institution of APEC SSN CBN*

I am going to first of all collect the results of the work and if we need more input then I am going to circulate later after the meeting. It depends on the impact.

**Ms. Siti Nugraha Mauludiah**  
*APEC Secretariat*

On the same note, I guess one of the things we have to report to SOM next month in Mexico is about the Capacity Building Network, maybe in the second session tomorrow we could just brainstorm on the work program for the SSN CBN so that we have something to report to SOM on this, because we haven’t really touched on this issue.

**Mr. Chan Buom Lee**  
*Korea*

Thank you. Of course I don’t want to dampen the enthusiasm for the SSN visit tomorrow afternoon, but I would just like to remind you that there is a lot of work to be done, including the Chairs Statement as well as what we are going to report to APEC Senior Officials and Ministers on the outcome of this meeting as well as the modality and work program of the CBN. So I would caution you to prepare for very intensive sessions tomorrow. Thank you.

**Dr. Terry McGee**  
*Canada*

Of course I am very sympathetic to the points that are being made, having had some experience in trying to set up networks-virtual
networks in other contexts. I don’t think this is an easy task, it involves a great deal of careful and practical thinking and even if there is a deep commitment of the part of all member economies to that concept, actually making it work, the work plan for it is very difficult. So from a personal point of view suggest that if indeed the kind of resolution to these kinds of questions cannot be carried out by the end of the morning session, you might consider putting together a smaller group of people who are willing to work at this in the afternoon, in order to produce a slightly more refined document. I don’t know what the procedures are but then it could be circulated to member economies for their opinion and reaction. Thank you.

**Co-Chair**

I think Mr. McGee made very substantive suggestions, since we are going to shorten our working hours tomorrow and maybe it is very time constrained to come up with some kind of document to reflect our more or less agreed action plan for the future, SSN CBN. It maybe good if some small working group can make a draft and then when we discuss in the first session tomorrow we can probably use that draft for the basis of our discussion and then at the end more or less we can have an agreed version, some kind of resolution or action plan for the CBN. Do you think this kind of small working group would be good or should it be discussed as a whole session here?

**Ms. Siti Nugraha Mauludiah**

*APEC Secretariat*

I agree with Professor about the difficulties of coming to an agreed list of action programs because we had an experience about this last year for the whole year we talked about what should we do and finally we came up with one sentence that “capacity building should be the focus on the activities of SSNs in APEC” which is very broad. What I suggest is that after the morning session we just brainstorm what are actions that are practical or physical to be done in the capacity building network and we list this and then after the meeting, based on the brainstorming that we have tomorrow we circulate to other member economies for their comments before we
report to SOM. I guess would be more practical in my point of view.

Mr. Pradap Pibulsonggram
Thailand

I think the concerns were very much well taken the concerns of Mr. Lee and Professor Terry McGee. Considering the issues we discussed and the reports from APEC Secretariat, the SSN issues could easily be marginalized within the APEC framework. So with that feeling I feel that somehow some kind of great mission to work out. I would agree to a working group which must be presented to us and then we can substantiate and utilize all persons her to achieve the goals we are aiming to.

Co-Chair

Thank you for the reinforcement of the concern. From this chair I don’t think what Ms. Siti mentioned and what Mr. McGee mentioned are not exactly in conflict but more of timing. What Ms. Siti suggest is that we want to reflect the first session tomorrow morning and then start drafting some kind of understanding on the basis of brainstorming. Mr. McGee suggestion is that maybe we have very little time if we do that between the third and fourth session so we can have some kind of draft and then after finishing the third session we can re-visit that draft to reflect on the brainstorming session on the third session. Then we can revise some kind of draft and then later distribute. If I understand correctly Ms. Siti does not expect by the time the meeting ends its not going to be final but rather some kind of draft to work on. So the issue is whether making some kind of working group and have some kind of draft would be useful to make another draft at the end of the fourth session or not. I think that is the movement made by Professor McGee and then Ms. Siti made some suggestions. My proposal is do you want to have some kind of meeting this evening informally organized and let them make some kind of draft and then use it as a basis to amend-reflect the brainstorming session tomorrow and then use it as a basis for our fourth session. Any objections to that proposal?
Mr. Pedro Reyes  
Mexico

It is not an objection, but could I suggest that in this, let's say "position paper" some questions are included so that maybe tomorrow we could have a guided discussion. Signaling what are the important spheres of SSNs in the programs of Ecotech and APEC itself. Because it looks to me that the revision of what we said this morning was pretty good but we need to point out all the policy implications and the relationship with growth and SSNs and some other questions. So I think if we include a list of questions to guide the discussion will be in a way helpful.

Co-Chair

If we have a working group then that working group can take into account those questions and then tomorrows meeting after brainstorming when we see the draft we can see what we add or what we delete still we can work on it. Having some kind of preparation in anticipation of some kind of discussion, over preparation is not a futile effort I think. Understanding of some kind of working draft prepared as some kind of basis for tomorrows discussion is a agreed upon as I understand it. Mr. Reyes is not opposed to having some kind of working group or preparing some kind of draft for tomorrows discussion also.

If I understand correctly, Mr. Reyes suggestion is that the working group should take into account those kinds of questions. I think not only the questions raised by Mr. Reyes but also any other question raised tomorrow should be reflected in the afternoon session. If delegates would like to approach the Chair and volunteer for the small working group.

Ms. Siti Nugraha Mauludiah  
APEC Secretariat

Just to encourage volunteers. We have a sum of the preliminary list of activities for SSNs, which we have already reported to Ministers. Maybe you could work based on that because it is already reported to the Ministers, and the work of the small group is not all that hard.
Co-Chair

That is an encouraging note. Some outline or skeleton is already there on which the committee may already work on.

Mr. Chan Buom Lee
Korea

I think will alleviate some concerns that have been raised by these speakers, I think we have to carefully calibrate our expectations. It’s very unlikely that we can come up with a long list of agreed upon actions at this meeting. Those who worked on the Task Force will know how hard it is to come up with concrete set of work programs as well as modalities for managing the CBN. I think what we have to do is build upon the results of the Task Force that was completed last year, as a result of which this meeting has taken place, and find the basic direction on how SSNs will be unfolding for the future. So I would just like to say you shouldn’t be too afraid about drafts or no drafts, Chairman’s Statements or not, you’re not trying to come up with an elaborate agreed upon work program but just to find a sort of reasonable set of results for this meeting.

Co-Chair

How ambitious we should be in setting our goals is well advised. With that understanding the two Chairs will look forward to many indicators of their voluntarism. On that note we will adjourn this meeting. Thank you very much.
V. SESSION III:
Stocktaking and Lessons from the Practices of Social Safety Nets
Dr. Terry McGee  
Canada

Thank you very much Mr. Chairman, it’s a great pleasure to have this opportunity to present the results of this project which we engaged almost two years ago. What I propose to do, and I have circulated it so I hope you all have copies of it, a synthesis of that particular report which is actually quite likely, and as I understand at and perhaps Ms. Siti could tell us that it has actually been put on the APEC web-site. Anyway there is a much ore detailed report associated with this particular presentation I wish to make today. I would like to divide my comments into three parts: Firstly, I want to make some brief comments about the report itself, secondly, I want to offer some thoughts into the relevance of the report to our efforts of this group to set up the APEC SSN CBN network, because I think there are some useful elements in the report that may help that particular exercise. Finally I want to consider some of the lessons learnt, which in the report we have presented in the form of recommendations, which may be a little presumptuous of us but at the time it seemed the best way to proceed in terms of policy discussion. So I would like you to see them as a kind of framework of lessons which have been learnt from this exercise, which may be relevant to the particular issues and areas that the network is intending to focus on in its data gathering information exchange, research and capacity building exercises.

So if I could proceed Mr. Chairman from that, I would like to briefly make three comments about the report itself. I want to make three points: Firstly, this paper was an approved initiative by the Human Resources Development Working Group (HRDWG). Secondly, it was funded by the Canadian International Development Agency. Thirdly, it was a team effort involving equal numbers of Canadians and Southeast Asians. The focus of this paper is on five Southeast Asian countries of Indonesia, Vietnam, Malaysia, Thailand and the Philippines.

We very consciously sort to achieve gender balance in the team. We were very conscious of the fact that the impact of the crisis had been particularly serious on women and children and we wanted to make sure that particular aspect of the project was covered by the
particular researchers who were working and of course in the project itself. Secondly, I wanted to offer some thoughts on the relevance of this report to the particular exercise we are engaged in at the moment. I think there are four points I would like to make to you:

1. The development of this paper is a very good example of cross-country networking and comparative data gathering and it highlights very useful ways in which comparative experience can be used to reinforce and help policy decisions.

2. It was a tightly organized goal orientated information-gathering project. The project was only fifteen months in duration and actually only twelve months from putting the actual data gathering exercises in place and the final completion of this report. It was accomplished then by the standards of these exercises and in many cases, I think in a very short period of time. There was a conscious effort to do that because of the realization of the importance of the particular need to look at the process of SSNs because of the crisis situation.

3. It is a very good example of how to develop cross cutting conceptual tools in comparative analysis. I think it is very important to think about the kind of conceptual tools you are going to use. that can be policy tools, that can inform comparative research so people in individual country’s can see the relevance of certain conceptual tools to the data gathering and policy research process. The tools we used focuses on vulnerability of, poor people and risk management, which we saw as the two crucial components in the situation of the financial crisis. We found that to be a particularly fruitful way to get members of our team to think about particular policy issues. I was reading this morning the book, which the previous President has produced on “Productive Welfare in Korea” and it seems to me that this is a conceptual tool. Its very much an effort to try and think about how some very broad issues relating to welfare and the relationship between the private sector, Government and civil society are going to be organized in societies such as Korea which are moving rapidly into phases of the new economy and other aspects of importance.

4. I think this project is the kind of project that can lead into
broader policy making issues that have relevance to quite diverse economies. I think in this meeting we have seen that there is some difficulty trying to blend together issues about SSN policy and more broader social policy as they relate to more developed economies and developing economies in the APEC region. I think this kind of framework, I think crosses right through the divide if in deed there is a divide, a meaningful divide.

The third part of my presentation is really to do with the lessons learnt. We came up as a result of this report with ten recommendations. None of them were meant to be recommendations which individual economies would automatically accept, but rather as a way of making some policy discussions come into play about the events that occurred over the preceding three years in various Southeast Asian countries.

**A New Architecture for Social Safety Net Policy: Main Recommendations.**

**Recommendation 1: Establishment of “Quick-Response Social Safety Net Units” as an Important Component in the Preparations for the Future Economic Shock.**

Our studies show very well that many Southeast Asian Governments were ill prepared for the social impact of the crisis. This is supported by many studies including KIHASA’s recent study on the “APEC SSN”. There is a need to establish these policy units as on-going but flexible institutional units within particular governmental frameworks. They need to be in place so they are available in crisis situations. In that respect we quite like the model that is set in place for environmental disaster or disaster relief situations. We think that has some possibilities to be transferred into this social crisis situation, short-term social crisis brought about by financial or economic shock. We wanted to stress that this should be a small, it should be inter-departmental if possible, it should include NGOs and it should be able to be brought into play very quickly when these events come about.

**Recommendation 2: Developing More Comprehensive and Effective Definitions of Poverty.**

Governments, because they were not prepared for the crisis had to
use existing institutional channels for distribution and targeting etc. for social safety nets, and they had to use measurements for poverty which were developed for a much longer period of time. They were much to over arching, much less flexible and much less refined that you need in the context of social-crisis situations. If you want to look at the particular paper I circulated by ‘Sumarto’, you will see that they have some very concrete situations as to how that particular problem could be dealt with using existing statistical systems within some of these countries at any rate. In other words the most obvious problem here was that urban and rural areas were not always clearly distinguished in poverty measurement. And it became clear that in certain of these countries that the impact on urban areas was much more serious than rural areas. Thus the kind of attempt to target through using overall poverty measures in the urban areas was very weak.


We wanted to see a more effective institutional framework developed for the delivery of social safety net programs. We would like to see a more diverse set of institutional channels for delivering programs. It became very clear that there are many channels through which these programs could be delivered and in many cases NGOs and community organizations had a tremendous capacity to get quick relief out to targeted populations which the Government could not for any number of reasons. So our recommendations would like to see a more diverse set of institutional channels for delivering programs. Obviously with each country there will be different balances in those channels reflecting the various ways that they run their program.

Recommendation 4: Identifying the Capital Sources for Social Safety Net Programs...a Social Fund.

At times of crisis Governments have very tight budgets and it is difficult for Governments to find the funds necessary. We looked at the way social funds are organized in some Latin American countries in particularly the World Banks assessment of these funds. The idea of a social fund is to set up a reserve fund, which is outside regular budgetary allocations to be used in times of need.
Governments do this to an extent with disaster relief funds and that has to be recognized.


Lots of problems with targeting these groups in SSN problem. We have talked about it, obviously much better targeting is needed than was evident throughout many of the programs.

Recommendation 6: The Importance of Targeting Special SSN Programs for Particularly Vulnerable Groups, Including Women, Children and the Elderly.

There is a need to concentrate on the particularly vulnerable groups and the report goes into this issue at some length.

Recommendation 7: Developing an Integrated Package of Programs.

There is a need to have a centralized integrated unit handling the SSN programs; i.e. there is a need to have less departmental separations in the delivery of the programs.

Recommendation 8: Establish Ongoing Monitoring and Evaluation of Programs.

This is an issue of great importance and needs to be done on both micro and macro levels. In the initial phases of the Indonesian delivery of SSN programs their way of monitoring was how much money was spent, which is a pretty weak way to establish whether or not funds had actually been used for which they were meant to be targeted. In Indonesia some pretty effective work has been done on targeting mechanisms and evaluations on a macro level, but I think that also has to be combined with what’s called a micro level evaluation and I think that’s a very important part. In many cases this can be done through the world of civil society, e.g. NGO’s.


Trying to develop a policy set of prescriptions which can help governments decide and know when to move out of short-term crisis programs. In other words developing an exit strategy. It’s very obvious when many of the papers presented here that it’s a
very important issue. But its also a highly under researched issue in a policy sense.

Recommendation 10: *The Use of Exemplary Case Studies.*

Use and compare comparative policy experience of individual countries to develop more affective policies. In particular the use of exemplary case studies and the sharing of information through networks is recommended.

So those were the major lessons that were learnt and the recommendations that followed from them. I hope that you will find them of some assistance in formulating the kind of issues that the network will focus upon and of course I am very happy to entertain questions Mr. Chair if people wish to. Thank you very much.

**Dr. Chanyong Park**  
*Head Institution of APEC SSN CBN*

Thank you Mr. Chair. I have learnt many things from Mr. McGees’ report, you know the original paper is over five or six hundred pages, and then he dealt with five Southeast Asian countries hit by the 1997 financial crisis and I totally agree with his conclusions. As he mentioned, we at KIHASA also published a research report on five Asian countries hit by the economic crisis and I reviewed the report put out by the World Bank by Mr. Blomquist and Mr. McGees’ report and then I made a conclusion as a result. Our possible area for strengthening SSN’s in the Asia Pacific region must be viewed as a capacity to manage SSN related administration and related projects. So well I have to say thank you very much for your excellent research result and we are going to operate the SSN CBN network with your knowledge and results provided by yourself. Thank you Mr. Chairman.

**Ms. Kusol Soonthorndhada**  
*Thailand*

I would like to give two observations for Professor McGees’ recommendations. First, for ‘Recommendation 6’ where you propose the attention to the targeting of the SSN, particularly the
vulnerable groups, you include women, elderly and children. But you did not include the disabled person. I think after the economic crisis the disabled group fell into difficulties more than others due to family members or other social groups unable to help them. So I suggest if possible for you to include the disabled person.

The second observation is that you suggest in ‘Recommendation 8’ you recommend to pay more attention on the monitoring and evaluating. It is true we do have to pay more attention on the monitoring and evaluating of the SSN program. But I would like to suggest that it is not only, when we are working the monitoring and evaluation is quite, is not so concerned by the implementation or the administrator, and so if possible we have to include this issue in management which will include monitoring and evaluating. Because I have tried many years ago to encourage the ministry, even of the University to monitor the program or evaluate the program but it is not successful yet. That is my opinion thank you.

Dr. Terry McGee
Canada

Thank you I think that is excellent input. It occurs to me that in addition to the groups we identified in the targeting recommendation, there are also quite serious problems that come about with contract labor, working in other countries. During the crisis many of these migrant workers were laid off and then had to be repatriated back to their home country. This is another dimension of this particular crisis, which is quite closely connected to globalization in the way that migrants are moving into particular slots in the Asia. We did talk about this a lot but it didn’t get into the final recommendation. Thank you.

Mr. Peter Moock
The World Bank

I would like to first of all say how much I appreciate this paper. I am glad I have the twenty-page version and not the five hundred-page version but anyway this is excellent. The ten recommendations seem very sensible and ones I totally agree with.
In the report though you mention five Southeast Asia countries adversely affected by the Asian Economic crisis in 1997. While four of them Indonesia, Malaysia, Philippines and Thailand were obviously affected the same cannot be said for Vietnam. The crisis for Vietnam was modest, and in some ways indicators did continue to increase although GDP growth did fall. One that I would quibble is spending on the social sectors, I am not exactly sure what happened in health but partly as a result of the Party Congress at the end of 1997 spending on education, which I think had been in the range of 13-14% increased-they put a target of 15% which was met almost immediately and it's now approaching 20%. So in fact we see in Vietnam considerable progress in terms of that indicator.

The last point I would make in response to Mr. Parks mention of the paper that Mr. Jean Blomquist worked on, indeed he is now at the bank and I think he was the team leader. But if I am correct that was a joint project of the Bank with other agencies, I think OECD, ADB and the IMF were all involved and so I am sensitive to the fact the Bank takes credit or is given credit for things which are very much the result of collaborative work and I think this is a very good example. It is indeed a very good paper.

Dr. Hsiao-hung Nancy Chen
Chinese Taipei

Thank you Mr. Chair. I have to confess that I haven’t had a chance to read the contents in full, but just listening to the presentation I find it very interesting, especially the last part concerning the indicators for all these countries. I remember last night when we talked about the format for the concluding remarks or whatever type of format we have to work on and some scholars or participants suggested that we make a list of indicators for the twenty-one economies, taking care of the interplay between the economic dimension and the SSN. Here’s a good example because already we find some very useful indicators and of course the title of the paper is dealing mainly with economic crisis, but in your oral presentation you mentioned something of a relief fund for a disaster area. This reminds me of a situation in Chinese Taipei two years ago which was an earthquake. Our experience in Chinese-Taipei
during the large earthquake two years ago was to reallocate social spending—from the previously mapped out pension scheme, which has never been implemented in order to deal with the earthquake crisis. All the problems you mentioned dealing mainly with the economic crisis in South East Asia are very similar to the situation of the earthquake area in Chinese Taipei. Now we set up a task force to deal with problems such as unemployment, handicapped—almost the same pattern as you described. So I think we can learn much experience from your study or later a comparative study can be put together, because some professionals in Chinese Taipei have conducted a series of studies in that area dealing with the crisis situation, waste of financial dimension or without. I think by listening to your presentation I have to go back through your paper and carefully find where a comparative framework can come out from a collaborative effort later on. Thank you.

*Mr. Surichai Wun’ Gaeo*

*Thailand*

I would like to say that this report that I have read and the presentation are very much appreciated. Particularly in the light of sharpening social policy concern together with the globalization process, in that light I think the last part of the report has helped to bring the sense of balance in pushing forward globalization efforts.

I have two comments and the first one is about the urbanization context of poverty. I think you could have elaborated more on this, I appreciate the call for multiple poverties and a call for comprehensive understanding of poverty beyond the poverty line, single measurement efforts. Then you bring this to the urban context and I have been wondering how far we can say in such a way, in a sense in although in the Thai context there are two contradictory results 1.) the rural areas were hit harder in terms of number of people affected while in the urban areas there were relatively few. 2.) however, in the rural areas the people affected by the crisis had more of a cushion to fall back on in terms of food and community help. I would agree as far as you say the complexity of poverty must be further understood rather than to say on one hand urban poor maybe the most affected. I also think that transferring a
disaster relief unit into a social crisis management unit is not so easy to take as an example for the recommendation.

Dr. Terry McGee
Canada

Thank you I think this is a very good point. There was a lot of contention and not a lot of very useful evidence in the early point that we were doing this study about whether the impact was stronger in rural or urban areas. However the initial impact of the crisis was on the urban population and over time it gradually worked its way into the rural areas. In the two most seriously impacted economies of Thailand and Indonesia, inflation occurred rapidly. Although Governments did try to keep prices of basic commodities down such as rice etc. the inflation did however place quite a lot of pressure on poorer families where the proportion of their monetary expenditure on food is quite high. Also in urban areas, especially with urban construction workers where many were displaced or unemployed, women had to move into trades and other activities to help combat the problem of falling household income—traditionally not a role for them. Based on this, the urban population was affected more severely and not just in the very poor but also with many whom are just above poor who could not afford food. In Indonesia the rural population were not so much affected by a lack of food but felt the heat of the crisis through unemployment and lack of basic amenities. Maybe we were too strong in saying that the urban areas were more adversely affected, however the results from Indonesia supported our conclusion. However I still think it is very important in defining poverty or targeting populations to separate urban from rural, simply because of the way income earnings and income expenditures are utilized in rural and urban areas.

As for the emergency unit we weren’t suggesting that you use it as an institution to shift it into social welfare. Rather we were thinking that some of the preparatory institutional forms and practices that are developing in emergency per-purpose units are very capable of being transferred for social crisis units. Particularly forward planning, knowing how to put people into place, having budgets available, having particular institutional responses to crisis
situations which we know are part of disasters occurring. It doesn’t mean that we have to create some huge unit because we know that in America they have a very effective unit, which brings in people from all over to deal with crisis, it happened in Los Angeles at the time of the earthquake. So you don’t have to have a lot of people just sitting around waiting for a crisis. I agree you can’t just take that structure and transform it into a SSN, you would have to re-work that.

**Dr. Hsiao-hung Nancy Chen**  
*Chinese Taipei*

I have a very short question I would like to raise here, because for the past two days we have talked about poverty, SSNs and poor people, but one of the troublesome questions we have to face, whether you take the technical, administrative or policy implication of it is how are we going to define who are the ones to be considered who are the poor people? Over your study do you find that they adopt the same low-income standard over the few countries you studied or do they have different sets-do they define the poor people differently and how would you reconcile them into your study? Thank you.

**Dr. Terry McGee**  
*Canada*

I think most Governments in these countries have been addressing issues of poverty definition pretty seriously in terms of trying to identify the most needy populations. There are various language used to describe those populations and various targeting methods. For instance in Vietnam they have identified fifteen hundred communes which are regarded as very poor and are geographically the focus of a major thrust of their poverty reduction program. So there is an attempt to identify to define the very poor by a variety of measures. Now there is an attempt to be more responsive to urban rural differences as is particularly coming about as these countries become more urbanized. After all Malaysia is now more than 50% urbanized. There is a need to adjust the way that poverty is assessed at a national level in relation to urban rural differences. Not just the
geographic thing because now a days there is a high proportion of the population living in rural areas but who are not working in agriculture occupations. Now most Governments have also adopted broad macro measures which fit in with the World Banks general measures of poverty, which in my judgement are not much help when you get into crisis situations because they are just broad comparative poverty levels. So I think there is a lot more work that has to be done, but I’m not sure that there has to be country work that responds to particular conditions as well, in other words, country specific definitions of poverty and they have to be worked together with other countries in order to get more comparative acceptable definitions of poverty. I think most people in this room know about the various ways to measure poverty, income, expenditure and that kind of thing.

Mr. Pai boon Wattanasiritham
Thailand

I would like to say that Prof. McGee’s paper is very useful particularly in supporting the work of this committees SSN capacity building program. In particular it very clearly links the social crisis to globalization and international trade and the fact that we should always be mindful of this linkage and inter-relationships between the short term and the long term, the micro and the macro. In other words this is system thinking at a very high level and something that I would hope the APEC people would have in such thinking, and integrate what may be seen as a separate matter, SSN’s, in the eyes of some APEC people. I would hope that with the help of such a paper they would see the very close inter-relationship between SSNs, and the macro picture of trade and globalization. Somehow I also hope that today we are able to utilize the contents of this paper or such matters into our deliberations and our conclusions. In particular our work plans in such a way that we would be better prepared for future events in a way that combines social considerations with the economic activities.
Dr. Chanyong Park
Head Institution of APEC SSN CBN

Thank you Mr. Chair. I would like to arrange a little bit different point. I think there are two ways to approach these problems, enormity and operational. This is a big gap, especially in SSN work. For instance three years ago Korean researchers provided the result to strengthen the Korean public assistance system. The Government needed more social workers from five thousand five hundred to seven thousand five hundred. We got the result and so we have to increase but it doesn’t work because the ministry in charge of government officials recruitment doesn’t work because at the time they were going through a process of structural adjustment in the public sector and how can the ministry recruit 7500 government officials. Another example is everybody will say that monitoring systems are very important, that each member economy should establish monitoring systems. As you know to establish monitoring systems you need income data. But in most of the developing countries people are working as a street vendor or informal sector and so the Government cannot survey their income. In those countries the common point is the ratio between salary and wage earners is quite low. So finally the income data of non salary and wage earners will not be released and usually in those country’s the ruling political parties doesn’t really want to release the exact shape of the poverty-it is closely connected with politics. We need to discuss these issues and now thanks to many research papers, meetings and such we should ask how can we reach through this situation. I think that is very important in this meeting. That is my opinion. Thank you.

Dr. Kyunghae Chung
Korea

Professor McGees’ paper is well summarized and we highly appreciate it. But I would like to ask some points. Would you make one more recommendation on international co-operation? For example, SSNs are supposed to provide for not only financial crisis but also natural disasters and infectious disease. For instance what
if the earthquake in Taiwan, the many floods in Southeast Asia, the drought in North Korea, wild fire cases in Indonesia and sometimes refugees from rural to urban or urban to rural in times of financial crisis were too much for one country’s capabilities. What if such a means is not sufficient enough for one country’s capabilities and so that country then needs more help from other countries. Therefore would you make another recommendation, maybe a recommendation 11 for ‘International Cooperation?’ Thank you.

Dr. Terry McGee
Canada

This does happen and international agencies were quite important during the crisis and in fact the Japanese Government gave substantial support to some Southeast Asian countries for programs designed to alleviate problems of unemployment and other programs and were by far the largest donor. The funds that were made available by the IMF as part of structural adjustment loans, were sometimes being used for short term measures to try and cope with SSNs. International Financial Institutions (IFI’S) are very important in times of crisis but need to be more flexible as often the requirements specified are too difficult for Governments to meet. Also important institutions such as the ADB, United Nations Development Program etc and also individual Governments play an important role in times of crisis. I think actually as an issue this is very important, the role of the international donor community in these kinds of crisis situations. The Canadian International Development Agency (CIDA) have being spending a lot of time trying to think about issues of sustainability and management in environmental crisis situations or long term environmental deteriorations and in fact directly preceding the financial crisis Indonesia was experiencing a drought which accentuated the particular process of the crisis and so it is hard to separate out these issues of environmental deterioration and international contribution and Governmental action—you have to sometimes keep them in separate packets and sometimes you have to assess them all at the same time, its part of the policy response.
Dr. Brian Hunter  
Canada

Yes I am from the Canadian International Development Agency (CIDA). At CIDA we do have a separate fund that we set up years ago, International Humanitarian Assistance Program, that’s specifically to respond to countries that get into crisis situations and we would utilize that when we have environmental crisis or we can use it for other purposes as well. We found it very useful to set a separate fund aside for that purpose and it is not to be tapped for any other purpose.

Mr. Pedro Reyes  
Mexico

It is a very nice paper and I would like to make a few comments. Firstly in relation to ‘Recommendation 4’. Our experience in Mexico is that yes we have this fund but we found that the efficient way to create this fund was through an insurance disaster fund. The reason being it is much cheaper and you don’t have to put aside the resources, depending on the area you only have to pay 10% of potential damages. Secondly I see that these recommendations are at a higher aggregated level and so possibly I might suggest to work out some micro approach because when Governments and other institutions offer help in affected crisis areas they have to be careful not to undermine the livelihood of those that can still make a living in the area—such as providing milk at a cheaper price than the local producers. So we have to deal with two different approaches; one is what to do to support the poor producers of in this case milk and at the same time keeping prices low for the population. This is something that needs to be considered in more detail. May I suggest Professor McGee to consider these micro or more detailed things that have to work. Thank you.

Dr. Terry McGee  
Canada

I don’t think this report ignores the micro aspects and in fact in the body of the report there are a lot of case studies of micro practice in
SSN, so it doesn’t neglect that it just represents an attempt to synthesize the results at a very macro level. The report does not really deal with issues of macro intervention economic measures and so it is not addressing Government policies in respect to pricing structures of basic food or fuel for instance. One of the precipitating issues in the Indonesian crisis was, one of the elements of the structural program was requirement that Indonesian reduce subsidies on gas and this was a component of the structural adjustment program which caused great problems in Indonesia. So I am not an economist, so I don’t necessarily look at these issues and although there were economists in the team we shared a vision that was a macro economic vision—we were looking at it from an institution perspective within the framework of economic. So I don’t deny that there are macro measures that governments do engage in that are very important in these situations in both positive and negative ways and they have to be engaged in policy research and policy study, but this particular study didn’t engage this set of macro interventions that governments made.

*Co-Chair*

Before the Chairman rounds up our discussion I just wanted to make a balancing review. I understand Professor McGee’s paper emphasizes very much in a short term emergency preparedness program, from there when the short term emergency program is complete then the exit strategy is to transfer it into long term programs to benefit from the short term experience. But at the same time I want to emphasize the other side, I want to meet the goal of when the emergency erupts how we can cope with that emergency without much social damage if our ultimate objective is that then we have two approaches:

1.) To prepare our capabilities to launch our short-term emergency program.

2.) A broad social network to provide a broad cushion in the event of crisis.

The second approach needs more financing than the first but is a more complete option. Australia, Canada and New Zealand have
broad plans, which cover their emergencies, they have the capabilities to tide over the short-term crisis, without launching so many short-term improvised programs. So I think there are two approaches to take and we can also consider preparing our institutional capacity and providing financial resources to lay down the ground work for more broader long-term social programs as part of our emergency programs that’s what I think we should also keep in mind. For example, once we have very good health insurance programs, almost everybody will be covered and so when the crisis comes it is just a matter of extending those people who lost jobs can still be receiving health insurance programs even after six months. That kind of action was most specifically taken in the case of Mexico in the 1994 crisis and in Korea in 1997, so everybody is more or less covered by health insurance and then those people who lost jobs will be benefit of health insurance eligibility, but it was more easy to extend those people the continuous benefit for six months. Instead of launching separate medical programs to help those people adversely affected. I think this kind of long-term more comprehensive security programs or social assistance programs preparation should also proceed in parallel to the emergency plans. Thank you.

**Mr. Pradap Pibulsonggram**

*Thailand*

To supplement Professor Lee the Co-Chairman I would like to, just for the information of the meeting also, that we also have a very important partner working now in the APEC process and that is the Finance Ministers Process (FMP). The FMP has set up a working group chaired by Mexico and the United States, and they had to make a study on the kind of responses various victims made on the financial crisis. They came up with ten types of responses and each type has advantages and disadvantages and each type has target groups so I think we should keep an eye on the Finance Ministers recommendations because they have done a lot on work on the issue. And precisely to confirm what you said it supports two approaches is for the social base and one is for the long term which Malaysia has been doing all this time, and that is what we are doing
in places in Thailand to ensure the long term safety net. Thank you.

Mr. Pedro Reyes  
Mexico

Thank you. I want to mention studies, which can predict natural disasters, specifically earthquakes. There are new techniques to do it, and with long-term cycle studies we can predict in a way disasters such as earthquakes, drought, flood etc. We have to rely also on these kind of scientific mechanisms to help in providing social safety nets.

Mr. Pradap Pibulsonggram  
Thailand

I think we have been discussing with Dr. Park and I think it will come up in the next session, the Finance Ministers report. It identifies basically six areas that we should look into. The topic is the Pre-Crisis Social Safety Net Planning and Prevention Measures. We can play around with this issue and we can fit into it what Dr. Reyes mentioned. Thank you.
VI. SESSION IV:

Future Activities for Strengthening Social Safety Nets in APEC
Co-Chair

The “Future Activities for Strengthening Social Safety Nets”. To help enhance your understanding and also ensure everybody shares the same information, it will be useful to share the information on where we stand in terms of social safety net strengthening activities. And so I would like to ask the APEC Secretariat to update us to the latest stage on where we stand on the social safety net efforts among APEC member economies. Could the APEC Secretariat please explain the latest meetings held in the People’s Republic of China in October 2001, and the Mexico City meeting in February 2002, highlighting the activities, which we will have to undertake in the future?

Ms. Siti Nugraha Mauludiah
APEC Secretariat

Thank you Mr. Chairman. If you all could just refer to document, 2001/ISOM/016/Rev.2. Agenda Item 10. Shanghai, People’s Republic of China. APEC SOM Ad Hoc Task Force on Strengthening Social Safety Net in APEC. The background of the report is the background of the Ad Hoc Task Force (hereinafter Task Force) itself and reports on the activities of the Task Force, in the first and second meetings. The report contains the results of the Task Force for the strengthening of social safety nets and two recommendations it obtained endorsement for at SOM III, 2001:

a) Establishment of a Capacity Building Network

b) Convening of International Meeting of policymakers, experts and other stakeholders to address specific social safety net related capacity building issues.

The report states that CBN among others, may address the six following issues:

1. pre-crisis social safety net planning and prevention measures
2. capacity for evaluating effectiveness of policy action
3. collection of dis-aggregated data and access to current data
4. identifying at-risk populations
5. designing response institutions and financing
6. strengthening transparency and accountability in social safety net operations

The report also agreed that relationships should be built with existing APEC Fora such as the Ecotech Sub-Committee, the Human Resource Development Working Group (HRDWG) and the Finance Ministers Process which is actually where the six issues that CBN has to address originated from.

The Task Force had a one-year mandate for 2001 only and was disbanded after presentation of the report to the Ministers. At that time Korea and Thailand volunteered to lead the establishment of the CBN, including to develop the modalities of the network. Other APEC fora do recognize the importance of SSN’s, however the CBN is more focused and will hopefully be more productive.

Co-Chair

Can I clarify? Does that mean that SSN CBN collaborates with unique for a to discuss SSN activities.

Ms. Siti Nugraha Mauludiah
APEC Secretariat

Yes its right, but the SSN issues is not solely the territory of the network, other APEC fora should also address the issues but the SSN is the one because after the ministers meeting in Brunei they instructed APEC to do integrated work rather than doing here and there, so its more focused-having one fora dealing on one issue is more concerted and more focused on their work.

Now if you could turn to document: Senior Officials’ Meeting I: Establishing the APEC SSN CBN and the International Meeting for Addressing Specific Capacity Building Issues on SSN. 2002/SOM 1/028/Rev. 1 Agenda Item VIII 4.2. Mexico City, Mexico

The report has two elements: the establishment of APEC SSN and report on the preparation of the APEC SSN CBN International Meeting in Korea July 25-26 jointly held by Korea and Thailand.
Objectives and Activities:

The goal of the APEC SSN is to promote SSN capacity building for the implementation of recommendations on SSN made by APEC Finance Ministers Process and HRDWG. I must emphasize here that the capacity building is the focus of the SSN CBN.

The report mentions two types of SSN CBN activities, which are; 1) information exchange and 2) dissemination of Effective Practices for Better Social Safety Net Delivery.

The framework for the SSN CBN would be that all member economies will be a member of the SSN CBN, but what type of institution from each member economy depends upon the economy itself. There will be lead institutions from each economy and a head institution, which KIHASA has agreed to fulfill until 2005, when an election or appointment for the new head institution should be made.

To date there are only four lead institutions designated by member economies. These are Korea-the head institution, Thailand, Australia and New Zealand, in this case we really need to work on appointing Lead Institutions because the CBN really needs to start working. Some homework for each of you is to encourage your own Senior Official to appoint a Lead Institution so each economy can be a member of SSN CBN.

Co-Chair

Can I clarify? Each economy should nominate only one Lead Institution or it can be more than one.

Ms. Siti Nugraha Mauludiah
APEC Secretariat

The lead institution for each economy has to be appointed by the APEC Senior Official of each member economy and then notified to the head institution, KIHASA. If an economy wants to nominate more than one Lead Institution then that also needs to be notified to the Head Institution, so that we would not get any self appointments by an agency from an economy without notification from their own
Senior Officials. On the issue of the financing, every lead institution and program instituted within each economy will be funded by their own economy. SSN CBN will be a virtual network and each economy should pay its own expenses to have access to this network. The SSN CBN will also invite other international organizations as well as international finance agencies to participate in the SSN CBN as guests of the SSN CBN. The timetable is so far on track but we need to report of the activities and practices of SSN CBN to the SOM, so fortunately for us since we are here having a face to face meeting, we can discuss what activities of the SSN CBN we can report to the SOM in August. I think I will stop here.

Mr. Mark Pearson
New Zealand

Thank you very much Mr. Chairman. I would just like to raise a question I have received from the New Zealand Lead Institution, Mr. Greenfield from the Ministry of Social Development, has asked: Have there been any proposals for an interface or a relationship between this group (APEC SSN CBN) and the International Social Security Association (ISSA) and whether any member economies would see any benefit from such an exchange. Many of you will no better than I do about the activities of the ISSA, but it is clearly an organization that my Government’s Social Security Ministry has a relationship with. Thank you.

Co-Chair

If I understand whether CBN would benefit from having some kind of relationship with the ISSA. Ms. Siti, you mentioned international organizations can be invited by the CBN, can you clarify this for us?

Ms. Siti Nugraha Mauludiah
APEC Secretariat

International Financial Institution’s (IFI’s) can be invited to SSN CBN meetings. There is a procedure to follow however, whereby approval needs to be obtained from SOM for guests-it also depends
upon the individual forum itself.

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**Co-Chair**

I suggest that because CBN itself may consider inviting international organizations including ISSA, so in due course CBN may have its own meeting and they may make some decisions. So I suggest the head institution takes into account some requests to consider ISSA as a possible international organization to be considered and I think CBN must have its own due procedures to consider such proposals.

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**Dr. Yoshihiro Kaneko**  
**Japan**

If we invite IFIs, then maybe we have to show the merit of participating in CBN including outcomes and its distribution etc...Of course I understand that in CBN we have to do some criteria, for example you mentioned on page three: "among others the CBN may address the following issues." Maybe after we perform these six issues maybe we can get some outcomes, but how to distribute the outcomes or how inform outcomes to other members or possible new comers. So before we invite an international organization we have to clarify the merits and how to distribute the information or how to distribute the outcomes from policy research. This is my suggestion.

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**Co-Chair**

Your suggestion is recognized, and again CBN may have to decide, but currently there are just four Lead Institutions including one Head Institution and so not all economies are automatically members. Senior Officials from each economy have to nominate a Lead Institution before they become members of CBN. So I think the urgent thing is for member economies to nominate Lead Institutions to KIHASA and become members before guests can be invited to SSN CBN. Member economies need to nominate their lead institutions to KIHASA and then guests can be invited through
CBNs own internal procedures. Mr. Park.

**Dr. Chanyong Park**  
*Head Institution of APEC SSN CBN*

The Ministers Meetings and SOM have already mandated SSN CBN working closely with international organizations. As such the procedures for inviting guests is through the circulation of the invitation to Senior Officials and if there is no objection then the invitation will be officially sent to the guest.

**Ms. Genevieve Jones**  
*Canada*

Thank you Mr. Chairman. I just have one question I have and it's about the functioning of the CBN because at some point there was some discussion about it being mostly a virtual and I was wondering if that is still the case and if so then often were you planning to have physical meetings of the network.

**Dr. Chanyong Park**  
*Head Institution of APEC SSN CBN*

There are no plans for physical meetings, but if we need to convene then we can do that.

**Mr. Pradap Pibulsonggram**  
*Thailand*

Mr. Co-Chair if I can just enlighten the meeting on this issue. The objective of the meeting is still clear. After the APEC SSN CBN is established through virtual networking there is also a need to supplement it with fiscal networking. So besides having the fiscal networking we are expected also, as I think Canada mentioned, that we have to do something with the virtual networking, we also have to establish the virtual networking.
With these understandings, and keeping in mind past decisions made already at SOM, we should decide what should be the future activities for strengthening SSN CBN in APEC? Whether we need to elaborate more or give more details what the SSN CBN should do. Ms. Siti already mentioned six items using the two modalities like information exchange and then also dissemination of some practices. I don’t think the modalities are just limited to two but I guess it is a more exemplary listing. So whether we should give more suggestions on what CBN should do in the future. The floor is open.

Ms. Siti Nugraha Mauludiah  
APEC Secretariat

Maybe just to kick off the discussion. Last night the small working group discussed this particular issue and maybe we could invite Mr. Chan Buom Lee to brief us on that.

Co-Chair

As you all know the small working group worked on it after dinner and so we want to hear that working groups work first. I am checking with you because it might break your fresh initiative. If you want to get an initiative out onto the floor first or to hear the small working groups work first.

Mr. Pradap Pibulsonggram  
Thailand

Mr. Co-Chair, for us to decide what to do I just want to draw your attention to the decision of the SOM meeting and what we are expected to produce at this meeting. One is basically after the virtual network is established then there is a need to have the fiscal networking, which I think we have accomplished that. Number one is accomplished. Number two, meeting will focus on discussion of current issues of SSN and explore the way in which specific capacity building needs in SSN can be augmented in the APEC
economies. These should include, the member economies current status on SSN, which we have done, discuss problems and limitations of APEC which we have done. The assessment of SSN strengthening activities carried out by the member economies and IFIs, which we have done. The third thing which we have to produce is at the end of the meeting, guidelines or best practices for SSN CBN should be recommended. That is the torch, the guiding light, we have to produce the guidelines or the best practices so when know what we will be doing and we can keep these two things in mind.

*Co-Chair*

Thank you Mr. Pradap for the clarification. I think the terms of reference has already been clarified in the meeting in China and then also reconfirmed in Mexico. So that item 6 was already mentioned at the top of the page. Now what this meeting is supposed to do is give more detailed guidelines or operational programs on how CBN can pursue the terms of reference, that was the activities that the working group was supposed to come up with yesterday. So I sense the majority wants to hear the workings groups work first and then you can open up the discussion more properly and so I will invite Mr. Chan Buom Lee who was heading the working group last night.

*Mr. Chan Buom Lee*

*Korea*

Thank you. As many of you are aware we had a small working group last night to address the complete outcomes, the final products of this meeting and how to package and present those outcomes. For your information I did not head this working group it was just a very informal gathering. So actually I expected to give you this report this morning to guide the discussions and so we could come up with a more clearer picture around now but in any case. I think some of the issues that we discussed last night have been revisited this morning and so there may be some duplication in my report.
So these are some of the suggestions we may want to produce as the value added outcomes of this meeting. For one the focus was as has been addressed before this morning on the CBN.

**Suggestions**

I think we should all know the CBN following this meeting will be the main vehicle, the main instrument for addressing SSN issues in APEC. The Ad Hoc Task Force is now extinct as of last year and so it will be the main instrument that will address that issue.

In order to do that as earlier mentioned, participation is very important, as the Chair said there is only four institutions are registered so the active participation of all APEC economies should be strived at. So I think one of the main tasks ahead should be, at least for those economies who have participated in this meeting to go home and designate their Lead Institutions as soon as possible and at the same time work on our own to convince and persuade other member economies to designate Lead Institutions.

As mentioned in the report to ministers by the Task Force in Shanghai 2001, there is a need to consolidate the management and operating procedures of the CBN and to address how membership and associate-membership is established. Also we need to establish how the CBN functions, for example who and how work programs are drafted. These detailed items of managing and operating CBN must be addressed at the earliest period possible.

Broad areas of activities have been outlined and need to be addressed:

1. pre-crisis SSN planning and prevention measures
2. capacity for evaluating effectiveness of policy action
3. collection of disaggregated data and access to current data
4. identifying at-risk populations
5. designing response institutions and financing
6. strengthening transparency and accountability in SSN operations

It was informally agreed upon to fill out a matrix of supply and
demand on capacity building needs and possibilities. It is a template that member economies may want to look at and full out, those economies that require some certain assistance in CBN needs and maybe spawn some ideas by other economies to provide and supply certain assistance needs. Obviously you cannot fill out those things on this template, it is what you call a heuristic device to have a look at and see what you're trying to achieve. It maybe a not so big action that could be taken by the CBN, and I don't think we have discussed a time frame but maybe sometime before the Los Cabos meeting could be considered.

Ideas were raised on how to mainstream SSN CBN in the overall APEC process. It was decided that SSN CBN needs to firmly establish the work it undertakes in the overall APEC mechanism so that it gets accepted as a main factor that contributes to APECs overall goals. I think some of us may have voiced a view that sending a clear message stating the strengthening of SSN issues will contribute to advancing APECs overall missions. APEC has several underlying missions, objectives and goals and we should send a clear message that SSN issues will contribute to advancing that work.

Further work is needed to integrate SSN issues with APECs Ecotech. To reflect further in the Ecotech work program especially with the view towards the Ecotech workshop to be held on August 15 in Acapulco, Mexico. Further ideas are still needed on webbing these two areas together.

Issues on targets such as goals, visions and what we should achieve could be useful if addressed-perhaps with a view on the long term. APEC has targets/goals for most of the projects it undertakes. Therefore SSN CBN needs to follow this lead in order to send a clear message. We need targets that are as clear and concrete as possible in order to guide the activities. One of the APEC agendas that comes to my mind is tripling internet access by 2005 I think, reducing transactions costs for trade participation by 5% by a certain date. We need targets that are as clear and concrete as possible in order to guide activities in any organization. We cannot really work if we do not have clear objectives and targets, so that is an issue, of course we cannot decide immediately to day but these are issues that can be addressed by the CBN.
So I think that is a rough summary that I can come up with, others may want to supplement it, I think it may give us some guide-posts in addition to Mr. Pradap's comments which are very useful and valid comments on best practices for our discussion and for packaging and presenting our outcomes this morning. Thank you.

Mr. Anthony Aspden
Australia

I just have a question from our lead agency on the matrix and I wonder if we could get some clarifications on the proposed outcomes, or a little bit more clarification, what benefits we hope to get from it and the intended end users.

Dr. Chanyong Park
Head Institution of APEC SSN CBN

Thank you Chair. In the procedure of our stocktaking research we found many important things and just before this international meeting we prepared a catalogue of all activities done in the APEC area. We found through research and then the catalogue many international cooperation agencies have already provided several and similar programs for strengthening SSNs. At the same time we found that there are some additional demands for certain economies, and so our idea is we can rearrange the demand and supply of the programs to make the programs more effective, especially cost effective. So we would like to survey to each member economies in terms of donor economies and in terms of recipient economies.

Co-Chair

If I understand correctly then you want to as a means of carrying out the work of exchange of information. You want to have some SSN strengthening activities from the possible donors' point of view and from the possible recipients' point of view in the future. So this information will be made available to all member economies so they can see all together and also CBN can use or advise some of the economies or lead institutions in case there is
some kind of duplication or conflict then advise and let them know. This final version will be made available to all member economies, I mean the final user of the matrix? The final product will be disseminated?

Dr. Chanyong Park
Head Institution of APEC SSN CBN

Yes of course. Once the matrix has been filled out then all information will be made available to all member economies. The sharing of information will help to assist in the advising and improving of programs.

Mr. Pradap Pibulsonggram
Thailand

Mr. Co-Chair, just to remind ourselves. There are two types of activities to work on which the matrix will assist in: information exchange and dissemination of effective practices for better SSN deliver. So the matrixes point in the first category of activities, is we want to have information so that we can exchange information. I think we need to keep this in mind. We were told there are two types of SSN CBN, but unless the international meeting feels we should have more than just two types of activities. But at SOM I the decision was just two types of activities.

Mr. Soonthorn Chaiyindeepum
Thailand

Thank you Mr. Chairman. I would just like to add to what my boss has already said. I think my understanding of this matrix is; the immediate use of this should be the CBN network itself, so that experts can consider, after gathering this information, the channel in which this one will be circulated to is other APEC members. It should be done through the Senior Officials mechanism, so after experts have already considered and made some comments on it, we find or identify some critical points which has strategy values
and we can submit this to the Senior Official. After that it's up to Senior Official to make a decision that it's sufficient and that's its within the consideration of other national agencies and then can make the decision and allow this information to be exchanged and sent to all economies.

*Co-Chair*

Thank you for the thought. I think it can be a multi purpose use for the entities supplying information and other economies as well. To enhance your understanding let me just summarize what we heard from Mr. Lee on the working group about the guidelines for SSN CBN future activities, there were four items stated:

- expanded membership-including associate organizations
- demand and supply of CBN activities, the matrix, should be filled out
- integration of SSN work with Ecotech's work
- setting of operational targets for CBN

That is what I understand and I invite your comments on whether you want to refine, add, amend or delete anything on this topic.

*Dr. Terry McGee*

*Canada*

I just want to raise an operational question, which I guess comes under the set of operational targets and it relates to the functional activities of lead institutions in economies. As I understand it in the way that this process has been developed, each lead institution will choose to carry out information gathering and activities in relation to the strengths of that institution. Then they send the information to the Head Institution for approval and circulation throughout member economies. So it's very much a question of individual lead institutions choosing themselves what they can contribute to the network. Now is my understanding of the process correct?
Dr. Chanyong Park  
Head Institution of APEC SSN CBN

Yes thank you Mr. Chair. Before I answer your question I’d like to briefly quickly present a frame of APEC SSN CBN. APEC SSN CBN is to be established with a variety of institutional participants, such as government departments, centers of higher education and research, international financial institutions and training institutions. Participants in the network contain a head institution, as you know, and then lead institutions of each APEC member economy. The role of the head institution is to provide on-going administration, coordination and then policy advice functions for the network. All practices of the APEC SSN CBN will be reported to the SOM for review and assessment of the effectiveness of the SSN CBN. Lead institutions are assumed to play a principal network role of information exchange and then coordination within the SSN CBN. Each lead institution participates in the SSN CBN activities assumes leadership in specific activities and also participates with other lead institutions in the SSN related activities. CBN activities are initiated by lead institutions proposals for annual activities of SSN CBN may be circulated through the head institution for reaction and endorsement of lead institutions. Lead institutions will be designated internally by each member economies government. So the head institution cannot be alone and neither can the lead institution, there is only the network, the APEC SSN CBN and we have to get agreement from all participants.

Dr. Terry McGee  
Canada

I think it was a response to the procedural question I raised. What happens if a lead institution says “in our context we have a particular capacity to contribute to the network by concentrating on one aspect of the SSN capacity building exercise, for instance it may be a strength in macro economic policy with respect to social policy.”? And this lead institution thinks it can make a better contribution because of the expertise that exists in that particular lead institution. Does that run against the kind of idea that you are providing information across a broad spectrum of issues here? Do
you understand what I am saying? I am just asking for clarification because I am not certain about this.

Co-Chair

If I understand correctly your question, whether lead institutions activities should be all constrained by CBN. A lead institution is more autonomous, so when they do their own function, then they will do it only in the sense that they are working as a network member than probably as lead institutions and head institution. As a result of consultation they may do work together and may self-impose certain constraints. Correct me if I am wrong. It is like one lead institution is the Ministry of Social Development in New Zealand, how will the sovereign country Government entity Ministry of Social Development will be constrained unless it gives consent to CBN, then CBN cannot constrain the Ministry of Social Developments activities I think. So the Ministry of Social Development may pursue its own activities of SSN strengthening activities but when it works as a member of the network of CBN then probably they will follow the joint agreement or work together collaboratively. That is my understanding.

I invite any other comments. Because our ultimate objective, as Mr. Pradap said, we give more detailed guidelines for SSN CBN for the future activities. So what kind of future activities can we give as a guideline? I think that should be the focus of our discussion. Whether you want to add something or you think some of the working groups suggestions should be modified.

Mr. Surichai Wun’ Gaeo
Thailand

Thank you Mr. Chairman. I first comment is about the very well reported summaries by Mr. Lee. One point was related to the integration of SSN work with Ecotech. I think this is very concrete and very important. The concern when we were discussing that I would like to hear again is about the place of SSN in APECs overall objectives. I think if you allow me to say a little further, I think strengthening SSN work will benefit the APEC overall mission,
that is well said. Along that line to integrate SSN into other aspects of APEC work is also a point that was well. So the example was Ecotech was one concrete point to be said but furthermore I think the line is how to make a firm footing for SSN within APEC process. With that concern to integrate or mainstream to make it a little more related to other aspects of work would be of high significance.

My second point is not about the procedural discussion but the lead discussion, which has been very important. But I would like to highlight the need for firm footing activities even at the national level. Maybe from the Thai experience that we emphasize what we have discovered about the formal and informal institutional responses to crisis. So I would like to highlight the need not only to focus on lead institutions alone but how SSN national capacity building workshops or process of learning together would be announced, so that can be instrumental for the exchange among SSN countries.

My third point is about relating to the so-called advanced countries experiences. I mean what I have read in the OECD report on the challenges for OECD countries, several are similar to what we are experiencing. Namely globalization has increased individualism and the aging structure is changing so rapidly, along with other experiences of human societies beyond the SSN network. So OECD or others I look at them as a very productive potential for future exchange, not simply in terms of advanced or not advanced but in terms of real human experience in coping with rapid changes.

**Co-Chair**

O.k. if I understand correctly then Mr. Surichai mentioned three items, one is instead of making just specifically Ecotech, we should make more broadly, CBN activities should be more related with other fora activities of APEC. The second one is not only lead institutions experience but more broadly member economies experience should be learned and disseminated. The third item is not only APEC economies but more broadly other economies experience, especially advanced economies experience with SSN should be learned and disseminated among members.
Thank you Chairman. I’d like you to ask you see these documents that are being distributed and they are related to the APEC dialogue on “Globalization and Shared Prosperity” which was carried out in Merida, Mexico, May 26 2002, because I think it is closely related to what we are dealing with. On the second page, where the document refers to sharing the goods of prosperity, let me just read that; “globalization produces winners and losers in the short run and is politically and morally appropriate to compensate for loses by cushioning the transition for new employment, for example through adjustment systems, social safety nets and training programs that prepare them for the new economy.” The next paragraph it says; “In some APEC economies many persons remain largely excluded from the market economy, these disadvantaged need to be empowered through access to quality education, employment and adequate social services. If they are to benefit from the market opportunities presented by globalization, access to all of these can be facilitated by access to information and community technology via the Internet.” So these are two very important conclusions that we reached at the Globalization and Shared Prosperity meeting. And then on page number 3 on the last page, these are the suggestion expressed by the participants. Let me refer to the first one.

At Los Cabos, leaders should consider underscoring the importance of the Bogar goals and the equitable sharing of the fruits of globalization. Just as the Bogar goals include explicit end dates, so might the leaders articulate specific targets for the improved social well being of all citizens of APEC economies.

Ecotech needs strengthening. Agenda items for examination include priorities, coherence, timetables, technical and financial resources and organizational structures. Just as the IAPs and peer review mechanisms advance the implementation of the Bogar goals, so does Ecotech require more effective monitoring and evaluation mechanisms to achieve goals such as the Brunei Darussalam vision or region-wide access to the Internet.

So I think in a way what we are relating to has been reflected in this meeting and so I suggest you take it into account in your opinions
and due comments. Finally there is another document being distributed, it is the APEC High Level Meeting of Micro Enterprises, which is part of the long term policy as mentioned this morning. So here the objective of this meeting is at the end of the meeting we could provide the APEC economies with a set of policy to promote micro economic enterprises, for that we have a set of sessions and also we have a high level dialogue so that all those high officials could exchange information. This is also for you to consider and of course all of you are invited to attend. Thank you.

Co-Chair

Thank you Mr. Reyes. I think you covered many different topics, so I think in essence as a guideline for CBN we should also take into account some points made in the May 26 Merida conference, especially on the globalization challenges and the implications for APEC should be taken into account. Some other agenda items which is in the forth coming meeting in the SOM meeting in Guerrero, some topics should also be considered including the micro enterprises and some other topics mentioned in this meeting agenda. I think they are very broad suggestions and should be taken note of.

Mr. Pradap Pibulsonggram
Thailand

Just some clarification Mr. Chair before the meeting. I think it is pretty clear already that we must have a firm footing within other APEC fora. But at the national level I think we could stress that, because I can speak on my own behalf we have a lead agency, they should establish a national SSN CBN, that should be encouraged. Otherwise the message you get from each economy will not be consistent or focused. So I think the establishment of national SSN CBN should be encouraged.

Co-Chair

I think that’s well recognized. So in other words you mean SSN
CBN should be encouraged at the national level, some national capacity building effort should be strengthened around the lead institutions.

_Mr. Peter Moock_
_The World Bank_

This is not a substantive contribution, it’s actually a request for clarification. One of the things we were given this morning and it was referred to in Mr. Lees report from last nights meeting, was the SSN capacity building matrix, it’s an empty matrix and I am not sure what’s supposed to go into it and how we are supposed to get this information. Could you just elaborate on that.

_Mr. Chan Buom Lee_
_Korea_

Yes it’s a suggestion for a method. I can use any example but I think it’s more beneficial to explain the methodology behind the matrix. First of all it takes a leaf from a previous APEC approach on WTO capacity building, that is also an area where that method has been applied successfully. As you are aware the Uruguay round has come up with a number of agreements and there is a need among developing WTO member countries for a lot of capacity building needs among them to implement those agreements effectively. So what they did was to list up with those agreements and come up with a matrix among member countries who could supply training, information capacity building on this agreement and who requires training and assistance in what agreements. I think that is an application of a very simple market based mechanism on capacity building needs and requirements, rather than I think giving the capacity building network the task of designing detailed capacity building programs from the ground up, especially in view of the fact that at the moment the CBN does not have at the moment have funding to draw on or any other resources to draw on. I think it will be a very useful methods for matching supply and demand. I really don’t know what to explain more apart from that it’s a methodology.
Let me use one example and please correct me if I am in the wrong direction Mr. Lee. For example Korea may have learned some experiences during the Asian crisis so especially in the collection of data there is some useful experiences. So it can provide some information to other economies, and for an example I will use Russia, Russia does not have a very strong capacity to collect data on a target group and so they may require some collection of data or technical assistance and so they can check here and Korea may provide assistance in the collection of data and then CBN will have matched Koreas capability and Russia's need. Is this a correct interpretation of the meaning behind the matrix? Is that wrong?

Mr. Chan Buom Lee
Korea

No it's quite correct. I mean it is simply match making, it is as simple as that. There are those six areas and if one country goes through an experience such as the 1997 financial crisis and it exposed holes and weaknesses in their SSN program or policies or management apparatus and the country needs assistance, help, technical assistance, information on certain areas and other countries on the other side maybe able to supply the assistance, they may not match precisely, but it may provide an instrument for approximation for getting closer. And in order to provide that kind of program to this country or these countries, you know that country may decide to volunteer to finance this program or do we ask for some other resources. It is a way of match making, of approximating, of fine-tuning and of serving the needs and requirements.

Mr. Peter Moock
The World Bank

I see now how it would be useful but let me see how it's going to get done. There is another table, which is a list of designated lead agencies, of which only four of the nineteen have actually provided that information. This matrix can only be completed if the lead
agencies have been designated and then they have to volunteer the information on what they have and what they need.

Mr. Chan Buom Lee
Korea

Well these are the established details that we have to think about, but I am not quite clear as to how fast we can proceed with designating all the lead agencies and how well and quickly and effectively we can really launch de-facto capacity building network, so we can either do that and wait until the mechanism is on track or we can in the mean time we can ask to leave the task of surveying to member economies. It is something I do not have a final answer for, of course sooner or later we will need the CBN to really monitor, organize and coordinate much of the operational work in matching and developing these programs.

Mr. Pradap Pibulsonggram
Thailand

Yes let me try also. I think we need to go back to the Finance Ministers report. For example on pre-crisis planning and by the way I think the pre-crisis planning should have prevention measures, so for the template you could use pre-crisis SSN planning and prevention measures. This is a Finance Ministers recommendation, it says the availability of the timely and reliable information on the poor and the vulnerable groups is critical for the design and implementation of SSNs. The lack of it is undermining the ability of the government to implement the policy because we cannot evaluate it. So we need this information. But you are correct, there are four members of the CBN, if you can call it that, so we need more so we can collect the information which will be valuable for the policy maker when they have to launch the policy that they have.

Just to add more complication, the others, the one thing we need to have in our minds is the finance question, I am not talking about funding, I think we need to know also the financial aspect of it. Maybe the paper is too short but I think we need to put finance in it.
Thank you. So much has been said I don’t want to add more to the detailed analysis. I am just trying to see if my understanding is correct in terms of synthesizing what we are trying to do, I think other participants would like to know what this all means. This meeting is the first face to face meeting of the meeting. There has been some preliminary virtual contact. So, The question we have come to is; We have a network, now what do we do with it? I can think of three areas of activities that have been suggested.

1) Information, what has already been suggested is a good starting point for gathering information, that is the matrix. However I wonder if it would be helpful if the matrix can be expanded in the form of questionnaires—which may help people give replies to the information needed. If you ask questions it helps people to give answers, keep the matrix, just add a questionnaire to the matrix. Normally a questionnaire is useful. It clarifies what the coordinator has in mind when he wants information and also it helps responders to give information. The questionnaire should be flexible to add or delete questions and information.

2) Learning-Capacity Building. Policy formulation is the first level of learning needed. Second is policy implementation of policy facilitation. Third is action operation, this would apply to units that have to implement which could be NGOs, government departments, special task force etc... Fourth are the co-implementers in the form of communities or grass roots learning. We need to focus on learning to improve the implementation, formulation and gathering information. At the moment we need to wait for information but we can think about how to increase learning, increase capacity. I may add that the learning doesn’t have to wait for an international network, the learning can take place within the country. We can use utilize this to further gather information and capacity building and this in turn can be shared with other economies through the information exchange.

3) Advocacy-protecting the principals and the ideas from thinking about SSNs to the wider picture. We have talked about integrating SSNs to the bigger frame of APEC. Thinking about the inter-
relationships between the narrow set of activities of social safety nets to the wider national economic and social management to the wider still international global trade and finance.

These kind of interrelationships should be analyzed and put forward as a cornerstone of international collaboration to remind people that they cannot think about trade or economics alone, as there are many other dimensions that have to be taken into account. By having this network it helps us to be clearer as to what is related to what. It can be supplemented by studies such as that of Mr. McGees’ or the statement put forward at Merida. Also research taken in other countries. I know for example research is being done by a professor in Brazil on “The Impact of Globalization on Developing Countries”, I think he made case studies on Brazil, India, China, Indonesia and so on and came to the conclusion that globalization had very negative impacts on most developing countries. Now that kind of study can of course be utilized in order to advocate for this integrated and inter-related approach in terms of economic and social management at the national and international level. I think that is my understanding from the discussions and my own thinking. I hope it is useful and can be used towards what is being planned.

Mr. Pedro Reyes
Mexico

Thank you Chairman. I want to support the last point to include finance mechanisms need to be included into this matrix, because we economists believe in scarcity.

The points made by Thailand could suggest that they could undertake important work to develop an analysis of social safety net capacity building in APEC and make a contribution to the second chapter of the economic outlook which is relevant—but that is up to Thailand.

I recommend to Mr. Park the there needs to be an example of the matrix so that economies know how much detail to fill in—also institutions may not know what is relevant or not. If the matrix has a little document attached outlining the purpose of the matrix and providing an example, then that might facilitate the work of the lead
institutions and all of us involved in this kind of task. I also suggest that the matrix itself also needs to include the recommendations set out by Mr. McGee in his paper.

Dr. Kyungbae Chung  
Korea

In the interests of time and to assist Mr. Reyes recommendation I would like to ask some suggestions to Mr. Park to use this matrix in a more useful way. Not only using some example such as the Korean or Thailand cases, but we need some more details and specific explanations on what planning details you need and also what are the response institutions. We also need to know what is meant in regard to transparency and accountability-do you mean delivery systems, corruption, inefficiencies of the delivery systems or what? This information would help in filling out the matrix for each member economy.

Co-Chair

Thank you very much. I think the purpose of our meeting was to give some guidelines to CBN to develop its own action plans for the future. I think we have given a fairly strong dose of recommendations. I used to hear that the wise man does not read advice and the unwise man does not understand the advice. I hope CBN is in between the two, so I think they can make good use of what we have provided as an input to prepare some guidelines and then some of these points will be further reviewed by the organizers and also the CBN head institution and lead institutions, in consultation they can make some final version I understand. So I would like to suggest that we terminate our advice around and try to close the meeting. Is there anyone who will die unless they speak now?

Mr. Paiboon Wattanasiritham  
Thailand

I won't die but I would like just one second. The guideline of best practice, I think you alluded to it and I think maybe we need to say
something about it, because different countries have different approaches. For example the country with a focus on the core traditional social welfare kind of measures, but a different country a victim of financial crisis expands more into job creation, finance helping the micro enterprises, a more broader measure, kind of a SSN plus. So I think if you can address the issues of best practices, maybe we want to say something about the approach. It cannot be something in the traditional sense when you look at examples of Argentina, Europe, but more of a SSN plus which is a more broader approach. Thank you Mr. Chairman.

**Co-Chair**

The advice is to take SSN in a broader sense not just a narrow sense. With these comments I think I will close Session IV on the Future Activities for Strengthening Social Safety Nets in APEC. On behalf of ourselves and the two Chairs I would like to invite my Co-Chair Mr. Kirasak to close our meeting, reflecting the significance of this meeting and what we have discussed.

**Mr. Kirasak Chancharaswat**  
**Thailand**

Mr. Co-Chair, distinguished delegates, ladies and gentlemen. On behalf of the Government of the Kingdom of Thailand I would like to congratulate the Government of the Republic of Korea for successfully hosting this international meeting of experts on social safety nets. This meeting was endorsed by the 13th Ministerial meeting in Shanghai last year. To find ways and means to revitalize APEC activities in the area of SSN CBN. After two days of deliberation I am please to see that together we have accomplished the objective and reached a better understanding on how we can further strengthen capacity building. In addition we have successfully launched the virtual network of experts which will greatly facilitate an exchange of expertise and best practices for an efficient implementation SSN program. Most importantly, I am pleased to see our APEC members have carefully evaluated the recommendations for future capacity building efforts according to
the economies needs and experience. I will accept this challenge to further improve the implementation. This recommendation represents another significant step to our cooperation to enhance SSN related activities and shall be reported to the third Senior Officials Meeting in Acapulco, Mexico next month.

Ladies and gentlemen, over the past two days the fruitful deliberation have been made possible by the tremendous effort by the Korea Institute for Health and Social Affairs, KIHASA. On behalf of the Thai delegation I would especially like to extend my appreciation to KIHASA for the organizing of this meeting. My thanks also go to the participants for your attendance and cooperation. As we are preparing for the up coming APEC meeting in Thailand in the year 2003, I am pleased the Thai Ministry of Foreign Affairs will continue to place a high priority on this issue as one of the major themes. Thus we can be assured that our deliberation during this meeting shall receive attention by APECs Senior Officials and Ministers. On my part let me also assure all of you the new Ministry of Social Development and Human Security Thailand, will continue its own efforts and render for support for APEC in this area. I look forward to welcoming all of you next year in Thailand. Thank you very much.
VII. APEC Economy Papers for APEC Social Safety Net International Meeting
ECONOMY PAPER

Submitted by: Australia

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
1. OVERVIEW OF AUSTRALIA’S SOCIAL SAFETY NET

The Australian income security system provides a range of non-contributory indexed pensions and other transfer payments financed from consolidated revenue. These payments provide a minimum income for people in the event of unemployment, sickness and disability, and to maintain a living standard in retirement.

Government policies focus on the creation of an economic environment that is conducive to generating employment, as self-provision through employment reduces or eliminates reliance on the social safety net.

A range of policies assists low-income families, youth, women, people from an Aboriginal, Torres Strait Islander or non-English speaking background and people with a disability, to obtain and retain employment. For example, education equity for indigenous Australians is a key national priority.

The Government aims to maximise the engagement of all Australians in society by:

- encouraging increased participation, both economic and social;
- fostering a culture of self-reliance and of planning for the future;
- providing an effective safety net; and
- developing partnerships with key stakeholders such as business and community organisations to improve the efficiency and effectiveness of services and to identify emerging problems and their solutions.

The Federal government funds employment and community services to assist Australians looking for work. Introduced in 2000, the "Australians Working Together - Helping people to move forward" package provides incentives and extra help for parents, mature age people, Indigenous Australians and people with disabilities to take up full-time, part-time or irregular casual jobs by allowing them to keep more of their income support payments when they start work.

From July 2002, working-age people receiving income support payments are required to take up opportunities available to help them become job-ready and better able to take part in Australia’s'
economic and community life, having regard to their individual circumstances.

Prevention of child poverty comprises another element in Australia’s wide-ranging social safety net. The Child Support Scheme, introduced in 1988, ensures that children whose parents have separated do not suffer unnecessary financial hardship as a result of the relationship breakdown. Family Tax Benefit, introduced on 1 July 2000, assists Australian families meet the costs of having children.

Australia recognises that easy and affordable access to health and hospital care is part of an effective social safety net. Medicare, a universal health care system introduced in the 1970s, permits all individuals access to cost-effective medical services, medicines and acute health care, regardless of income.

Long-standing government policies that facilitate relatively high home ownership levels and assist low-income earners, and people otherwise disadvantaged, to meet their housing needs, also serve to limit reliance on the social safety net. Most of this assistance is provided through the Commonwealth State Housing Agreement and the Rent Assistance program.

Federal Government training programs assist welfare recipients become job ready. Many working age income support recipients can receive supplements for education participation, ‘Work for the Dole’ and ‘Literacy and Numeracy Training’, building a more active participation-based social safety net.

Information on income support programs is available and delivered through a variety of media including newspaper advertising, the Internet (www.centrelink.gov.au), relevant professionals, touch screen technologies and call centres. Telephone contact with Centrelink is available from anywhere in Australia for the cost of a local un-timed call. This service facilitates the use of translators to assist customers from non-English speaking backgrounds. A teletypewriter service is available for hearing and speech-impaired people.

Total Commonwealth appropriations for social security and welfare in 2001-02 are estimated to be around $A56.9 billion, representing
36.6 per cent of Australian Federal Budget expenditure in 2001-02.

Retirement Income System
The retirement income system in Australia consists of three pillars:

- the means tested, taxpayer funded old age pension (safety net or Pillar 1);
- compulsory tax-supported superannuation for employees through occupational superannuation — the Superannuation Guarantee (SG) or Pillar 2; and
- voluntary tax-supported contributions (top-up superannuation or Pillar 3).

The age pension is the keystone of Australia’s retirement income system. The system is funded from Australian Government revenue on a pay-as-you-go basis. It is currently available on a means-tested basis to men from age 65 and to women from age 62 (rising to age 65 by July 2013).

The payment structure consists of a basic rate that varies with marital status. The single or unpartnered rate is 60 per cent of the combined partnered rate. A range of subsidiary payments may be added, depending on the circumstances of the recipient.

Under the compulsory SG arrangements, a minimum level of employer contributions to superannuation is mandatory for all workers, except for the self-employed or very low paid. Specifically, the SG system requires all employers to provide minimum superannuation support for employees earning over $450 per month, or else face the penalty of paying a higher amount to the Australian Taxation Office (ATO). The minimum level of support is nine percent of salary (effective from 1 July 2002).

Issues for the Future
The major issue facing retirement incomes in Australia — as in other OECD countries — is the expected increase in the aged population relative to the workforce in the next few decades, as a result of the ‘baby boomer’ generation and advances in medicine. The challenge
of an aging population is heightened by changing patterns of employment, including trends towards broken work patterns, part-time (casual) employment and early retirement. These factors could lead to a narrower tax base supporting a larger age pension population.

2. AUSTRALIAN DEVELOPMENT ASSISTANCE

The aim of the Australian Government aid program is to assist developing countries to reduce poverty and achieve sustainable development. Australia's development assistance has a strong emphasis on assisting the most vulnerable and helping the poor to increase their productivity by providing assistance in the health, education, infrastructure and social governance sectors.

In 2002-03 the Australian Government will provide $1.815 billion as official development assistance (ODA), with around A$700 million in direct bilateral assistance being provided to APEC member economies.¹

Examples of the type of assistance provided through the Australian aid program to assist developing economies within APEC to strengthen their social safety nets and social protection policies include the following projects:

_Thailand-Australia Social Protection Facility (SPF)_

At the APEC Leaders' Meeting in September 1999 Australia's Prime Minister announced that Australia would establish the SPF. Impetus for the initiative came from the 1998 APEC Leaders Meeting where leaders agreed to intensify efforts to address the social impacts of the financial crisis and to "formulate strategies of concrete actions aimed at strengthening social safety nets". In response Australia commissioned a survey of the impact of the

¹ Direct bilateral assistance only. Excludes assistance provided through Australia's regional programs, indirect assistance through contributions to multilateral organisations like the UN and the Asian Development Bank, and other forms of ODA.
The findings of this survey were presented at the 1999 APEC Leaders Meeting when the establishment of the SPF was announced.

The $5 million three-year Social Protection Facility (SPF) aims to strengthen social policy and social protection in Southeast Asia (Indonesia, Philippines, Thailand and Vietnam) through customised capacity-building initiatives designed to facilitate an exchange of experience and expertise across the region.

The SPF is managed by the Australian National University and has been developed in strong partnership with Thailand, with Mahidol University (Bangkok) taking a lead role in implementation. The SPF commenced operations in May 2001 and an initial round of training courses and workshops have been undertaken for senior social policy executives and staff from operational units and teams delivering social programs. Areas in which activities have been undertaken include the provision of social worker training, street and urban working children, health insurance and the provision of rural medical services.

SPF programs combine academic style workshops and placements with relevant departments, agencies, or organisations in either the participants' own country or elsewhere within the region. This approach is designed to enhance participants' knowledge of social policy and social protection; to allow participants time to reflect on their own experiences; and to foster the exchange of experience and expertise between social policy professionals in the region.

**ASEAN Social Safety Nets Project**

At the 1999 ASEAN Post Ministerial Conference the Australian Foreign Minister announced Australian support for activities under the ASEAN Action Plan on Social Safety Nets. Australia is now delivering a $600,000 *ASEAN Social Safety Nets Project* to assist ASEAN member countries to develop greater capacity to assess the ongoing social impacts of the 1997 Asian crisis and design safety net programs. Between May 2001 and March 2002 the Australian National University conducted four separate workshops for senior...
policy makers, social protection program managers, and social program delivery personnel in Jakarta, Manila, Bangkok and Kuala Lumpur. The workshops covered rapid needs assessment and targeting for social programs; implementation of core social protection programs; partnerships in social policy; and the delivery of social services. As a final stage of the project, a synthesis document is now being developed to disseminate more broadly the key findings and papers delivered in the workshops.
ECONOMY PAPER

Submitted by: Canada

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
THE CANADIAN INCOME SECURITY SYSTEM:
OVERVIEW AND EMERGING CHALLENGES

Outline

· Overview of Income Security in Canada
· Instruments of the Canadian Income Security System
· Objectives of the Instruments
· Description of the Instruments and their Target Populations
· Restraint, Program Restructuring and their Results
· Emerging Challenges

Overview of Income Security in Canada

· Approximately $80 billion is spent on the F/P/T income security system in Canada
  $50 billion is federal spending
  Old Age Security/Guaranteed Income Supplement/Spouses Allowance alone constitute the largest share at $26.3 billion
  $7.9 billion is spent on children
· These expenditures account for approximately 26% of total government expenditures and 28% of federal expenditures.
· In the 1990s, income security system underwent significant spending cuts as well as program restructuring that affected every aspect of the system, particularly for the non-elderly.

Instruments of the Canadian Income Security System and Approximate Expenditures

· Provincial/Territorial (P/T) Social Assistance - $11 billion in
1999-2000 (HRDC, Social Policy Directorate)

- Federal Personal Income Tax System* - Examples include:
  - Canada Child Tax Benefit (CCTB) - $7.9 billion 2001 forecast
  - Child Care Expense Deduction - $390 million 2001 forecast
  - Disability Tax Credit - $390 million 2001 forecast
  - Age Credit - $1.3 billion 2001 forecast
  - Pension Income Credit - $385 million 2001 forecast
- GST Credit - $2.9 billion 2001 forecast
- Federal Old Age Security (OAS) - $26.35 billion (Main Estimates for 2002-2003; includes Guaranteed Income Supplement (GIS) and Allowance)
- Canada Pension Plan (CPP) - $21.18 billion (Main Estimates for 2002-2003; non CRF - funded through contributions)
- Quebec Pension Plan (QPP) - $6.82 billion (Main Estimates for 2002-2003; non CRF - funded through contributions)
- Federal Veteran’s Benefits - $1.38 billion (Main Estimates for 2002-2003)
- Federal/Provincial/Territorial (F/P/T) Workers’ Compensation - $5.4 billion in 2000-2001 (HRDC, Social Policy Directorate)

*Expenditures estimates for personal income tax measures from Finance Canada’s “Government of Canada Tax Expenditures and Evaluations 2001”

Each Instrument Has Distinct Objectives

- EI
  - Temporary Income Support for interruptions in earnings
  - Encouraging workforce attachment
- Social Assistance
  - Income support of “last resort”
Subject to needs test
· P/T Child Benefits and Earnings Supplements
  Income support/supplementation
  For low-income families with children
· F/P/T Taxes and Transfers
  Raise revenues
  Variety of social and economic objectives
· GST Credit
  Relief from GST for low-income families
· OAS/GIS
  income support for seniors
  guaranteed minimum income for low-income seniors
· CPP/QPP
  Wage-related pensions for retirement, disability and survivors
  Compulsory and contributory for all Canadians in paid workforce.
· Veterans’ Benefits
  Income support, in recognition of war service, for qualified veterans or civilians.
· F/P/T Workers’ Compensation
  Income support for workers and their families in the event of injury or death on the job.

Description of the Main Instruments and their Target Populations

Employment Insurance - Working Age Adults
· EI Part I: Income Benefits:
  regular benefits
  fishing benefits
  parental/maternity benefits
  sickness benefits
· EI Part II: Employment Benefits and Support Measures
  Active measures to help unemployed integrate into the labour
market (e.g. skills development, wage subsidies, counseling and information).

In 6 jurisdictions, P/Ts have assumed sole responsibility for the design and delivery of active employment measures through Labour Market Development Agreements (LMDAs).

In 5 jurisdictions, P/Ts have jointly assumed responsibility for the design of programs through LMDAS, but HRDC continues to deliver these programs.

Provincial/Territorial Social Assistance: Income Support of Last Resort - Individuals, Families and Children

· Social Assistance (SA) is based on need
  Applicants must meet a “needs test” - assessment of applicant’s budgetary needs compared to their assets and resources.
  Usage of social assistance has declined in all provinces and territories since 1995.
· There is no single SA system in Canada
  SA is exclusively provincial/territorial jurisdiction (but financed in part by the Canada Health and Social Transfer)
  Thus, wide variations in generosity and eligibility
· Federal government funds SA for First Nations
  In 1999-2000, 538 First Nations administered their own SA program

The personal income tax system: Increasingly Used Policy Instrument - Individuals, Families and Children

· Federal and provincial/territorial governments deliver substantial income benefits through the personal income tax system (refundable tax credits, non-refundable tax credits, and deductions) that reduce income tax or deliver cash benefits.
· Refundable Tax Credits: A key trend in social policy over past two decades is the delivery of cash benefits through the tax system via refundable tax credits
The personal income tax system: Increasingly used policy instrument

- The use of refundable tax credits is an efficient and effective way to deliver income support benefits
  - Enables targeting by income level
  - Minimizes stigmatization
  - Administratively efficient
- However, personal income tax system not as responsive to sudden changes in circumstances
- Federal Refundable Child Tax Credit was the first refundable tax credit introduced in 1979, followed by the Goods and Services Tax Credit in 1991, the Child Tax Benefit in 1993 and the Canada Child Tax Benefit in 1998.

The personal income tax system: The Canada Child Tax Benefit

- The Canada Child Tax Benefit (CCTB) is the most significant federal refundable tax credit
  - CCTB harmonized with SA in most jurisdictions (i.e. NCB; foundation of national platform of benefits for low-income families with children)
  - CCTB reaches 80% of all Canadian families with children; by 2004 will reach 90% of these families
  - Approximately 5.6 million children benefit from the CCTB
- Increases to the National Child Benefit Supplement (approximately $2.5 billion) component of the CCTB constitute the Government of Canada’s contribution to the National Child Benefit initiative

The personal income tax system: Persons with Disabilities

Non-refundable Tax Credits and Deductions:

- The personal income tax system is increasingly being used by government to provide income support for persons with disabilities.
- Ongoing enhancement of tax measures for persons with disabilities:
Disability Tax Credit (DTC)  
Medical Expense Tax Credit (METC)  
Childcare Expense Deduction  
- Amount increased to $10,000 for children eligible for the DTC  
Other  
- Increased Caregiver Tax Credit  
- Increased Infirm Dependent Credit  
- Education credit available to disabled part-time students  
- Attendant Care Deduction ($5,000 limit removed)

Retirement Income System – Seniors  
- Old Age Security (OAS) - First tier of retirement income system.  
  Constitutes the single largest income security expenditure  
  Provides virtually all Canadians aged 65 or over with a financial benefit  
  Guaranteed Income Supplement (GIS) provides additional financial support for those seniors with little or no income other than OAS.  
- Canada Pension Plan/Quebec Pension Plan - Second tier  
  Compulsory, contributory social insurance plan  
  Covers employed and self-employed persons aged 18-70  
- Private Savings - Third tier  
  Tax-assisted registered pensions plans (RPPs)  
  Tax-assisted registered retirement savings plans (RRSPs)  
  Other non tax-assisted savings

Canada's Retirement Income System Has Been a Success Story  
- Substantial reduction in low income among seniors
Low-income rate among seniors substantially lower than among the rest of the population and among the lowest in the OECD. Public pension system has played a significant role in reducing low income among Canadian seniors.

**Summary: Canada's Income Security System**
- A comprehensive system, with some elements of integration across instruments and levels of government.
- Built incrementally over post-War period.
- Shaped by several forces: social, economic, fiscal, demographic and federal-provincial.
- Significant success for seniors and recent progress on families with children.
- Strong federal role - provincial “comparative advantage” is provision of in-kind benefits and services.

**Restraint and Program Restructuring**
- Driven by global economic pressures that emphasized fiscal restraint, Canadian governments moved aggressively to cut costs during the 1990s - income security system fundamentally reshaped.
Results: Income Security Expenditures Have Declined Over Time

- Spending on seniors rising due to increase in population of seniors.
- But, non-elderly expenditures falling since 1992-93 due to:
  - strong economic performance
  - spending restraint
  - program restructuring

Expenditures in $ Millions:
Fiscal Year ending March 31

What have we learned?
- The social support system must adjust to reflect societal changes
- Creating passive income support is not sufficient
  - Need for active measures
- Need to manage the tensions between adequacy, coverage and incentives
- Government programs must be linked to sound fiscal management and must be economically sustainable
- Restraint of transfers has had ongoing consequences
Emerging Challenges for the Income Security System

Current period of strong economic growth has brought about a significant decline in income support dependency

- But important social challenges remain:
  - New face of poverty
  - Income inequality
  - Adapting to new economic and social challenges

New directions in social policy should:

- Have a strong human capital component
- Encourage labour force participation
- Promote coherence between major elements of the income security system
- Promote self sufficiency and life long learning

Canada's social security system remains central to quality of life

- A means of achieving social cohesion and economic growth gives expression to shared Canadian values
- Promotes adaptability and mobility
- Individual security
- Development of human capital
- Shares the risks and benefits of prosperity by reducing inequalities of income and opportunity
ECONOMY PAPER

Submitted by: Chile

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
Let me begin first with a general remark. Since its creation the APEC forum has improved significantly in a number of areas mainly related to economic issues. However the efforts on the normal citizen’s life are sometimes negligible. In this regard this meeting, its conclusions and its follow-up is very important for enhancing a broader citizen’s support to this APEC process.

Secondly, I want to beg your excuse for talking amid experts being a generalist. However I will try to do my best for presenting in a very broad terms the situation in my country.

According to the UNDP Chile is one of the counties that have suffered the most from the crisis of globalization that begun in East Asia in July 1999. It experienced an economic decline of 1.1% in 1999 and an 8% reduction in per capita income. This represented an increase of the unemployment rate that reached 9.2% in 2000.

The Government is therefore committed to focus its attention into two important guidelines:

1. Improve the conditions to search and maintain jobs;
2. Upgrade the protection standards against social contingencies.

Employment:

There are many action plans in this regard:

1. Employment Program

The Employment Program is aimed to implement 4 action lines this year
a. Learning Benefaction. In 2002 we are going to give 50,000 of these bonuses.
b. Investment in labor intensive infrastructure and equipment. The program should produce 15,000 jobs this year.
c. Basic Education Leveling. This program will benefit 160,000 workers this year.
2. Labor Skills Programs
Different programs will allow this year 900,000 Chileans improve their working skills. 120,000 companies have applied to the special tax reduction to this purpose.

3. Temporary Labor Contracts
It is being prepared for its presentation to the Parliament a project of Law for easing at different levels of the production chain a temporary working force. The project includes qualifying people for better and permanent employment.

Social Protection:
1. Implementation of the Unemployed Insurance:
The Unemployment Insurance was approved last year by the Parliament. Its full implementation will start from September 2002. It covers 5 monthly payments from a special account, different from the legal compensations.

2. Modernization of the Labor Justice:

3. Increase of controlling measures by the National Labor Direction:

4. Expansion of the Pension Fund’s Investment. This will allow a broader investment of Pension Funds abroad. The law will enter in force in August this year:

5. Update of the risk prevention policies, specifically in the ergonomic evaluation of jobs.

Eradication of Extreme Poverty:
Despite the economic achievement, our country has not had the
same success in regard to the struggle against extreme poverty, especially cases concerning the eradication of marginal poverty and the reduction of the unemployment and underemployment indexes. Today 6% of Chileans still live in poor conditions. In other words, 2000,000 families or 850,000 individuals.

In elaborating a strategy to cope with the problem, the Government has considered a new strategy that considers:

1. That poverty has definitively a spatial dimension that has not been sufficiently considered.

2. It is necessary to emphasize that poverty has a structural element. Poverty cannot be solved unless, for instance, the problem of pension funds-among others-is dealt with.

3. A social weakness needs to be addressed, and social capital strengthened. One of the reasons for the failure or weakness of many public policies is the lack of knowledge and visibility of the social actors.

Measures to tackle poverty:

1. Monthly Family Protection Bond. Each family holding this Bond shall immediately have access to other subsidies such as Sole Family Subsidy, Assisting Pension, Drinking Water Subsidy and will be assigned over US$ 100 per month to aid their scarce budgets.

2. Neighborhood Chile Program (CHiLEBARRIO). It is a program created in 1997 in an effort to resolve the situation of some 500,000 residents in precarious urban and rural settlements. Through participatory projects, solutions are generated to overcome their housing difficulties, improve their surroundings and provide them with effective opportunities to join the mainstream in social and employment terms. Of the 105,000 families living in precarious settlements in 1996, some 28,000 have already received solutions via this program. By 2006 Chile hopes to lift the remaining 77,000 families out of such precarious conditions.

The most important point of all aid programs consists of integrating this important part of the population to the social network, guaranteeing them access to health, education and social precautions. It involves thus a very large set of measures in
different Ministries and the action of civil society.

Other state interventions for improving the Chilean Social Safety Net.

Education:
1. 12,000,000 textbooks have been distributed in all schools of the country.
2. Internet is available in all public schools.
3. University fellowships and State credit for College education has been duplicated in the last 10 years.
4. In 2001 50,000 teachers have been professionally further qualified in Chile and in other countries.
5. In 2001 the Government distributed 206,000 daily meals in all schools of the country.

Gender equality:
1. Achieving women’s economic autonomy and overcoming poverty:
   - To improve the conditions of women’s economic participation, particularly lower-income women, by promoting their full integration into the economic and social development of the country (productive initiatives, self-employment, training, independent work, working conditions of female wage earners, female seasonal workers, quality of employment, wage differential, social security inequalities, child care for working mothers, among other issues).

2. Promoting women’s rights and participation:
   - To improve the conditions of women’s rights through amendments to the legislation, creating conditions for access to justice and the promotion of rights.
   - To promote women’s participation in the power structures and in the decision-making process (women’s leadership, initiatives that foster participation of the civil society in favor of equality, explicit integration of women into government policies).
   - Promotion of rights.
· Follow-up to the implementation of new legislation.

3. Women, family and well-being in everyday life:
· Development of policies that will improve the quality of life of women and their families, harmonizing the different areas of their lives, and promoting their physical, psychological and social well-being.
· Governmental proposal for responsible sexuality, together with the Ministry of Education and the Ministry of Health.

4. Public management for equal opportunities for women and men:
· Incorporation of gender equality into public policies and State management, considering the different situations of men and women (with gender equality cutting across of strategic management of the State, diagnosis of inequality problems, publication of statistics and indicators together with the National Institute of Statistics, follow-up of commitments by other ministries).

These subject areas are present in the activities of Sernam at national level. Each regional team, according to its own situation, puts different emphases on each issue or includes issues inherent to the geographic, ethnic, economic or social peculiarities of its region.

The National Service for Women is actively present in thirteen regions of the country. The participation of different sectors in its policies and management is expressed through four qualified agencies: Advisory Council, Academic Council, Social Organizations Council and the Women and Work General Committee.

Thank you very much.
ECONOMY PAPER

Submitted by: Japan

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
HOUSEHOLD STRUCTURE AND THE DEMAND FOR HEALTH CARE OF THE ELDERLY IN JAPAN

I. Introduction

One of the important problems in health insurance reform is how to keep the medical expenses of the elderly at a more appropriate level. After the collapse of Japan's economic bubble in 1991, its economic growth rate showed structural decreases, but the budgetary transfer from the Employees' Health Insurance (EHI) to the National Health Insurance (NHI), through the medical expense contribution system of the Health Service System for the Elderly, increased due to increases in medical expenses of the elderly, accelerated by the population growth of elderly people. Recently, not merely NHI but also the government-managed and association-managed EHI have suffered deteriorations in their financial conditions (Figure 1-1).

To receive the benefits of the Health Service System for the Elderly, people have to participate in any of the EHI or NHI plans, so retired elderly people become the members of NHI; naturally, the ratio of elderly participants in NHI is higher than that of those in EHI. As a result, the percentage of medical expenses for the elderly to total NHI medical expenses continued increasing after it exceeded 20% in October 1973, when the free medical service system for elderly people was introduced, until 1991, when the Law on Health Services for the Elderly was amended and the insured's co-payment rate was raised.

In 1991 and after, the co-payment of medical expenses of the elderly was increased gradually (the amount of outpatients' co-payment was raised from ¥800/month in 1991 to ¥900/month in 1992 and then to ¥1,000/month in 1993 and 1994), and the growth rate of medical expenses per beneficiary of medical care for the elderly temporarily declined in 1992, and has been on the decrease since 1995. However, because those eligible for medical care for the elderly have consistently been increasing with rising rates of population aging, the ratio of medical expenses of the elderly to the total NHI medical expenses has continued rising, reaching as high as 50.6% in 1996 (Figure 1-2).
As if in parallel with the rising tendency of medical expenses of the elderly, households of elderly people increased at a quicker pace than the growth of the total number of households in 1975 and after. Consequently, the ratio of elderly households (households composed only of those aged 65 or over, or households of those aged 65 or over and unmarried members under 18 years) to total households also increased (Table 1). While this growth trend is observed in the number of households with members aged 65 or over, the structure of these households has also changed greatly (Table 2). Three-generation households had grown in 1975-1991, but thereafter decreased, resulting in a sharp decline in the percentage of these households to families having members aged 65 or over. By contrast, there has been a remarkable growth of households with a couple only and single-member households in the period from 1975 to the present. As a result, the ratio of these two types of family to those with members aged 65 or over increased. Households of a couple and unmarried child or children also grew in the same period, but because their increase rate was lower than that of families of a couple and of single-member families, the growth in the percentage of this type of household to those having members aged 65 years or over has been relatively small.

Changes in the structures of households with elderly members affect the situation of nursing and nursing care ("kaigo") for elderly members when they fall ill or become bedridden, and so may influence the elderly person's demand behavior for medical service. In the case of single-member households of elderly people, if they get seriously or chronically ill and if they cannot live with their children or relatives (or if they do not choose to do so), it means that they are unable to lead a normal family life. Because of this, the members of single-member households of the elderly have greater needs for constantly receiving medical care to prevent illnesses from growing more serious, and thus their demand for medical services is likely to become greater than that of other types
of family. In households of an aged couple, too, if they do not choose to live with their children or relatives, they will find difficulty leading a normal life when one of the couple falls ill. Therefore, their needs for medical care may be greater than in the case where they can live with other members.

Table 1. Number of Households by Category: 1975-1998

Source: Population Statistics Data for 1999

Table 2. Number of Households with Members Aged 65 or over by Household Structure: 1975-1998

Source: Population Statistics Data for 1999

In addition, the ratio of women whose husbands are alive and live with them decreases with the advance of age, because women have longer average life spans than men and also because women get married at younger ages than men in general. While the ratio of men whose wives are alive and live with them is over 80% until they reach over 80, that of women in the second half of their seventies whose husbands are alive is only 33.0%. Because of this, the percentage of single-member households of the elderly to the total households having elderly members increases. Assume the factor of demand for medical service mentioned above comes into play, this suggests that increases in single-member families of the elderly and in their demand for medical service are important causes that contribute to the higher medical expenses of elderly people.

The purpose of this paper is to conduct an empirical analysis of the impacts of changes in the structures of elderly households mentioned above on increases in medical expenses of the elderly, in relation to the demand behavior of individual elderly people. The elderly patients’ co-payment of medical expenses was increased to control rises of medical expenses of health insurance plans for the aged, but its effect is not always clear, because the ratio of medical expenses of the elderly to NHI continues rising and NHI finances continue suffering deficits. As a result of recent developments in medical economics, it has been pointed out that there are various factors behind medical care demand, such as physician-induced demand and demand for medical services associated with
investments in health services for health capital accumulation. It has also been known that, assuming that we have representative individuals and they are satisfied with a certain level of health and demand medical services if the state of their health falls below that level, it is possible to design a health insurance program that would bring a socially desirable supply of medical services, provided that a proper set of an contribution rate and co-payment of the services they receive is established.

But, the people covered by medical service policies differ from the representative individuals assumed by microeconomics; they are instead composed of a large number of people whose state of health, household attributes, and income levels differ. In particular, in medical programs for the aged, steps to reduce the co-payment of old patients are taken as part of income distribution policies, in light of the fact that the average income of elderly households is lower than that of households of active generations. While reducing medical expenses of the elderly enables them to feel freer to go to medical institutions and receive medical services to recover their health, even if they are only slightly ill, it may cause a moral hazard to them: they may become careless about preventing diseases and visit medical institutions more often for medical treatment. Because moral hazard generates greater demand for medical services than the socially desirable level, no efficient distribution of economic resources can be realized. But, the degree of moral hazard depends on the pattern of the individuals' utility function and on that of their budget constraint, which are assumed from microeconomic analyses. In reality, the pattern of the utility function differs according to the individuals' attributes affecting their preference (e.g. educational background, age), household attributes (e.g. single-member families or those of a couple, having children or not) and other factors, and that of budget constraint is different, for example, according to whether the premium rate is based on the ability-to-pay principle or on the benefit principle.

Therefore, this paper conducts empirical analyses of the impacts of household structure on elderly people's demand for medical services, considering the effects of physician-induced demand and income level. More specifically, by estimating the linear probability model where the probability of old people visiting a medical
model where the probability of old people visiting a medical institution is a dependent variable, using the data of the "Comprehensive Survey of the Living Conditions of People on Health and Welfare," it attempts empirical analyses of the influences of household structure and patients' co-payment on demand for medical care, after controlling individual attributes and physician-induced demand.

For the purpose of understanding Health Insurance System in Japan, Section II outlines Japan's social security system and the current status of health care insurance with an introduction of long term care insurance that was introduced in 2000. Section III makes general surveys of the trend of elderly people's household structures and of their medical care demand by using the rate of those visiting medical facilities. In Section IV, microeconomic models are used to analyze the factors behind the relations between household structure and medical care demand shown in Section III. Section V assumes a probability function of medical care demand to prove the discussions in Sections III and IV, and Section VI summarizes the analyses and describes future tasks.

II. Social Security System in Japan and the Current Status of Health Insurance System

The social security system draws upon tax and social insurance for its revenue, and is a system that carries out social welfare programs to cope with the various risks in life faced by people such as those whose health has been damaged by illness or disability, and those who have been deprived of their source of income as a result of job loss or retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (Figure2). Of these, medical insurance, health systems for the elderly, nursing care insurance and pension systems—as well as unemployment insurance and workmen's compensation insurance—are social insurance programs. In contrast, child welfare, welfare for single mothers and widows, welfare for the elderly, welfare for the physically disabled, welfare for the poor
Figure 2. Social Security System by Life Stage in Japan

The percentage of Japan’s national income occupied by social security benefits and the percentage of national income occupied by social security costs are each low when compared with Germany and Sweden, but at a little higher level than those in the U.S. The reason for the increase in social security outlays compared with 1996 is that the total fertility rate dropped and the percentage of elderly in the population grew (Figure 3), leading to an increase in outlays for pension benefits and medical benefits (Figure 4). The total fertility rate was 2.13 in 1970—close to the rate for maintaining population—but by 1999 it had fallen off to 1.34. Consequently, according to the 2000 census, the portion of elderly persons (age 65 or older) in Japan’s total population (about 128 million) has reached 17.4 percent. On the other hand, the portion of young population is 14.6 percent, and 68.1 percent of the population is of working age. According to the January 2002 future population projection (National Institute of Population and Social Security Research), the percentage of elderly in the total population is forecast to increase into the future—reaching the 25 percent mark in 2014—so that one out of every four persons in Japan will be aged 65 or older (Figure 3).

As Figure 3 shows, since the aging of Japan brings about increased social security outlays, the decreasing percentage of working population implies that the per-person social security cost burden for the working generation will continue to rise, assuming per-person benefit costs for the retired generation are constant. To avoid this kind of inter-generational inequity in the relationship between social security benefits and costs, an outline of principles for the aging society was created in December 2001. To strengthen solidarity between the generations, guidelines are given in this outline for the future of the social security system—to plan for balance between benefits and costs that consider inter-generational equity, and to request a fair cost burden from those who have the ability to pay social security costs, corresponding to their ability to pay.

Within Japan’s medical insurance there is association-managed
health insurance for employees (and their families) of workplaces of five or more workers, government-managed health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (Table 3, upper part). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by paying only a portion of the medical expense. Moreover, the health insurance association, government-managed health insurance association, and national health insurance have an elderly insurance system for elderly aged 65 or over requiring nursing care and for all elderly aged 70 or over. In this system (Table 3, lower part), the medical cost burden borne by the elderly is mitigated by contributions from the respective insurance associations, according to the number of elderly subscribers to each system; the fewer the elderly subscribers, the greater the contributions.

As Figure 3 shows, due to the continuing rise in medical expenses, medical insurance finances have gone into deficit status, and lively discussion on health insurance reform is taking place with stress on elements such as the strengthening of the function of insurers, regulation of risk structures, and raising the portion of expenses paid by recipients of medical care.

Figure 5. The Medical Carte System in Japan

Nursing care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for nursing care recipients' families. This assistance makes it easier for bedridden elderly and other elderly requiring nursing care to receive this care at home, and for others to receive nursing care at a facility outside of home. Under the nursing care insurance system, citizens aged 40 and older pay nursing care insurance premium. In return, persons 65 and older who need nursing care may receive specific nursing care services, such as the dispatch of a home helper, according to the assessment of committees established locally to approve the necessity of nursing care. While the insurance premiums and
necessity of nursing care. While the insurance premiums and standards for approval of nursing care necessity are determined uniformly by the national government, the above-mentioned local committees do the approving based on these standards. For the provision of nursing care services as benefits in kind, selection by the person requiring nursing care shall be regarded highly; services will be carried out by a provider chosen by the recipient of the care from a list of locally approved nursing care service providers.

III. Household Structure and Medical Care Demand of the Elderly

1. Trend of the Household Structure and Physician Visit Rate of the Elderly

The situation of the elderly's participation in health insurance changes with changes in their employment situation with the advance of age. In the age class of those aged 55 or over but under 65, the percentage of NHI participants in 1995 was lower than that in 1992, reflecting the change in employment structure, i.e., decreasing self-employed people and increasing employees. The ratio of participants in EHI, composed of government- and association-managed health insurance, both of which cover employees, is over 50% for the males of the 55-year group but is 40% for those of the 60-year group. The percentage of NHI participants goes up with age, and in 1995, reached 71.5% and 76%, respectively, for the males and females of the 65-year class and 85% for both of men and women of the 70-year class to whom the Health Service System for the Elderly begins to be applied ("Comprehensive Survey of the Living Conditions of People on Health and Welfare").

The elderly people covered by the Health Service System for the Elderly are exempted from health insurance premiums and can receive medical care benefits just by paying their co-payment portion. Influenced by the fact that the burden of medical service costs is relieved, medical care demand of those aged 70 or over is greater than that of younger people. According to Figure 3 that shows the rate of those visiting medical institutions ("physician
women aged 55 years or over but under 85. This tendency can be observed among both pensioners and non-pensioners. But, in the age class of those aged over 85, the physician visit rate drops. This is because the "Comprehensive Survey of the Living Conditions of People on Health and Welfare" includes no samples of old people accommodated in health facilities; thus the data shown here are physician visit rates of only those who live at home. In the age class of those aged over 85, the cases where those needing to visit medical facilities for medical services are admitted to special nursing homes for the elderly or other similar facilities increase; because of this, if the statistics include only the elderly living at home, their physician visit rate becomes lower than that of those under 85. In particular, if elderly people are divided into those under 70 and those 70 or over, considering that the Health Service System for the Elderly is applicable to those 70 or over, the physician visit rate in 1995 was 48.65% for men and 53.69% for women in the 65-70 age class, but 59.63% for men and 61.27% for women in the 70-74 age class.

Figure 6. Physician Visit Rate by Age group and by Pension Status

In the previous section, two facts are pointed out by model analyses. First, the medical care demand of individuals who join a public health insurance plan is affected by the co-payment they bear when receiving medical services. We have also understood that if the rate of risk aversion of single-member households is higher than that of other household structures, not only would the medical care demand of elderly people of single-member households become greater than that of other household types, but even the co-payment's effect of controlling demand for medical services might diminish. In fact, according to Table 3, which shows the physician visit rate by household structure, the figures for single-member households were larger than any other household structure for men and women in 1992 and for women in 1995.

Table 3. Physician Visit Rates by Household Structure (%)

The physician visit rate tends to be higher in higher age classes, and Figure 4 shows the demand behavior for medical services by household structure, taking account of this tendency. From this figure it is known that while the physician visit rate does go up with
figure it is known that while the physician visit rate does go up with age, men and women in 1992 and women in 1995 had more rapid increases in the rate with age than those of any other household structure, and their curves are at the higher levels. But, income level, ratio of pensioners, and various other economic factors also change with advance of age, so no firm conclusion can be drawn from this figure alone about the extent to which these trends of physician visit rate differ according to household structure. Thus, to carry out an empirical analysis of the impact of household structure on demand for medical service more accurately, we also have to take account of such factors as changes in income with age and whether the samples are pensioners or not.

Figure 4. Physician Visit Rate by Age Class and Household Structure

2. Elderly People's Income Levels and Income Composition

As Table 4 shows, total average income of the elderly tends to decline with advance of age. To examine the reason for this, we look at the average income by age class and income source. Because the percentage of those retiring is high among those aged 55 or over but under 65, average employee income greatly decreases in this age class and then tends to continue decreasing with age. Average business income also tends to decrease with age, reflecting retirement because of old age. On the other hand, the average amount of pensions is small for the 55-age class but is greater for those in their sixties and seventies, and then decreases for those aged 80 or over who receive welfare pension, etc. As if to supplement smaller amounts of pensions, remittance and other types of income increase among those in their eighties.

Table 4. Amount of Average Income by Age Class and Income Source

The past empirical analyses of the impact of the pension system on the elderly's employment and retirement behaviors indicated that when elderly people begin to receive their pensions it decreases their employment probability, or promotes their retirement. But, most analyses also show that besides this pension effect of accelerating retirement, the condition of their health also promotes
people is caused by the combined effects of beginning to receive their pension and the state of their health (the recognition that they are not healthy), pensioners have a higher physician visit rate than non-pensioners in the same age class (see Figure 3).

To conduct an empirical analysis of how household structure influences medical care demand, the economic factors mentioned above must be controlled. Moreover, even if such a careful empirical analysis succeeds in discovering the impact of household structure on demand for medical services, the result could not provide any economic reasons for the differences in medical care demand. Thus the following section analyzes, using a microeconomic model, by what factors the relations between household structure and medical care demand found in this section can be produced. Then, in Section IV, empirical analyses are conducted using a linear probability model to confirm the result of the analysis.

IV. Impact of Household Structure on Medical Care Demand

1. Preconditions of the Microeconomic Model

As Zweifel and Breyer (1997) stated, it is known that assuming people are satisfied with a given level of health and seek medical services if the state of their health becomes worse than the satisfactory level in an attempt to recover the previous state, it is possible to provide a health insurance plan that would offer socially desirable medical services, provided that co-payment of services is established at a proper level. Naturally, several preconditions are necessary for getting such a result. In the following discussion, the preconditions of the model used by Zweifel and Breyer (1997) are explained, and then examinations are made as to how medical care demand changes with changes in household structure if it is assumed that there is a relation between household structure and risk aversion behavior of elderly people. First, the preconditions of the model are described. It is assumed that both individuals covered by a health insurance program and the program's insurer know that the individuals would fall ill with a given probability (the probability that the individual falls ill: \( \pi \)). To simplify the
discussion, it is assumed that the individuals have no differences in attributes other than household attributes and income levels. To them utility when they are sick \((u_s)\) is less than utility when they are healthy \((u_h)\), so they act in a way that they receive medical services to cure their illnesses and obtain greater expected utility (EU). But, because they know that they fall ill with a given probability, they participate in a health insurance plan by paying premiums \((P)\) that cover the expenses of medical services. And, the insurer provides the participating individuals with the type of health insurance program under which they have to pay their share of the cost \((c)\) when they receive medical care, to prevent them from posing any moral hazard and from seeking excessive medical services thereafter.

Based on the above preconditions, individuals can consume medical services \((M)\) and goods other than medical services (net income, \(y\)), with a budget equivalent to the amount obtained by adding the health insurance benefits \((I)\) to income \((Y)\) minus premiums, \(P=P(I)\). But, because they pay their share of the cost \((c)\) when they seek medical services, their budget constraint can be expressed by the equation:

\[
y + cM = Y - P(I) + I,
\]

For the individuals' utility, it is assumed that while they need no medical services when they are healthy, once they fall ill, the more they consume medical services, the more utility they have, and that when they recover their health, the marginal utility of medical services becomes zero. That is,

\[
\frac{\partial}{\partial M} u_h(M, y) = 0.
\]

Therefore, the individuals' utility functions when they are healthy and when they are sick can respectively be expressed as follows (\(h\) is a subscript showing that they are healthy, and \(s\) is one showing that they are sick):

healthy : \(u_h = u_h(0, y)\), \(\frac{\partial}{\partial y} u_h > 0\), \(\frac{\partial}{\partial y^2} u_h < 0\).
It is also assumed that whatever the quantity of medical services they may seek when they are sick, the marginal utility of consumption when they are healthy is greater than that of consumption when they are sick. That is,

\( u_{h, y}(0, y) > u_{s, y}(M, y), \) for all \( M. \)

Assume that the consumption of medical services and that of other goods excluding medical services (net income) are complementary:

\[ u_{s, M, y} = \frac{\partial^2 u_s}{\partial M \partial y} \geq 0, \quad \text{if} \quad M < M^{**}. \]

Here, \( M^{**} \) is the quantity of medical services that cures the individuals' illness, thus making their utility the same as when they are healthy ([Equation omitted]).

The individuals' expected utility can be expressed as an expected value of the utility when they are sick, which is weighted with the probability that they fall ill, and of the utility when they are healthy. Thus it can be expressed by:

\[ EU(M, I) = \pi \ u_s(M, y) + (1- \pi ) \ u_{h, y}(0, y) \]

Because individuals try to maximize expected utility under the budget constraint (1), their problem in maximizing expected utility is to determine the quantity of medical services \( M \) and the benefits from the health insurance \( I \) in a way that maximizes the expected utility obtained by substituting (1) for (6):

\[ EU(M, I) = \pi \ u_s(M, Y-P(I)-M+I)+(1-\pi ) \ u_{h, y}(0, Y-P(I)-M+I), \]

As deduced by Zweifel and Breyer (1997), the first order conditions of this maximization problem are:

\[ \frac{\partial}{\partial M} \ EU \]

\[ \pi \ \{u^s_{, M}(M *, y) - u^s_{, y}(M *, y)\} = 0, \]
\[
\frac{\partial \text{EU}}{\partial \text{I}} = \pi u^s y \{1-P(I)\}-(1-\pi) u^h y P'(I)
\]

The individuals' optimum medical care demand can be obtained as the quantity of medical services that meet these first order conditions, \(M^*\).

2. Impact of Differences in Household Structure on Medical Care Demand

Using the models above, we can examine the impact of differences in household structure on medical care demand. First, it is assumed that the members of single-member households are more liable to display risk aversion behavior than those of other types of household structure having two or more members (households of a couple, those of a couple and their unmarried child or children, those of a parent and his or her unmarried child or children, three-generation households) because, when they fall ill, they have no one to give them nursing or nursing care ("kaigo") and feel more inconvenience. In other words, we assume that the risk aversion rate of individuals in single-member households is higher than that of their counterparts in any other household type. The reason we base our subsequent analyses on this assumption is, as noted in the following section, that differences in the physician visit rate by household structure explain the factors likely to appear in the actual situation in a microeconomic terms. This explanation is one of the alternative methods, and whether or not such differences in the risk aversion rate can really exist between different household structures may become a problem of empirical analysis itself, however, the author would like to leave this question to future studies. Thus, in the following, we analyze how the optimum medical care demand deduced from the models changes according to differences in the rate of risk aversion between household structures.

The quantity of medical care demand (optimum quantity of medical services) \(M^*\) can be expressed as the solution of the following implicit function deduced from the first order conditions of
optimization (8) and (9):

\[ \Phi = \pi [1 - P'(I)]u^s_y(M^*, y) - P'(I)(1 - \pi)u^h_y(M^*, y) = 0. \]

The differences brought to (the neighborhood of) the optimum quantity of medical care demand \( M^* \) by differences in the individuals' risk aversion rate, provided that all the other conditions are given, can be found by analyzing the effects of different rates of risk aversion on the quantity of medical care demand, using Equation (10). Here, we use relative risk aversion rates as the indicators of risk aversion, and assume that the rate of risk aversion of isometric enemies is constant in the utility function. From this assumption, the effect of changes in the relative rate of risk aversion \( \chi \) on the quantity of medical care demand can be shown as follows by applying the implicit function theorem to Equation (10):

\[
\frac{\partial M}{\partial \chi} = \frac{\partial \Phi}{\partial \chi} = \frac{\partial \Phi}{\partial M} \frac{\partial M}{\partial \chi}
\]

\[
= \pi [1 - P'(I)](\partial u^s_y/\partial \chi - P'(I)(1 - \pi)(\partial u^h_y/\partial \chi) - P'(I)(1 - \pi)(\partial u^h_y/\partial M))
\]

Although it is impossible to determine the signs of Equation (11) analytically, we can reach the following conclusion if we combine Presuppositions (4) and (5): Because it can be regarded that no problem of adverse selection arises as far as the health insurance program is applied, \( \pi \) (probability that an individual falls ill) will have a small value. Therefore, because it is considered that \( \pi \) is so small that \( 1 - \pi \) approaches 1, [formula omitted] will be valid. On the other hand, the partial differential coefficients of the relative rate of risk aversion are [formula omitted] and [formula omitted]. Therefore, if [formula omitted] has validity, the numerator of (11) becomes positive and its denominator becomes negative, judging from Assumptions (4) and (5) and the signs of these coefficients. As a result, the signs of Equation become positive. In other words, by showing the individuals' rates of risk aversion with relative figures based on the preconditions of the model and Equation (11), we can obtain this result: the quantity of medical care demand...
increases as the rate of risk aversion becomes higher.

If we combine both the outcome of the above model analysis and the assumption that the elderly members in single-member households are more liable to avert risks than those in any other types of households, because they have no people near them to give them nursing or nursing care ("kaigo") if they fall ill, we can conclude that even if age, income, and other individual attributes are the same, the elderly people in single-member households have greater medical care demand than those in any other household. The empirical analysis of the risk aversion rate of the elderly in single-member households compared to that of other household structures is a future task. However, the model analysis presented here will have some meaning because it suggests the relations between the household structure and the medical care demand in terms of differences in risk aversion rate. In the following section, we conduct a empirical analysis of differences in medical service-seeking behavior between single-member households, which have the microeconomic backgrounds above, and other households with two or more members, using data of the "Comprehensive Survey of the Living Conditions of People on Health and Welfare."

V. Estimation of the Probability Function of Medical Care Demand

1. Determination of the Estimate Equation

In this section, we measure the impacts of household structure on medical care demand, using the probability of visiting medical institutions as an indicator of the elderly's demand for medical services, after controlling such individual attributes as age, employment status, and health. The data used for the estimation are questionnaire data of elderly people (55 or over but under 100), which combines household, health, and income cards of the "Comprehensive Survey of the Living Conditions of People on Health and Welfare" for 1995 and 1992. The effective samples of the elderly for which household, health, and income cards could be matched to each other totaled 35,670 males and 44,888 females for 1995 and 82,816 males and 84,569 females for 1992. A linear
probability model was used for the estimation, and the dependent variable is the index, which is 1 (the case where the elderly visit medical institutions) or 0 (the case when they do not). "The case in which the elderly visit medical institutions" here means the case in which they visit clinics, hospitals, or health facilities for the elderly.

"Visits to medical institutions" in the "Comprehensive Survey of the Living Conditions of People on Health and Welfare" include outpatients of hospitals and visits to clinics. In 1997, these outpatient medical expenses made up 53.5% of general medical expenses (the ratio to the national medical expenses: 42.6%). This ratio is increasing yearly: it was 49.5% in 1985 and rose to 51.8% in 1989 and then to 52.8% in 1993. Moreover, the ratio of outpatient medical expenses of those aged 70 or over to total outpatient medical expenses was 23.4% in 1985, 25.4% in 1989 and 27.7% in 1993, but reached as high as 31.7% in 1997. The supply system of medical services has recently been reexamined and restrictions have been imposed on the number of beds and others in an attempt to control medical expenses, which has helped check the increase in the percentage of inpatient medical expenses. By contrast, outpatient medical expenses have increased, especially those for the elderly. Therefore, it will be necessary considering how to control growing medical expenses to shed light on the relations between household structure and medical care demand, using the probability of visiting medical institutions as an indicator of such demand. Based on this idea, the empirical analysis below used people of the ages covered by the Health Service System for the Elderly as samples.

The economic variables used as explanatory variables and the variable concerning the elderly's attributes in the estimation of the probability function of medical care demand as a linear probability model are as follows: INTERCEP: constant term; AGECL60, AGECL65, AGECL70, AGECL75: dummy variables showing respective age classes; HINSUR1: dummy variable showing participation in the government-managed health insurance; HINSUR2: dummy variable showing participation in the association-managed health insurance; KYOSAI: dummy variable showing participation in a mutual aid association; OTHERIN: dummy variable showing participation in other health insurance.
associations; FAMILY2: household of a couple only; FAMILY3: household of a couple and their unmarried child or children; FAMILY4: household of a parent and his or her unmarried child or children; FAMILY5: three-generation household; FAMILY6: household composed of a couple, their child or children or relative or relatives, or other person or persons; SHOUBYO: number of injured or sick persons; KENKO1: dummy variable showing that the sample considers the state of his or her health is very good; KENKO2: dummy variable showing that the sample considers the state of his or her health is average; WORKING: dummy variable showing that the sample is employed; NENKIN: dummy variable showing that the sample receives a pension; LNTYY: logarithmic number of the total income; CONTRIB: dummy variable showing that the sample is unemployed, receives a pension and has to pay health insurance premiums; and LNCONTR: logarithmic number of the health insurance premiums to be paid by the sample who is unemployed and receives a pension.

What we must give consideration to in estimating the probability function of medical care demand is whether or not physician-induced demand acts on the elderly's medical care demand. The physician-induced demand hypothesis is presented by Fuchs (1978) as a hypothesis for explaining the empirical analysis of Feldstein (1970). It assumes that because an increase in the number of doctors per person is likely to reduce their income opportunities and earnings, as the number of doctors increases, they cause, at their own discretion and taking advantage of their greater familiarity than the patients with the content of medical treatment (asymmetry of information), their patients' medical care demand to increase, thereby making up for a smaller income resulting from an increased number of doctors. The first attempt in Japan to examine this hypothesis was an analysis of Nishimura (1987), who proved that the number of doctors per population and medical expenses per case have a positive correlation. But, to accurately measure physician-induced demand, there is a need to distinguish patients' autonomous medical care demand from increased demand at a doctor's discretion, as Escarse (1992) and other researchers did. The empirical analysis of Suzuki (1997), who adopted this standpoint in studying the physician-induced demand hypothesis in
medical services for elderly outpatients, did not support the hypothesis. Izumida, Nakanishi and Urushi (1998) also estimated the probability function of medical care demand using an expenditure function to examine the hypothesis, taking account of patients' health and the alternativeness of hospital and outpatient services. As a result, they showed that if the number of doctors per person increases by 1%, the volume of hospital services grows by 1.4% and that of outpatient services, by 1.0%.

As noted, researchers are divided on their evaluation of the hypothesis' validity. Therefore, in estimating the probability function of medical care demand, the author took the impact of physician-induced demand into consideration by including the number of doctors per 100,000 people by prefecture as one of the explanatory variables.

2. Estimation Results

Table 5 summarizes the outcome of the probability function of medical care demand estimated for studying the effect of different household structures on medical care demand, after controlling increasing demand for medical services and changing income levels with age, or physician-induced demand.

Table 5. Estimation Result of the Probability Function of Medical Care Demand for People of the Ages Covered by the Health Service System for the Elderly

The points commonly observed in the estimation result of the function are that the samples are employed and they consider they are in good health have the effect of decreasing the probability of medical care demand. On the other hand, probability tends to increase with advance of age. In the case that the dummy variable showing that the sample is injured or sick (SHOUBYO) has a positive coefficient, it suggests that the probability of visiting medical institutions is significantly higher than in other cases. The impact of income levels on medical care demand differed between men and women: while men's probability of medical care demand is higher among those with higher income levels (LNTY has positive signs significantly), no such tendency is observed among women.
(LNTY has negative signs but insignificantly). In both men and women, pensioners have a higher probability of medical care demand than non-pensioners. The existence of physician-induced demand is shown by whether or not DISHISU, the coefficient showing an increase in the number of doctors, is positive or negative. The data on the number of doctors used here are the increase rates over previous year of doctors in each prefecture in 1992 and 1995, obtained from the "Regional Medical Services Statistics" for these two years. In 1992, the coefficient for men was positive, suggesting the impact of physician-induced demand on male demand for medical services. But no such impact was found in women in 1992. In 1995, both men and women had negative coefficients, and no effect of physician-induced demand was observed.

The single-member households are used as standard dummy variables of household structures: FAMILY2=1 for households of a couple only; FAMILY3=1 for those of a couple and their unmarried child or children; FAMILY4=1 for those of a parent and his or her unmarried child or children; FAMILY5=1 for three-generation households; and FAMILY6=1 for households composed of a couple, their child or children or relative or relatives, or other persons. Therefore, if the dummy variable has a negative sign, it indicates that a household with more than one member has a lower probability of medical care demand than a single-member family. The dummy variables had mostly negative signs, but were not always significant. But, in the estimation using all female samples, all of dummy variables had negative signs, and the coefficients of households of a couple only and of those of a parent and his or her unmarried child or children were significant. In the case of female pensioners, households of a mother and her unmarried child or children also have significantly negative coefficients. In these households, because the mothers are aged 70 or over, their unmarried child or children are considered to be unmarried people of middle ages, who live with their mothers, giving them financial and other assistance. Thus, as the model analysis shows, it can be assumed that in the households of a parent and his or her unmarried child or children, elderly members have a smaller rate of risk aversion than those of single-member households and that as a
result, the probability of medical care demand of these households is lower than that of single-member families.

VI. Summary and Future Tasks
This paper inquired into the impact of household structures on medical care demand, considering the diversity of elderly people (e.g. age, state of health, employment, income level) and physician-induced demand. First, using the microeconomic model of Zweifel and Breyer (1997), it was shown that on the assumption that there are differences in the rate of risk aversion between single-member households and other households with two or more members, the elderly of single-member households have greater demand for medical services than those of other household structures. The fact that medical care demand is different according to individuals' attributes was considered in the empirical analysis, but no attempts were made to analyze the reasons that household structures affect medical care demand. The model analysis in this paper has to be conducted on the assumption that there are relations between household structure and individuals' rate of risk aversion, and a empirical analysis of this problem is one of our future tasks.

Following the model analysis, a empirical analysis was conducted as to the impact of the household structure of elderly people on their demand for medical services, using aged people covered by the Health Service System for the Elderly as samples, whose data was taken from the household, income and health cards of the "Comprehensive Survey of the Living Conditions of People on Health and Welfare" for 1992 and 1995. It was assumed here that the elderly people visit medical institutions, and a probability function of medical care demand having a choice variable—which is either 1 if the sample visits medical institutions or 0 if he or she does not—as the dependent variable, was estimated. As a result, it was found that elderly members of households with two or more members have a lower probability of medical care demand (physician visit rate) than those of single-member households. This is consistent with the result of the model analysis: assuming that because the elderly of single-member households cannot easily get those who provide them with nursing or nursing care ("kaigo")
when they lose their health, they have a greater rate of risk aversion than their counterparts in any other household structure, they have a greater demand for medical services than the elderly members of any other household structures due to the difference in the rate of risk aversion.

Recently, ways to make health insurance finance more sound have been sought as an important problem of health insurance reform, and the policy of increasing the patients' co-payment of the Health Service System for the Elderly was introduced as one solution. However, whether or not an increase in the co-payment checks medical care demand depends on the increased co-payment's elasticity of medical care demand. The elasticity of demand is deduced from the elderly's function of medical care demand, which relies on their budget constraints and personal attributes as well. Therefore, it appears too simplistic to consider that an increase in co-payment would depress medical care demand and reduce medical expenses in the Health Service System for the Elderly, thus improving health insurance finances. The author has already pointed out that the co-payment's elasticity of medical care demand is affected by the incomes of individual elderly people and that when elasticity is small, if the elderly's income increases with time, the temporary controlling effect of increased co-payment on medical expenses might be lost and medical care demand might begin to grow again. This paper supplements and reinforces this argument. To reform the finance of the Health Service System for the Elderly and also that of all health insurance systems, there is a need to accurately understand the impact of a policy change on medical expenses, and to achieve this, it is necessary to conduct careful empirical analyses of medical care demand, taking account of both income levels, household structures and other economic variables, and individual attributes. Theoretical analyses are also required to clarify the basis and the viewpoints of these empirical analyses. This paper is only an attempt to provide these theoretical and empirical analyses. Despite this, the results provide a suggestion as to the alternative use of medical and nursing care (or long term care) ("kaigo") services. Introduction of the nursing care insurance ("kaigo-hoken") system will give opportunities for getting alternative services to nursing and nursing care ("kaigo")
from other members of the household to the elderly of single-member households, so if this helps reduce their rate of risk aversion, medical care demand would become smaller. In addition, there might also be a similar impact on elderly members of other types of household having two or more members. Changes in household structures are observed in the form of decreasing three-generation families and increasing households of a couple only and single-member households. To realize health insurance reform under these circumstances, there will be a need to develop medico-economic analyses that pay attention to changing household structures as well.

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English:


Fig. 1.1. Financial Situations of NHI and EHI Associations (Hundred Billion Yen)

1997 1998 1999

National Health Insurance
Government managed Health Insurance
Association managed Health Insurance
Fig. 1.2. Ratio of Medical Expenses of the Elderly to the Total NHI Medical Expenses (%)

20.0 25.0 30.0 35.0 40.0 45.0 50.0 55.0
Figure 2. Social Security System by Life Stage in Japan

VI-1 The Social Security System by Life Stage

Figure 3. Trends in the number of the major age composition, 1950-2050: Medium Variant

(Thousand)

Figure 4. Social Security Expenditure by category, fiscal years 1970-1999

# Table 1. Number of Households by Category: 1975-1998

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<th>Year</th>
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<th>type2</th>
<th>type3</th>
<th>type4</th>
<th>type1 (%)</th>
<th>type2 (%)</th>
<th>type3 (%)</th>
<th>type4 (%)</th>
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<td>99</td>
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Source: Population Statistics Data for 1999 (Thousand)

Note: type1=households of the elderly persons where both of them are older than 65 years of age. Type2= mother and child household, Type3= father and child household, Type4= the other households.
Table 2. Number of Households with Members Aged 65 or over by Household Structure: 1975-1998

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<th>single</th>
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<th>Type HW1</th>
<th>Type HW2</th>
<th>parchild</th>
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Table 2. Number of Households with Members Aged 65 or over by Household Structure: 1975-1998 (Continued)

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Source: Population Statistics Data for 1999
Figure 6. Physician Visit Rate by Age Group and by Pension Status

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Notes: 1. In the household structure columns: 1 = single-member households; 2 = households of a couple only; 3 = households of a couple and their unmarried child or children; 4 = households of a parent and his or her unmarried child or children; 5 = three-generation households; and 6 = other households

2. Figures in parentheses are the ratios of each of households to total households (%).
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Note: Income is yearly income in yen (unit: 10-thousand yen).
Table 5. Probability Function of Medical Care Demand of People of Ages Covered by the Health Service System for the Elderly

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<th>All samples</th>
<th>Pensioners</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Females</td>
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<tr>
<td></td>
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</tr>
<tr>
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<td>value</td>
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<td>-0.242992**</td>
<td>0.016422</td>
</tr>
<tr>
<td></td>
<td>-2.852</td>
<td>0.214</td>
</tr>
<tr>
<td>AGECL75</td>
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<td>0.022807***</td>
</tr>
<tr>
<td></td>
<td>1.530</td>
<td>5.538</td>
</tr>
<tr>
<td>AGECL80</td>
<td>0.020380***</td>
<td>0.035697***</td>
</tr>
<tr>
<td></td>
<td>3.458</td>
<td>6.889</td>
</tr>
<tr>
<td>AGECL85</td>
<td>-0.060769***</td>
<td>-0.022155**</td>
</tr>
<tr>
<td></td>
<td>-6.796</td>
<td>-2.875</td>
</tr>
<tr>
<td>AGECL90</td>
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<td>0.017385</td>
</tr>
<tr>
<td></td>
<td>-1.945</td>
<td>1.330</td>
</tr>
<tr>
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<td>-0.016038***</td>
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<tr>
<td></td>
<td>-0.890</td>
<td>-3.350</td>
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<tr>
<td>FAMILY3</td>
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<td>-0.009855</td>
</tr>
<tr>
<td></td>
<td>0.334</td>
<td>-1.333</td>
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<tr>
<td>FAMILY4</td>
<td>-0.011174</td>
<td>-0.031395***</td>
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<tr>
<td></td>
<td>-0.644</td>
<td>-3.384</td>
</tr>
<tr>
<td>FAMILY5</td>
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<td>-0.005551</td>
</tr>
<tr>
<td></td>
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<td>-0.930</td>
</tr>
<tr>
<td>FAMILY6</td>
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<td>-0.000614</td>
</tr>
<tr>
<td></td>
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<td>WORKING</td>
<td>-0.052266***</td>
<td>-0.058401***</td>
</tr>
<tr>
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<td>-13.866</td>
</tr>
<tr>
<td>NENKIN</td>
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<td>0.158526***</td>
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<tr>
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<td>16.125</td>
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<td>LNTY</td>
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<td>-0.003515*</td>
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<tr>
<td></td>
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<td>-1.659</td>
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<td>COINSURA</td>
<td>0.000264**</td>
<td>0.000128*</td>
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<td></td>
<td>3.136</td>
<td>1.695</td>
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<tr>
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<td>-0.141413***</td>
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<tr>
<td></td>
<td>1.368</td>
<td>-2.889</td>
</tr>
</tbody>
</table>
### Table 5. Probability Function of Medical Care Demand of People of Ages Covered by the Health Service System for the Elderly (Continued)

<table>
<thead>
<tr>
<th>Variable</th>
<th>All samples</th>
<th></th>
<th>Pensioners</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated value</td>
<td></td>
<td>Estimated value</td>
<td></td>
</tr>
<tr>
<td>JIKAKU</td>
<td>0.169529***</td>
<td>0.136566***</td>
<td>0.212992***</td>
<td>0.162402***</td>
</tr>
<tr>
<td></td>
<td>36.461</td>
<td>33.928</td>
<td>36.416</td>
<td>33.913</td>
</tr>
<tr>
<td>SHOUBYO</td>
<td>0.217284***</td>
<td>0.212553***</td>
<td>0.188708***</td>
<td>0.192952***</td>
</tr>
<tr>
<td></td>
<td>130.787</td>
<td>148.362</td>
<td>96.116</td>
<td>116.916</td>
</tr>
<tr>
<td>KENKO1</td>
<td>0.030357***</td>
<td>0.021589***</td>
<td>0.037330***</td>
<td>0.037406***</td>
</tr>
<tr>
<td></td>
<td>5.443</td>
<td>4.446</td>
<td>5.355</td>
<td>6.455</td>
</tr>
<tr>
<td>KENKO2</td>
<td>0.083054***</td>
<td>0.067974***</td>
<td>0.104849***</td>
<td>0.087019***</td>
</tr>
<tr>
<td></td>
<td>16.501</td>
<td>15.417</td>
<td>16.995</td>
<td>16.824</td>
</tr>
<tr>
<td>Adj R-sq</td>
<td>0.4960</td>
<td>0.4675</td>
<td>0.4725</td>
<td>0.4334</td>
</tr>
<tr>
<td>F-Value</td>
<td>1691.333</td>
<td>2038.725</td>
<td>1093.944</td>
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<tr>
<td>Sample size</td>
<td>30893</td>
<td>41755</td>
<td>19520</td>
<td>28993</td>
</tr>
</tbody>
</table>


Note: Figures in parentheses are t-values. *** means that the figure is significant at 1%, **, at 5%, and *, at 10%.
SOCIAL SAFETY NETS AND INTERNATIONAL COOPERATION IN KOREA

1. Introduction

The Koreans have experienced various and rapid socio-economic changes during the past three decades. Since the beginning of the first Five-year Economic Development Plan in 1962, the Korean economy has been rapidly improved and the quality of life has also been gradually upgraded.

With the success of the Economic Development Plan and sustained economic growth, income levels and general well-beings of Korean people have been improved. Accordingly, demand for welfare services that can deal with socio-economic problems such as mass-unemployment, family disintegration and disparities in income levels among social classes greatly increased. In addition, the local autonomous government structure newly launched in 1991 drew local residents’ attention to social welfare benefits of their region. Therefore, in order to meet such demands of people by promoting social welfare policies in harmony with the income and economic levels, the Ministry of Health and Welfare (MOHW) had to make continuous efforts in the field of social welfare.

However, the economic crisis in 1997 exposed the inability of Korean government to deal with external shock, particularly Korea’s weak domestic social infrastructure, which was unable to cushion against the impact of the shock. Therefore, the Korean government began to reform and strengthen its social safety net in order to protect local people against the consequences of crisis.

The social safety net in Korea mainly consists of two components: (i) the first safety net refers to social insurance schemes such as the National Health Insurance Scheme (“NHIS”) and National Pensions Scheme (“NPS”), Employment Insurance, Industrial Injury Insurance; (ii) the second safety net refers to social assistance such as the National Basic Livelihood Security, medical aid, veterans relief, disaster relief and social welfare services for the disabled, the elderly, children, women and the mentally handicapped.
2. Social Insurance

Social insurance system has undergone rapid changes since 1998. At the core of such changes lies drastic reduction of uncovered groups by applying the National Pension Scheme to all people, through the integrated management system of the Health Insurance Funds for Wage Earners (hereinafter “HIFW”) and the Health Insurance Funds for Non Wage Earners (hereinafter “HIFNW”), and expanded coverage of Employment Insurance and Industrial Injury Insurance to all workplaces.

As a result, anyone who has income is now covered by the National Pension scheme, regardless of employment category, opening an era of the universal National Pension. Now even if a pension premium is paid only once, pension payment for the disabled and survivors is permitted. In addition, through integration of management systems of Health Insurance, it could obtain a ground to raise the social solidarity and actualize fair charge. Also by

1 Major changes brought by the amendment of the National Pension Act in January 1999 are as follows. First, the self-employed in urban areas were included into the scheme beginning in April 1, 1999. The beneficiaries of the scheme are divided into two groups: wage earners employed by workplaces and local scheme members. Persons insured through the workplaces refer to employees aged between 18 and 60, who are either employees or employers at a workplace with five or more full time workers. Those 18 or younger are able to join the workplace pension plan with employer consent. Those 60 or older can have the extended contribution period to age 65 if their insured period is less than 20 years. However, excluded from the coverage of the National Pension Scheme for workplace are those who have temporary work with contracts of 3 months or less, those who have seasonal work with periods of three months or less, and those who often move from workplace to workplace. Temporary and part-time workers are also excluded from coverage of the National Pension Scheme for workplace. But those who are excluded from the coverage of the National Pension Scheme for workplace are nevertheless insured through the National Pension scheme for local place.

2 The new National Pension scheme strengthened pensioners' rights and sought for livelihood stability. The minimum contribution period was shortened from 15 years to 10 years. Pension installment is provided for those who turn 60 after divorce or those who divorce after 60 in case marriage has lasted for five years or more (But benefit provision is terminated when they are remarried). Deferred payment for pension contribution arrears is permitted for those obligated with child rearing and military service, as well as for students and those serving prison terms. A legislation is being formulated to provide loans to unemployed for livelihood stability.

3 Since the introduction of Health Insurance in 1977, it has gone through several phases before maturing into a universal Health Insurance scheme. However, the Health Insurance system had inherent problems. Specifically, Health Insurance
abolishing limits on period for Health Insurance service, one is enabled to get medical service throughout the year.4

Since the 1997 economic crisis, economic recession and dramatic restructuring processes accelerated the unemployment rate. Accordingly, the expanded Employment previously planned, that is, from March 1998, in order to provide unemployment benefits even to workers at the workplace with 5 or more persons. Considering the severe unemployment situation, the coverage scope was again expanded even more in October 1998, to include workers at the workplace with four or less persons as well as temporary or part-time workers.5 As for Industrial Injury Insurance,6 membership has Funds did not have the same premium calculation systems. As a result, the insured could have ended up paying different premiums if they belonged to different Health Insurance Funds, although their income and asset levels were the same. This caused equity problems and at the same time, widened the financial gap among Health Insurance Funds. The independent management of small-size Funds also brought up operational inefficiency. Because previously, Health Insurance system was divided into Health Insurance Corporation for Employees of Government and Private School and Military, HIFW, and HIFNW. To resolve the problems, the government consolidated the HIFNW and Health Insurance Corporations for Employees of Government and Private Schools. It was the first step toward the grand consolidation of Health Insurance taken on October 1998. As the second step, the plan integrated HIF-WE into the already consolidated comprehensive Health Insurance Funds, to be the National Health Insurance Corporation. The new universal Health Insurance Corporation has the integrated management system for the insured but classifies them into two groups: HIFW and HIFNW. Those, who are covered by HIFW, consist of employees and employers at the workplace with 5 or more people, employees of government and private school, who earn monthly wages. Those, who are covered by HIFNW, consist of the self-employed and employees at the workplace with four or less people. The new system applies the same premium rates in line with income level, regardless of which Health Insurance Funds in charge of the coverage. The new Health Insurance system has shifted its focus from treatment-orientation to prevention, rehabilitation and health promotion.

4 The Health Insurance system abolished the regulation of limiting the period covered by Health Insurance to a certain level. Instead it promises unlimited Health Insurance coverage year-round beginning July 1, 2000. Previous Health Insurance laws covered only disease, injury, and death excluding pre-natal care from coverage. The new Health Insurance expanded the scope of coverage to include preventive care, diagnosis, rehabilitation, health promotion, not to mention treatment and death.

5 Since its introduction and implementation in 1995, Employment Insurance has become the primary social safety net for the unemployed during the economic crisis when the jobless rate surged. The number of recipients of Employment Insurance was estimated at 50,000 throughout 1997, but in 1998, the number surged to 438,000. Unemployment benefit provision also skyrocketed to 799.1
become mandatory even for the workplace hiring less than 5 persons in beginning July 2000. Expanded implementation of social insurance by reducing mandatory employment period was geared toward expanding coverage to include temporary and daily workers.

Under the National Pension scheme, temporary, daily, and other part-time employees are classified as local participants. As for Health Insurance, since July 2001, temporary and daily workers were transferred to the workplace participant group. Upon the initial enactment, Employment Insurance was not applied to those who work for less than a three-month period and less than 30.8 hours a week. Since October 1998, the mandatory employment

billion Won, 10 times that of 1997 of 78.7 billion Won. Likewise, the sharp increase in the number of beneficiaries for 1998 is attributable to the expanded scope of coverage, a string of bankruptcies and closures of firms, lay-offs, early retirement, the reduction of minimum coverage period, and the implementation of special expanded payments. In the end, the contribution income of 1998 worth 576 billion won was exceeded by unemployment benefits expenditure worth 799.2 billion won. In other words, the ratio of contribution income to benefit payment recorded 139%. Unemployment benefit serves the primary social safety net with extended coverage scope, eased eligibility criteria, extended coverage period and extended average coverage period. But despite the eased beneficiary standards, the ratio of unemployment benefit recipients to the total jobless is 10.5%, which is significantly lower in comparison to those of advanced nations such as Japan (27.8%, 1992), Germany (43.5%, 1990), the US (36.0%, 1990), and Britain (30.0%, 1998).

Industrial Injury Insurance was the first social insurance to be adopted in Korea. In the initial stage of introduction, its implementation scope was limited to mines or manufacturing factories with 500 or more people. In industrial injury insurance, employers are fully liable for the contributions, which is different from other social insurances. The premium per person is determined by multiplying the premium rate and the total amount of salaries. In 1999, a major legal amendment was made to the industrial injury insurance system. The amendment was made to enhance the fairness by setting maximum and minimum coverage limits with the aim to narrow the benefit gap. Thanks to the amendment, new insurance payments were introduced, and more small and medium size firms were included into the system, thereby strengthening its role as a social safety net.

National Pension classifies workers between 18 and 60, at workplaces with five or more employees, and daily or temporary workers who work for more than three months, into workplace pension groups. Those between 18 and 60 whom are not workplace workers or insured under the special occupation pension schemes are classified as local pension participant groups. Full-time workers employed for 3 months or less, part-time workers at workplaces with five or less workers, all workers at workplaces with five or less employees, and the self-employed can join the National Pension but many of them are believed to be delinquent contributors to the insurance.
period was shortened to include those who work more than one month and more than 80 hours (or more than 18 hours a week). Recent changes in regulations regarding expanded coverage of employment insurance by shortening mandatory work period are described in Table 3.

Table 2. Process of Korea’s Social Insurance Coverage Expansion: by Year and Group

<table>
<thead>
<tr>
<th>National Pension</th>
<th>Health Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960: government employees</td>
<td>1977: wage earners at workplace with 500 or more people</td>
</tr>
<tr>
<td>1963: military personnel</td>
<td>1979: employees in government, private school and wage earners at workplace with 300 or more people</td>
</tr>
<tr>
<td>1975: private school teachers</td>
<td>1980: wage earners at workplace with 300 or more people</td>
</tr>
<tr>
<td>1977: private school personnel</td>
<td>1982: wage earners at workplace with 16 or more people</td>
</tr>
<tr>
<td>1988: wage earners at workplace</td>
<td>1988: wage earners at workplace with 5 or more people and fishermen and farmers</td>
</tr>
<tr>
<td>with 10 or more people</td>
<td>1989: urban residents (national coverage)</td>
</tr>
<tr>
<td>1992: wage earners at workplace</td>
<td></td>
</tr>
<tr>
<td>with 5 or more people</td>
<td></td>
</tr>
<tr>
<td>1995: fishermen and farmers</td>
<td></td>
</tr>
<tr>
<td>1999: urban residents (national coverage)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Insurance</th>
<th>Industrial Injury Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995: workplace with 30 or more people</td>
<td>1964: workplace with 500 or more people</td>
</tr>
<tr>
<td>1998: workplace with 10 or more people</td>
<td>1965: workplace with 200 or more people</td>
</tr>
<tr>
<td>1998: workplace with 5 or more people</td>
<td>1967: workplace with 100 or more people</td>
</tr>
<tr>
<td>1998: workplace with 1 or more people</td>
<td>1969: workplace with 50 or more people</td>
</tr>
<tr>
<td></td>
<td>1974: workplace with 16 or more people</td>
</tr>
<tr>
<td></td>
<td>1982: workplace with 10 or more people (some with over 5 people)</td>
</tr>
<tr>
<td></td>
<td>1992: workplace with 5 or more people</td>
</tr>
<tr>
<td></td>
<td>2000: workplace with 1 or more people</td>
</tr>
</tbody>
</table>


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Table 3 Rules to Implement Social Insurance for Non-full-time Workers (as of December, 2000)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Pension Scheme</th>
<th>Health Insurance</th>
<th>Employment Insurance</th>
<th>Industrial Injury Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary daily workers</td>
<td>3 months or more</td>
<td>2 months or more</td>
<td>1 month or more</td>
<td>Applied</td>
</tr>
<tr>
<td>Part-time workers</td>
<td>Classified as locally insured persons</td>
<td>classified as locally insured persons</td>
<td>More than 80 hours or more than one month (18 hours or more a week)</td>
<td>Applied</td>
</tr>
</tbody>
</table>

Note: Temporary and daily workers join as local participant group in national pension and as non wage earners in Health insurance.
Source: KIHASA’s internal paper 2001

Insurance coverage was applied earlier than previously planned, that is, from March 1998, in order to provide unemployment benefits even to workers at the workplace with 5 or more persons. Considering the severe unemployment situation, the coverage scope was again expanded even more in October 1998, to include workers at the workplace with four or less persons as well as temporary or part-time workers.8

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8 Since its introduction and implementation in 1995, Employment Insurance has become the primary social safety net for the unemployed during the economic crisis when the jobless rate surged. The number of recipients of Employment Insurance was estimated at 50,000 throughout 1997, but in 1998, the number surged to 438,000. Unemployment benefit provision also skyrocketed to 799.1 billion Won, 10 times that of 1997 of 78.7 billion Won. Likewise, the sharp increase in the number of beneficiaries for 1998 is attributable to the expanded scope of coverage, a string of bankruptcies and closures of firms, lay-offs, early retirement, the reduction of minimum coverage period, and the implementation of special expanded payments. In the end, the contribution income of 1998 worth 576 billion won was exceeded by unemployment benefits expenditure worth 799.2 billion won. In other words, the ratio of contribution income to benefit payment recorded 139%. Unemployment benefit serves the primary social safety net with
3. Social Assistance

National Basic Livelihood Security Act

The economic crisis at the end of 1997 has brought massive unemployment and also a great increase in the number of poor and Livelihood Protection recipients. Poverty caused by this crisis became a huge social problem. Therefore, strengthening of the social safety net was necessary for coping with this problem.

In order to secure a minimum standard of living, the Government made a new social assistance policy and enacted the "National Basic Livelihood Security Act (NBLSA)" in September 1999. This new act was enforced as a replacement of the Livelihood Protection Act as of October 2000. The Livelihood Protection Act that had been enforced during the last 40 years simply served as a beneficial protection measure. However, a major paradigm shift was undertaken to strengthen the Government's responsibility. Some of the changes include full coverage of the social safety net to secure the basic livelihood protection for the low-income class, a comprehensive poverty countermeasure to enhance recipients' ability to self-support and strengthening social responsibility regarding the poverty issue.

The NBLSA guarantees minimum living standards to all of the low-income families whose incomes are below the official minimum cost of living regardless their ability to work. So all low-income earners with the ability to work now also become eligible for benefits unlike the previous system. Its introduction has tripled the number of livelihood payment beneficiaries from 540,000 of 1999 to 1.51 million of 2001.

The official minimum cost of living for the NBLSA beneficiaries or recipients is described in Table 4. Those who meet the criteria and do not have any family supporter will be chosen in the selection. The criteria for those who support the eligible are quite complex. It

---

extended coverage scope, eased eligibility criteria, extended coverage period and extended average coverage period. But despite the eased beneficiary standards, the ratio of unemployment benefit recipients to the total jobless is 10.5%, which is significantly lower in comparison to those of advanced nations such as Japan (27.8%, 1992), Germany (43.5%, 1990), the US (36.0%, 1990), and Britain (30.0%, 1998).
is limited to immediate family members, spouses, and any siblings who are financially supporting them. The supporters are further divided into three groups based on their asset and income: those who are able to support, those who have difficulty in supporting, and those who are unable to support. Only in the latter two cases, are their poor families eligible for the benefit.

Table 4 Official Minimum cost of living (2001)

<table>
<thead>
<tr>
<th>No. of household member</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7 &amp; More</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (thousand Won)</td>
<td>330</td>
<td>550</td>
<td>760</td>
<td>960</td>
<td>1,090</td>
<td>1,230</td>
<td>Add 120 per person</td>
</tr>
<tr>
<td>Property (thousand Won)</td>
<td>31,000</td>
<td>34,000</td>
<td>38,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Livelihood payment of the NBLSA is designed to provide supplementary payment to households whose income do not meet the official minimum cost of living, and the amount of support is equal to the difference of household income and the official minimum cost of living. On the other hand, the acknowledgment of the NBLSA as a social duty also means an enhancement of civil rights.

As for the measures to provide self-support aid to those with the ability to work, a self-support aid plan is provided for each household based on the recipient's ability to work desire for self-support and living condition. The direction and the kind of services necessary for self-support is first determined, and then services such as providing job search information, vocational training, participation in joint projects for self-support, or financing for a self-reliance fund are provided. The social welfare services such as day care services and home-based services are also provided, which are systematically inter-linked. Systematic measures are undertaken to motivate those with working ability to work.
Living expenses are provided on the condition that the recipients voluntarily participate in the joint project for self-support, job search activities and job training. Income generated by labor activities is partly deducted during income assessment procedures.

In order to establish an efficient system for selecting and managing the recipients, several measures are being taken. Recipient database is being built. Personal computers are provided to social workers at each community and they are linked to Work-Net as of June 2000. The income and assets of the recipients in accordance with the scale, region, and feature (aged or disabled) of each household is reinvestigated. In order to achieve fast and accurate processing of income and assets investigation, regional administration network is linked to the land, building, and national tax related network.

Current self-support centers, social welfare centers, religious groups, and civil organizations are appointed as sponsoring institutions for self-support. Aid projects for self-support, such as joint self-support projects and cooperative work place projects are expanded. Jobs are created through the third-sector method to be assigned to the cooperative work group for self-support. Public works are also developed such as repairing houses for the poverty class, assisting tasks at social welfare facilities, and maintaining exercise and educational facilities.

Linkage system of self-support aid and welfare service among public and private institutions has been established. Employment services such as vocational training, job search services and employment management services are provided by local governments and through public employment services. Provision of sisterhood relationship and sponsorship, home base welfare service, day care and short stay service, and other livelihood stabilizing services are to be promoted by connecting local governments with social welfare centers, welfare centers for the disabled, welfare centers for the aged, and other civil welfare institutions.

Medical Aid

The Medical Aid Program is designed to assist people with low incomes, those receiving livelihood assistance, and those who are
unable to pay for health care. It provides the poor with health care services out of the national budget. Medical Aid, as a social assistance program, is categorized into Class I and Class II. Class I includes those unable to work as defined by the NBLSA and persons in nursing and welfare facilities and victims of natural disasters, etc. Class II includes those who are not included in Class I, but beneficiaries of the NBLSA.

**Food Bank Program**

The food bank is a program designed to efficiently utilize food surpluses resulting from the entire process of production, distribution, sales, and consumption by delivering it to neighbors in need. This program not only utilizes food resources but also promotes a food sharing culture.

The food bank program was implemented in January 1998, and a special phone line "1377" has been installed so that anyone can donate food anywhere nationwide. As of June 2000, a total of 156 food banks were established. Among the food banks, one is a national level food bank, 16 are province level and 39 are county level food banks.

**Joint Social Welfare Fund**

Since 1975 Korean government has been sponsoring fund programs for neighbors in need. In November 1998, Joint Social Welfare Fund was established by private persons who intended to support such fund programs. The joint social welfare fund raising programs are classified into two categories: first, concentrated fund raising in the beginning and end of the year, and second, fund raising all-year-around. The fund raised between October, 1999 ~ September, 2000 is 51 billion Won which is 238% increase from the previous year. This is due to an increase in corporate donation from large-sized firms. The fund is used for various programs such as emergency aid program and the designated trust program. Designated trust program reflects the intention of the donator, and emergency aid program provides assistance to people who are in urgent need.

**Disaster Relief Program**

The Disaster Relief Act was enacted in 1962 in order to assist the victims of natural disasters resulting from drought, wind, flood, fire,
and earthquake. In the case where natural disaster occurs, all the disaster relief activities are controlled by the Disaster Relief Headquarters in the MOHW. Task forces are organized and operated at each local government. General relief team, communicable disease control team, medical aid team, sanitation instruction team are organized by headquarters.

In 1999, there were five major torrential downpours and typhoons between July and October and 3 snowstorms in winter. The victims were provided with livelihood aid and house repairing cost. Comfort payment for the dead was also provided.

4. International cooperation
Korea has been successful in securing social safety. With the accumulated experience of social safety net programs, the Korean government will strengthen its cooperative tie with developing member economies to help them attain their basic living standard targets. However, Korea's actual development assistance is a rather recent phenomenon of the early 1980s, when the Korean government designed a program for sharing development experiences with fellow developing nations based on the spirit of South-South cooperation, self-help, and self-reliance among developing countries. Many people believed that Korea's first-hand experience in her rapid and dynamic development could be helpful in assisting follower nations.

Korea, as an emerging donor with modest contributions to development cooperation, shares in principle the vision of progress as defined by the Development Assistance Committee (DAC) of OECD. However, we may place those motivations in a different order with some modifications considering Korea's unique status in its capacity and maturity. The Korean economy and the society as a whole are now experiencing an unprecedented challenge to excel as a sophisticated and highly competitive community. Government and business sectors are undergoing a process of massive reform and restructuring. The very recent reform process provides us with a variety of valuable lessons applicable to the high-performing economies in the world, in particular, the Asian nations. In 1999,
Korea extended $317.5 million of ODA, equivalent to 0.079 percent of its GNP. This is far below the average GNP ratio of 0.24 percent of DAC member countries. Though its ODA volume is small, Korea has increased its ODA rapidly in recent years. The volume of ODA in 1999 was five times larger than in 1991. Of Korea's ODA volume in 1999, around two-fifths was bilateral aid ($131.4 million) and the rest multilateral ($186.1 million). Among the bilateral assistance, around 30 percent of the volume was grant aid and technical cooperation ($39.0 million), and the other was conditional development loans ($92.4 million).

The international community is increasingly calling on Korea to play a larger role in international affairs and, specifically, in international development efforts. At the same time, requests from developing countries for our development cooperation are also increasing constantly. In order to respond to international expectations in recognition of the importance of ODA, it is necessary for Korea to substantially increase its ODA volume and to enhance the quality of ODA as well. Korea is still a small country in that it cannot affect the outcomes of major world events. However, it is not so small as to avoid responsibility. Korea is expected to participate actively in sharing burdens and responsibility of any international development and other agenda for global cooperation as well. Korea will continue to devote its efforts to promote international cooperation, thereby contributing to the construction of a human society in which we can all live better together.
MALAYSIA'S EXPERIENCE IN POVERTY ERADICATION

I. Current Status

1. Malaysia has subscribed strongly to the belief that economic development must involve and benefit all citizens. The development thrusts were centered on the philosophy of 'growth with equity'. With regard to poverty eradication, Malaysia has adopted long-term policies since the early 1970's. In providing for the vulnerable groups, the thrust of development efforts has always been to enhance income-earning opportunities. Pure transfers to the needy are limited to a modest scale for a small group of people such as the elderly and the handicapped.

2. The success of Malaysia's poverty eradication programme is evident from the sharp decline in the incidence of poverty, which decreased from 52.4 percent in 1970 to 6.1 percent in 1997. Due to the implementation of the long-term measures, the impact of the 1997 financial crisis was minimal with the incidence of poverty reaching 8.5 percent in 1998 and declined to 7.5 percent in 1999. With regard to hardcore poverty, the implementation of the Development Programme for the Hardcore Poor (PPRT) resulted in the reduction of incidence of hardcore poverty from 2.1 percent in 1995 to 1.4 percent in 1997. This rate subsequently increased to 1.9 percent in 1998 but declined to 1.4 percent in 1999. Malaysia constantly monitors incidence of poverty and state of the vulnerable groups through the Household Income Surveys (HIS).

3. The incidence of poverty in Malaysia was within manageable level even with the onslaught of the financial crisis due to the Government's efforts, which are long term in nature. This is due to the Government's belief that economic development if it is to be really meaningful and sustained, must involve and accrue to all citizens, including the poor, unemployed and marginalized communities.

4. Malaysia has been undertaking a concerted strategy by allocating proportionate budgetary resources for social services to ensure that
all groups have an opportunity and means to participate in the growth process. Substantial amount of financial allocation was given to health and education sectors to improve the quality of human resources. Specific programmes to protect the vulnerable groups were implemented, especially in income-generating activities. In this regard, during the East Asian Crisis of 1997, the Government ensured that the provision of social services continued. Budget for the social sector was maintained at its appropriate level as outlined in the respective development plans.

5. Since 1998, in response to the economic crisis, the Government undertook measures to further expand social programmes, particularly the provision of basic services and amenities. The allocation for the PPRT and other programmes was increased. To reduce the adverse impact of the economic slowdown, the Government introduced measures to extend social programmes for the low-income groups. Among the measures introduced include:

- an additional allocation of RM100 million to *Amanah Ikhtiar Malaysia* (Endeavour Project) for the provision of loans to poor families under the micro-credit financing scheme;

- establishment of a RM200 million micro-credit fund to assist petty traders and hawkers in urban areas. This scheme was designed to target the poor and low-income group, who may have suffered a drop in real income as a result of higher prices and retrenchment. For this purpose, the Government established the Small Entrepreneur Fund, which provides funding facilities up to a maximum of RM20,000, and the *Tabung Ekonomi Kumpulan Usaha Niaga*, which provides loans up to a maximum of RM10,000;

- subsistence allowance, totaling RM18 million per year, for 6,000 hardcore poor families in various land development schemes;

- financial assistance for the provision of electricity and clean water to 22,100 houses of the hardcore poor, totaling RM19 million;

- 30 percent increase in the allocation for village roads, totaling RM76 million; and
an additional allocation of RM4 million for rubber replanting schemes.

6. In addition, the implementation of measures to moderate the increase in the prices of food and other essentials as well as the ‘Buy Malaysian’ campaign managed to contain inflationary pressures and cushion the poor and hardcore poor, in particular, from the adverse effects of the crisis. With these initiatives, the reduction of poverty was back on track, despite being affected by the 1997 crisis.

7. The additional measures undertaken by Malaysia during the economic crisis to reduce the effects of the economic slowdown on the poor, can be considered as Social Safety Nets. However, the Malaysian Government has always adopted long-term strategies to help the poor, which are embodied in all the national development plans. It is strongly felt that economic development to be meaningful and sustainable, involves and accrue to all citizens, including the poor, unemployed and marginalized communities.

8. In the education sector, sufficient allocation was provided to construct an additional 500 single-session schools at the primary and secondary levels to provide greater accessibility and improved facilities for quality education. In addition, the allocation to the Higher Education Loan Fund was increased from RM605 million to RM1.5 billion to provide greater accessibility to tertiary education, especially for students from the low-income households. Various education projects were identified for immediate implementation. These included the construction of 200 single session schools and computer labs in 2,000 schools throughout the country, the upgrading of rural kindergartens and the construction of four universities amounting to a total of RM3.9 billion.

9. In the health sector, to cater for the increase in the number of patients utilizing public facilities, an additional allocation of RM1.5 billion was provided to cater for the increased demand for medical treatment and supplies. The construction of 300 new health clinics and 21 new hospitals assisted in reviving the economy, while providing improved accessibility to health care.

10. In the housing sector, an Integrated Housing Programme was
undertaken to implement squatter resettlement programmes in major towns. A Home Ownership Campaign was introduced in 1998 with various incentives to provide more opportunities for the public to own homes. These incentives included, among others, a purchase discount of up to 15 percent, easy credit facilities, exemption from stamp duties and processing fees, as well as discounted legal fees and insurance premiums. Access to bridging finance for the construction of low and low-medium cost housing was also made easier by streamlining procedures and making speedier approval. In addition, the Government approved the construction of 6,600 units of housing quarters for the armed forces in 2001.

II. Strategy and Programmes

11. The main strategy for poverty eradication was providing employment opportunities in higher-paying jobs, while welfare handouts were reserved for the aged and disabled who could not find employment. Since the poor were largely engaged in agriculture, they were encouraged to be involved in modern farming and non-farm or off-farm activities. The programmes implemented under the NEP, NDP and NVP are as follows:

- Resettling the landless and those with uneconomic holdings in new land development schemes. The settlers were provided with single unit houses complete with piped water and electricity;
- Undertaking in-situ development of existing agricultural land through rehabilitation and consolidation of the land, replanting of old commercial crops with new higher-yielding clones and better planting techniques;
- Integrating agricultural and rural development with downstream processing of farm products and encouraging village industries and rural entrepreneurship to generate

additional sources of income;
- Introducing double-cropping or off-season cropping for padi, inter-cropping and mixed farming on the same plots of land to supplement the income derived from main crops;
- Establishing farmers' markets in urban centres so that farm produce can be sold directly by the farmers and fetch better prices;
- Providing training and education on topics pertaining to farming as well as work attitudes and values to motivate participants to become more productive farmers;
- Providing industrial and vocational training for the rural manpower, coupled with credit facilities and related support, to enable them to be employed in non-farm occupations or start their own businesses in rural areas and urban centres;
- Improving educational access as well as providing text books and financial assistance to children of poor households; and
- Providing infrastructure and social amenities as part of a broader programme to improve the quality of life of all Malaysians. For the rural population, they include the provision of potable and piped water, electricity, roads, medical and health services and schools, including rural hostels.

12. During the NDP period, the Development Programme for the Hardcore Poor or Program Pembangunan Rakyat Termiskin (PPRT), was introduced to assist the hardcore poor. The programme established a register on the profile of hardcore poor households and contained a package of projects tailored to meet their specific needs, such as increasing their employability and income, better housing, food supplements for children and educational assistance. Direct assistance was given to the hardcore poor who are disabled and aged. In addition, the hardcore poor were provided with interest-free loans to purchase shares in a unit trust scheme (ASB-PPRT) so that the dividends can supplement their income.

13. Non-Governmental Organizations (NGOs) and the private sector complemented government efforts in the poverty alleviation
programmes. Working in close cooperation with one another, they provided small business loans, industrial training, job opportunities, and educational support for children as well as better housing. Since 1987, Amanah Ikhtiar Malaysia (AIM), provided micro-credit financing to about 69,000 poor families with interest-free loans of RM300 million provided by the Government. The private sector and the various state-based poverty eradication foundations also intensified their efforts in providing skills training as well as in-kind and financial contributions to the poor.

14. During the NVP period, to effectively implement anti-poverty measures, all the relevant programmes and projects were consolidated under the Development Scheme For The Wellbeing Of Citizens or Skim Pembangunan Kesejahteraan Rakyat (SPKR). The SPKR included the PPRT and other related anti-poverty programmes to address issues of general and hardcore poverty, irrespective of ethnicity in both the rural and urban areas as well as economic sectors. The Integrated Development Programme For The Interior Settlements or Program Sepadu Pembangunan Desa Terpencil was strengthened under the SPKR to address pockets of poverty, particularly in remote areas and among the indigenous Orang Asli and other Bumiputera minorities in Sabah and Sarawak. To further improve the well being and quality of life of the poor and low-income households, the SPKR, through its Human Development Programme or Program Pembangunan Insan, will continue to inculcate the concept of self-esteem and self-reliance among the households and communities involved.

III. Malaysia’s Experience

15. The East Asian financial crisis of 1997-98 had wide-ranging effects on the Malaysian economy and society. Some of the main issues arising from the crisis were economic contraction, increased unemployment, price pressures, declining private investment, instability in the exchange rate, decline in stock prices, rising corporate difficulties and increasing non-performing loans. Despite these negative developments, the rate of unemployment, the incidence of poverty and the number of bankruptcies remained relatively low, while the current account of the balance of payments
turned around from a deficit of RM14.2 billion in 1997 to a large surplus of RM36.1 billion in 1998.

16. In dealing with the economic crisis, Malaysia launched the National Economic Recovery Plan (NERP) in July 1998, which provided a comprehensive framework for economic recovery, including steps to counter the negative effects of the Ringgit depreciation and the stock market collapse. The recommendations included wide-ranging proposals for economic stabilization and structural reform as well as measures to address socio-economic priorities and sectors affected by the crisis. Part of the efforts included preventing further contraction of the economy, reactivating economic growth and ensuring the continuation of socio-economic projects so that the living standards, particularly of the poor and lower income group, was not adversely affected.

17. Appropriate steps were also taken to strengthen the financial sector in order to avoid systemic risks. These included ensuring the continued efficient functioning of the intermediation role of the banking system, restoring the domestic capital market through improving corporate governance and introducing selective control measures. These initiatives helped to restore public and investor confidence and brought about economic recovery.

18. To soften the negative effects of the global economic slowdown, the Malaysian Government announced two fiscal stimulus packages amounting to RM7.3 billion in 2001. Projects that were identified for immediate implementation, among others include the construction of 200 single session schools, 4 universities, 6,000 units of housing units for the armed forces and financial assistance for the replanting of oil palm and rubber.

19. The second fiscal stimulus package of RM4.3 billion, approved in September 2001, was aimed at stimulating domestic economic activities as well as alleviating the negative impact of economic slowdown on the low-income groups and the disadvantaged. It was aimed at promoting business activities, increasing income opportunities for small entrepreneurs and assisting retail businesses. At the same time, the Government has also eased the monetary policy to complement the fiscal stimulus to enhance the effectiveness of these measures.
20. The onset of the 1997 financial crisis resulted in the employment rate contracting by 2.5 percent in 1998. The crisis also caused the unemployment rate to increase from 2.4 percent in 1997 to 3.2 percent in 1998. This rate further increased to 3.4 percent in 1999 and eventually declined to 3.1 percent in 2000 when there were signs of recovery. Although there was retrenchments in some industries, particularly at the height of the crisis, labour shortages in textile, electronic, furniture-making and rubber industries helped prevent the situation from further deteriorating. The slower unemployment growth and retrenchment of workers undoubtedly affected real personal incomes. To alleviate this situation, various measures were implemented to create employment opportunities and improve the functioning of the labour market so as to enhance productivity and mobility of labour across sectors and regions. In addition, employers were encouraged to provide training to ensure the availability of a pool of highly trained and skilled work force when the economy improved. Despite the 1997 crisis and in the current economic slowdown, industrial relations have remained stable. This is in testimony to the effective social protection system and the amicable relationship that exists between the Government, employers and trade unions.

21. Through the years since independence, the Government continued to play the leading role in poverty eradication by promoting income-generating activities and providing basic amenities to improve the quality of life of the poor. As a result of these efforts and the rapid economic growth, the incidence of poverty was considerably reduced. Consequently, the Eighth Malaysia Plan (2001-2005) has targeted the incidence of poverty to be reduced to 0.5 percent in 2005.

22. To complement the efforts of the Government, NGOs and the private sector are expected to further expand their activities and coverage in assisting the poor. AIM will continue to render their services to a wider spectrum of participants and regions in the country by utilizing the RM300 million interest-free loan provided by the Government in the Seventh Plan. Special preparatory programmes for potential participants will also be conducted by AIM to promote self-esteem and self-reliance among the poor households. In addition, the private sector and various state-based
Foundation For Poverty Eradication or *Yayasan Basmi Kemiskinan* will continue their efforts in providing skills training as well as providing in-kind and other financial contributions to the poor.
ECONOMY PAPER

Submitted by: Mexico

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
**Mexico’s Social Safety Net Programs**

- Up to 60 Social Safety Net Programs
- Problems
  - Most of the programs are not well focused
  - Errors of exclusion and inclusion
  - No assessment

**Mexico’s Social Safety Net Programs**

**Consequences**

- There is no optimal assignment of public expenditure.
  - CONTIGO (Education, Health Care and Nutrition Program)
  - Temporary Employment Program
  - PROCAMPO
  - Pension Systems

**CONTIGO Program**

- Objectives:
  - Social benefits for disadvantaged groups
  - Social development and economic growth
  - Distribution of actions among National, Sub-national and local governments (avoid duplication)

**Strategies for reducing poverty and improving quality of life**

- Human Capacity Building
  - Education
  - Health Care & Nutrition
  - Labour Skills
- Employment opportunities
  - Creation of local opportunities
- Access to employment opportunities
- Social Safety Net
- Health & Social Safety Net
- Social Prevision
- Housing & Savings Support

Location of benefited people
- 200 micro-regions - micro-regions defined by
  - Income
  - Literacy
  - Concrete floors
  - Water supply

CONTIGO 2001: Health
- Health
  - Health centers: 12,370 units
  - Health Check ups: up to 22.1 million
  - Health care & nutrition courses: up to 2.2 million

CONTIGO 2001-2002: Education
- Primary School (6-12 years)
  - Scholarships: 2.3 million
- Gender Breakdown
  - Boys: 50.4 %
  - Girls: 49.6 %
- Secondary School (12-15 years)
  - Scholarships: 1.031 million
· Gender Breakdown
  - Boys: 50.7%
  - Girls: 49.3%

CONTIGO 2001: Nutrition
· Income Subsidies
  - 2.6 million families benefited in rural areas
  - 635,000 urban families benefited
· Nutritional Supplements
  - 180.6 million (per year) given to women
  - 503.9 million (per year) given to children (0-5 years)

Temporary Employment Program (TEP)
· General Objectives
  - Poverty reduction in rural areas
  - Human capacity building
  - Productive & social infrastructure development
· 2002 Goals
  - Reaching a Budget of: 1,554.800 million of Mexican pesos
    (USD 15.54 million)
  - Objective of: 292,877 temporary employment
· Actions
  - Guidelines (February 2002)
  - TEP is part of the Integral System for Social Programs
  - TEP is consider under the National Program of Social Development
  - TEP belongs to CONTIGO program
JOBS: January-March 2002
· Employment generation: 44,398 jobs
· Direct beneficiaries: 110,995 people
· Gender Breakdown
  - Men: 81%
  - Women: 19%

APEC Agenda and Social Safety Net (SSN)
· Micro-enterprises (MEs)

· Relevance of the SSN in the “New Ecotech” Agenda

· Microenterprises (MEs) as Social Safety Net
  - They absorb non-qualified employees, which usually pertain to the poorer group of society.
  - The current social and economic situation of people working in MEs is precarious. For these reasons and because MEs employ women and youngsters, MEs should be considered as a main component of social safety nets, serving to cushion the negative impacts of structural change in economies undertaking modernization and market opening.

Relevance of the SSN in the “New Ecotech” Agenda
· Expanding the benefits of Cooperation for growth and development.
  - Social Safety Net and Policies to protect disadvantaged groups resulted from structural adjustment.
ECONOMY PAPER

Submitted by: New Zealand

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
A SIMPLIFIED DESCRIPTION OF CURRENT SOCIAL ASSISTANCE SYSTEM

Purpose
This paper aims to summarise in simple terms the income support provisions and employment and training initiatives that comprise the current social assistance system. Its purpose is to serve as a descriptive background document for work being undertaken on social assistance in the Ministry of Social Development. As a summary document, it should not be used in determining entitlements.

Structure
The first section summarises the family tax assistance system which comprises the three tax credits, and Family Support and Child Support. These are delivered by Inland Revenue (IRD), with the exception of Family Support which is delivered by both IRD and Work and Income, but are included here as they are effectively income support mechanisms. The second section describes the main social assistance system, with the core benefits first, followed by the add-ons and hardship assistance. The third section includes income support available to students. Active Labour Market Policies, both employment programmes and services and education and training initiatives, are briefly summarised in the fourth section.

The details for each type of benefit include amounts payable as at 1 June 2002 (that is, after the annual adjustment for inflation which became effective from 1 June 2002). Expenditure on each type of benefit is for the year to June 2001 unless otherwise specified. The appendix summarises expenditure on income support provisions for the year to 30 June 2001.

Introduction
The social assistance system for working age clients currently comprises tax transfers, core benefits granted on the basis of
categories of need (first tier assistance), supplementary benefits granted in cases of need arising from particular circumstances (second tier), and discretionary non-refundable and refundable assistance for extreme cases of need in particular circumstances (third tier). For the 2000-01 fiscal year, the total gross expenditure on this social assistance was $7,959,526,000, with another $2,501,169,000 spent on administration, making a total expenditure on working age income support of $10,640,695,000. Details about this expenditure can be found in the Appendix.

Rates of income tax (taking into account the low income rebate) applicable to both those who are employed and those receiving a benefit are shown in the table below. All benefits are taxed at the primary rate. Any income earned by a beneficiary is taxed at the secondary rate with an end-of-year square up.

<table>
<thead>
<tr>
<th>New Zealand: Income tax rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $9,500</td>
</tr>
<tr>
<td>$9,501 - $38,000</td>
</tr>
<tr>
<td>$38,001 - $60,000</td>
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<tr>
<td>$60,001 +</td>
</tr>
</tbody>
</table>

A. FAMILY TAX ASSISTANCE

Summary

There are four types of tax credits targeted towards low or middle-income families. Besides Family Tax Credit, the remaining three are effectively a single payment. Entitlement is determined first according to number of children, then according to income, through the following steps:

. determine the family’s annual entitlement (at the maximum rates) to Parental Tax Credit (maximum $150 per week per newborn child for up to eight weeks), Child Tax Credit ($15 per week for each dependent child aged 18 years or under living at home) and Family Support ($47 to $60 per child depending on number of children and their ages);

. add the three entitlements to determine the family’s total family
assistance entitlement;
. determine the family’s annual income from all sources (basically taxable income with some adjustments);
. calculate the annual abatement applying to this level of income (IRD have a table for this purpose);
. subtract the annual abatement from the maximum annual entitlement;
. the remaining amount is the family’s actual entitlement;
. the actual entitlement is applied first to Family Support, which aims to provide financial support for all low income families with children;
. any remaining entitlement is applied secondly to Child Tax Credit (which aims to give financial support to families with dependent children who are supported entirely by work rather than by income support); and
. any remaining entitlement is applied lastly to Parental Tax Credit (which applies where the family has a newborn child). This ensures that the two work-incentive credits are the last to be abated.

The family receives one payment covering whichever of the three entitlements applies to them. The annual entitlement is paid to them either at the end of the year as a tax credit, or is divided by 26 and paid into their bank account each fortnight with an end-of-year square-up.

Family Tax Credit abates differently, being effectively a top-up through the tax system to ensure families receive a minimum annual income after tax of $15,080 (before payment of Family Support and Child Tax Credit). The abatement of Family Tax Credit is therefore 100% up to this annual income level. Families earning below this level therefore have no incentive to increase their income, until they can increase it to above this level.
Parental Tax Credit

Objective
Parental Tax Credit offers extra financial support to low and middle income families after the birth of a child. It is not available to those receiving an income-tested benefit, Veteran’s Pension, New Zealand Superannuation, Student Allowance or ACC payments for longer than three months.

Target Population
The target population for Parental Tax Credit is families who are not receiving an income-tested benefit, New Zealand Superannuation or ACC recipients who receive ACC for longer than three months.

Form and rates of assistance
The maximum amount payable is $150 per week per child for up to eight weeks (a maximum of $1200 per child).

Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies
Parents will be able to choose whether to receive paid parental leave or the Parental Tax Credit but not both. Parental Tax Credit is reduced by 18 cents in the dollar earned between $20,000 and $27,000 and by 30 cents in the dollar earned above $27,000. Eligibility is lost when the family’s income reaches the levels in the table below.

| Parental Tax Credit: cut-out points according to number of babies born |
|-------------------------|-------------------------|
| 1 child                 | $59,617 a year          |
| 2 children              | $67,763 a year          |
| 3 children              | $75,910 a year          |
| 4 children              | $84,058 a year          |
| 5 children              | $92,203 a year          |
| 6 children              | $100,350 a year         |
However, if a family’s income is higher than these amounts they may still qualify for Parental Tax Credit if they already have:

- more than one child aged 13, 14 or 15
- a child aged 16, 17 or 18
- more than six children
- more than one child born in the year.

**Expenditure**

Expenditure on Parental Tax Credit for the 2000-2001 tax year was $17,201,000.

**C. Child Tax Credit**

**Objective**

Child Tax Credit aims to give financial support to families with dependent children who are supported entirely by work (rather than a benefit). It is not available to those receiving an income-tested benefit, Veteran’s Pension, New Zealand Superannuation, Student Allowance or ACC payments for longer than three months.

**Target Population**

Child Tax Credit is for those in paid employment. It is paid to families with low to middle income who don’t receive any income support, New Zealand Superannuation, or ACC payments for longer than three months.

**Form and rates of assistance**

The maximum rate of Child Tax Credit is $780 per year ($15 per week) for each financially dependent child aged 18 years or under being maintained as part of the family.
Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies

Child Tax Credit is reduced by 18 cents in the dollar earned between $20,000 and $27,000 and by 30 cents in the dollar earned above $27,000. Eligibility is lost when the family’s income reaches the levels in the table below.

<table>
<thead>
<tr>
<th>Child Tax Credit: cut-out points according to number of children in family (all under 13 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 child</td>
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<tr>
<td>2 children</td>
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<td>3 children</td>
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<td>4 children</td>
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<td>5 children</td>
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<tr>
<td>6 children</td>
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</tbody>
</table>

However, if a family’s income is higher than these amounts they may still qualify for Child Tax Credit if they have:

- more than one child aged 13, 14 or 15
- a child aged 16, 17 or 18
- more than six children.

Expenditure

Expenditure on Child Tax Credit for the 2000-2001 tax year was $161,306,000.

Family Support

Objective

Family Support aims to provide financial support for all low-income families with children.

Target Population

Family Support is an income-tested tax credit for low-income
families with children, whether working or receiving income support.

**Form and rates of assistance**

<table>
<thead>
<tr>
<th>FAMILY SUPPORT: WEEKLY RATES PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eldest child aged 15 or under</td>
</tr>
<tr>
<td>Eldest or subsequent child 16 years or older</td>
</tr>
<tr>
<td>Second or subsequent child 0-12 years</td>
</tr>
<tr>
<td>Second or subsequent child 13-15 years</td>
</tr>
</tbody>
</table>

**Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies**

Family Support is reduced by 18 cents in the dollar earned between $20,000 and $27,000, and by 30 cents per dollar earned above $27,000.

Eligibility is lost when the family’s income reaches the levels in the table below.

<table>
<thead>
<tr>
<th>Family Support: cut-out points according to number of children in family (all under 13 years)</th>
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</thead>
<tbody>
<tr>
<td>1 child</td>
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<tr>
<td>2 children</td>
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<td>5 children</td>
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<tr>
<td>6 children</td>
</tr>
</tbody>
</table>

However, if a family’s income is higher than these amounts they may still qualify for Family Support if they have:

- more than one child aged 13, 14 or 15
- a child aged 16, 17 or 18
- more than six children.
Expenditure
Expenditure on Family Support for the 2000-2001 tax year was $860,732,000.

Family Tax Credit

Objective
Family Tax Credit aims to ensure income adequacy. It is effectively a targeted minimum wage.

Target Population
The target population for Family Tax Credit is low income families where at least one parent is working and the combined weekly hours of work in a two parent family is at least 30 hours (or 20 hours in a sole parent family). Self-employed parents are not eligible unless they or their partner also work for the required number of hours. To receive Family Tax Credit, a family must also qualify for Family Support.

Form and rates of assistance
Family Tax Credit is designed to bring the family income up to at least $18,368 (or $15,080 net) per year ($286 per week net of tax and ACC premium). In a two-parent family, it is currently divided equally between both parents. However, beginning in the tax year following the passing of the Taxation Reform Bill (at the end of 2002 or during 2003), Family Tax Credit will be paid to the principal caregiver only.

Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies
Family Tax Credit is effectively a top-up through the tax system to ensure families of an annual income after tax of $15,080 (before payment of Family Support and Child Tax Credit). The abatement
of Family Tax Credit is therefore 100% up to this annual income level. Families earning below this level therefore have no incentive to increase their income (or hours of work), until they can increase their income to above this level. Family Tax Credit is also payable to a person in receipt of ACC weekly compensation if they are working the required number of hours.

**Expenditure**

Expenditure on Family Tax Credit for the 2000-2001 tax year was $17,300,000.

**B. INCOME SUPPORT CORE BENEFITS**

**Fundamental prerequisites for entitlement**

In addition to the specific entitlement provisions for each of the core benefit types, there are some aspects of entitlement that apply to all applicants for income support. These are that the applicant must:

1. satisfy a residential requirement, which is normally that the applicant must have permanent residency status in New Zealand and must be ordinarily resident here
2. name the father of their child if they are a sole parent or have the benefit rate reduced
3. undergo an income test
4. face a stand-down period
5. be work-tested if they are capable of working (although the work-test provisions for sole parents are to be removed as of 26 August 2002)
6. not be in prison, and
7. lose their eligibility on leaving the country for more than a specified time (which varies between benefit types).
Paid Parental Leave

Objective
Paid Parental Leave will enable either or both parents to not work for twelve weeks after the birth of their child. The scheme will be effective from 1 July 2002.

Target Population
The target population for Paid Parental Leave is all parents of newborn or adopted children. Payment can be shared between eligible partners including those in same-sex relationships. Parents will be able to choose whether to receive paid parental leave or the Parental Tax Credit but not both. This will enable the family to determine which credit gives them the greatest entitlement.

Form and rates of assistance
The Paid Parental Leave entitlement can be shared between partners if both parents are eligible. Paid Parental Leave will apply to all parents and will not be means tested. Eligible parents will receive a maximum payment of $325 gross per week (53% of average male and female weekly earnings) for 12 weeks after the birth. It is estimated that about two thirds of working mothers who have babies will be eligible, the remainder being self-employed or ineligible under the Parental Leave and Employment Protection Act 1987.

Expenditure and numbers
The annual gross cost of the scheme is estimated at $57 million after Parental Tax Credit savings and tax are accounted for, a net cost to the government of $42 million.

Unemployment Benefit (UB)

Objective
Unemployment Benefit aims to provide financial support to clients
who are not in full-time employment or who are in approved training, and involves proactive initiatives to move clients into employment.

**Target Population**
The target population is those 18 and over who are not working and who have little or no income, or are 16 or 17 and married with dependent children.

**Form and rates of assistance**

<table>
<thead>
<tr>
<th>Unemployment Benefit: weekly rates before and after tax at “m” rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Single 18 - 19 years at home</td>
</tr>
<tr>
<td>Single 18 - 19 years away from home</td>
</tr>
<tr>
<td>Single 20 - 24 years</td>
</tr>
<tr>
<td>Single 25+ years</td>
</tr>
<tr>
<td>Married couple (each)</td>
</tr>
<tr>
<td>Married couple with 1+ Children (each)</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
</tr>
</tbody>
</table>

**Main entitlement rules**
To receive UB a client must not be in full-time employment, be available for and seeking full-time work, have made efforts to find and be willing and able to undertake suitable employment, be 18 or older (or 16 and older if married with dependent children), and have lived in New Zealand for at least two years.

UB clients are obliged to advise Work and Income of any change in circumstances that affects their benefit entitlement and meet the work-test obligations. The work-test obligations are for the client to be available for, and take steps to obtain, any work, whether full-time, part-time, seasonal, temporary or permanent. The work-test may include undertaking other activities such as specific training or literacy courses.
In general, each client must have a Job Seeker Agreement which sets out what the client and Work and Income will do to improve the client’s employment prospects or obtain employment. Spouses of UB clients have a similar work-test obligation dependent on the age of the youngest child. Those without children or whose youngest child is aged 14 or over have a full-time work test, those whose youngest child is aged 6 to 13 years have a part-time work test, and those whose youngest child is aged 0 to 5 are not work tested.

Income earned by the primary client or their partner is charged weekly against the benefit as it is earned, at a rate of 70 cents for each $1 of income over $80 (before tax) per week. If the client is married and their partner has a benefit in their own right the rate of abatement is 35 cents for each $1 over $80 earned per week.

Unemployment Benefit can also be granted on grounds of hardship. This provision is aimed at those who do not meet the two year residential test but who meet the hardship criteria. These clients face the same work test obligations as other UB clients.

Size (expenditure/throughput)
As at 30 June 2001 127,593 people were receiving the standard UB. Total expenditure on the UB for the year to 30 June 2001 was $1,584,544,000 and expenditure net of tax was $1,344,786,000, of which $359,274,000 (27%) was to clients with children.

Unemployment Benefit – Grounds of hardship

Objective
A weekly payment to meet living costs for students while they look for full-time work during the summer vacation period.

Target Population
The target population for Unemployment Benefit Grounds of Hardship is those people who do not meet the residency
requirements for UB, and students aged 18 and over (or 16-17 and living with a partner and children they support) who are also registered for work, actively seeking work, intending to resume their studies after the summer. Those, including students, who do not meet the residency requirements for UB but who are not able to work, for example due caring for a sick partner, may be eligible for Emergency Benefit.

Form and rates of assistance
The amount of benefit paid is the same as for the Unemployment Benefit, and depends on the student’s age, marital status, whether they have dependent children, and for 18 and 19 year olds, whether they live at home.

Expenditure and numbers
As at 30 June 2001 133 people were receiving UB Grounds of Hardship. Total expenditure on Unemployment Benefit Grounds of Hardship for the year to June 2001 was $38,600,000. After tax expenditure was $32,770,000. Note that these expenditure figures are included in the expenditure data for Unemployment Benefit.

Domestic Purposes Benefit - Sole Parent (DPB-SP)
Objective
DPB-SP provides income support for sole parents with dependent children. The sole parent has specific work test obligations depending on the age of their youngest child.

Target Population
The target population is sole parents aged 18 or over, or younger if they have been legally married. (16 and 17 year old sole parents who have not been legally married may qualify for an Emergency Benefit.)
Form and rates of assistance

<table>
<thead>
<tr>
<th>DPB-SP: Weekly payment rates after tax at ‘M’ rate</th>
<th>Net</th>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole parent 1 child</td>
<td>$225.40</td>
<td>$271.44</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
<td>$245.91</td>
<td>$297.40</td>
</tr>
</tbody>
</table>

Main entitlement rules

The client must

. be living apart from their partner, or divorced, or single, or partner is in prison and

. be willing to undertake full-time employment and have taken reasonable steps to find it (for clients whose youngest child is aged 14 or older) or

. be willing to undertake part-time employment and have taken reasonable steps to find it (for clients whose youngest child is aged 6-13)

. attend an annual interview while the youngest child is aged 0 to 5, and

. satisfy the residential qualification of between three and ten years.

Note that the work-test provisions and annual interview will be removed from 26 August 2002.

For clients subject to the part-time work test and full-time work tested clients who have an exemption, income is charged annually at a rate of 30 cents for each $1 of income earned between $4,610 and $9,360 per year, and at 70 cents in each $1 for income above that. For clients subject to the full-time work test, income is charged annually at a rate of 70 cents for each $1 of income earned above $4,610. From 26 August 2002 the part-time abatement regime will apply to those receiving DPB-SP.

Expenditure and numbers

As at 30 June 2001 107,821 people were receiving some form of
DPB. Total expenditure on all forms of DPB for the year to 30 June 2001 was $1,498,216,000 and net of tax expenditure $1,205,339,000. Of this net expenditure, $135,239,715 was paid to the Crown in Child Support by liable parents and retained as funding for the DPB-SP. The net amount paid to recipients of DPB-SP is therefore $1,070,099,285.

Domestic Purposes Benefit – Woman alone

**Objective**

DPB – Woman alone provides income support for women with no dependent children who have lost the support of their partner or have finished caring for a sick relative or for children after turning 50 years old.

**Form and rates of assistance**

DPB Woman alone is paid at a single rate.

<table>
<thead>
<tr>
<th>DPB – Woman alone: rates after tax at “M” rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woman alone</td>
</tr>
</tbody>
</table>

**Main entitlement rules**

A woman can receive DPB – Woman alone if one of the following has happened to her after she reached the age of 50:

* her last dependent child is no longer dependent and she has had the care of a dependent child for at least 15 years, or
* she has lost the support of her partner and was married for at least five years, or
* she has cared full-time for a sick relative for at least five years.

The applicant her husband must have been ordinarily resident in New Zealand for not less than three years immediately preceding the qualifying date, or, either the applicant or her husband resided for at least five years immediately before the qualifying date. The qualifying date is the date the applicant lost the support of her...
husband or the date her incapacitated relative or last child ceased to be dependent. Clients receiving DPB – Woman alone have work test obligations, which will be removed from 26 August 2002.

For clients subject to the part-time work test and full-time work tested clients who have an exemption, income is charged annually at a rate of 30 cents for each $1 of income earned between $4,610 and $9,360 per year, and at 70 cents in each $1 for income above that. For clients subject to the full-time work test, income is charged annually at a rate of 70 cents for each $1 of income earned above $4,610.

From 26 August 2002 a single abatement regime will apply to all DPB and Widows Benefit clients. This will be the part-time abatement regime.

**Expenditure**

Combined total expenditure on DPB Care of sick or infirm and DPB Woman alone for the year to June 2001 was $49,345,000, while net expenditure was $41,784,000.

**Domestic Purposes Benefit – Care of sick or infirm**

**Objective**

DPB – Care of sick or infirm provides income support for clients aged 16 and over who are caring full-time for someone other than their partner or child who would be in hospital if not for this care.

**Form and rates of assistance**

<table>
<thead>
<tr>
<th>DPB – Caring for sick or infirm: rates after tax at “M” rate</th>
<th>Net</th>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single 16 - 17 years</td>
<td>$159.18</td>
<td>$187.62</td>
</tr>
<tr>
<td>Single 18+ years</td>
<td>$196.70</td>
<td>$235.11</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
<td>$258.40</td>
<td>$313.21</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
<td>$277.48</td>
<td>$337.37</td>
</tr>
<tr>
<td>Half married rate</td>
<td>$163.92</td>
<td>$193.62</td>
</tr>
</tbody>
</table>

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Main entitlement rules
The client must be at least 16 and over and must be caring full-time for someone other than their partner or child who would be in hospital if not for this care.

Income earned above $4,160 per year is charged at rates depending on the client’s marital status. Income is charged at 15 cents in each dollar earned between $4,160 and $9,360 per year, and 35 cents for every dollar earned above $9,630. For single clients the abatement rates are 30 cents and 70 cents.

Expenditure
Combined total expenditure on DPB Care of sick or infirm and DPB Woman alone for the year to June 2001 was $49,345,000, while net expenditure was $41,784,000.

Sickness Benefit
Objective
Sickness Benefit provides income support to those who cannot work, or have reduced capacity to work, due to sickness, injury, disability or pregnancy.

Target Population
The target population is people who cannot work due to sickness, injury, disability or pregnancy.

Form and rates of assistance
The rate of Sickness Benefit paid depends on the client’s age, marital status and dependent children, and for 18-19 year olds, whether they live at home or not.
Sickness Benefit: weekly after tax rates at “M” rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Net</th>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single 18 - 19 years at home</td>
<td>$104.91</td>
<td>$123.42</td>
</tr>
<tr>
<td>Single 18 - 19 years away from home</td>
<td>$131.13</td>
<td>$154.27</td>
</tr>
<tr>
<td>Single 20 - 24 years</td>
<td>$131.13</td>
<td>$154.27</td>
</tr>
<tr>
<td>Single 25+ years</td>
<td>$157.37</td>
<td>$185.33</td>
</tr>
<tr>
<td>Married couple Couple</td>
<td>$262.26</td>
<td>$308.54</td>
</tr>
<tr>
<td>Each</td>
<td>$131.13</td>
<td>$154.27</td>
</tr>
<tr>
<td>Married couple 1+ children Couple</td>
<td>$278.70</td>
<td>$327.88</td>
</tr>
<tr>
<td>Each</td>
<td>$139.35</td>
<td>$163.94</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
<td>$225.40</td>
<td>$271.44</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
<td>$245.91</td>
<td>$297.40</td>
</tr>
</tbody>
</table>

Spouses of IB clients have a similar work-test obligation to the main beneficiary, depending on the age of the youngest child. Those without children or whose youngest child is aged 14 or over have a full-time work test, those whose youngest child is aged 6 to 13 years have a part-time work test, and those whose youngest child is aged 0 to 5 are not work tested.

Income earned by the client or their partner is charged weekly against the Sickness Benefit at a rate of 70 cents in the dollar for every dollar earned above $80 (before tax). Where the client is married (with or without dependent children) and has been granted a benefit in their own right (other than New Zealand Superannuation or Veteran’s Benefit) the abatement rate is 35 cents in the dollar.

**Main entitlement rules**
To receive a Sickness Benefit the client must:

- not be in full-time work, is willing to undertake it, but because of sickness, injury or disability, is limited in his or her capacity to seek, undertake, or be available for full-time employment or
- be in employment, but is losing earnings through sickness or injury; is not actually working; or is working at a reduced level
. be aged 18 years or older or
. be aged 16 years or older, be married and have one or more
dependent children
. have continuously lived in New Zealand for 2 years or more
. have no income or an income of less than the amount that would
fully abate the benefit.

**Sickness Benefit – grounds of hardship**

To receive a Sickness Benefit on grounds of hardship, the client
must meet the first 4 of the above criteria but have lived in New
Zealand for less than 2 years and is suffering hardship.

A Sickness Benefit may also be granted on grounds of hardship if a
client meets the hardship criteria and:
. is unmarried and aged 16 or 17 years old and
. is either pregnant or undergoing treatment in a recognised
rehabilitation programme.

**Expenditure and numbers**

As at 30 June 2001 there were 33,630 Sickness Benefit recipients.
Total expenditure on Sickness Benefit for the year to 30 June 2001
was $370,716,000, while net of tax expenditure was $314,651,000,
of which $84,933,000 (27%) was received by clients with children.

**Invalid’s Benefit**

**Objective**

Invalid’s Benefit provides income support for people who are not
able to work because they are permanently and severely restricted
in their capacity to work.

**Target Population**

Invalid’s Benefit is for people who are not able to work because
they are permanently and severely restricted in their capacity to work.

Form and rates of assistance
The amount paid varies with the client's age, marital status and number of dependent children.

<table>
<thead>
<tr>
<th>Invalid’s Benefit: weekly rates after tax at “M” rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single 16 - 17 years</td>
</tr>
<tr>
<td>Single 18+ years</td>
</tr>
<tr>
<td>Married couple</td>
</tr>
<tr>
<td>Each</td>
</tr>
<tr>
<td>Married couple 1+ children</td>
</tr>
<tr>
<td>Each</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
</tr>
</tbody>
</table>

Main entitlement rules
To receive the Invalids Benefit a client must be aged 16 or over and be permanently and severely restricted in their capacity for work because of sickness, injury or disability or be totally blind.

Spouses of IB clients have a similar work-test obligation to the main beneficiary, depending on the age of the youngest child. Those without children or whose youngest child is aged 14 or over have a full-time work test, those whose youngest child is aged 6 to 13 years have a part-time work test, and those whose youngest child is aged 0 to 5 are not work tested.

Income earned by the client and their partner is charged against the Invalid’s Benefit at a rate of 30 cents in the dollar for amounts earned above $4160 per year (equivalent to $80 per week), and 70 cents in the dollar for amounts earned above $9360 (equivalent to $180 per week). Income is charged on an annual basis to allow high amounts to be earned for a short time without affecting benefit
Expenditure and numbers

As at 30 June 2001 59,812 people were receiving Invalids Benefit. Total expenditure on Invalids Benefit for the year to 30 June 2001 was $756,157,000, while expenditure net of tax was $636,208,000, of which $98,774,000 (16%) was received by clients with children.

Widow's Benefit

Objective

Widow's Benefit provides income support for a woman whose partner has died, whether or not she has dependent children.

Target Population

The target population is women aged at least 16 whose partners have died. Men in this situation may be eligible for DPB-SP if they have dependent children.

Form and rates of assistance

Widow's Benefit is paid at rates depending on the number of dependent children in the care of the widow.

<table>
<thead>
<tr>
<th>WIDOW'S BENEFIT: WEEKLY RATES AFTER TAX AT &quot;M&quot; RATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$163.92</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
<td>$225.40</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
<td>$245.91</td>
</tr>
</tbody>
</table>

Main entitlement rules

A client applying for Widow's Benefit is subject to the same work-test requirements as for the DPB-SP and DPB-WA.
For clients subject to the part-time work test and full-time work tested clients who have an exemption, income is charged annually at a rate of 30 cents for each $1 of income earned between $4,610 and $9,360 per year, and at 70 cents in each $1 for income above that. For clients subject to the full-time work test, income is charged annually at a rate of 70 cents for each $1 of income earned above $4,610.

From 26 August 2002 a single abatement regime will apply to all DPB and Widows Benefit clients. This will be the part-time abatement regime.

**Expenditure and numbers**

As at 30 June 2001 8,900 people were receiving Widows Benefit. Total expenditure on Widow’s Benefit for the year to 30 June 2001 was $93,833,000, while net of tax expenditure was $79,192,000, of which $25,584,000 (32%) was received by clients with children.

**Emergency Benefit**

**Objective**

Emergency Benefit is an income and asset tested benefit payable to people who cannot receive any other benefit and who are suffering hardship and are unable to earn enough income for themselves and their family.

**Form and rates of assistance**

Emergency Benefit is paid weekly at a rate usually analogous to one of the core benefits. This is often the Unemployment Benefit rate.

**Main entitlement rules**

To be able to receive an Emergency Benefit, a client must meet the qualifications, including a hardship test. A client may be considered
to be suffering hardship if they have cash assets (assets that can easily be converted into cash) of less than $4,300 if they are unmarried, or $7,464 if they have dependent children. Common reasons a person qualifies for an Emergency Benefit include insufficient residence in New Zealand to qualify for one of the core benefits, or the person has applied for refugee status, or is caring for an ill partner.

**Expenditure and numbers**

As at 30 June 2001 9,722 people were receiving Emergency Benefit. Total expenditure on Emergency Benefit for the year to 30 June 2001 was $121,296,000, while net of tax expenditure was $102,980,000. These expenditure figures are often included in expenditure on Unemployment Benefit.

**Emergency Maintenance Allowance (EMA)**

**Objective**

EMA is an emergency benefit that provides income support for sole parents with dependent children if they do not meet the criteria for DPB-SP and cannot receive any other benefit.

**Form and rates of assistance**

If the client is living at home or living away from home by their own choice, EMA is paid weekly at rates shown in the table below.

<table>
<thead>
<tr>
<th>Emergency Maintenance Allowance: weekly rates after tax at &quot;M&quot; rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16 - 17 years living at home or away from home by choice</td>
<td>$104.91</td>
</tr>
<tr>
<td>16 - 17 years living away from home because unreasonable to live at home</td>
<td>$225.40</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
<td>$225.40</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
<td>$245.91</td>
</tr>
</tbody>
</table>
Main reasons for qualifying
The usual reasons for receiving EMA are:

- clients with children born overseas who do not meet the five years residence criteria for DPB-SP or Widows Benefit
- clients who stop work or reduce their work hours during school holidays to care for their children
- clients experiencing domestic violence and still living with their partner
- 16 and 17 year old sole parents who have never been married and who cannot be supported by their parents.

Expenditure and numbers
The numbers of people receiving the EMA are included in the total DPB recipient numbers. Total expenditure on EMA for the year to 30 June 2001 was $21,600,000, while net of tax expenditure was $17,921,200. These figures are included in expenditure on DPB. Some of the Child Support retained by the Crown is likely to have been in respect of custodians in receipt of EMA rather than DPB.

Independent Youth Benefit (IYB)

Objective
The IYB aims to provide income support for 16 and 17 year olds who, because of a family breakdown, are not supported by their parents and who are either at school, looking for work or in training for work, or who can’t work due to illness, injury, disability or pregnancy.

Target Population
The target population is 16 and 17 year olds who, because of a family breakdown, are not supported by their parents and who require financial support.
Form and rates of assistance
IYB is paid at a weekly after tax rate of $128.79, the same as the Unemployment Benefit rate for an 18-19 year old living away from home.

Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies
To receive an IYB, the client must be aged 16 or 17, have no dependent children, have lived continuously in New Zealand for at least two years, and be either at school, in training, seeking work, or ill, disabled or injured.

The client must not be living with their parents or be financially supported by them.

Expenditure and numbers
As at 30 June 2001, 3,635 people were receiving the IYB. Total expenditure on IYB for the year to 30 June 2001 was $31,528,000, while net of tax expenditure was $26,798,000.

Orphans and Unsupported Child Benefits

Objective
Orphans Benefit and Unsupported Child Benefit provide income support to the caregiver of a child whose parents can’t support them.

Target Population
The target population is principal caregivers aged 18 or older who are likely to have the child for at least a year, and are ordinarily resident in New Zealand.

Form and rates of assistance
The weekly rate paid is the same for Orphans and Unsupported
Child Benefits, and depends on the child’s age. These benefits are not taxable:

<table>
<thead>
<tr>
<th>Orphans and Unsupported Child Benefits: weekly non-taxable rates according to age of child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 years</td>
</tr>
<tr>
<td>5 – 9 years</td>
</tr>
<tr>
<td>10 – 13 years</td>
</tr>
<tr>
<td>14 + years</td>
</tr>
</tbody>
</table>

Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies

For Orphan’s Benefit, the client must not be the client’s natural or adoptive parent. The child’s parents must be deceased, cannot be found, or suffer from a serious long-term illness or incapacity.

For Unsupported Child’s Benefit, the client must not be the child’s natural parent, adoptive parent or step parent and there must have been a breakdown in the child’s family.

Orphans and Unsupported Child Benefit are not influenced by the caregiver’s income or assets or by any personal earnings of the child. Any other money received by the child besides personal earnings that is more than 50% of the basic annual benefit rate reduces the benefit payable by $1 for every dollar received. Recipients of Orphans and Unsupported Child Benefit cannot claim the tax credits.

Expenditure and numbers

As at 30 June 2001 caregivers were receiving total of 6,075 Orphans Benefits and Unsupported Child Benefits. Expenditure on Orphans Benefit and Unsupported Child Benefit for the year to 30 June 2001 was $38,970,000. Some of the Child Support retained by the Crown is likely to have been in respect of custodians receiving Unsupported Child Benefit.
Transitional Retirement Benefit

Objective
Transitional Retirement Benefit provides income support to people who are retired and have a low income and who have not yet reached 65 (the qualifying age for New Zealand Superannuation).

Target Population
The target population is that group of people who had retired at age 60 or who were aged 55 and over and were planning to retire at age 60, when the age of eligibility for New Zealand Superannuation was raised from 60 to 65. Hence the Transitional Retirement Benefit exists to cover a group without income support eligibility due to a policy change. It will be phased out when the transitional group ceases to exist in 2004.

Form and rates of assistance
The rates of assistance are the same as for the Invalid’s Benefit.

| TRANSITIONAL RETIREMENT BENEFIT: WEEKLY RATES AFTER TAX AT RATE “M” |
|-----------------------------|--------------------------|
| Single                      | $196.70                  |
| Married couple Couple       | $327.84                  |
| Each                        | $163.92                  |
| Married couple 1+ children Couple | $327.84  |
| Each                        | $163.92                  |
| Sole parent 1 child         | $258.40                  |
| Sole parent 2+ children     | $277.48                  |

Main entitlement rules
Eligibility depends on the client’s age being within a narrow 2 year band which will phase out by April 2004. A stand-down period of between 1 and 10 weeks applies, depending on the client’s average income in the 26 weeks immediately before application for the benefit and the number of dependent children in their care, and is income-tested.
Income earned by the client or their spouse is charged annually at 70 cents in the dollar over $4160 (equivalent to $80 per week).

**Expenditure and numbers**
As at 30 June 2001 9,012 people were receiving the Transitional Retirement Benefit. Total expenditure on Transitional Retirement Benefit for the year to 30 June 2001 was $127,843,000, while net of tax expenditure was $107,990,000, of which $4,183,000 (4%) was received by clients with children.

**B. INCOME SUPPORT – ADD-ON ASSISTANCE**

**Accommodation Supplement (AS)**

**Objective**
AS is a non-taxable benefit that provides assistance towards accommodation costs for beneficiaries and low income earners.

**Target Population**
The target population is anyone on a low income who has accommodation costs.

**Form and rates of assistance**
AS is paid according to a formula:

- AS is paid when the client’s accommodation costs are more than the entry threshold for the relevant benefit and on their family situation (for example, the entry threshold for a couple with two children on the UB or Sickness Benefit is $72 if they pay rent and $87 if they have a mortgage).
- for every dollar over the entry threshold a client pays in accommodation costs they receive a 70% subsidy
- this subsidy has an upper limit which differs between regions (continuing the earlier example, the family with two children has a
maximum AS rate of $150 if they live in Auckland, $100 if they live in another large city, and $75 if they live anywhere else).

- the AS amount calculated in this way may be abated following application of the cash asset, asset and income tests.

**Main entitlement rules**

Clients must meet a cash assets test, an income test and have accommodation costs. A client cannot receive AS if they pay rent to Housing New Zealand, if they receive a Student Allowance or a Residential Care Subsidy.

The cash assets test includes the income of a partner. A client can receive AS if they have cash assets less than $8,100 for a single person, or $16,200 for a couple and for sole parents.

The AS is subject to abatement if the client has assets greater than $2,700 for a single person, or $5,400 for a couple or sole parents.

If the client earns income, AS abates by 25c for every dollar earned up to $80 per week, and no abatement for income above $80. These rules are slightly different for clients who are not beneficiaries.

**Expenditure and numbers**

As of 30 June 2001 265,882 people were receiving AS. Expenditure on AS for the year to 30 June 2001 was $795,081,000, of which $449,117,000 (56%) was received by clients with children. Note that this figure includes a small amount of expenditure on Away From Home Allowance.

**Disability Allowance**

**Objective**

Disability Allowance is for people who have a disability and have on-going additional costs because of a disability.
Form and rates of assistance

The amount paid is estimated in relation to the actual costs that have been or will be incurred on a regular basis. The maximum non-taxable weekly rate is $46.18.

Main entitlement rules

For both beneficiaries and non-beneficiaries, the Disability Allowance is paid in addition to other benefits, subject to the gross income cut-out points below.

<table>
<thead>
<tr>
<th>DISABILITY ALLOWANCE: WEEKLY GROSS INCOME CUT-OUT POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single 16-17 years</td>
</tr>
<tr>
<td>Single 18+ years</td>
</tr>
<tr>
<td>Married couple</td>
</tr>
<tr>
<td>Married couple with 1+ children</td>
</tr>
<tr>
<td>Sole parent 1 child</td>
</tr>
<tr>
<td>Sole parent 2+ children</td>
</tr>
</tbody>
</table>

To be able to receive Disability Allowance, a person must be assessed by a GP or specialist as having a disability that is likely to last at least 6 months, or have a life expectancy of less than six months because of a terminal illness. The disability must involve requiring ongoing help with normal living tasks or ongoing supervision of treatment from a registered health professional. The disability must involve ongoing additional costs, and other assistance available to meet those costs must be insufficient.

Some costs are excluded such as purchase of equipment, koha, medical insurance premiums, medical emergencies, residential care services and rest home fees.

The partner of someone in hospital or residential care may be eligible for a Special Disability Allowance of $28.30 per week, subject to an income test.
Expenditure and numbers
As of 30 June 2001 195,146 people were receiving Disability Allowance. Expenditure on Disability Allowance for the year to 30 June 2001 was $219,826,000, of which $36,376,000 (17%) was received by clients with children.

Child Disability Allowance

Objective
Child Disability Allowance is a non-taxable allowance available to the principal caregiver of a dependent child who has a serious disability and who requires extra care.

Target Population
The target population is caregivers of children under 16 with a serious disability.

Form and rates of assistance
Child Disability Allowance is paid at a weekly non-taxable rate of $34.18.

Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies
There is no income or asset test for Child Disability Allowance. The client may also be able to receive a Disability Allowance to meet any additional costs the child has because of their disability. Once a child turns 16 they may be able to receive an Invalid's Benefit.

Expenditure and numbers
As at 30 June 2001 21,512 Child Disability Allowances were being paid. Expenditure on these benefits was $39,265,000.
Civilian Amputee Assistance

Objective
Civilian Amputee Assistance is to ensure that people are not prevented from attending a Limb Centre to have an artificial limb adjusted or repaired because they are unable to meet the cost of travel and accommodation.

Target Population
The target population is amputees or people born without limbs who are required to travel to attend a Limb Centre.

Form and rates of assistance
Civilian Amputee Assistance reimburses the costs associated with attending the Limb Centre. A client and attendant may be reimbursed for the cost of public transport to and from the Limb Centre, or for taxi fares where the client is not able to use public transport, or for travel by private car on a mileage or petrol costs basis, or for the cost of air travel where applicable. Accommodation costs for the client and attendant can be reimbursed if necessary at the lower of the actual cost of the accommodation or $100. Meals for the client and attendant can be reimbursed if necessary at the lower of the actual cost of the meal or $13.05. Loss of earning of the client only may be reimbursed only where the client does not have any sick leave available.

Assistance can be granted to reimburse the costs of one attendant travelling with the client if the person travelling to the Limb Centre is a child under 15, or if the person cannot travel by themselves.

Main entitlement rules
It is not income or asset tested. Reimbursement of costs is on the basis of receipts.
**Expenditure and numbers**

Expenditure on Civilian Amputee Assistance for the year to June 2001 was $391,000 of which $26,000 (7%) was received by families with children.

**Childcare Subsidy and Out of School Care and Recreational Subsidy (OSCAR)**

**Objectives**

The objectives of the childcare assistance programme are to assist:

- low income parents with pre-school children to enter employment, training or education (Childcare Subsidy)
- low income clients to access pre-school care if they or their child are seriously disabled or ill (Childcare Subsidy)
- caregivers and/or children to access licensed childcare centres, family day care projects or chartered Te Kohanga Reo (Childcare Subsidy), and
- low income parents with school aged children to enter employment or participate in a job seeker development activity and access approved out of school care and school holiday programmes (OSCAR)

**Form and rates of assistance**

The Childcare subsidy is paid directly to the pre-school facility attended by the child. The rate of payment varies between $0.95 per hour and $2.47 per hour, depending on the number of children and the client's level of income. It is available to principal caregivers of children aged under 5 for up to nine hours a week. It is also available for up to 37 hours a week if the caregiver is in paid employment, in employment-related training, undergoing job-seeker development, is ill, injured or disabled or is attending a rehabilitation programme.

OSCAR is paid directly to the client as a subsidy. The rate of payment varies between $0.74 per hour and $1.91 per hour,
depending on the number of children and the client’s level of income. The OSCAR subsidy is available for up to 20 hours per week during a school term and for up to 37 hours a week during school holidays.

Main entitlement rules, including abatement regimes

<table>
<thead>
<tr>
<th>Number of children</th>
<th>Client’s gross weekly income</th>
<th>Childcare subsidy (per hour)</th>
<th>Childcare Subsidy (per week for 37 hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to $520</td>
<td>$2.47</td>
<td>$91.39</td>
</tr>
<tr>
<td></td>
<td>$521 to $570</td>
<td>$1.72</td>
<td>$63.64</td>
</tr>
<tr>
<td></td>
<td>$571 to $620</td>
<td>$0.95</td>
<td>$35.15</td>
</tr>
<tr>
<td></td>
<td>$621 or more</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>2</td>
<td>Up to $640</td>
<td>$2.47</td>
<td>$91.39</td>
</tr>
<tr>
<td></td>
<td>$641 to $690</td>
<td>$1.72</td>
<td>$63.64</td>
</tr>
<tr>
<td></td>
<td>$691 to $740</td>
<td>$0.95</td>
<td>$35.15</td>
</tr>
<tr>
<td></td>
<td>$741 or more</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>3 or more</td>
<td>Up to $750</td>
<td>$2.47</td>
<td>$91.39</td>
</tr>
<tr>
<td></td>
<td>$751 to $800</td>
<td>$1.72</td>
<td>$63.64</td>
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<tr>
<td></td>
<td>$801 to $850</td>
<td>$0.95</td>
<td>$35.15</td>
</tr>
<tr>
<td></td>
<td>$851 or more</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

A client may receive the Childcare Subsidy if:

. they are the principal caregiver of a dependent child aged under 5, and

. the child attends a licensed pre-school facility for a minimum of three hours a week, and

. they meet an income test, and

. they do not have a partner who is able to provide child care (only applies where more than nine hours per week Subsidy is claimed), and
they are a New Zealand citizen who is ordinarily resident in New Zealand.

<table>
<thead>
<tr>
<th>Number of children</th>
<th>Client’s gross weekly income</th>
<th>OSCAR subsidy (per hour)</th>
<th>OSCAR subsidy (per week) Term time</th>
<th>Holidays (for 37 hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to $520</td>
<td>$1.91</td>
<td>$38.20</td>
<td>$70.67</td>
</tr>
<tr>
<td></td>
<td>$521 to $570</td>
<td>$1.33</td>
<td>$26.60</td>
<td>$49.21</td>
</tr>
<tr>
<td></td>
<td>$571 to $620</td>
<td>$0.74</td>
<td>$14.80</td>
<td>$27.38</td>
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<tr>
<td></td>
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<td>nil</td>
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<td></td>
<td>$851 or more</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
</tbody>
</table>

A client may receive the OSCAR subsidy if:
· they are the principal caregiver of a dependent child aged from 5 to 13, and
· the child attends an approved OSCAR programme for a minimum of three hours a week, and
· they meet an income test, and
· they do not have a partner who is able to provide child care, and
· they are a New Zealand citizen who is ordinarily resident in New Zealand.
Expenditure and numbers
At the end of June 2001, a total of 23,493 people were receiving the Childcare Subsidy or the OSCAR Subsidy, comprising 22,719 Childcare Subsidies and 774 OSCAR subsidies. The expenditure for the combined programmes for the year to 30 June 2001 was $51,256,000.

Away From Home Allowance

Objective
The Away From Home Allowance is received by the client for dependent children aged 16 or 17 who are living away from home for the purposes of tertiary education to assist with the additional accommodation costs.

Target Population
The target population is clients with dependent children who are living away from home in order to study.

Form and rates of assistance
The rate of payment of Away From Home Allowance is calculated using the same formula as Accommodation Supplement. Away From Home Allowance is non-taxable. The only major difference between calculating the rate of AS and the Away From Home Allowance is that the latter has no abatement. Both the client and the child may earn income and this will not affect the Away From Home Allowance, as long as the client remains entitled to Family Support for this child and the child is not full-time employed.

Main entitlement rules
To be entitled to the Away From Home Allowance, the client must first be entitled to receive Family Support for the child. Living Away From Home Allowance is not asset-tested. The tertiary
studies attended by the child must qualify the child for a Student Allowance, or would qualify them for the Unemployment Benefit if they were old enough.

**Expenditure and numbers**
Expenditure on Away From Home Allowance for the year to 30 June 2001 was $155,400. Note that this amount is included in the expenditure for Accommodation Supplement.

**Care Supplement**

**Objective**
While care and protection issues existed for the child, they were placed in foster care and received generous allowances from CYF. After the care and protection issues are resolved, the child may remain with the foster parent, but transfers to an Orphan’s Benefit or Unsupported Child’s Benefit which is paid at a lower rate than the CYF care. The Care Supplement is a “top-up” to enable foster parents to continue caring for the children in their care once the child is discharged from CYF care without being financially disadvantaged.

**Target Population**
Care Supplement can be paid to foster parents who are receiving an Orphan’s Benefit or Unsupported Child’s Benefit for a child who is not an adoptive child or step-child.

**Form and rates of assistance**
Care Supplement is paid at the following age-related rates to foster parents who are also receiving an Orphan’s Benefit or Unsupported Child Benefit.
Main entitlement rules
Care Supplement can be paid to foster parents who are receiving an Orphan’s Benefit or Unsupported Child’s Benefit for a child who is not an adoptive child or step-child. The child must have been discharged from the care of CYF and not any other agency.

Expenditure and numbers
Expenditure on the Care Supplement is included in expenditure for Orphans and Unsupported Child Benefits.

Residential Care Subsidy

Objective
Residential Care Subsidy provides financial assistance to clients who have been needs assessed as requiring long term residential care and who are unable to pay for the full cost of their care. In other words, the client’s benefit does not cover the costs of their rest home care.

Target Population
The target population is those aged 65 and over who require residential care disability services indefinitely.

Form and rates of assistance
An income and asset test is carried out by Work and Income, the Ministry of Health is informed of the decision, and the payment is made by the Ministry of Health. The client contributes any benefit

<table>
<thead>
<tr>
<th>Care Supplement: non-taxable weekly rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child 0 – 4 years</td>
</tr>
<tr>
<td>Child 5 – 9 years</td>
</tr>
<tr>
<td>Child 10 – 13 years</td>
</tr>
<tr>
<td>Child 14+ years</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>$15.14</td>
</tr>
<tr>
<td>$17.24</td>
</tr>
<tr>
<td>$22.39</td>
</tr>
<tr>
<td>$28.46</td>
</tr>
</tbody>
</table>
they receive, less a personal allowance, to the Ministry of Health. The client may also be able to receive a Special Needs Grant to meet health user charges faced by rest home and hospital clients and their partners for items such as glasses, dentures, hearing aids or additional clothing.

Expenditure and numbers
Residential Care Subsidy is paid by the Ministry of Health after income and needs testing by Work and Income New Zealand. Expenditure on Residential Care Subsidy for the year to June 2001 was $624,000,000.

C. INCOME SUPPORT – HARDSHIP ASSISTANCE

Special Benefit

Objective
Special Benefit is a discretionary non-recoverable benefit which aims to provide assistance to clients whose ongoing costs are causing them hardship. It is paid to help clients meet their essential living costs while they reduce their ongoing costs and live within their usual income.

Form and rates of assistance
A client will not normally receive Special Benefit unless they pass a cash assets test. This test asks whether the client has cash assets of four times the maximum net weekly rate of Invalid’s Benefit applicable to their situation. Special Benefit is non-taxable. There is no maximum amount payable for Special Benefit. The client is expected to negotiate reductions in debt and hire purchase agreements, to seek budget advice and/or seek alternative ways to meet their needs. If a client is receiving a payment in excess of $50 per week, these measures should be given extra priority. These measures have a goal of reducing or eliminating the client’s need for Special Benefit within 6 months.
In some situations, Special Benefit can be paid as a lump sum corresponding to the amount of Special Benefit the client would receive to meet particular ongoing costs.

**Main entitlement rules**
To justify payment of Special Benefit, clients must meet a cash asset test, have an ongoing reasonably substantial deficiency of income over expenditure and commitments, have unavoidable expenses and have no other means of financial assistance. The cash assets test asks whether the client has cash assets of four times the maximum net weekly rate of Invalid’s Benefit applicable to their situation.

Applications are considered on a case-by-case basis considering all the client’s circumstances. A client does not need to be receiving an income-tested benefit in order to be granted Special Benefit.

**Expenditure and numbers**
As of 30 June 2001 13,047 people were receiving Special Benefit. Expenditure on Special Benefit for the year to 30 June 2001 was $39,954,000, of which $23,897,000 (60%) was received by clients with children.

**Special Needs Grant (SNG)**

**Objective**
SNG provides discretionary one-off non-recoverable or recoverable financial assistance to clients to meet immediate needs. A client does not need to be receiving a benefit to qualify for an SNG.

**Form and rates of assistance**
The value of SNGs relates to the amount of the immediate need. If the SNG is for goods or services, it must be paid directly to the seller of those goods or services. Other SNGs are paid directly to
the client's bank account.

**Main entitlement rules**

To receive an SNG a client must meet an income and asset test, have an essential need, emergency need or require payment for specific circumstances and not be able to meet the need from their own resources or through other sources. Granting of an SNG involves an element of discretion on the part of Work and Income staff.

SNGs may be recoverable, and if so are recovered at a rate of at least $4 per week up to a maximum of $40 per week.

**Expenditure and numbers**

As at 30 June 2001 30,513 people had received SNGs. Expenditure on SNGs for the year to 30 June 2001 was $43,988,000, of which $18,581,000 (20%) was received by clients with children. These figures include both recoverable and non-recoverable SNGs. Note also that these figures include expenditure on New Employment Transition Grant.

**Recoverable Assistance Payment**

**Objective**

The Recoverable Assistance Programme provides interest free, recoverable financial assistance to non-beneficiaries to meet essential immediate needs for specific items or services.

**Form and rates of assistance**

The amount of Recoverable Assistance paid depends on the size of the immediate need, but the maximum amount of recoverable assistance debt a client may have is equal to six weeks of Invalids Benefit.
Main entitlement rules
The client must be able to identify a particular immediate need for an essential item or service. Income and asset tests apply.

Among the factors taken into account in deciding whether to grant Recoverable Assistance are a client’s ability to repay the assistance, the client’s existing debt level, the effect on the client and any family if the need is not met and the extent to which the client has caused or contributed to the immediate need.

Expenditure and numbers
As at 30 June 2001 795 people had received Recoverable Assistance. Expenditure on Recoverable Assistance (including advance payments of benefits) for the year to 30 June 2001 was $88,904,000, of which $46,940,000 (53%) was received by clients with children.

Advance Payment of Benefit
Objective
All clients receiving a core benefit and who require assistance to meet a particular immediate need for an essential item have access to advances of benefit in total of up to six weeks of their net benefit entitlement. Advances may be discretionary, depending on the reason for the advance.

Form and rates of assistance
The amount of an advance is the least amount required to meet the client’s particular immediate need. A client can receive more than one advance at any one time, but the outstanding balance must not exceed the six-week limit at any one time.

The advance is recovered from the client by reductions in future benefit payments at a rate that will ensure it is repaid within 24 months.
Main entitlement rules
To receive an Advance Payment of Benefit a client must be receiving a benefit or pension, meet an income and asset test and have an immediate and essential need. Granting an advance involves a degree of discretion.

Expenditure and numbers
As at 30 June 2001 23,670 people had received an advance payment of benefit. Expenditure on Advance Payments is included in expenditure for Recoverable Assistance.

D. INCOME SUPPORT - MISCELLANEOUS
Child Support¹

Objective
Child Support aims to support children until they are 19 years old by requiring parents to take financial responsibilities for their children even when they are living apart from their children.

Target Population
The target population is children under 19 who do not live with both their parents.

Form and rates of assistance
The parent with custody of the children (the custodian) receives the Child Support payments, or receives the DPB at the rate appropriate to their circumstances. If the liable parent’s Child Support payments are greater than the amount of the DPB received by the custodian, the custodian receives a payment for the difference. If

¹ While administered by IRD, Child Support is not part of the family tax assistance provisions. Hence it is included here as a social assistance add-on, on the basis that payments are sometimes passed on to custodial parents.
the liable parent fails to pay their Child Support, the custodian does not receive their payment. Collection and payment is undertaken by IRD.

In the event of the liable parent failing to pay, penalties are imposed and IRD can order that all future payments must be made by the liable parent’s employer as deductions from their salary or wages. IRD also have the power to make deductions from ACC payments and bank accounts to cover overdue amounts. When late payments are made by or recovered from the liable parent, the custodian receives a late payment of Child Support entitlement. Benefit payments continue regardless of late Child Support payments. Liable parents receiving income support pay Child Support at a minimum rate of $12.75 per week (adjusted annually for inflation).

**Main entitlement rules, including abatement regimes for targeted assistance and childcare subsidies**

Following a separation in a family, the person with the custody of a child or children applies to Inland Revenue for Child Support. Inland Revenue uses the four-step Child Support Formula to assess the amount that the liable parent must pay:

1. determine the liable parent’s taxable (before tax) income
2. deduct a living allowance from the taxable income. This living allowance depends on the living circumstances of the liable parent, and varies from $11,994 to $30,248 depending on whether he/she is single or married/de facto and how many children are living with him/her.
3. multiply the result from step 2 by a percentage rate according to the number of children for whom the liable parent must pay child support and whether the liable parent shares custody of those children (in which case the percentages are lower per child). The percentages vary between 12% of a child for whom the liable parent has shared custody, to 30% for four or more children where the liable parent does not share custody.
4. divide the final amount by 12 to give the amount that must be paid by the 20th of each month.
Expenditure and numbers

As at 30 June 2001 there were 210,781 liable parents and 209,635 custodial parents, 76% of whom were receiving the DPB, EMA and UCB. The amount of Child Support paid to custodians for the 2000-2001 tax year was $83,635,500. A further $135,239,715 paid by liable parents was retained by the Crown to fund the DPB, IB, UB or SB paid to custodial parents. In fiscal terms 61.8% of the total amount collected are retained by the Crown.

Funeral Grant

Objective

A Funeral Grant is a lump sum payment that provides assistance towards a person’s funeral expenses. The Funeral Grant helps people with actual and reasonable funeral costs only and is not designed to cover entire funeral expenses.

Form and rates of assistance

Expenses that can be included in the assessment of a Funeral Grant are any reasonable costs associated with the proper disposal of a body and include embalming, cost of a casket, newspaper notices, hearse fee, compulsory fees for the purchase of a burial plot, cremation fees. Proof of expenses is required. Costs that are not included are flowers, donations to clergy or musician, koha, chapel fees, car hire, death certificates.

The maximum Funeral Grant that can be paid to meet funeral expenses is $1,182.01, and may be reduced depending on the level of assets.

A Funeral Grant is generally paid directly to the funeral director, but can also be made to the partner or child of the deceased, the estate of the deceased, any person who has paid the deceased’s funeral expenses or the parents of a deceased child.

**Main entitlement rules**

A Funeral Grant is income and asset tested. The test depends on the circumstances of the deceased at the time they died, whether the deceased has a surviving partner or dependent child or if the deceased is a child.

A Funeral Grant can be paid for the costs of a child’s funeral if the costs cannot be met by the assets of the parents, and if the parents meet an income test. A Funeral Grant can be paid for the funeral expenses of a stillborn child if the pregnancy was longer than 20 weeks or the child weighed at least 400g at birth.

**Expenditure and numbers**

Expenditure on Funeral Grant for the year to 30 June 2001 was $5,521,000 of which $399,000 (7%) was received by clients with children.

**Home Help**

**Objective**

Home Help provides financial assistance to clients who require temporary part-time home help to complete tasks normally performed in the home, typically because of a multiple birth, a domestic emergency, or because the client requires domestic support, but not because of illness, age or infirmity. These latter needs may be met by Home Support from an Area Health Board.

**Form and rates of assistance**

Payment is usually made directly to the home helper or the organisation providing the home help. The maximum hourly rates of Home Help payable are for Karitane nurses between $10.18 and $11.65 per hour, and for other home helpers $9.49 to $10.14 per hour depending on level of experience. Home helpers may also be able to receive assistance for their travel costs in addition to the hourly rate.
Main entitlement rules
An income and asset test applies, except for clients who have had a multiple birth. A client does not have to be receiving a benefit to receive Home Help assistance.

Expenditure and numbers
Expenditure on Home Help for the year to 30 June was $1,660,000 of which $1,581,000 (95%) was received by clients with children.

3. STUDENT SERVICES
Student Loan Scheme
Objective
Student Loans were introduced to make tertiary study more accessible.

Target Population
The target population for student loans is full-time students and some part-time students (minus the living costs component of the loan) who are enrolled in approved courses of study.

Form and rates of assistance
The loan has compulsory fee, course costs and living cost components.

Students can borrow up to $1000 per year for course-related costs, as much as they need for fees (but a maximum of $6,500 for those studying at private training establishments), and up to $150 per week for living costs. Students wanting to borrow to finance living costs who are also receiving a student allowance can borrow only the difference between the amount of their student allowance and $150 per week. An administration fee of $50 is added to the loan the first time it is used, and also attracts interest.
Effectively, interest does not accrue on student loans while the student is studying full-time for the full year. Before 1 April 2000 interest accrued from the time the loan was first used by the student, so many former students are still repaying loans that include interest charged while they were studying before 1 April 2000. If the student is studying part-time or for part of the year, an income threshold applies, above which interest will accrue. For the 2002/3 tax year this threshold is $25,378. Once a student stops studying full-time interest accrues on the loan until it is repaid in full, but this interest is subject to base interest write-off provisions.

Once loan holder starts earning income over $15,496 before tax they must make repayments on their loan at minimum repayment rates related to their income. Repayments can be deducted by employers along with income tax. Higher repayments than the minimum can be made. Late payment penalties are charged on any amount not paid by the due date.

Non-resident borrowers are borrowers who go overseas and are no longer tax resident in New Zealand. Non-resident borrowers’ annual loan repayments are based on their loan balance at the time of their departure, plus interest. Generally their annual repayment will be $1,000 (or 1/15th of their loan if it is over $15,000), plus the estimated interest chargeable on their loan for the year. Repayments are made in four equal installments through the year (30 June, 30 September, 31 December, 31 March). Unpaid balances are written off on the death of a loan holder.

**Expenditure and numbers**

At 31 March 2001 there were a total of 317,394 student loan borrowers who owed a total of $4,088,993,572. The average amount owed per borrower was $12,883, and the highest loan balance was $157,126. The amount outstanding is considered an asset in the government’s balance sheet.
Student Allowances

Objective
The Student Allowance is a weekly payment to help full-time students with the costs of living while they study.

Target Population
The target population for Student Allowances is full-time students aged 18 and over in courses approved by the Ministry of Education. In certain circumstances students aged 16 and 17 can qualify for a Student Allowance.

Form, rates and abatement of assistance
For students under 25 student allowances are targeted according to the student’s age and parent’s income. Students under 25 living at home receive a maximum of $99 per week after tax. Students under 20 living away from home receive a maximum of $134 after tax per week. The amount of Student Allowance received by under 25s abates once parent income exceeds $28,000 pa. The allowance abates to zero when parents’ incomes reach $46,000 for students living at home or $50,751 for students living away from home. Students can work while receiving the allowance, and can earn up to $135.13 per week before tax before losing entitlement to their Student Allowance for that week.

Students aged 25 and over, and students eligible for the ICA receive a rate of allowance which is adjusted for their circumstances.

Students living away from home in order to study or who have a dependent partner are eligible for an additional accommodation benefit of up to $40 per week (or up to $60 per week from 1 January 2003, depending on the city they live in. For Wellington students, the accommodation allowance is $26.50 and for Dunedin $13.50 per week.

In addition to the Student Allowance, full-time students under 20 may also be eligible for an annual payment of $200 if they were awarded an A Bursary, and $100 for a B Bursary.
Expenditure and numbers

In the year to 31 December 1999 62,710 applications for Student Allowance were approved. Total expenditure on Student Allowances to non-beneficiaries for the year to 30 June 2001 was $390,913,000, while net of tax expenditure is estimated at $336,983,000, of which $55,244,000 (16%) was received by clients with children.

4. ACTIVE LABOUR MARKET POLICIES

A. EMPLOYMENT PROGRAMMES AND SERVICES

Employment programmes and services offered by Work and Income aim to move job seekers into ongoing employment. A range of employment programmes and services is available to assist job seekers with different needs. Eligibility criteria for and brief descriptions of employment programmes and services are set out below.

Eligibility

All job seekers are eligible to receive most employment programmes and services. Work and Income focuses provision of employment programmes and services on job seekers who:

· face the greatest barriers to achieving independence through paid employment, and

· are most likely to benefit from the assistance.

In general, eligibility for expensive interventions is restricted to job seekers who:

Are receiving income support

Have been registered as job seekers for at least 26 weeks or either are at risk of becoming long-term job seekers or are disadvantaged in the local labour market.

The Ministerial criteria for eligibility for employment programmes and services implemented from 1 July 1999 allowed job seekers to
be eligible for expensive interventions if they were assessed by Work and Income as being disadvantaged in the local labour market and at risk of long-term unemployment. This may include, but is not limited to, the following groups:

- job seekers with a disability
- job seekers with a numeracy, literacy and/or language barrier to employment
- job seekers who have received Domestic Purposes Benefit or Widows Benefit for a year or more
- job seekers aged 55 or more
- job seekers aged under 20 who have been registered as unemployed for three months or more, and job seekers aged 16 to 18 receiving Independent Youth Benefit
- quota refugees
- Department of Corrections job seekers (including recently released prisoners)
- persons returning to the workforce
- women wishing to engage in non-traditional work (e.g., to become mechanics).

Decisions on which employment programme or service is appropriate to a job seeker involve assessing whether:

- the job seeker will gain relevant work experience, skills or an improved work ethic
- the activities undertaken address the job seeker’s employment barriers and are aligned with their client plan and job choices
- the employment programme or service is cost-effective in meeting the job seeker’s needs and will work best for them
- the content of training or placements is appropriate to the job seeker, and
- the job seeker will have the opportunity to continue their search for work.

Employment programmes and services fall into the following
categories:

- Information Job Search Assistance and Work Confidence
- Work Experience
- Work Transition Grants
- Wage Subsidies
- Skills Training
- Self-employment Assistance, and
- New Initiatives.

Student Work Start Grant and Work Start Grant are means of income support that also fall into the category of employment programmes. They are described below.

**Student Work Start Grant**

**Objective**

This grant aims to help with the necessary costs of going to a job interview for vacation work or starting a new holiday job, such as transport to an interview or to get to work (such as a bus ticket), or clothes for an interview or to start work.

**Target Population**

The target population is tertiary students who need financial help to get vacation work, have limited income and assets, and are unable to meet the costs themselves.

**Form and rates of assistance**

The maximum payable amount must not exceed $250 in a 52 week period. More than one grant may be made within 52 weeks but the total must not exceed $250.
assistance and childcare subsidies
The job applied for must be for at least 30 hours a week and last for at least six weeks.

Expenditure and numbers
Expenditure on Student Work Start Grant is capped at $350,000 for the 2001-02 year. The grant was not available prior to this.

Work Start Grant
This grant is similar to Student Work Start Grant but applies to clients who are not students. For Work Start Grant, where the work involves relocation, safety equipment and bridging finance the maximum amount payable can be extended to $500 within 52 weeks (compared with a maximum of $250 for Student Work Start Grant). This extension to $500 is an initiative introduced in October 2001 as part of the Making Work Pay initiatives. Expenditure on Work Start Grant for the year to 30 June 2001 was $7,270,000 of which $1,442,000 (20%) was received by clients with children.

B. EDUCATION AND TRAINING PROGRAMMES

New Employment Transition Grant

Objective
NET is available to clients with a dependent child or children during the first six months that their benefit is stopped due to employment. A payment may be made to the client if they are unable to work because they or their partner or a dependent child is sick, or if child care arrangements have broken down.

Target Population
The target population is clients with dependent children who are in the first six months of employment after ceasing to receive income support because of employment.
**Form and rates of assistance**

The daily maximum rate payable is the lesser amount of $50 gross per day or the actual loss of gross income. The maximum amount payable is $500 in any qualifying six-month period. NET is non-discretionary and non-recoverable.

Where the actual loss of gross income is greater than the $50 daily maximum, other Special Needs Grants or payments under the Recoverable Assistance Programme cannot be used to top up the New Employment Transition Grant.

While the amounts used to calculate the payment are gross, and would normally be subject to tax in the hands of the client, in fact Inland Revenue does not collect tax on these payments.

**Main entitlement rules**

To be able to receive a New Employment Transition Grant, a client must have a dependent child or children, to have had their benefit cancelled or suspended within the last six months because they began employment, and must meet a cash asset test (but not an income test).

**Expenditure and numbers**

Expenditure on NET is included in expenditure for SNGs.

**Training Incentive Allowance (TIA)**

**Objective**

TIA is paid to people receiving the DPB, Invalid's Benefit or Widow's Benefit to enable them to undertake employment related training to develop their skills with a view to improving their prospects of gaining sustainable paid employment.

**Target Population**

The target population is DPB, Invalid's Benefit or Widow's Benefit
recipients who are undertaking approved employment-related training.

**Form and rates of assistance**

TIA is paid at a rate up to $79.81 per week of the course they are attending or $3,192.40 per year. TIA can be used to pay for course costs, course fees, child care costs and travel costs. The total of the weekly costs associated with the course is calculated by dividing the total cost of the course by the duration in weeks. If the total of course-related costs including the cost of the course itself is greater than $3,192.40, only $3,192.40 is paid to the client. If the total is less than $3,192.40, that total is paid to the client. The client is given the choice of payment of course fees, course costs or an ongoing weekly payment. The student may be able to fund any remaining course costs through a student loan.

**Expenditure and numbers**

Expenditure on TIA for the year to 30 June 2001 was $35,801,000, of which $32,317,000 (90%) was received by clients with children. This suggests that 90% of TIA recipients were receiving the DPB, and about 10% were receiving Invalids Benefit.

**Training Opportunities**

The Training Opportunities programme is for those with low levels of qualifications and who are long term unemployed or at risk of becoming so, and so who are significantly disadvantaged in the labour market. It provides full-time, fully-funded training options to targeted clients to enable them to develop skills and gain Unit Standard credits leading to National Certificates where applicable.

Training covers a wide range of learning opportunities from generic and life skills to specific pre-employment skills for industry. Work experience is an important part of vocational courses. Trainees may remain in the programme until they have accumulated up to a maximum of 240 credits on the National Qualifications Framework.
Providers design the delivery of training and assessment methods around the learning needs of the individual to maximise the chances for individuals to achieve the qualifications for which they are undertaking training. Training providers are expected to support trainees by assisting them into employment, or by providing pathways into further vocational education and training.

Training opportunities has very recently been the subject of a Ministerial Review.

**Youth Training**

Youth Training provides an alternative stream of education and training experiences to young people aged 16 and 17 who have left school with no or few qualifications. The programme includes a high level of trainee support as part of a learning package, which may include literacy and numeracy skills, as well as essential workplace skills or vocationally based skills. Work experience and work-based options are also available.

Training and assessment methods are designed around the learning needs of the individual in a supportive environment where personal and social difficulties may also be addressed to maximise the chances for individuals to acquire skills and achieve qualifications.

Training providers support trainees by assisting them into employment or by providing pathways into further education. Trainees may remain in the programme until they have accumulated up to a maximum of 240 credits on the National Qualifications Framework, which is broadly equivalent to two years of schooling. Youth Training has very recently been the subject of a Ministerial Review.
C. NEW ZEALAND SUPERANNUATION

New Zealand Superannuation is New Zealand's old age pension. It is paid to persons who have reached the age of 65 and meet the residence requirements. The residence requirements are 10 years of residence in New Zealand since the age of 20, 5 of which must be over the age of 50. The applicant must also be ordinarily resident in New Zealand on the date of application.

Form and rates of assistance

<table>
<thead>
<tr>
<th>Pension Type</th>
<th>Net Rate (Tax at 'M')*</th>
<th>Net Rate (Tax at 'S')*</th>
<th>Gross Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ Superannuation/Veteran's Pension</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Standard Rates)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Living Alone</td>
<td>$238.80</td>
<td>$227.83</td>
<td>$288.31</td>
</tr>
<tr>
<td>Single Sharing</td>
<td>$220.43</td>
<td>$209.46</td>
<td>$264.90</td>
</tr>
<tr>
<td>Married Person</td>
<td>$183.69</td>
<td>$172.72</td>
<td>$218.50</td>
</tr>
<tr>
<td>Married Couple (both qualify) [total]</td>
<td>$367.38</td>
<td>$345.44</td>
<td>$437.00</td>
</tr>
<tr>
<td>Married Couple (NQS** included) [total]</td>
<td>$350.28</td>
<td>$328.34</td>
<td>$415.28</td>
</tr>
<tr>
<td>Married Person (NQS) [each partner]</td>
<td>$175.14</td>
<td>$164.17</td>
<td>$207.64</td>
</tr>
</tbody>
</table>
* Note
Net (M) rates are derived by deducting income tax as set out in Appendix A to Schedule 19 of the Income Tax Act. They do not include the ACC levy. Secondary rate derived by taking 21% of whole dollars as tax and deducting it from full weekly gross amount (dollars plus cents).
Taxpayers whose annual taxable income is above $38,000 can elect to use the higher deduction rate of 33 cents in the dollar (tax code SH).

* * Note NQS = Non-Qualified Spouse, i.e. a spouse who has not reached qualification age.

APPENDIX: ESTIMATION OF SOCIAL ASSISTANCE EXPENDITURE
The table below summarises social assistance delivered by Work and Income NZ in terms of government expenditure. The financial data is drawn from estimates calculated as the expenditure on each type of assistance as a proportion of total expenditure. Note that the expenditure data are estimates and are associated with a margin of error. The far right hand column contains estimates of total expenditure on each type of social assistance (where applicable) after income tax in the hands of the beneficiary.
Methodology for calculation of expenditure on social welfare

Information Analysis Platform (IAP) data for 2000-2001 was analysed using a microsimulation model which provided the number of payments of each type of assistance, including payments to clients with dependent children. Actual expenditure on each type of assistance was then divided by the number of payments to give a pro-rata indication of expenditure on each type of assistance, and of expenditure of each type of assistance to clients with dependent children. An alternative method was also tried, but the first method yielded results which most closely reproduced the total expenditure.

This expenditure data does not consider any debt recoveries. In 2000-2001 $200 million was recovered from clients, much of which is assumed to relate to clients with children. Therefore, the estimates of payments to clients with children are likely to overestimate actual expenditure. A further overall total error of +/- $100 million applies to total assistance of all types.

For some types of assistance such as Special Needs Grants SWIFTT data was analysed. In SWIFTT Special Needs Grants (SNGs) includes Home Help, Civilian Amputees Assistance and Funeral Grants. Efforts were made to separate SNGs into their component assistance types, but due to coding complexities expenditure data for these sub-types are probably less accurate than for other assistance types.

The total estimated gross social assistance expenditure in 2000-2001 was $7,335,526,000, and net expenditure
$6,425,257,285\textsuperscript{10}.

<table>
<thead>
<tr>
<th>Type of assistance</th>
<th>Description</th>
<th>2000-01 expenditure before tax</th>
<th>Tax rate</th>
<th>2000-01 expenditure after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Credits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parental Tax Credit</td>
<td>offers extra financial support to low and middle income families after the birth of a child</td>
<td>$17,201,000</td>
<td></td>
<td>$17,201,000</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>provides financial support to families with dependent children who are supported entirely by work (rather than by a benefit)</td>
<td>$161,306,000</td>
<td></td>
<td>$161,306,000</td>
</tr>
<tr>
<td>Family Support</td>
<td>provides financial support for all low income families with children</td>
<td>$860,732,000</td>
<td></td>
<td>$860,732,000</td>
</tr>
<tr>
<td>Family Tax Credit</td>
<td>ensures income adequacy. It is effectively a targeted minimum wage</td>
<td>$17,300,000</td>
<td></td>
<td>$17,300,000</td>
</tr>
</tbody>
</table>

\textsuperscript{10} In some cases both net and gross totals include categories of social assistance for which income tax is not payable so that net and gross amounts are the same for that category. Rates of income tax applicable to various categories of income support vary between 13.8% and 16.8%.
<table>
<thead>
<tr>
<th>Income Support</th>
<th>Description</th>
<th>Amount 2002-03 est</th>
<th>Percentage 2002-03</th>
<th>Amount 2003-04 est</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Support</td>
<td>supports children by requiring parents to take financial responsibilities for their children, and to ensure that liable (paying) parents contribute towards the funding of the DPB</td>
<td>$57,000,000</td>
<td>15.1%</td>
<td>$42,000,000</td>
</tr>
<tr>
<td>Paid Parental Leave</td>
<td>will enable either or both parents to not work for 12 weeks after the birth of a child</td>
<td>$1,584,544,000</td>
<td>15.1%</td>
<td>$1,344,786,000</td>
</tr>
<tr>
<td>Unemployment Benefit</td>
<td>provides financial support to clients who are not in full-time employment, are in approved training or who are looking after a sick or infirm spouse</td>
<td>($38,600,000 included in UB)</td>
<td>15.1%</td>
<td>($32,770,000 included in UB)</td>
</tr>
<tr>
<td>UB – Student Hardship</td>
<td>meets living costs for students while they look for full-time work during the study break</td>
<td>$1,498,216,000</td>
<td>16.8%</td>
<td>$1,111,883,285</td>
</tr>
<tr>
<td>DPB – Sole Parent</td>
<td>provides income support for sole parents with dependent children</td>
<td>$49,435,000 included in DPB-SP</td>
<td>16.8%</td>
<td>($41,784,000 included in DPB-SP)</td>
</tr>
<tr>
<td>Scheme</td>
<td>Description</td>
<td>Budget 2015-16</td>
<td>Budget 2016-17</td>
<td>Percentage Change</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>DPB - Care of Sick or Infirm</td>
<td>provides income support for clients who are providing full-time care for a sick or infirm person who would otherwise be in hospital.</td>
<td>$370,716,000</td>
<td>$314,651,000</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Sickness Benefit</td>
<td>provides income support to those who cannot work, or have reduced capacity to work, due to sickness, injury, disability or pregnancy.</td>
<td>$370,716,000</td>
<td>$314,651,000</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Invalids Benefit</td>
<td>provides income support for people who are not able to work because they are permanently and severely restricted in their capacity to work.</td>
<td>$756,157,000</td>
<td>$636,208,000</td>
<td>-15.9%</td>
</tr>
<tr>
<td>Widows Benefit (under review)</td>
<td>provides income support for a woman whose partner has died, whether or not she has dependent children.</td>
<td>$93,833,000</td>
<td>$79,182,000</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Emergency Benefit</td>
<td>provides income support in cases of hardship and when people are unable to earn enough income for themselves and their family.</td>
<td>($121,296,000 included in UB)</td>
<td>($102,980,000 included in UB)</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Independent Youth Benefit</td>
<td>provides income support for 16 and 17 year olds who are not supported by their parents and who are at school, looking for work or in training for work, or who can't work due to illness, injury, disability or pregnancy.</td>
<td>$31,528,000</td>
<td>$26,798,000</td>
<td>-15.0%</td>
</tr>
<tr>
<td>Orphans Benefit &amp; Unsupported Child Benefit</td>
<td>provides income support to the caregiver of a child whose parents can't support them.</td>
<td>$38,970,000</td>
<td>$38,970,000</td>
<td>Non-taxable</td>
</tr>
<tr>
<td>Service Name</td>
<td>Description</td>
<td>Amount</td>
<td>Percentage</td>
<td>Adjusted Amount</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Transitional Retirement Benefit</td>
<td>Provides income support to people who are retired and have a low income and who have not yet reached 65</td>
<td>$127,843,000</td>
<td>15.5%</td>
<td>$107,990,000</td>
</tr>
<tr>
<td>Accommodation Supplement</td>
<td>Provides assistance towards a client's accommodation costs</td>
<td>$795,081,000</td>
<td>Not taxable</td>
<td>$795,081,000</td>
</tr>
<tr>
<td>Disability Allowance</td>
<td>Provides income support for those with a disability and who have on-going additional costs because of a disability</td>
<td>$219,826,000</td>
<td>Not taxable</td>
<td>$219,826,000</td>
</tr>
<tr>
<td>Child Disability Allowance</td>
<td>Provides financial support to the caregiver of a child who has a serious disability requiring extra care</td>
<td>$39,265,000</td>
<td>Not taxable</td>
<td>$39,265,000</td>
</tr>
<tr>
<td>Civilian Amputee Assistance</td>
<td>Ensures that people are not prevented from attending a Limb Centre to have an artificial limb adjusted or repaired because they are unable to meet the cost of travel and accommodation</td>
<td>$391,000</td>
<td>Not taxable</td>
<td>$391,000</td>
</tr>
<tr>
<td>Child Care Subsidy &amp; Out of School Care &amp; Recreational Subsidy</td>
<td>Assist low income parents with pre-school children to access pre-school care and out of school care and school holiday programmes in order to enter employment, training or education</td>
<td>$51,256,000</td>
<td>Not taxable</td>
<td>$51,256,000</td>
</tr>
<tr>
<td>Emergency Maintenance Allowance</td>
<td>Provides income support for sole parents if they do not meet the criteria for DPB-SP and cannot receive any other benefit</td>
<td>($21,600,000 included in DPB)</td>
<td>16.8%</td>
<td>($17,921,200 included in DPB)</td>
</tr>
<tr>
<td>Away From Home</td>
<td>Received by the client for dependent children aged 16 or</td>
<td>($155,400 included)</td>
<td>Not taxable</td>
<td>($155,400 included)</td>
</tr>
<tr>
<td>Allowance</td>
<td>Description</td>
<td>Amount</td>
<td>Taxable</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>17 who live away from home to</td>
<td>study and have accommodation costs</td>
<td>$624,000,000</td>
<td>(not available)</td>
<td></td>
</tr>
<tr>
<td>Care Supplement</td>
<td>encourages foster parents to continue caring for the children in their</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>care without being financially disadvantaged</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Care Subsidy</td>
<td>provides financial assistance to clients who have been needs assessed as</td>
<td>$39,954,000</td>
<td>Non-taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>requiring long term residential care and who are unable to pay for it</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Employment Transition Grant</td>
<td>available to clients with a dependent children during the first six months</td>
<td>$43,988,000</td>
<td>Non-taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>after starting work, if they, their partner or a dependent child is sick,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>or if child care arrangements have broken down</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Benefit</td>
<td>provides assistance to clients whose particular circumstances are causing</td>
<td>$39,954,000</td>
<td>Non-taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>them hardship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Needs Grant</td>
<td>provides one-off recoverable or non-recoverable financial assistance to</td>
<td>$43,988,000</td>
<td>Non-taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>clients to meet immediate needs not met by income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recoverable Assistance Payment</td>
<td>provides recoverable financial assistance to non-beneficiaries to meet</td>
<td>$88,904,000</td>
<td>Non-taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>essential immediate needs for specific items or services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme</td>
<td>Description</td>
<td>Allocation ($AUD)</td>
<td>Taxable</td>
<td>Amount ($AUD)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Advance Payment of Benefit</td>
<td>Provides income when client cannot afford to meet a particular immediate need for an essential item</td>
<td>Included in Recoverable Assistance</td>
<td>Non-taxable</td>
<td>$5,521,000</td>
</tr>
<tr>
<td>Funeral Grant</td>
<td>Provides assistance towards a person's funeral expenses</td>
<td>$5,521,000</td>
<td>Non-taxable</td>
<td>$5,521,000</td>
</tr>
<tr>
<td>Home Help</td>
<td>Provides financial assistance to clients who require help to complete household tasks, typically because of a multiple birth, a domestic emergency, or because the client requires domestic support, but not because of illness, age or infirmity</td>
<td>$1,660,000</td>
<td>Non-taxable</td>
<td>$1,660,000</td>
</tr>
<tr>
<td>Training Incentive Allowance</td>
<td>Provides payments to DPB-SP, Invalid's Benefit or Widow's Benefit clients to enable them to undertake training towards employment. Can be used for income support or to pay for courses</td>
<td>$35,801,000</td>
<td>Non-taxable</td>
<td>$35,801,000</td>
</tr>
<tr>
<td>Student Work Start Grant</td>
<td>Assists with the costs of going to a job interview or starting a new job, such as transport or interview clothes</td>
<td>$350,000 (for 2001-02)</td>
<td>Non-taxable</td>
<td>$350,000 (for 2001-02)</td>
</tr>
<tr>
<td>Work Start Grant</td>
<td>Provides income support when starting work, where the work involves relocation, safety equipment and there is a need for bridging finance</td>
<td>$7,270,000</td>
<td>Non-taxable</td>
<td>$7,270,000</td>
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<tr>
<td>Student Loan Scheme</td>
<td>Allows students to borrow for compulsory fees, course Asset rather than</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Allowances</td>
<td>Assists full-time students with living costs</td>
<td>$390,913,000</td>
<td>13.8%</td>
<td>$336,983,000</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------</td>
<td>---------------</td>
<td>------</td>
<td>--------------</td>
</tr>
<tr>
<td>Estimated expenditure on income support for 2000-2001 year</td>
<td>$7,959,526,000(a)</td>
<td>$6,425,257,285</td>
<td></td>
<td></td>
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<tr>
<td>Expenditure on administration related to income support for 2000-2001 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D1 (WINZ)</td>
<td>Services to provide benefit entitlements and obligations to working age beneficiaries and to promote self-sufficiency</td>
<td>$203,651,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D2</td>
<td>Services to minimise the duration of unemployment and move people into work</td>
<td>$244,176,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D4</td>
<td>Services to protect the integrity of the benefit system</td>
<td>$26,177,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D5</td>
<td>Debt management</td>
<td>$18,634,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D8</td>
<td>Services to Minister</td>
<td>$5,152,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Investment</td>
<td></td>
<td>$1,691,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Employment Projects</td>
<td></td>
<td>$919,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidised work</td>
<td></td>
<td>$94,582,000</td>
<td></td>
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</tbody>
</table>
Information Analysis Platform (IAP) data for 2000-2001 was analysed using a microsimulation model which provided the number of payments of each type of assistance, including payments to clients with dependent children. Actual expenditure on each type of assistance was then divided by the number of total payments and again by the number of payments to clients with children to give a pro-rata indication of expenditure on each type of assistance, and of expenditure of each type of assistance to clients with dependent children. An alternative method was also tried, but the first method yielded results which most closely reproduced the total expenditure. These expenditure data do not consider any debt recoveries. In 2000-2001 $208 million was recovered from clients, much of which is assumed to relate to clients with children. Therefore, the estimates of payments to clients with children are likely to overestimate actual expenditure. A further overall total error of +/- $100 million applies to total assistance of all types.

For some types of assistance such as Special Needs Grants SWIFTT data was analysed. In SWIFTT Special Needs Grants (SNGs) includes Home Help, Civilian Amputees Assistance and Funeral Grants. Efforts were made to separate SNGs into their component assistance types, but due to coding complexities expenditure data for these sub-types are probably less accurate than for other assistance types.

Does not include administration costs. Expenditure is defined here as is the total amount received by clients, after payment of income tax.

Excludes $135,239,715 paid by liable parents to the Crown and retained as funding for sole parents in receipt of social assistance benefits.

The cost to government from the 2001 year onwards of providing student loans was 21 cents in the dollar. This includes costs such as writing off interest.

<table>
<thead>
<tr>
<th>D1 (MSP)</th>
<th>Policy and purchase advice</th>
<th>$30,314,000</th>
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</thead>
<tbody>
<tr>
<td>D2</td>
<td>Information technology services to other departments</td>
<td>$43,013,000</td>
</tr>
</tbody>
</table>

| Total expenditure on administration related to income support for 2000-2001 year | $2,501,169,000(b) |

| Grand total of expenditure on income support and related administration for 2000 – 2001 year (a) + (b) | $10,460,695,000 |

1 Information Analysis Platform (IAP) data for 2000-2001 was analysed using a microsimulation model which provided the number of payments of each type of assistance, including payments to clients with dependent children. Actual expenditure on each type of assistance was then divided by the number of total payments and again by the number of payments to clients with children to give a pro-rata indication of expenditure on each type of assistance, and of expenditure of each type of assistance to clients with dependent children. An alternative method was also tried, but the first method yielded results which most closely reproduced the total expenditure. These expenditure data do not consider any debt recoveries. In 2000-2001 $208 million was recovered from clients, much of which is assumed to relate to clients with children. Therefore, the estimates of payments to clients with children are likely to overestimate actual expenditure. A further overall total error of +/- $100 million applies to total assistance of all types.

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The cost to government from the 2001 year onwards of providing student loans was 21 cents in the dollar. This includes costs such as writing off interest.
ECONOMY PAPER

Submitted by: Chinese Taipei

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
I.

The Background of the Establishments of Social Safety Net in Chinese Taipei
I. The Background of the Establishments of Social Safety Net in Chinese Taipei

- Demographic Structural Change
- Family Structural Change
- Labor Market Structural Change
- Decreasing Family Protection Function
- Value Premises Change
Demographic Structural Change

- The Rapid Increase of the Ageing Population Create Health & Pension Demand
- The Rapid Decrease of the Younger Population Also Create Pension Demand
Population Pyramid in Chinese Taipei

M

2051

75+

65-74

65+

45-64

30-44

15-29

0-14

F

2101

2031

100 80 60 40 20 10 thousand

20

40 60 80 100
The Aging Trend

It takes only 26 years for Chinese Taipei to double the percentage of the aged population, which is much shorter than that of European countries.

### International Comparison on Aging

<table>
<thead>
<tr>
<th>Country</th>
<th>2000 Age Structure</th>
<th>2000 Worker Retiree</th>
<th>2025 Age Structure</th>
<th>2025 Worker Retiree</th>
<th>No. of years required or expected for percent of population aged 65 and over rise from 7% to 14%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15-59</td>
<td>60+</td>
<td>Retiree</td>
<td>15-59</td>
<td>60+</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>66.8</td>
<td>12.1</td>
<td>5.5</td>
<td>50.6</td>
<td>36.4</td>
</tr>
<tr>
<td>France</td>
<td>60.7</td>
<td>20.5</td>
<td>3.0</td>
<td>51.3</td>
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<td>Sweden</td>
<td>59.4</td>
<td>22.4</td>
<td>2.7</td>
<td>48.3</td>
<td>37.7</td>
</tr>
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<td>62.5</td>
<td>13.2</td>
<td>4.7</td>
<td>58.4</td>
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<td>Japan</td>
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<td>23.2</td>
<td>2.7</td>
<td>45.2</td>
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<tr>
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<td>10.1</td>
<td>6.4</td>
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<td>29.9</td>
</tr>
<tr>
<td>Korea</td>
<td>68.2</td>
<td>11.0</td>
<td>6.2</td>
<td>50.4</td>
<td>33.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>65.2</td>
<td>8.1</td>
<td>8.0</td>
<td>55.8</td>
<td>27.1</td>
</tr>
</tbody>
</table>
The Comparison of Aging

Years to reach from 7% to 14% for those aged 65+ / total population

- France (1865-1980): 115 years
- Sweden (1890-1975): 85 years
- Australia (1938-2011): 73 years
- USA (1944-2013): 69 years
- Canada (1994-2009): 65 years
- UK (1930-1975): 45 years
- Spain (1947-1992): 45 years
- Japan (1970-1996): 26 years
- PRC (2000-2028): 28 years
- Singapore (2001-2028): 27 years
- Sri Lanka (2004-2027): 23 years
- Thailand (2003-2025): 22 years
## Trends of the Aged and their Living Condition

- **The ratio of the aged (65 & above) to working population (15-64)**

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 &amp; above 15-64</td>
<td>11.9</td>
<td>25.2</td>
</tr>
</tbody>
</table>

- **Living arrangement**

<table>
<thead>
<tr>
<th>Year</th>
<th>1986</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>with their children</td>
<td>73.2%</td>
<td>64.3%</td>
</tr>
<tr>
<td>with spouse only and living alone</td>
<td>25.6%</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

- **Source of living expenses**

<table>
<thead>
<tr>
<th>Year</th>
<th>1986</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>from their children</td>
<td>65.8%</td>
<td>48.3%</td>
</tr>
</tbody>
</table>
Family Structural Change

- Increasing Nuclear Family
- Increasing Divorce Rate
  - Both Create the Elderly Economic Protection Demand
- Increasing Single Head Family - Create the Elderly Care and Child Care Demand
Labor Market Structural Change

- Increasing Women Labor Participation Rate
- Increasing Double Income Families
- Increasing Structural Unemployment

All Lead to Growing Unemployment Protection Demand
Decreasing Family Protection Functions

- Decreasing Cohabitation of the Elderly with Their Children
- Decreasing Economic Dependency of the Elderly on Their Children

These may lead to Growing Handicapped Protection Demand
## Family Disposable Income By Five Groups

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (NT$)</th>
<th>The Income Differentials Between the Highest and the Lowest 20% Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>*Average Household Disposable Income</td>
<td>233,122</td>
</tr>
<tr>
<td></td>
<td>*Average Personal Disposable Income</td>
<td>48,164</td>
</tr>
<tr>
<td></td>
<td>*Average Disposable Income of the Employed</td>
<td>120,789</td>
</tr>
<tr>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>*Average Household Disposable Income</td>
<td>520,147</td>
</tr>
<tr>
<td></td>
<td>*Average Household Disposable Income (%)</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td>*Average Household Size (Person)</td>
<td>4.19</td>
</tr>
<tr>
<td></td>
<td>*Average Employer Per Household (Person)</td>
<td>1.77</td>
</tr>
<tr>
<td></td>
<td>*Average Personal Disposable Income</td>
<td>124,146</td>
</tr>
<tr>
<td></td>
<td>*Average Disposable Income of the Employed</td>
<td>293,868</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>*Average Household Disposable Income</td>
<td>891,445</td>
</tr>
<tr>
<td></td>
<td>*Average Household Disposable Income (%)</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td>*Average Household Size (Person)</td>
<td>3.62</td>
</tr>
<tr>
<td></td>
<td>*Average Employer Per Household (Person)</td>
<td>1.58</td>
</tr>
<tr>
<td></td>
<td>*Average Personal Disposable Income</td>
<td>246,256</td>
</tr>
<tr>
<td></td>
<td>*Average Disposable Income of the Employed</td>
<td>564,206</td>
</tr>
</tbody>
</table>
Value Premises Change

The Growing "Welfare Consciousness" and the Demand for Service Quality
II. The Existing Social Safety Net in Chinese Taipei
II. The Existing Social Safety Net in Chinese Taipei

- Government Budgetary Allocation & Welfare Expenditures
- Social Welfare System
  - Social Relief
  - Social Insurance
    - National Health Insurance System
    - National Pension System
    - Unemployment Insurance System
    - Occupational Injury System
  - Social Welfare Services
  - Social Welfare Subsidies
<table>
<thead>
<tr>
<th>Year</th>
<th>Social Welfare</th>
<th>General Administration</th>
<th>Education, Science &amp; Culture</th>
<th>Community Development &amp; Environmental Protection</th>
<th>Retirement Pension</th>
<th>Subsidies and Other Expenses</th>
<th>Military</th>
<th>Economic Development</th>
<th>Debts</th>
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<tbody>
<tr>
<td>1993</td>
<td>11.3</td>
<td>9.6</td>
<td>15.2</td>
<td>-</td>
<td>8.6</td>
<td>3.7</td>
<td>24.6</td>
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<td>1994</td>
<td>8.9</td>
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<tr>
<td>Average</td>
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<td>1.8</td>
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<tr>
<td>Year</td>
<td>Total Government expenditure</td>
<td>General government expenditure</td>
<td>Military expenditure</td>
<td>Education, Culture &amp; Science expenditure</td>
<td>Economic development expenditure</td>
<td>Social welfare expenditure</td>
<td>Community development &amp; Environmental Protection</td>
<td>Retirement pension expenditure</td>
<td>Public debt</td>
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</tr>
<tr>
<td></td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
<td>% Growth Rate</td>
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<td>27.5</td>
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<tr>
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<tr>
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<td>15.3</td>
<td>5.4</td>
<td>20</td>
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<tr>
<td>1994</td>
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<tr>
<td>1995</td>
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<td>4.6</td>
<td>11.6</td>
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<td>14.1</td>
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<td>17</td>
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<tr>
<td>1996</td>
<td>100%</td>
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<td>9.7</td>
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<tr>
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<td>2000</td>
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<td>14.9</td>
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<td>16.8</td>
<td>20</td>
<td>5.1</td>
<td>15.1</td>
</tr>
</tbody>
</table>

Source: Finance Yearbook of Chinese Taipei (1990)
Social Welfare Expenditures of Different Levels of Government, Chinese Taipei

Year


Social InsuranceSocial ReliefWelfare ServicesEmploymentHealth

%
## Social Relief
### Low Income Household & Population

<table>
<thead>
<tr>
<th>Year/Type</th>
<th>Area</th>
<th>Low Income Household</th>
<th>Population</th>
<th>% of Low Income Household as Total Household</th>
<th>% of Low Income Population as Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>Type 1</td>
<td>Type 2</td>
</tr>
<tr>
<td>1992</td>
<td></td>
<td></td>
<td>Total</td>
<td>Type 1</td>
<td>Type 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>43,780</td>
<td>12,216</td>
<td>14,598</td>
</tr>
<tr>
<td>1993</td>
<td></td>
<td></td>
<td>46,717</td>
<td>12,005</td>
<td>15,298</td>
</tr>
<tr>
<td>1994</td>
<td></td>
<td></td>
<td>48,182</td>
<td>9,983</td>
<td>16,114</td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
<td>48,580</td>
<td>8,755</td>
<td>17,160</td>
</tr>
<tr>
<td>1996</td>
<td></td>
<td></td>
<td>49,307</td>
<td>7,855</td>
<td>17,884</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td></td>
<td>49,780</td>
<td>6,544</td>
<td>18,485</td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
<td>54,951</td>
<td>5,795</td>
<td>20,696</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td>58,310</td>
<td>4,980</td>
<td>21,357</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td>66,467</td>
<td>4,983</td>
<td>24,470</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td>67,191</td>
<td>4,132</td>
<td>22,461</td>
</tr>
<tr>
<td>2002.1-3</td>
<td></td>
<td></td>
<td>64,535</td>
<td>3,592</td>
<td>20,324</td>
</tr>
</tbody>
</table>
## Social Relief
### Social Relief Expenses, Chinese Taipei

<table>
<thead>
<tr>
<th>Year</th>
<th>Family Subsidies</th>
<th>Medical-care</th>
<th>Fund for Disaster</th>
<th>Emergency Assistance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2,104,068</td>
<td>608,224</td>
<td>93,638</td>
<td>271,701</td>
<td>3,077,631</td>
</tr>
<tr>
<td>1996</td>
<td>1,946,119</td>
<td>145,222</td>
<td>390,929</td>
<td>311,432</td>
<td>2,793,702</td>
</tr>
<tr>
<td>1997</td>
<td>2,060,296</td>
<td>157,616</td>
<td>295,539</td>
<td>210,483</td>
<td>2,723,934</td>
</tr>
<tr>
<td>1998</td>
<td>2,150,341</td>
<td>169,012</td>
<td>212,541</td>
<td>235,284</td>
<td>2,767,178</td>
</tr>
<tr>
<td>1999</td>
<td>2,340,026</td>
<td>102,525</td>
<td>29,962,767</td>
<td>234,556</td>
<td>32,639,874</td>
</tr>
<tr>
<td>2000</td>
<td>2,584,026</td>
<td>96,947</td>
<td>629,456</td>
<td>239,486</td>
<td>3,549,915</td>
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</tbody>
</table>

### Social Relief
#### Low Income Standard of Chinese Taipei

<table>
<thead>
<tr>
<th>Area</th>
<th>Chinese Taipei Province</th>
<th>Taipei</th>
<th>Kaohsiung</th>
<th>Kinmen</th>
<th>Matzu</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>6,700</td>
<td>7,750</td>
<td>6,700</td>
<td>5,800</td>
<td>5,800</td>
</tr>
<tr>
<td>1999</td>
<td>7,110</td>
<td>11,443</td>
<td>8,828</td>
<td>5,800</td>
<td>5,800</td>
</tr>
<tr>
<td>2000</td>
<td>7,598</td>
<td>11,625</td>
<td>9,152</td>
<td>5,900</td>
<td>5,900</td>
</tr>
<tr>
<td>2001</td>
<td>8,276</td>
<td>12,977</td>
<td>9,814</td>
<td>5,900</td>
<td>5,900</td>
</tr>
<tr>
<td>2002</td>
<td>8,433</td>
<td>13,288</td>
<td>9,559</td>
<td>6,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Unit: NTS

Source: Department of Social Affairs, The Ministry of Interior, Chinese Taipei.
# Social Insurance
## The Status Quo of Chinese Taipei

<table>
<thead>
<tr>
<th>Classification</th>
<th>Insured Population (1999.12)</th>
<th>Insured Item</th>
<th>Insurance Fee Rate (%)</th>
<th>Government Subsidy (Billion NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Servant Insurance</td>
<td>574,364</td>
<td>Disabled, Pension, Decease, Family Dependent Decease</td>
<td>6.40</td>
<td>78.9</td>
</tr>
<tr>
<td>Teachers &amp; Staffs' Insurance of Private Schools</td>
<td>50,202</td>
<td>Disabled, Pension, Decease, Family Dependent Decease</td>
<td>4.75</td>
<td>2.6</td>
</tr>
<tr>
<td>Retirees' Insurance</td>
<td>1,208</td>
<td>Disabled, Pension, Decease, Family Dependent Decease</td>
<td>8.00</td>
<td>-</td>
</tr>
<tr>
<td>Military Servicemen Insurance</td>
<td>420,000</td>
<td>Disabled, Veteran, Decease</td>
<td>8.00</td>
<td>56.0</td>
</tr>
<tr>
<td>Farmers' Health Insurance</td>
<td>1,800,059</td>
<td>Birth, Disabled, Funeral &amp; Burial</td>
<td>2.55</td>
<td>39.5</td>
</tr>
<tr>
<td>Labor Insurance</td>
<td>7,738,971</td>
<td>Birth, Disease, Disabled, Pension, Decease(Survivors), Unemployment</td>
<td>6.50</td>
<td>245.7</td>
</tr>
<tr>
<td>National Health Insurance</td>
<td>21,089,981</td>
<td>Disease, Harm, Birth</td>
<td>4.25</td>
<td>680</td>
</tr>
</tbody>
</table>
Social Insurance
Financial Situation of Civil Servant Insurance, Labor Insurance, & Farmers' Insurance

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor Insurance</th>
<th>Civil Servant Insurance</th>
<th>Farmers' Health Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labor Insurance Fund</td>
<td>Estimated Pension Payment</td>
<td>Yearly Balance</td>
</tr>
<tr>
<td>1995</td>
<td>-</td>
<td>-</td>
<td>-66.4</td>
</tr>
<tr>
<td>1996</td>
<td>1,857.1</td>
<td>2,054.9</td>
<td>-62.9</td>
</tr>
<tr>
<td>1997</td>
<td>2,606.6</td>
<td>2,364.1</td>
<td>-68.9</td>
</tr>
<tr>
<td>1998</td>
<td>3,281.7</td>
<td>2,884.3</td>
<td>-73.3</td>
</tr>
<tr>
<td>1999</td>
<td>3,862.3</td>
<td>3,444.9</td>
<td>-</td>
</tr>
</tbody>
</table>

Unit: Billion NT$.

Source: Bureau of Labor Insurance and Bureau of Civil Servants' Insurance, Chinese Taipei.
# Social Insurance

## National Health Insurance Program

<table>
<thead>
<tr>
<th>Year (Month)</th>
<th>Total Population</th>
<th>Social Insurance</th>
<th>National Health Insurance Program</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-3</td>
<td>21,656,516</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>2002-12</td>
<td>21,674,793</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>2000-01</td>
<td>21,680,939</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>1999-00</td>
<td>21,661,555</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>1998-99</td>
<td>21,640,826</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>1997-98</td>
<td>21,608,895</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>1996-97</td>
<td>20,757,185</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
<tr>
<td>1995-96</td>
<td>20,041,488</td>
<td>3,771,567</td>
<td>3,313,798</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

### Notes
- Participation rates are listed as percentages of the total population for each year.
- The data represents the number of people enrolled in social insurance and national health insurance programs.
Social Insurance
Revenues and Expenditures of National Health Insurance

Insurance Fee
Average Growth 4.26%

Medical Expenses
Average Growth 6.26%

Billion NT$
### Social Insurance

**Source of Income for Farming Families and Farmers' Health Insurance Participation Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Income Structure of Farming Families (%)</th>
<th>Insured Population/ Total Farming Population (Thousand Person)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Farming Source</td>
<td>Non Farming Source</td>
</tr>
<tr>
<td>1989</td>
<td>22.0</td>
<td>78.0</td>
</tr>
<tr>
<td>1990</td>
<td>21.4</td>
<td>78.6</td>
</tr>
<tr>
<td>1996</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>1997</td>
<td>17.1</td>
<td>82.9</td>
</tr>
<tr>
<td>1998</td>
<td>16.9</td>
<td>83.1</td>
</tr>
<tr>
<td>1999</td>
<td>18.2</td>
<td>81.8</td>
</tr>
</tbody>
</table>

Source: Directorate General of Budget Accounting and Statistics, Executive Yuan, Chinese Taipei.
Old-Age Protection System

Problems and Concerns

- Approximately 3.84 million population aged 25-64 are uninsured.
- The old age benefits of social insurance programs still maintaining the form of lump-sum payment.
- The insured years among existing social insurance programs are not transferable.
- The age for initial entitlement of old age benefit is too young.
- Due to the job-change or the short average life span of the SME, few of their employees can earn the required seniority for the benefit of Labor Retirement Fund.
<table>
<thead>
<tr>
<th>Year</th>
<th>Population (1,000)</th>
<th>Amount (NTS)</th>
<th>Average Allowance Per Person (NTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>98,520</td>
<td>53,151,890</td>
<td>53,950</td>
</tr>
<tr>
<td>1999</td>
<td>103,187</td>
<td>62,340,483</td>
<td>60,415</td>
</tr>
<tr>
<td>2000</td>
<td>92,863</td>
<td>61,129,249</td>
<td>65,827</td>
</tr>
<tr>
<td>2001</td>
<td>115,275</td>
<td>84,137,766</td>
<td>72,989</td>
</tr>
</tbody>
</table>
The Coverage of Social Insurance with Old Age Benefit
2001

<table>
<thead>
<tr>
<th>Category</th>
<th>Population ('000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population aged 25-64</td>
<td>12,010</td>
<td>100.0</td>
</tr>
<tr>
<td>Covered by Social Insurance Scheme</td>
<td>7,570</td>
<td>63.0</td>
</tr>
<tr>
<td>Persons have already claimed old-age benefit</td>
<td>710</td>
<td>6.0</td>
</tr>
<tr>
<td>Persons never covered by old age benefit</td>
<td>3,840</td>
<td>32.0</td>
</tr>
<tr>
<td>Coverage of Old-age Income Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Population aged 65 and above</td>
<td>1,970</td>
<td>100.0</td>
</tr>
<tr>
<td>Without any forms of old-age benefits</td>
<td>450</td>
<td>22.8</td>
</tr>
</tbody>
</table>
Social Insurance System
National Pension Insurance

- Compulsory: those who are not covered by any social insurance
- Voluntary: 1. those who had claimed old age payment of social insurance
- 2. The insured of Farmers' Insurance

Population aging ➔
More and more claimers

Year 0 ➔ 25

10% of full pension, may be conditionally adjusted in the future
- 20% for citizens
- 40% for low-income
- 100% for the poor
- 40%~100% for the disabled

Full pension

NT$7,500 (first year), indexed by CPI and wage level

Premium + Next generation

Disability
Survivors
Funeral allowance

Old age pension

65+
National Pension Insurance (Continued)

1. Defined benefit
   2. Incentive: more contribution and more pension

Disability pension:
   Extremely Serious: 40%
   Serious: 20%

Lump sum:
   5 units of full pension (for the first 1 insured year) + 2 years for 1 unit

Funeral allowance:
   5 units of full pension

Funeral benefits:

Age 65+
Old age allowance
NT$3,000/month
(means tested)

Premium + next generation

Old age pension:
full pension: insured months / 480 months
   Minimum guarantee: NT$3,000

Year 0 25
20% from Government
80% from Individual

65+
## The Feature of National Pension Insurance

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full pension</td>
<td>NTS7,500 (the first year), indexed by CPI and wage level (half of each)</td>
</tr>
<tr>
<td>Old age pension</td>
<td>1. Under 5 years: lump sum payment, 1 year for 1 unit of full pension</td>
</tr>
<tr>
<td></td>
<td>2. 5 years and over: full pension <em>(insured months / 480)</em></td>
</tr>
<tr>
<td></td>
<td>3. Guaranteed minimum pension: NTS3,000</td>
</tr>
<tr>
<td>Disability pension</td>
<td>1. Extremely serious disabled: 40% of full pension</td>
</tr>
<tr>
<td></td>
<td>2. Seriously disabled: 20% of full pension</td>
</tr>
<tr>
<td>Survivors' payment</td>
<td>1. Under 1 insured year: 5 units of full pension</td>
</tr>
<tr>
<td></td>
<td>2. 1 insured year and over: 5 units of full pension + (2 insured years for 1 unit)</td>
</tr>
<tr>
<td>Funeral allowance</td>
<td>5 units of full pension</td>
</tr>
<tr>
<td>Contribution</td>
<td>NTS750 / month (subsidy NTS150 + individual NTS600), may be adjusted based on financial solvency.</td>
</tr>
<tr>
<td>Subsidy citizens</td>
<td>20% (NTS150)</td>
</tr>
<tr>
<td>The disabled</td>
<td>1. Slightly disabled: 40% (NTS300)</td>
</tr>
<tr>
<td></td>
<td>2. Medium disabled: 60% (NTS450)</td>
</tr>
<tr>
<td></td>
<td>3. Heavily disabled: 100% (NTS750)</td>
</tr>
<tr>
<td>Low Income citizens</td>
<td>1. Medium-and-low income: 40% (NTS300)</td>
</tr>
<tr>
<td></td>
<td>2. The poor: 100% (NTS750/ per month)</td>
</tr>
<tr>
<td>Welfare allowance</td>
<td>Old age allowance: NTS3,000 (means tested)</td>
</tr>
</tbody>
</table>
Old-Age Protection System General Structure of Planned Income Maintenance System

<table>
<thead>
<tr>
<th>Voluntary Saving &amp; Investment</th>
<th>Gov't Employees, Teachers and Military Servicemen's Retirement &amp; Compensation Fund</th>
<th>Labor Retirement Fund</th>
<th>*Gov't Employees and Teachers' Insurance</th>
<th>*Military Servicemen's Insurance</th>
<th>*Labor Insurance</th>
<th>National Pension Insurance</th>
<th>Government Employees &amp; Teachers</th>
<th>Military Servicemen</th>
<th>Public &amp; Private Enterprise Employees</th>
<th>Others</th>
</tr>
</thead>
</table>

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Pension Issues Debated

- Defined Benefit Vs. Defined Contribution
- Basic Pension Vs. Supplementary Pension
- Intergenerational Transfer
- Pension & Labor Mobility
- Income Replacement Rate
- Public Vs. Private Partnership
- Fund Management Etc.
### Social Insurance
#### Unemployment Insurance

<table>
<thead>
<tr>
<th>Item</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of the Unemployed (person)</td>
<td>283,000</td>
<td>293,000</td>
<td>450,000</td>
</tr>
<tr>
<td>Cases of Unemployment Allowances</td>
<td>39,471</td>
<td>105,227</td>
<td>485,865</td>
</tr>
<tr>
<td>Population Receiving Employment (person)</td>
<td>554</td>
<td>360</td>
<td>1,653</td>
</tr>
<tr>
<td>Population Receiving Vocational Training (person)</td>
<td>150</td>
<td>128</td>
<td>317</td>
</tr>
<tr>
<td>Unemployment Allowances Coverage (%)</td>
<td>38.82</td>
<td>46.34</td>
<td>47.96</td>
</tr>
<tr>
<td>Average Allowance Per Person</td>
<td>13,082</td>
<td>15,818</td>
<td>16,106</td>
</tr>
</tbody>
</table>
### Social Insurance
#### Occupational Injury

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Harm</th>
<th>Disabled</th>
<th>Deceased</th>
<th>Occupational Disease</th>
<th>Total</th>
<th>Harm</th>
<th>Disabled</th>
<th>Deceased</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>3.063</td>
<td>2.414</td>
<td>0.553</td>
<td>0.095</td>
<td>0.006</td>
<td>0.001</td>
<td>0.004</td>
<td>0.001</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>3.401</td>
<td>2.740</td>
<td>0.569</td>
<td>0.093</td>
<td>0.020</td>
<td>0.008</td>
<td>0.011</td>
<td>0.001</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>3.789</td>
<td>3.135</td>
<td>0.570</td>
<td>0.084</td>
<td>0.072</td>
<td>0.026</td>
<td>0.036</td>
<td>0.010</td>
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<tr>
<td>1999</td>
<td>4.415</td>
<td>3.699</td>
<td>0.631</td>
<td>0.085</td>
<td>0.366</td>
<td>0.044</td>
<td>0.309</td>
<td>0.013</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>4.965</td>
<td>4.223</td>
<td>0.665</td>
<td>0.077</td>
<td>0.171</td>
<td>0.029</td>
<td>0.136</td>
<td>0.006</td>
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</tr>
<tr>
<td>2001</td>
<td>4.898</td>
<td>4.212</td>
<td>0.618</td>
<td>0.069</td>
<td>0.045</td>
<td>0.020</td>
<td>0.022</td>
<td>0.002</td>
<td></td>
</tr>
<tr>
<td>2002.1-4</td>
<td>1.429</td>
<td>1.222</td>
<td>0.185</td>
<td>0.021</td>
<td>0.013</td>
<td>0.007</td>
<td>0.004</td>
<td>0.002</td>
<td></td>
</tr>
</tbody>
</table>

Unit: Per 000 person
## Welfare Services

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Welfare</td>
<td>Person</td>
<td>3,426,873</td>
<td>3,368,450</td>
<td>3,323,630</td>
<td>3,248,430</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>160,676</td>
<td>241,971</td>
<td>261,373</td>
<td>234,299</td>
<td>256,412</td>
</tr>
<tr>
<td>Juvenile Welfare</td>
<td>Person</td>
<td>1,871,074</td>
<td>1,911,498</td>
<td>1,950,536</td>
<td>1,950,455</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>14,295</td>
<td>32,070</td>
<td>24,212</td>
<td>27,837</td>
<td>29,545</td>
</tr>
<tr>
<td>Women Welfare</td>
<td>Person</td>
<td>7,911,966</td>
<td>8,017,421</td>
<td>8,137,914</td>
<td>8,229,432</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget</td>
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<td>14,147</td>
<td>14,602</td>
<td>14,236</td>
<td>16,504</td>
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<tr>
<td>Welfare for the Elderly</td>
<td>Person</td>
<td>1,086,059</td>
<td>1,144,046</td>
<td>1,207,398</td>
<td>1,265,265</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget</td>
<td>591,972</td>
<td>724,389</td>
<td>660,887</td>
<td>720,484</td>
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<tr>
<td>Social Relief (Low Income)</td>
<td>Person</td>
<td>94,708</td>
<td>94,374</td>
<td>96,599</td>
<td>92,040</td>
<td></td>
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<tr>
<td></td>
<td>Budget</td>
<td>311,376</td>
<td>637,358</td>
<td>902,165</td>
<td>1,180,097</td>
<td>1,122,851</td>
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<tr>
<td>Disabled Welfare</td>
<td>Person</td>
<td>150,330</td>
<td>191,013</td>
<td>220,328</td>
<td>257,936</td>
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</tr>
<tr>
<td></td>
<td>Budget</td>
<td>477,910</td>
<td>588,871</td>
<td>526,191</td>
<td>554,500</td>
<td>701,719</td>
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</table>
## Welfare Services for the Elderly

<table>
<thead>
<tr>
<th>Year</th>
<th>Aged 65 &amp; Above (person)</th>
<th>Number of Caring Organization</th>
<th>Population</th>
<th>Elderly Living in Senior Citizen House (%)</th>
<th>Elderly Receiving in-home Service</th>
<th>Elderly Receiving Day-Care Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1,562,356</td>
<td>54</td>
<td>--</td>
<td>--</td>
<td>161,496</td>
<td>119,912</td>
</tr>
<tr>
<td>1995</td>
<td>1,631,054</td>
<td>61</td>
<td>--</td>
<td>--</td>
<td>152,541</td>
<td>184,513</td>
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<tr>
<td>1996</td>
<td>1,691,608</td>
<td>64</td>
<td>9,215</td>
<td>0.5</td>
<td>165,297</td>
<td>197,086</td>
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<tr>
<td>1997</td>
<td>1,752,056</td>
<td>70</td>
<td>9,759</td>
<td>0.6</td>
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<td>256,132</td>
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<tr>
<td>1998</td>
<td>1,810,231</td>
<td>83</td>
<td>9,779</td>
<td>0.5</td>
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<td>314,358</td>
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<tr>
<td>1999</td>
<td>1,856,472</td>
<td>237</td>
<td>12,100</td>
<td>0.7</td>
<td>580,870</td>
<td>176,659</td>
</tr>
<tr>
<td>2000</td>
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<td>524</td>
<td>17,579</td>
<td>0.9</td>
<td>699,724</td>
<td>215,393</td>
</tr>
<tr>
<td>Year</td>
<td>Number of the Handicapped (Person)</td>
<td>Amount (Thousand NTS)</td>
<td>Average Subsidy Per Person (NTS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------------</td>
<td>-----------------------</td>
<td>----------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>500,138</td>
<td>3,643,070</td>
<td>9,213</td>
<td></td>
<td></td>
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<tr>
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<td>571,125</td>
<td>4,629,548</td>
<td>10,636</td>
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<tr>
<td>1999</td>
<td>648,852</td>
<td>7,408,667</td>
<td>11,913</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2000</td>
<td>711,064</td>
<td>1,697,008</td>
<td>13,691</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Welfare Subsidies

- The Low-Income Elderly Living Allowances
- The Elderly Farmers' Welfare Subsidies
- Low-Income Households' Handicapped Living Allowances
- Veterans' Living Allowances
- The Elderly Welfare Allowances
Welfare Subsidies
The Low-Income Elderly Living Allowances

Eligibility: Aged 65 or above whose family income is lower than 1.5 –2.5 times of the set minimum income standard.

Monthly Allowances: NT$3,000 to NT$6,000.

Recipients: As of December 2001, 205,000 elderly has been benefited from such allowances, covering 10% of the total elderly population.
Welfare Subsidies
The Elderly Farmers' Welfare Subsidies

Eligibility: For those who are 65 or above joining farmers' insurance or its equivalents for more than six months.

Allowances: NT$3,000 per month.

Recipients: By November 2001, 654,000 farmers have been benefited from such subsidies, constituting 33% of the elderly population.
Welfare Subsidies
Low-Income Households' Handicapped Living Allowances

Eligibility: Those handicapped whose average family income per person per month is lower than 2.5 times of the set minimum living standard.

Allowances: NT$2,000 to 6,000 per person per month (according to the degree of the handicap).

Recipients: 346,953 persons, covering 53.47% of the total handicapped.
Welfare Subsidies
Veterans' Living Allowances

Eligibility: Veterans Fit certain conditions and Pass Means-tested (such as in service for more than 10 years or those got injured or handicapped during the war).

Allowances: NT$13,100 per month. (2001)

Recipients: As of December 1999, altogether there were 120,094 veterans benefited from such allowances.
Welfare Subsidies
The Elderly Welfare Allowances

Eligibility: Per Each Counties/Cities.

Allowances: NT$3,000 to 5,000 per month per person.
III. Future Prospects
Future Prospects

- Financial Viability
- The Impact of Globalization
- The Role of NGOs
## Financial Viability

### Government Capability Reexamined

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Growth Rate</th>
<th>Tax Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>8.2</td>
<td>19.4</td>
</tr>
<tr>
<td>1990</td>
<td>5.4</td>
<td>19.2</td>
</tr>
<tr>
<td>1991</td>
<td>7.6</td>
<td>18.5</td>
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<tr>
<td>1992</td>
<td>7.5</td>
<td>18.5</td>
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<tr>
<td>1993</td>
<td>7.0</td>
<td>18.4</td>
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<td>1994</td>
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<td>1995</td>
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<td>5.4</td>
<td>17.7</td>
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<td>2000</td>
<td>5.9</td>
<td>16.5</td>
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<tr>
<td>2001</td>
<td>-1.9</td>
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## Central Government Financial Situation

<table>
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<tr>
<th>Year</th>
<th>Item</th>
<th>Tax Revenue Annual Growth Rate</th>
<th>Real Income Annual Growth Rate</th>
<th>Expenditure Annual Growth Rate</th>
<th>% of Tax as Total Revenue Expenditure</th>
<th>% of Real Income as Total Expenditure</th>
<th>% of deficit financing</th>
</tr>
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<tbody>
<tr>
<td>1960s Average</td>
<td></td>
<td>22.17</td>
<td>22.24</td>
<td>21.04</td>
<td>86.51</td>
<td>110.22</td>
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<tr>
<td>1970s Average</td>
<td></td>
<td>13.41</td>
<td>12.65</td>
<td>13.23</td>
<td>69.71</td>
<td>97.57</td>
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<tr>
<td>1980-1983 Average</td>
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<td>4.48</td>
<td>5.64</td>
<td>12.34</td>
<td>60.15</td>
<td>79.61</td>
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</tr>
<tr>
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<td></td>
<td>-9.66</td>
<td>-7.37</td>
<td>19.51</td>
<td>63.19</td>
<td>81.41</td>
<td>18.59</td>
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<tr>
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<td>7.76</td>
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<td>57.32</td>
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<tr>
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<td>10.72</td>
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<td>9.09</td>
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<td>3.26</td>
<td>62.13</td>
<td>81.46</td>
<td>18.54</td>
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</table>
## Tax Burden

**Tax Revenue As Percentage of GNP**

<table>
<thead>
<tr>
<th>Country Year</th>
<th>Chinese Taipei</th>
<th>U.S.</th>
<th>Japan</th>
<th>Germany</th>
<th>France</th>
<th>UK</th>
<th>Korea</th>
<th>Singapore</th>
<th>HK</th>
<th>Mainland China</th>
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<td>29.0</td>
<td>27.7</td>
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<td>43.0</td>
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<td>18.7</td>
<td>17.1</td>
<td>12.3</td>
<td>11.0</td>
</tr>
<tr>
<td>1995</td>
<td>21.0</td>
<td>29.3</td>
<td>28.2</td>
<td>43.0</td>
<td>43.3</td>
<td>34.4</td>
<td>19.1</td>
<td>16.1</td>
<td>11.5</td>
<td>10.5</td>
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<td>1996</td>
<td>20.3</td>
<td>29.9</td>
<td>28.0</td>
<td>42.5</td>
<td>44.6</td>
<td>34.0</td>
<td>19.7</td>
<td>16.4</td>
<td>11.0</td>
<td>10.3</td>
</tr>
<tr>
<td>1997</td>
<td>19.7</td>
<td>30.5</td>
<td>28.2</td>
<td>42.0</td>
<td>44.7</td>
<td>-</td>
<td>19.5</td>
<td>16.6</td>
<td>11.4</td>
<td>11.3</td>
</tr>
<tr>
<td>1998</td>
<td>20.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19.1</td>
<td>15.0</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>1999</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17.8</td>
<td>14.0</td>
<td>9.3</td>
<td>13.3</td>
</tr>
<tr>
<td>2000</td>
<td>17.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.9</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

*Unit: %

Source: Abridged from The Executive Yuan, Chinese Taipei, Statistical Handbook.*
## Welfare Organization By Affiliation

### Year: 1995

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<th>All Types of Organization</th>
<th>Public</th>
<th>Private</th>
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<th>Total</th>
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</thead>
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<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Total</td>
<td>1285</td>
<td>100.01</td>
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<tr>
<td>Disabled</td>
<td>206</td>
<td>100.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mental Retardation School</td>
<td>722</td>
<td>100.00</td>
<td></td>
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<tr>
<td>Child</td>
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<tr>
<td>Juvenile</td>
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<td>100.00</td>
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<tr>
<td>Elderly</td>
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<td>100.00</td>
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<td>Administrative</td>
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<tr>
<td>Employment</td>
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<tr>
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<td></td>
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<tr>
<td>General</td>
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<td></td>
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<tr>
<td>Non-Profit Organization</td>
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<td></td>
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<tr>
<td>Foundation</td>
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<td>100.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>12</td>
<td>75.00</td>
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<td></td>
</tr>
</tbody>
</table>
IV. Concluding Remarks
ECONOMY PAPER

Submitted by: Thailand (1)

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
SOCIAL SAFETY NETS IN THAILAND:
CURRENT STATUS, PROBLEMS AND LIMITATIONS,
AND POLICY IMPLICATIONS

Overview and definition

1.1 Definition
In Thailand, Social Safety Nets (SSN) represents only one part of the Social Protection System (SPS). SSN activities are designed to provide social protection and assistance specifically for the disadvantaged, the poor people, and those affected by economic downturns or natural disasters. The overriding objectives of SSN activities are to provide the poor with a decent standard of living as well as to empower the targeted groups to become self-reliant in the long run. Its scope covers 3 main areas: social services, social assistance, and social security, which are provided by both the public and private sector through community service in its formal and informal forms.

Targeted groups covered under SSN include the following:
- The poor people.
- The disadvantaged includes the poor disabled, the poor and abandoned elderly, children and youth, and women in vulnerable conditions.
- Those affected by the economic and social crisis which consists of the unemployed, HIV-infected, and the addicted individuals.
- Those affected by various natural disasters.
- Those who are at risk of falling into poverty and other disadvantaged individuals, such as the children in HIV-infected families, labour force at high risk of being laid off by bankrupted firms, and labour force engaged in informal sectors without any income security.
1.2 Role of key actors

Key actors responsible for SSN in Thailand can be classified into 2 groups:

1) Public sector through the central and local governments; and

2) Private sector through Non-Governmental Organizations (NGOs), volunteers groups, Community-Based Organizations (CBOs), and private corporations.

Role of the Central Government

Amongst the key actors in Thailand, the central government plays the most significant role as the major provider of SSN. Each year, the central government allocates its regular budget between three different types of SSN-related programs namely, social services; social assistance; and social insurance/security.

Social services - Under the Thai constitution, all individuals are entitled to receive basic social services provided by the central government. These basic social services are largely in the areas of compulsory education and primary health care. However, with limited resources these services are inadequate to meet the needs of the poor people and in many instances failed to reach all intended beneficiaries. After the economic crisis in 1997, a substantial amount of budget has been allocated particularly for unemployment and income compensation as there is growing needs from those affected by the crisis.

Social assistance - Besides basic social services, the central government also spends part of its regular budget on social assistance programs. These programs are intended to provide short-term temporary relief to the poor who are adversely affected by the economic crisis or other uncontrollable natural disasters. In recent years, however, these social assistance programs have also been redesigned to cover other long-term goals such as supplementary food programs, school lunch programs, and free health care for the poor.

Social insurance/security - The central government has introduced a voluntary social insurance scheme for workers with regular income whereby a certain percentage of their salary is contributed
into the provident fund and the same proportion will be topped up by their employer and government. At present, this scheme covers about 23% of the total labour forces since it applies only to the firm with more than 10 employees and the fact that the majority of the Thai labour force are self-employed or sub-contracted workers. Nevertheless, beginning on April 1st 2002, the scheme has extended its coverage to all firms with more than 1 employee.

Apart from this type of social insurance, the central government has also set up more than 39 social funds for specific SSN activities such as occupational development program, education loan and revolving funds for village and community development programs. After the crisis in 1997, the central government also receives additional financial resources to implement SSN program through Structural Adjustment Loan (SAL) from the World Bank and the Asian Development Bank. The financial assistance from these programs not only help individuals to recover from the crisis but also to lay down a wide range of short and long-term measures to prevent such social impact from the future crisis.

Role of Local Administration

In recent year, the local administration has taken an increasingly role in providing community welfare in the areas of education, occupational promotion and training, public health, family health care, welfares for children, women, and the elderly and improvement of slum areas. According to the new Public Administration Decentralization Act, the central government has to allocate a proportion of tax revenues collected locally to the local administration in exchange for certain public services being responsible by the local administration. Starting from 2001, the proportion of taxes transfer was set at 20 % and will rise to 35 % in the year 2006. This new law should raise the ability of local administration in playing a substitute role in delivering SSN from the central government and is consistent with the call for autonomy in decision making by the local community.
Role of NGOs and volunteers

According to the result of 2001 survey by the Department of Public Welfare, Ministry of Labour and Social Welfare, there are approximately 6,500 registered NGOs nationwide whose objective is to provide SSN activities in the areas of educational and other welfare programs, capacity building and development, occupational training, quality of life improvement, and disaster relief. In addition, there are another 3,000 non-registered NGOs and approximately 9 million volunteers whose objectives also include some forms of SSN activities. The latter groups mainly serve as community development volunteers, village health volunteers, public welfare volunteers, child protection volunteers, and civil disaster protection volunteers.

Role of CBOs and private corporations

Community-Based Organizations (CBOs) supports SSN activities through various forms of community financial services, saving groups and village banks. The World Bank also provides loans and funds for some CBOs to assist the community in alleviating the impacts from the crisis on the disadvantaged. Similar to CBOs, a "Village Welfare Center" is also established to be the central point for providing welfare and emergency assistance to those in urgent need. There are currently over 70,000 such centers operating nationwide.

Non-profit private corporations are also taking part in the SSN activities. According to the 2001 survey by the Department of Public Welfare, Ministry of Labour and Social Welfare, there are approximately 50 companies registered as an entity whose objectives also include the charitable works in the areas of education, social assistance, public health, and the environment.

1.3. Sources of finance

The allocation of budget to each key actor for its SSN implementation can be characterized as follows:
Central government
The sources of budget include:
- Regular budget for the implementation of social services, social assistance, and social insurance/security via the concerned government sector;
- Social Funds related to SSN;
- Loans from external sources such as the World Bank and the Asian Development Bank.

Local administration
The sources of budget mainly consist of financial support from the central government and tax revenues from local taxes and duty collections.

NGOs
Although there is no provision for NGOs to rely on central government’s budget but some of them can ask for financial support from the government. However, most of them have to rely on self fund-raising efforts.

Past Performances
2.1 Social services
Projects related to social services can be categorized into five areas as follows:

a) Education
- Compulsory Education
- Education for the Disabled
- Education Development in High-land Communities
- Education for the hill-tribe and people in remote areas
- Education for communities in hill areas
- Short-term vocational training for students in schools located along the border which are under the patronage of the Royal Thai Police.

All these educational projects are mainly run by the Ministry of Education with the total budget in 2000 amounted to 115,084.20 million baht.

b) Health
- Primary health care services
- Health care services for the disabled
- Health care services for the HIV-infected persons
- Mental health services in the crisis

All health-related projects are mainly administered by the Ministry of Public Health with the total budget in 2000 amounted to 16,265.92 million baht.

c) Housing
In 1999, a total budget of 1,066.50 million baht was allocated to the housing development projects for the low-income people.

d) Unemployment mitigation
- Thai help Thai through social assistance
- Job creation in rural areas
- Repatriation of illegal workers
- Promotion of Thai workers working abroad
- Employment promotion in industry
- Promotion of new agricultural methods
- Career and occupational guidance
- Job creation in the community
- Temporary employment of graduates

These unemployment mitigation projects are run by both the public and private sectors but the main responsibility still rests with the government whose budget spent in 2000 was 57,405.65 million baht.

e) Others
- Welfare services for construction workers and their children
- Promotion and development for the hill-tribe people
- Promotion of social welfare in private workplaces
- Legal counseling service for crime defendants
- Benefits and rights protection for people

The budget spent in 2000 was 282 million baht.

2.2 Social assistance

Projects related to social assistance can be categorized into 4 areas as follows:

a) Education
- School lunch project
- School milk project
- Assistance and special education scheme
- Education for lifelong development
- School uniforms and textbooks for poor school children

All these projects are run by the Ministry of Education with the total budget in 2000 amounted to 9,861.25 million baht.
b) Health
The budget for health care schemes for low-income people in 2000 was 7,835.10 million baht.

c) Housing
The budget for housing development in congested communities in 1999 was 330.60 million baht.

d) Social Welfares
- Assistance and welfare for women
- Welfare for the elderly
- Welfare for the disabled
- Assistance and welfare for families and communities
- Assistance and rehabilitation for disaster victims
- Welfare for the destitute
- Assistance for HIV-infected persons
- Assistance and welfare for child and youth

All these projects are mainly run by various agencies under the Ministry of Labour and Social Welfare with the total budget in 2000 amounted to 3,049.16 million baht.

2.3 Social insurance/security
Social insurance/security schemes are operated with the funding of five following funds:
- Social Security Fund
- Workmen’s Compensation Fund
- Employees Welfare Fund
- Overseas Workers Aid Fund
- Civil Servant Pension Fund, and
- Private Provident Funds

All these funds except the Private Provident Funds are run by the public sector through the Ministry of Labour and Social Welfare.

2.4 Other bilateral assistance projects on SSN

Apart from its own resources, Thailand also receives bilateral assistance on SSN from developed countries, notably when Thailand faced with the economic crisis in 1997. The crisis exposes the inadequacy and weakness of SSN operations that need to be addressed. As a result of consultation in APEC, members agreed to intensify their efforts to address the social impacts of the financial crisis and strengthen the region’s capacity of SSN related activities. In response to this call, Australia established a three-year, $5 million Social Protection Facility (SPF) in 1999. The SPF was created in 2001 with the aim of assisting the governments of Indonesia, Philippines, Thailand, and Vietnam in strengthening their social protection programs. The facility focuses on strengthening the institutional and technical capacities of governments in areas such as policy development, performance management, and program design and administration. Thailand through the Institute for Population and Social Research (IPSR) at Mahidol University was chosen as the training center to develop an effective and responsive capacity building program that is designed to facilitate an exchange of experience and expertise across the region. This SPF have received positive feedback for being exceptionally well-prepared and motivated in their objectives and is now considering ways of continuing capacity building cooperation within the other focused countries.

Problems and Limitations

The implementation of SSN projects have been in progress for quite a few years with some of them completed and others are still in operation. In the past, both the central and local governments have faced with obstacles and challenges to effectively implement these projects in three major areas as follows:
Limited Access to Service

There is no clear criteria or a selection procedure in assessing people who are in great need of assistance or eligible for the benefits provided. Hence, the benefits of the measures/activities have often failed to directly cover all targeted groups. The lack of relevant database about the poor and disadvantaged groups has made it difficult to accurately identify these target groups. In addition, the local government who is a major distributor of social assistance to its own community lacks the capacity to effectively deliver the services to the targeted groups. On top of that, the decision-making process is based on a top-down instruction rather than a careful consideration of the demands and needs of its targeted groups.

3.2 Each Service Provided has no Linkage with Other Services

Although the central and local governments have been providing these three types of services (social welfare, social assistance, and social security), the adequacy of such welfare programs still remains the major challenge, both in terms of the minimum level for basic necessity and the effect to promote a long-term self-reliance. For example, the government has introduced a vocational training program for the poor but it lacks the employment opportunity thereafter. As a result, the trainees remain unemployed and have to continuously rely on government’s unemployment compensation. Similarly, in many areas such as welfare for the elderly or health care for the poor that need long-term budgetary commitment for an effective operation but it is often the case that their budget can be cut abruptly, making it inconsistent and cost-ineffective to achieve the objectives.

3.3 The Existing Government Management System is inappropriate with the Changing Conditions

The complexity of the public sector’s structure and management system has led to inefficiency and lengthy delays in its implementation. In many instances, government decision-making process is highly centralized, causing long delays in their responses
to emergencies during crisis and to the changing needs of the target groups. Additionally, the lack of good coordination among government agencies has sometimes exacerbated the effects on the poor and made it harder for different agencies to develop a thorough organizational plan to implement new policies promptly. Although several coordinating mechanisms exist at every level, they are unable to provide a unified channel in which duplication of activities and competition for resources can be avoided.

It is due to the lack of core agency in working as a coordination institute in transforming the national SSN policy to be in practice. The government realizes that it is an important issue that needs to be addressed. Hence, in this October 2002 a Ministry of Social Development and Human Security will be established with the aim to be a core agency for the coordination, implementation and development of the country national SSN policy.

Besides the coordination problem, there is also a problem with identifying and maintaining relevant and up-to-date database of the vulnerable groups. The lack of this database is recognized as partly contributing to the current mismatch between the real demand by target groups and the assessed demand for social services provided to them. The lack of monitoring ability and evaluation also prevent government agencies to accurately assess their implementation and wherever possible to focus their programs directly on targeted groups. In addition, the central government also has limited ability to monitor the implementation by NGOs, local communities and other non-profit private corporations.

In general, the public sector remains the largest contributor of SSN-related activities, while the private sector, NGOs, and local communities are only supplementary providers. This is due to the fact that local communities lack the capacity of contributing to welfare assistance in all areas, while most NGOs face financial and staffing limitations.
4. Confronting Factors

4.1 Globalization and trade liberalization
Globalization and trade liberalization are recognized as facilitating rapid growth of international trade and investment across all nations. Rising income from expanding trade in goods and services and the advancement of information and communication technology enable the transfer of knowledge and technology that contributes to a higher living standard of population. However, at the same time, globalization of financial markets has widened the societal imbalance between the rich and the poor. This is especially acute in developing economies like Thailand where the majority of the poor people still lack the opportunity and ability to adjust to the changing working conditions and to the rapidly evolving new technology. Therefore, in times of crisis, the poor are at a higher risk of being laid off and often face with severe financial impact arising from the effects of globalization as compared to the rich. Besides, the increasing trend towards liberalization of public health and education has made the impoverished people vulnerable to insufficient basic services as market mechanism dictates the way resources shall be allocated, and not for the overall social development. Hence, it is even more crucial that effective and resilient social safety nets be in place to protect those vulnerable groups of population from any adverse changes brought about by globalization.

4.2 Changing population structure
Within the next 14 years, the proportion of the elderly will rapidly increase from 8.9 percent in 1998 to 15.0 percent in 2016. The proportion of family dependents will increase from 13.2 percent to 22.6 percent at the same time while the youth population declines at a constant rate. In addition, the average size of Thai families becomes generally smaller than before as more people choose to remain single and prefer to have nuclear families instead of larger families. Many family leaders are widows and have to look after all dependents in the family, such as children, elderly, and disabled individuals. As a result of the rapidly changing population structure,
the social welfare policy must be able to respond to the different needs of the people within each age group, and provide the appropriate social safety nets programs for each group of people. For instance, new policies for the aging population must place emphasis on public health service and social insurance provision for the elderly to allow them a normal live within the society.

4.3 Decentralization
The Thai Parliament recently passed the bill to decentralize social welfare services in areas such as child-care centers and the elderly allowances to sub-district administration organizations (SAOs). The central government will play an important role in supporting social welfare providers with the knowledge, consultation, and evaluation. During the early stages of decentralization, the SAO needs to be well prepared and strengthened in terms of good management. Local people and communities must be aware and actively take part in self-governance so that they are able to cooperate in providing SSN to people in their communities.

4.4 Information and communication technology
Information technology (IT) is changing the world rapidly and dramatically. The digital gap between the rich and the poor may further widen as a result of advances in information technology if there are no proper measures to equitable share the benefits from IT among the different groups. Many countries have acknowledged this growing inequality and have cooperated at the regional and global levels to protect their citizens from the impacts of globalization. It is hence a good opportunity also for Thailand to use the IT to improve the provision of social protection for its people in line with international practices. Most importantly, developing countries like Thailand need to address the question of how to utilize IT to improve the quality of life for all societal groups.
5. Critical Issues: Policy Implementation

5.1 Future Directions

In 2002, the 9th Economic and Social Development Plan has been implemented to provide guidelines for the development of country for the next five years. Under the current Plan, the concept of people-centered development continues to be the main focus. Major objectives will include alleviation of abject poverty and enhancement of opportunity and capacity of the Thai people to become self-reliant and well-prepared for the rapid changes in a globalized world.

Key objectives of the 9th Plan in relation to the SSN activities include:

a) To improve the efficiency of social security administration and expand social security to cover a greater segment of vulnerable groups, including the elderly, workers in the informal sectors, farmers, self-employed, and homeworkers;

b) To improve mechanisms under social safety net programs to reach targeted groups more effectively by enhancing the role of local authorities and communities, developing databases and information technology for the poor and the vulnerable groups as well as promoting networking between the government, private sector, and civil society in the implementation of social safety net programs;

c) To improve and mobilize the existing local funds and social capital from all sectors to help the poor on a kinship basis;

d) To promote all sectors in the society to play an active role in human development and social protection and reinvigorate the role of the family as a key unit in the promotion of the well-being of local communities; and

e) To establish a warning system on risk factors at the community level so that the poor and the vulnerable groups can be assisted in a timely manner.
5.2 Improvement of accessibility to basic services and social welfare

In terms of the accessibility to basic services and social welfare, the government has announced the major policies related to social safety net programs which emphasized the establishment of social security, the protection system and poverty reduction as follows:

a) The establishment of a one-million-baht revolving fund for 70,000 villages nationwide would provide financial support for people in the village to invest in small businesses, to create supplementary jobs, and to generate incomes;

b) The establishment of people's bank that provides access to the financial sources for low-income groups to have more alternatives and reduce the use of informal credit;

c) A three-year debt moratorium for low-income farmers to alleviate the problem of chronic debt and provide a temporary relief for these farmers to recover and accrue their own savings during this critical period;

d) The establishment of health security for all citizens whereby a maximum of 30 baht charge for medical treatment at public hospitals will reduce the burden on health care spending of the Thai citizens;

e) Strengthening of family institutions as building foundation for future of children;

f) The establishment of Social Safety Nets for children, elderly, women, individuals with disabilities and the disadvantaged individuals;

g) The promotion of social security for all workers by extending labour welfare to both formal and informal workers, particularly for children and women;

h) The Pension Reform Policy whereby the government creates a three-tier retirement system, or a multi-pillar for social safety net program designed to assist the elderly with financial support after retirement. This pension reform policy includes three levels: Social Security System, Compulsory Contractual Savings, Voluntary Contractual Savings. The first level, i.e. Social
Security System, requires individuals to collectively contribute to a social protection fund and be able to receive the defined benefits at retirement. The second level, i.e. Compulsory Contractual Savings, also obligates individuals to contribute to the common funds so that they will be able to achieve a comfortable living at retirement, in addition to the first level. The third level, i.e. Voluntary Contractual Savings, serves as a supplement to the first and second levels, but specifically designed to enhance the more welfare after retirement. These funds are mostly sponsored by the private sector, state-owned enterprises, and also from the retirement mutual funds.

5.3 Development of existing programs
The development of existing programs can be implemented by various agencies at the national, local and community levels in a following manner:

a) Providing welfare services to broadly cover all population groups, particularly those in the informal sectors and the disadvantaged. The social insurance will be extended to cover labour in informal sectors and unemployment insurance will also be introduced;

b) Promoting community participation in identifying and selecting the poor and the disadvantaged so that they can widely and equitably receive services and assistance in a transparent manner;

c) Reviewing and developing service delivering methods to the poor and the disadvantaged, with a view to support self-reliance and sustainability. Rules and regulations that impede the poor and the disadvantaged's access to services will be removed;

d) Setting up the one-stop service center for families in a community and operated by the community itself. The emphasis will be placed on the role of volunteers, CBOs, and local administrative authorities to provide basic services for family counseling, legal advisory services and caring for the disadvantaged children, such as HIV-infected children or abandoned children;
5.4 Establishment of network among key players: family and community-oriented approach

The establishment of network among social key players will raise awareness in the society among the public and private sectors to realize the importance of mutual assistance. Cooperation efforts being undertaken consist of

a) Promoting the role of Tambon (Sub-district) Administrative Organization, CBOs, and community institutions to provide social welfare by utilizing various types of local capital;

b) Encourage networks of villagers' organizations, communities, and the destitute to fully participate in every problem solving process and ensuring that the needs of the disadvantaged are considered. This allows all relevant agencies to be able to jointly oversee, monitor, and evaluate community welfare activities;

c) Developing a better understanding and knowledge among the local and central administrative organizations to transfer social welfare functions efficiently to ensure that SSN programs appropriately meets the needs of the targeted groups;

d) Fund-raising efforts to strengthen families and communities in playing the role of social safety nets, such as providing knowledge, skills in management, administration, and developing networks;

e) Coordinating existing mechanisms in monitoring, scrutinizing, and evaluating the quality, and transparency of the public sector's implementation process.

6. Conclusions

The aftermath of the economic crisis of 1997 created severe social disruptions that affected the social well-being of Thai people as unemployment and poverty incidences skyrocketed. These painful social implications prompted Thailand to review and strengthen our
capacity-building efforts on social safety net activities implementation. Since then, Thailand has implemented several initiatives on social safety net-related activities needed to enhance our existing social protection system and most importantly to maintain social stability within the region. Nonetheless, Thailand still faces with a number of problems and limitations that impede us from effective delivery of SSN to the vulnerable groups. The majority of these vulnerable groups lack financial capabilities and knowledge to be able to recover by themselves without assistance from the government and/or other SSN providers.

In working towards its overriding objectives as outlined in the Ninth Economic and Social Development, Thailand has put emphasis on strengthening domestic institutional framework and streamlining existing managerial processes. This also includes strengthening of capacity-building efforts through improvement of policy coordination among the existing SSN key providers. Furthermore, NGOs and other civil groups must be incorporated and given role in SSN-related activities line with Thailand's overall social protection schemes while cannot solely rely on the central government.

The lessons learned from the past experiences and the adverse effects of globalization have indicated that an effective SSN program is a challenging issue for most of developing countries. While many developing countries include Thailand have strenuously try to improve their SSN implementation, they still confront with some limitations such as the difficulty in targeting the vulnerable groups of population, the decentralization of decision-making process and the integrated system of database that allow better planning and coordination among various responsible agencies. In addition, to promote self-reliant in the long-term and better prepared for the evolving economic and population structural changes, there is a need to mobilize savings through various social funds that ensure sufficient financial resources for SSN activities. This challenge is critical not only to the survival of each national welfare system but also to the success of integration process of developing countries into the present world economic system. It is thus in the mutual interest of all developed and developing countries to see that the benefits of globalization and trade liberalization have been equitably shared to all people.
ECONOMY PAPER

Submitted by: Thailand (2)

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
EXTENSION OF THE SOCIAL SECURITY SCHEME IN THAILAND

The Social Security Scheme in Thailand is under the responsibility of the Social Security Office (SSO), both the Social Security Fund and the Workmen’s Compensation Fund. At present, the Social Security Fund provides 6 benefits for the insured persons as follows; injury or sickness, invalidity and death from non-work relate causes, including maternity, child allowance and old-age pension benefits. For the unemployment insurance, the commencement to collect contribution for unemployment benefits shall be prescribed in the Royal Decree. We have just extended the coverage into enterprise with 1 or more employees since April 2002.

The Social Security Act 1990 provides for the phased introduction of a comprehensive social security programme for private sector employees in respect of all seven social security contingencies, and the gradual extension of the scope of coverage of the labour force. Initially, the main benefit was comprehensive medical care which was the priority of all age groups, and was considered particularly important for the health and productivity of the work force.

The following major developments of the social security scheme took place in line with the development of the administrative capacity of the Social Security Office (SSO):

- in March 1991 the new scheme was applied to workers in establishments with 20 or more workers who were insured for sickness (medical care and cash benefits), maternity, invalidity and death;
- in September 1993 employees of establishments with 10 or more workers were insured;
- in September 1994 self-employed persons may join the SSO on a voluntary basis;
- in December 1998 Old-age pensions and child allowance were introduced.

Apart from the Social Security Fund, the SSO also manages the
Workmen's Compensation Fund which is work-related scheme. Financing of the Social Security Fund is by tripartite contributions: employers, employees and the government but financing of the Workmen's Compensation Fund is by employers only.

While the SSO extended the coverage in 1993, it also extended the scope of Workmen's Compensation Fund to the enterprises with 20 or more workers to reach those with 10 or more.

After some time of implementation, the SSO considered that the Social Security coverage should be extended to enterprises with less than 10 employees because the employees in these establishments still lack of the standard welfare from the employers. Therefore, the SSO submitted the proposal to the Cabinet for approval and due to the Cabinet resolution on November 20, 2002, the SSO has extended the social security coverage (both the social security fund and the workmen's compensation fund) to enterprises with 1 or more employees since 1 April 2002. The principle and rationale, the preparation to extend the coverage, legislation, computer system, personnel, registration, place to submit contributions, public relations and result of the registration are as follows,

**Principle and Rationale**

Principle and Rationale to extend social security protection to enterprises with one or more employees.

- To provide stability and security of life to employees in small enterprises with 1-9 employees.

- To reduce the social inequality on difference in benefits between the employee in small enterprises with 1-9 employees and large enterprises with 10 or more employees which provide better welfare than social security system.

- To provide social security protection to all of the employees fairly. When the coverage is extended, all of the employees will be equally covered by social security system.

The extension of social security protection to enterprises with one or more employees is in line with the Eight National Economic and
This plan provides social security protection to enterprises with less than 10 employees and is consistent with the intent of the Social Security Act. The Act provides the coverage extension at interval it can cover the enterprises with one or more employees.
Moreover, the SSO has been working in the field for 10 years. We have the capacity to extend the coverage to enterprises with one or more employees.

The Preparation to extend the coverage
The SSO has set up a Working Group responsible for preparation of extension the social security protection to enterprises with less than 10 employees to study the impact from the extension and the preparation to extend the coverage.

Apart from the above-mentioned, we surveyed the opinion of the employers and the employees from enterprises with 1-9 employees with respect to the extension of the coverage to enterprises with less than 10 employees. We sampled from the employers and the employees at the amount of 1,030 persons in Bangkok and surrounding area. We found that more than 80% of the samples agreed to the coverage extension.

The SSO estimated number of employee in enterprises with 1-9 employees by using Labour Force Survey 2001 data of National Statistical Office as the basis for estimation with the exclusion of the number of employees who aren’t under the Social Security Act article 4(6) such as employees in the agricultural sector, employees who work for employers who are vendors

Estimated number of employee in enterprises with 1-9 employees is 0.72 million enterprises and 2.61 million employees.

Legislation
For the part of legislation, the Ministry of Labour and Social Welfare will have to issue 2 royal decrees as follows:
1) The Royal Decree enforces on the Social Security Act B.E. 2533 (1990) to provide Social Security Protection to employers with less than 10 employees.


According to Draft of the above-mentioned Royal Decrees, 2 types of employees are exempt.

1) Employee of employers whose characteristic of work is not business, because the employment is for the personal benefit of the employer or for doing domestic work, such as private drives, secretary etc.

2) Employees working for employers who are venders because, no permanent places for their business. So the employees in such enterprises have high rate of recruit and retire. They then don’t submit their contributions continuously. So this will effect to their rights to claim for the benefits.

Computer System
We improved the social security information for the convenience of employers and employers by adjusting the programme to use the identification card’s number in stead of the social security number since 13th March 2001. It’s the agreement between Department of Local Administration, Interior Department and Social Security office to link personal data by using the ID number as the basis for searching the information.

Moreover, the SSO extend ON-LINE net work throughout the country and provide more computer and accessories to the Social Security Area Offices and provincial social security offices which are our service offices.

Personnel
The SSO has to increase the number of personnel to serve with the function of extending the coverage. The Government gave the
approval to the SSO to recruit 162 personals and we also recruit more temporary employees. Moreover, we hold training courses for our staff to prepare them for the start of work.

Anyway, the Ministry of Labour and Social Welfare submitted the extension of Social Security Protection to enterprises with one or more employees to the Cabinet for the approval. The Cabinet gave approval on 20th November 2001 to allow the Ministry of Labour and Social Welfare to extend this coverage since 1st April 2002.

Social Security Registration
To facilitate the employers and to distribute quantity of work during the period of registration, the SSO publicized to ask for the collaboration from the employers. We urged them to register in advance before the Act become valid between 1st January - 31st March 2002.

The operation to extend the coverage
Place to submit contributions
As for the contribution submission, the employer can submit the contribution by several ways as follows:
- Through banking system. At present, there are 2 banks, Krung Thai Bank Company Limited (Public) and the Bank of Krung Sri Ayudhaya Company Limited (Public)
- Pay at the post (money-order)
- Pay at the Social Security Area Office or provincial SSO

Public Relations
The SSO has publicized through various media continuously since the preparation to extend the coverage. We educated the employers and employees on the extension of coverage and we worked harder on Public Relations after the cabinet Approval. Small enterprises are our target groups so we use the following methods:
- To hold the meeting to educate the employers and employees in the enterprises with 1-9 employees on social security benefits and guidelines to contact with the Social Security Office.

- In the period of advance registration, we assigned our staff to campaign for the employer's registration.

Moreover, we publicized through various media continuously such as newspaper, roadside notice and bus-side advertisement.

Result of the registration for enterprises with one or more employees

After extension the coverage between 1 April – 15 June 2002, there were more enterprises and employees registered with us as follows: 159,151 enterprises; 711,861 insured persons.
APEC Secretariat PAPER

Submitted by: APEC Secretariat

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
APEC ACTIVITIES ON SOCIAL SAFETY NET

I. INTRODUCTION

The purpose of this paper is to highlight the declarations and statements made by Leaders and Ministers on social safety nets issue. It also provides an inventory of information on the activities on issues in APEC undertaken by its fora.

II. MANDATE FROM LEADERS AND MINISTERS

APEC Leaders’ Declaration

November 1998, Kuala Lumpur, Malaysia

“Given the ramifications of the crisis and the importance of addressing social vulnerabilities, we agree that as a matter of high priority, APEC should intensify efforts to address the social impacts of the crisis. In particular, we direct our Ministers to work with the World Bank, the ADB, the Inter-American Development Bank and, where appropriate, public and private institutions to formulate strategies of concrete actions aimed at strengthening social safety nets. We look forward to receiving a report at our next meeting.” (Paragraph 26)

APEC Leaders’ Declaration

September 1999, Auckland, New Zealand

“We commit to ensuring that APEC takes a leading role in enabling developing economies to participate successfully in the global economy, through enhancing human and institutional capacities and progressively opening markets. We recognise that income and wealth disparities between and within economies can pose a challenge for social stability. Appropriate social safety nets play a role in facilitating economic and social adjustment. We welcome efforts by APEC economies, and other institutions, to address social safety net issues, and encourage further efforts to maintain
employment and environmentally sustainable growth. In that regard, we welcome the outcomes of the Human Resources Development and Small and Medium Enterprises Ministerial Meetings. APEC economies will pursue enhanced dialogue and continue to seek policy approaches that encourage inclusion and economic advancement, as well as initiative and innovation.” (Paragraph 26)

APEC Leaders’ Declaration

November 2000, Bandar Seri Begawan, Brunei Darussalam

“To better prepare ourselves for the future, we instruct all our Ministers to make renewed efforts in APEC work on developing strategies to manage the required structural adjustments more effectively. We ask them to include in this, ways to look after those disadvantaged by economic change including through continued work on social safety nets. We also ask them to include ways to develop systems of good governance and robust institutional frameworks for the financial and corporate sectors.”

APEC Leaders’ Declaration

October 2001, Shanghai, China

“In this context, we pledge to accelerate our domestic efforts to build capacity and deepen structural reform so as to strengthen the market fundamentals across the region. To this end, we emphasize the importance of sound economic policies and corporate governance as well as the important role and responsibility of governments in shaping the legal and regulatory framework that encourages competition and innovation, with an increased emphasis on capacity building. Developing the social safety net is a high priority, as it can make an important contribution to reducing the harmful effects of economic shocks on vulnerable groups. As noted in the 2001 Economic Outlook, enhancing financial efficiency is also essential to promoting growth. We thus welcome efforts made in these areas in APEC, including strengthening economic legal infrastructure, supervision of capital markets, corporate governance, and implementation of international financial standards, as exemplified by the work done through the Finance Ministers’
process. We also welcome contributions by Pacific Economic Cooperation Council (PECC) in these areas. We direct responsible Ministers and Officials to build on their work.” (Paragraph 7)

Tenth Ministerial Meeting Joint Statement,
November 1998, Kuala Lumpur, Malaysia
“Ministers supported the work programme of APEC Finance Ministers in strengthening the international and domestic financial systems, developing capital markets, liberalising capital accounts and formulating measures to build social safety nets in affected economies.” (Paragraph 4)

Eleventh Ministerial Meeting Joint Statement,
September 1999, Auckland, New Zealand
“The economic crisis has taken a heavy toll on the poorer and more vulnerable sectors of our societies and set back poverty alleviation programmes throughout the region. Ministers welcomed the wide range and scope of activities underway, in APEC and other fora. These activities are directed at three main areas:

- improving members’ understanding of the social impacts of the crisis through, research and analysis on the part of APEC officials, the World Bank and the Asian Development Bank; the establishment of the Asia Recovery Information Centre; and Australia’s survey on the effect of the crisis on children and implications for social safety nets.

- responding to social needs through technical and capacity-building cooperation, targeting of bilateral development programmes to address social impacts, and significant new multilateral assistance efforts directed to the social sector;

- building the capacity of members in the area of social safety nets and exploring ways of strengthening social safety nets in a framework integrating poverty reduction into growth-oriented macroeconomic policies.” (Paragraph 50)
Twelfth Ministerial Meeting Joint Statement

November 2000, Bandar Seri Begawan, Brunei Darussalam

“...Ministers also acknowledged that managing economic change required structural adjustment strategies including, where appropriate, the development of social safety nets.” (Paragraph 30)

“Ministers reiterated the importance of supporting the poor and vulnerable segments of the communities that were affected by the crisis and by the process of economic restructuring. In this respect, Ministers endorsed a proposal on the Revitalisation of Social Safety Net Activities in APEC by Korea and Thailand. They also agreed to establish an Ad-hoc Task Force on Strengthening APEC Social Safety Net for reviewing APEC’s activities on social safety and forward recommendations to Ministers in 2001.” (Paragraph 66)

“Ministers noted the further work by various APEC fora to strengthen social safety nets and to reduce the adverse impacts of the Asian crisis. This includes the establishment of the Australian-Thailand Social Protection Facility that focuses on providing capacity building assistance for the development of social policy and programme delivery. Ministers also noted the successful hosting of the Third Regional Forum on Pension Fund Reform held in Thailand in March 2000. The forum deliberated on the integration of social security, pension and provident funds as well as supervisory and regulatory matters. Ministers also welcomed the synthesis, submitted by Canada, of the report The Poor at Risk’s Economic Crisis in Southeast Asia.” (Paragraph 67)

Thirteenth Ministerial Joint Statement

October 2001, Shanghai, China

“Ministers welcomed the recommendations of the Ad Hoc Task Force on Strengthening APEC Social Safety Nets (SSN). They endorsed the proposed establishment of an APEC SSN Capacity Building Network that, in the first instance, would focus on capacity building to implement the SSN recommendations made by the Finance Ministers and in the study conducted in the HRDWG. Ministers welcomed the proposals by Korea and Thailand to co-
organize an international meeting to address specific capacity building issues on SSN.” (Paragraph 63)

**Fifth APEC Finance Ministers Meeting**

**May 1998, Kananakis, Alberta, Canada**

“Our discussions focussed on two broad themes. The first was an assessment of the current economic situation and policies to restore financial stability and growth, including measures to strengthen social safety nets to help cushion the impact of the crisis on the poor.” (Paragraph 3)

**Sixth APEC Finance Ministers Meeting**

**May 1999, Langkawi, Malaysia**

“We, therefore, welcome the country-specific assistance, both technical and financial, being provided by the World Bank and the Asian Development Bank to promote the sound design and adequate internal financing of national social safety nets, taking into account the cultural, economic, institutional and social situation of the individual economies. “ (Paragraph 11)

**Third APEC Human Resources Development Ministers Meeting**

**July 1999, Washington, D.C., United States,**

“Implementing Effective, Efficient and Inclusive Labor Market Systems and Social Safety Nets”

Efforts to ameliorate the impacts of the crisis should include not only short-term steps to address current conditions, but also long-term strategies to advance labor market efficiency and effectiveness to support economic growth and widely-shared prosperity. It will be important over the next century to develop an adaptable workforce with the capacity for continuous learning. Active contributions from all stakeholders are required to implement various strategies and to mobilize available resources for this task. Our attention should
focus on improving labor market information; on strengthening the role of the private sector and fully utilizing international organizations’ expertise; on establishing effective delivery and monitoring systems; and on improving education and training and social safety net systems, as appropriate. Program and policy development should place emphasis on the needs of small and medium enterprises and should recognize the important contributions of the informal sector to the economy. We attach great importance to ensuring that women have full access to information, and to learning and employment opportunities. (Paragraph 9)

We recognize the importance of having effective safety nets in place before a crisis develops and urge the design of effective and inclusive labor market systems and social safety nets, as well as gender sensitive mechanisms to assess the performance of such programs. Attention must be directed to addressing the needs of the most vulnerable populations, including women and youth, the elderly, the disabled, migrant workers and indigenous people and recognizing the particular cultural, economic, and institutional situations in different economies. Care must be taken to balance the equity component of social safety nets with the need for labor market efficiency, adaptability, and individual empowerment. In addition, we recognize as a priority the dignity of work, and the need to avoid dependency.” (Paragraph 10)

Seventh APEC Finance Ministers Meeting

September 2000, Bandar Seri Begawan, Brunei Darussalam

“Improving social safety nets

The social impact of the crisis revealed the need for well-designed, flexible, targeted, and cost effective social safety net policies and programs to respond to the needs of the poor and vulnerable. The experiences in administering social safety nets of the APEC economies are the subject of an on-going study. Three main themes have emerged from this review so far. First, the need for adequate pre-crisis safety net planning. Second, the importance of accurate and timely information on the poor and vulnerable groups. Third,
the need to have a range of instruments to ensure adequate targeting and coverage. On the basis of this study we will develop a set of guidelines for responsive and fiscally manageable social safety nets to present to APEC Leaders." (Paragraph 29)

Eighth APEC Finance Ministers Meeting
September 2001, Suzhou, People’s Republic of China

“Social Safety Nets:
In October 1999, the United States proposed an initiative to develop operational guidelines for social safety nets. Mexico later joined it as co-chair. A final report was prepared through a collaborative effort involving the IMF, the World Bank, the Asian Development Bank, and the Inter-American Development Bank. and was distributed to APEC economies at the November 2000 Leaders Meeting in Brunei and the May 2001 Finance Deputies Meeting in Washington D.C.

The report, entitled "Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America," has been posted to the APEC Secretariat's web site.

The role of the APEC Finance Ministers process in this initiative is now complete. It is hoped that economies will find the guidelines useful as they put in place cost effective social safety nets.

Finance Ministers look forward to seeing the results of this work being used by the Ad hoc Task Force on Strengthening APEC Social Safety Nets under the SOM process." (Annex A of the Joint Statement)

Fourth APEC Human Resources Development Ministerial Meeting
September 2001, Kumamoto, Japan

“We recognize the launching of Ecotech Action Plans on human resources development and welcome the work of the Ad Hoc Task Force for Strengthening Social Safety Net Activities. We call upon
the Human Resources Development Working Group (HRDWG) and other relevant fora to take follow-up actions and incorporate the outcomes of these initiatives into their work programs as appropriate. (Paragraph 4)

We continue to experience volatility in labour markets, brought about by the rapid shifts in economic conditions, technology, and industrial structure. These shifts can have a devastating effect on certain groups of workers. Labour market policies, employment services, and social safety nets must provide for a smooth transition from school-to-work, from work-to-work, from unemployment-to-work, and from work-to-retirement.” (Paragraph 8)

III. APEC ACTIVITIES ON SOCIAL SAFETY NET

SOM Ad Hoc Task Force on Social Safety Net


The first Meeting of the Task Force was held in the margin of SOM I held in February 2001, in Beijing, China. The Meeting was co-chaired by Korea and Thailand. The Meeting discussed the Terms of Reference as well as the Work Program for the Task Force. The Meeting agreed that a preliminary research would be undertaken to take stock of social safety net activities in APEC and investigate options for cooperative APEC endeavors. Korea and Thailand volunteered to lead the research.

The Second Meeting of the Task Force was held on in May 2001 in Shenzhen, China, in the Margin of SOM II. The Meeting discussed the overview of the draft preliminary research paper which takes stock of social safety nets (SSN) programs in APEC member economies hit by the 1997 economic crisis, and existing SSN activities undertaken by international financial institutions, as well as by APEC member economies.

The objective of the research is to provide necessary information and help establish basic directions for strengthening APEC social
safety nets by reviewing and assessing social safety net activities under way within and among APEC members and international organizations. This research also aims at identifying gaps and missing links between collective APEC social safety net-related activities and similar undertakings elsewhere and to suggest possible areas where APEC can contribute to strengthening social safety nets.

The Third Meeting of the Task Force was held in August 2001 in Dalian, the People's Republic of China. The Task Force concluded that capacity building should be the focus of APEC SSN activity. The Task Force forwarded two recommendations to SOM III, which later was fully endorsed by SOM:

a. Establishment of a Capacity Building Network;

b. Convening an International Meeting of policymakers, experts and other stakeholders to address specific social safety net related capacity building issues.

The Task Force also agreed that the initial framework for the CBN would be to build capacity for the implementation of recommendations on SSNs made by APEC Finance Ministers Process and HRDWG, and that attention to gender dimension would form an integral part of the work of the CBN. The Task Force was disbanded after its final report to Minister in October 2001.

Economic Committee

The Economic Committee, which serves as a forum for member economies to exchange information and provides views and analyses on economic issues in the region, has led APEC on the discussion on the impact of the financial crises as early as 1998. It had initiated a two-year research project on "APEC Economies Beyond the Asian Crisis" that included a strong analytical component dealing with the social impacts of the crisis. The broad focus of this project is to examine vital issues arising from the crisis from longer-term perspectives. The project result shows that social safety net is among priorities area for cooperation in APEC for consolidating the basis for growth.
The Economic Committee has also produced a report titled “Building the Future of APEC Economies: Move Forward on the New Economy and Entrepreneurship” in November 2000. The report begins with an examination of the impact of the financial crisis on the budgets of the affected economies, particularly that for the social sectors. The report found that while a squeeze on basic social expenditure was inevitable, affected economies tried to maintain the level of developmental expenditures (including education, health, social security and welfare, housing and community amenities and economic services) by cutting back on expenditures for defense and other budget areas.

**Human Resources Development Working Group**

In response to the Asian financial crisis, HRDWG established a **Task Force on the Human Resource and Social Impacts of the Financial Crisis**, which has recommended new or expanded projects in key areas of crisis response. They include:

- examining best practices in member economies on balancing market liberalization with labor market adjustment;
- assessing the nature and scope of social safety nets and their significance in the current crisis;
- examining business-labour-government cooperation in workplace training;
- examining along with other APEC fora the social impact of regional growth and liberalization; and
- assessing training needs to strengthen corporate governance in affected economies.

In May 1999, the HRD Working Group organized a seminar on human resource management strategies to minimize the effects of job retrenchments. Also in July 1999, an APEC Forum on Human Resources Development was held in Japan focusing on the short-term vocational training needs of workers affected by the crisis, as well as longer-term policies on vocational training to cope with globalization.
In 2000, the HRDWG project “The Poor at Risk: Surviving the Economic Crisis in Southeast Asia,” examined the workings of SSN projects in five Southeast Asian economies hit hardest by the Asian financial crisis: Thailand, Indonesia, Malaysia, the Philippines and Vietnam. The project examined, inter alia, the role of the public sector in poverty alleviation at the time of the crisis, the social impact of the crisis, and the challenges in providing social protection at the time of crisis. The project recommends that the governments should establish some form of SSN policy unit, which would be charged with developing a) better systems of quick data collection on the social impact of the crisis on the poor, b) quick response programs for alleviating social impact on the poor, c) systems for more effectively targeting the most severely impacted groups, d) the most effective methods of implementation and e) systems of effective monitoring of the programs.

In 2000, the HRDWG undertaken a restructuring to answer to priorities set by Leaders and Ministers in the area of HRD, and also to ensure more effective management by reducing its size from five to three networks:

- Capacity Building Network (CBN), which promotes human capacity building oriented to strengthening markets
- Education Network (EDNET);
- Labour and Social Protection Network (LSPN), with a mission to foster human capacity building, social integration, and strong and flexible labor markets through the development of useful labor market information and policy, improved workplace conditions and practices, and strong social safety nets.

In 2000, the 9th APEC HRD, Labor and Social Protection Network (LSPN) International Workshop: "International Migration and Structural Change in the APEC Member Economies" was held in Taipei on October 19-20, 2000. Sixteen member economies presented country reports and regional overviews of international migration and structural changes in the APEC region. The purpose of the project was to investigate the relationship between international migration and structural changes in the APEC member
Finance Minister Process
Various discussions have been held in the Finance Minister Process to address the issue of social safety net, as one of focus issue of the impact of the crisis. One paper was submitted to and discussed at the APEC Finance Ministers Meeting in February 2001. From the discussion, the following major lessons have emerged:

a) The availability of timely and reliable information on poor and vulnerable groups is critical for the design and implementation of SSN programs;

b) Pre-crisis planning can contribute to the design of effective SSNs;

c) It is essential that the programs are targeted and provide adequate protection to the poor;

d) SSN should build on existing public programs and mechanisms for targeting and delivery;

e) Transparency and accountability in the design and implementation of programs and in the use of resources are critical to the effectiveness of SSN programs;

f) SSN programs should be coordinated across implementing ministries and departments as well as different government levels to avoid inefficient overlap and administrative waste; and

g) The building of adequate administrative capacity at the local level should precede decentralization.

Asia Recovery Information Center (ARIC)
APEC welcomed Australia’s initiative to establish the Asia Recovery Information Center to enhance coordination of the international response to the crisis. The over-arching objective of ARIC is to facilitate access to relevant, accurate and timely information and analysis on the social and economic impacts of the
Asian economic crisis. Target economies include Cambodia, China, Indonesia, Laos, Malaysia, the Philippines, South Korea, and Vietnam. ARIC established as an Internet-based facility to provide the most efficient means of gathering, collating, and disseminating this information.
OECD PAPER

Submitted by: OECD

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
REPORT ON OECD ACTIVITIES WITH RESPECT TO SOCIAL SAFETY NETS IN THE APEC REGION

1. This report on OECD activities with respect to social safety nets in the APEC region is in two parts: activities in OECD member countries, and activities in non-member countries.

Activities in OECD member countries

1. Making Work Pay

1. The 2002 edition of *Benefits and Incentives* addresses three new issues. First, it draws on the OECD work on 'family-friendly social policies' in order to incorporate information on the value of certain services such as childcare which help families to reconcile work and family life. Second, it includes more realistic modelling of the interaction of taxes and benefits on work incentives for the low paid, drawing on ongoing work undertaken with panel data sets. Third, a more extensive summary of policies designed to support in-work incomes is included. This covers incentives given to employers, as well as income-supplements to employees.

2. The 2003 edition will look intensively at policies to make work pay, which are a major component of employment-oriented social policy. In order to assess the effectiveness of such policies, the structure of the tax and benefit system will be examined in an in-depth manner, using tax/benefit models which exist for nearly all OECD countries. These models will now be produced on an annual basis. The returns to work for groups which are a particular target for policy (e.g. families with children, lone parents) will be further examined, as will particular policies (policies to 'Make Work Pay', etc).

3. Accompanying further work will look at the coverage of social benefits in order to identify gaps in social provision and the role of
employer-provided benefits. The outcomes of 'welfare reforms' which took place in several countries from the late 1990s onwards will be assessed, to see whether the re-balancing of rights, responsibilities and opportunities can increase inclusion of the most deprived members of society.

2. Family-Friendly Social Policies

4. The OECD Jobs Study concluded that greater labour force participation -- both in couple and sole-parent families -- was the main correlate of higher per capita incomes and lower poverty. However, this goal can only be pursued if the issue of reconciling work and family responsibilities is addressed. This will be done through continuing reviews of national policies. The appropriate design of childcare policies, the role of paid parental leave, and the structure of family benefits and tax allowances are key topics. The type and extent of labour force participation expected of lone parents in receipt of income support is also an issue. Following a review of Australia, the Netherlands and Denmark in 2002 (to be published in October 2002 under the title Babies and Bosses: Reconciling Work and Family life), reviews of Japan, Ireland and Austria will be finalised in 2003. Reviews of Switzerland and (it is hoped) at least two other countries will be conducted in 2003 and finalised in 2004. These reviews will draw on a study (to be commissioned during 2002) on the consequences of social policies for child development.

3. Transforming Disability into Ability

5. This project explored the relationship between employment-oriented and compensatory elements of policy for disabled people on working age. The results suggest that economic integration is primarily a function of labour market integration, that the majority of people considering themselves as disabled do not receive disability benefits (while not considering oneself as disabled does not prevent people from receiving disability benefits), and that for disabled people over age 50
(early) retirements benefits are in many countries as important a source of income as are disability benefits. The report with the above title will be published in November 2002. It is based on data from 9 OECD Member countries, including Australia, the USA, Canada, Korea and Mexico from the APEC region. A follow-up conference to discuss the findings will be held in Vienna, Austria, in March 2003.

4. The Welfare Implications of Social Protection Systems

Existing social protection systems in OECD countries have been broadly successful in balancing the desire for income protection and low rates of poverty with the willingness of the voting population to pay the necessary taxes and social contributions. But the systems are faced with a number of critical challenges, such as ageing, increasing individualisation, and widening of the underlying income distribution, which affect both intra- and inter-generational equity. OECD work has shown that a substantial minority of countries have managed to maintain the distribution of income and the rate of poverty relatively constant by requiring the tax and benefit system to do more work. Either systems have become more targeted on low-income groups or the absolute amount of transfers have increased in size, or both. Current systems of social protection will have to adapt in the light of the above challenges in order to continue to achieve income security and low rates of poverty at an acceptable cost. The project will explore which options policy makers have available to them to ensure that the various goals of social protection continue to be achieved. Some of these options may involve changes within particular programmes, others relate to how the different social programmes interact with one another.

5. Social Aspects of Sustainable Development

In 2001, the Ministerial Council discussed the OECD report on Policies to Enhance Sustainable Development. In its Communiqué, the Council noted that “The three dimensions of sustainable development
-- enhancing economic growth, promoting human and social
development, and protecting the environment -- are interdependent
objectives...” In this light, the Council requested the Secretariat to:

- analyse further the social aspects of sustainable development,
  including work on human and social capital, as well as their
  interaction with their economic and environmental dimensions;
  providing guidance for achieving improved economic,
  environmental and social policy coherence and integration.

8. This work rests on the recognition that social security and social
welfare systems are major assets of OECD societies and will focus on
assessing their sustainability. It will concentrate on social problems
exhibiting features of persistence and potential irreversibility, as well as
on the interactions with other dimensions of sustainable development.

6. OECD Health Project

9. The OECD Health Project which commenced in 2001 addresses the
following four issues:

(i) improving the measurement of system performance;
(ii) explaining variations in performance:
    - micro efficiency of resource use,
    - private health insurance,
    - emerging technologies;
(iii) essential ameliorative care;
(iv) overall system assessment.

10. The project will culminate in a report to the OECD Ministerial
Council in 2004.
7. Ageing-Related Diseases

11. The performance of health care systems is dependent on the way in which national systems use the resources and knowledge available to them. To understand this process better, this project examines in detail the cost-effectiveness of treatment processes for particular disease conditions (ischemic heart disease, stroke, breast cancer) associated with ageing, paying particular attention to the influence of national institutional arrangements. Work on these three disease conditions was finalised in 2002, and a workshop was held in June 2002 to present the findings. This project was fully funded by contributions from agencies in APEC countries: the US National Institute on Aging and the Japanese Ministry of Health and Welfare, and by resources invested in the analysis by participating countries.

Activities in non-member countries

ACTIVITES IN NON-MEMBER COUNTRIES

1. Programme for Emerging Asian Economies

Income Security and Social Protection in South-East Asia

Objectives: To continue to advance policy debate and analysis on the development of appropriate social protection programmes and policies to deal with the region's social needs, in order to support economic recovery and long-term social development. A further objective is to share expertise in social-policy analysis with developing countries in the region.

Description: A workshop held jointly with the Development Centre in Paris on 9-10 April 2001 provided an in-depth assessment of safety net and broader social protection issues in Asia in the light of country experiences and policy-oriented work conducted by the OECD and other international organisations involved in this area.
Publication: Towards Asia's Sustainable Development: The Role of Social Protection

The Asian financial crisis and its social aftermath triggered a fundamental reappraisal of the role of social protection in Asia. Existing social protection programmes in many Asian countries were found to be insufficient and not well designed. It is now widely agreed that considerable effort is required to set up and further develop appropriate social protection mechanisms in the region. This book provides the proceedings of two meetings organised by the OECD to discuss the issue of developing social protection. It brings together perspectives of experts from Indonesia, Malaysia, the Philippines and Thailand, as well as contributions from Korea and Australia, plus the views of the Asian Development Bank, the International Labour Organisation and the World Bank. The book focuses on practical ways of developing programmes that can contribute positively to Asian social development. This book was edited by Peter Whiteford.

2. China Programme

Improving Governance in China's Social and Labour Market Policies

Background: The accession of China into the WTO constituted an important step in its continuing transition towards a market economy. The challenges of this accession have been examined in the OECD study, "China in the World Economy: The Domestic Policy Challenges" (2002), and, in particular, its labour market and social policy implications are addressed in Chapter 16 of that Report.

The current trends of uneven development, rising urban poverty and unemployment, and increasing rural-urban
disparities emphasises the need for enhancement of the management of labour market and social protection programs within the framework of a modern administration, which can answer the needs and requirements of its population. Thus, future OECD work on labour market and social policies in China aims to build on the foundations of this past work within the framework of a program of activities related to the issue of governance and administrative capacity.

Despite two decades of reform, responsibility for the organisation of the Chinese social protection system remains extremely diffuse. Two main government bodies share responsibility for social protection: the Ministry of Labour and Social Security (MOLSS), which since 1997-98 has been responsible for Social Security, and the Ministry for Civil Affairs (MOCA), which has responsibility for the system of social assistance and the guaranteed minimum income (zuidi shenghuo baozhang). At the same time, the system involves vertical and horizontal duplication and administrative and territorial divisions, which results in a complex system of delegation and sharing of roles and attributions with multiple agencies. The above mentioned ministries must also share their decisions with the State Council, the State Development Planning Commission (SDPC), the Ministry of Finance, the Ministry of Agriculture, and the Ministry for Education.

In developing new policies and strategies to more effectively provide social protection, it is clear that a fundamental question concerns the coherent and effective distribution of competencies, resources and roles between the institutions involved in social policy.
Social Policy and Labour Market Reform in China: Income inequality in China

Objectives: Rapid economic growth in China has been accompanied by increasing income gaps. Addressing this issue in a market-oriented framework is important to the sustainability of reform in China.

Description: This project will continue and extend the work on labour market and social policies that the Non-Member Economies and International Migration Division has undertaken as part of the OECD horizontal project on the implications of trade and investment liberalisation for China.

The focus of the project will be on identifying the factors that have led to these adverse trends and assessing policy responses that can effectively offset increasing inequality. The project will encompass a number of policy areas, including institutional reforms to promote more efficient labour-market performance, programmes to improve revenue-raising and revenue-sharing across provinces, and the role of social protection programmes in alleviating adverse income trends.

The State Development Planning Commission of China (SDPC) is interested in a number of types of income gaps to be covered by the study, including between provinces and by rural/urban residence. It has also expressed interest in a comparative study of these income gaps within OECD countries. The Chinese authorities will therefore undertake a study of these issues within China, and the OECD will analyse results for OECD countries, and prepare a comparative assessment.
3. Programme for Emerging South American Economies

Insurance and Private Pension Reform

Objectives: To promote the development of a modern, sound and open private pension and insurance sector, and an adequate regulatory and supervisory framework, focusing in particular on the opportunities offered by the new Latin American systems for diversification of retirement risks.

Description: Most Latin American governments have embarked on a process of reform of their public pension systems. This process has involved, without exception, the introduction of mandatory private pension systems, similar to developments in most OECD countries. A Pensions Conference will bring together both policy-makers and major industry players to compare the performance of their respective private pension systems in terms of coverage, adequacy and security. It will also assess how the interaction between private pension and capital market developments can help foster a savings culture, and enhance opportunities for the diversification of retirement risks. The conference will be organised jointly with the Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones (AIOS) during their annual conference in the last quarter of 2002. The Third Conference on insurance regulation and supervision will discuss major issues related to the development of an adequate regulatory framework for Latin American insurance markets and their role in personal private pensions plans.
WORLD BANK PAPER

Submitted by: World Bank

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
WB’s involvement in SSNs and, more broadly, SP relatively recent

- Earliest focus of the Bank, when doors opened after WWII, on infrastructure and hardware
- Very little attention to the social sectors, or to issues of poverty and income distribution, during the Bank’s first 20 years
- 1st education loan, 1963
- Health added to Bank’s sectoral roster 10-15 years later
- Government investments in health and education can be seen as a form of SP, especially if targeted at the poor, since human capital raises individual productivity and adaptability
- But the Bank’s earliest education and health projects also focused largely on hardware—on bricks and mortar
- Only gradually did the Bank’s social sector projects begin to address some of the “softer” aspects of human development

- Advent of structural adjustment in the 1980s provided an impetus for the Bank’s movement into issues of SP
- Worries about the “social costs of adjustment”
- SSN components incorporated into adjustment programs to protect the poor and vulnerable
- But the Bank’s real focus then was on macroeconomic stabilization and structural reform
- SP almost an after-thought
- Perhaps in these early years, the inclusion of SP components had as much to do with public relations (protecting the bank’s reputation) as it did with strong equity and efficiency arguments for SP

- Perceptions inside the Bank would change, however, during the 1990’s, for several reasons
  - 1990 WDR on poverty a milestone
  - It re-defined the Bank’s mission
- Poverty alleviation and poverty reduction replaced economic growth as the Bank’s number-one goal for developing countries that borrowed from the Bank.

- Of course, there are strong efficiency arguments as well for the development of robust SP systems, and these did not escape the Bank’s economists.

- SP and safety nets allow individuals the comfort level to take on risks—a key ingredient of economic growth.

- Early 1990s also marked the break up of the Soviet Empire and the end of the “cradle-to-grave” social security schemes in Eastern and Central Europe.

- More than anything else, these events focused the Bank’s attention on SP issues.

- Then came the global financial crisis that hit East Asia in 1997, followed by other parts of the world (Russia and Brazil).

- Large negative impact on HH welfare, about which I say more below, but countries like Indonesia and Thailand particularly, but not Korea and Malaysia as well, were faced with a situation they had not experienced during more than twenty years of rapid and uninterrupted economic growth.

- Large numbers of HH fell into poverty.

- Government’s response differed by country, but in many cases new loans (or restructured loans) from the Bank were used to finance programs of social assistance.

- Lending for SP has increased dramatically since the early 1990s.

- In 199, $3.6 billion = 13% of all new commitments.

- But significant year-to-year fluctuation.

- 2000, $890 million = 6%.

- 2001, $3.5 billion = 10%.
- 2002, $831 million = 4%
- 2003, $2.6 billion (est.) – triple 2002
- 2004, $1.2 billion (est.)

- 268 projects in SP database labeled as “SP” projects, (or in other sectors but w/ significant SP content)
  - 9 were dropped during preparation [leaving 259]
  - 129 (about half) active-of which only 15 in EAP (3 in CH; 2 each in Cambodia, Lao PDR, East Timor, Indonesia and Vietnam; and 1 each in PH and TH)
  - 106 already closed—of which only 5 in EAP (2 in Malaysia, and 1 each in KH, East Timor and Cambodia)
  - 24 in pipeline—of which 1 in EAP (PH)
- So about 8% of Bank’s projects in EAP, most of these introduced since 1997 in response to the Crisis

- Bank’s Social Protection website: www1.worldbank.org/sp/

- Obviously, SP as a sector broader than SSNs
  - Includes policies and regulations related to labor markets, child labor laws and pension systems
  - However, social risk management and safety net systems seen as indispensable in helping HHs cope w/ the adverse affects of economic downturns; sudden illness, disability, death; drought and natural disasters
- Types of SSNs
  - Cash transfers
  - In-kind transfers (feeding programs)
  - Public works and other employment programs
  - Credit-based self-employment programs
  - Social funds and related interventions
East Asia Crisis
- Extended period of export led growth 19703 on
- Asia Miracle
- Benefited poor as well as non-poor—poverty rates declined consistently
- Limited social insurance and public SNs
  - Reliance on family and informal SNs
- Limited public programs
  - some public works
  - No UE insurance (except Korea)
  - Limited pension coverage
- Focus on “investment” spending-basic health and educ. Services
- Impact of the crisis severe
  - GDP Growth
    - 1990-96: Indo. and Korea ~ 6%, Malaysia and TH ~ 7%
    - 1998: Indo-14%, TH-11%, Mal-9%, Korea-6%
  - Inflation
    - 1990-96: Indonesia 8.8%
    - 1998: Indonesia 58%, other countries increased but below double-digit
  - Poverty
    - 1996: Indonesia and TH 11%, Korea 9-10%
    - 1998: Indonesia 20%, Korea 19%, TH 13%
    - Indonesia ~ 80%
    - Malaysia ~ 88%
    - Korea and Th ~ 95%
- However no major increase in equality
  - just as poor had benefited from sustained growth, incomes of
both rich and poor fell during ec. crisis
- However, poor did fare worse in some areas, e.g. school enrollments – significant declines esp’ly in Indonesia
- Also, recent article by Martin Revallion in F&D
  - Studied three countries (Argentina, Bangladesh and India) to see how social spending has been affected as total spending fluctuates in response to business cycle fluctuations
  - Found tendancy for spending on poor to fall more than proportionately as total spending contracts
  - Without “automatic SNs” in place, it is spending on the non-poor that gets protected during periods of economic contraction
- Example of Indonesia (the hardest hit country)
- How did Govt. respond to the crisis?-4 major intervention types
  - Largest-subsidized rice sales
    - Employment creation-“labor intensive” programs set up by variety of ministries
  - Education
    - Scholarships to elementary, jr., and secondary sch. students
    - Block grants to schools
  - Targeting attempted in all of these programs, but success rather mixed
    - Coverage of bottom income quintile: ranged from below 10% in case of education scholarships to over 50% in case of subsidized rice program
    - If look at “targeting index” where 0=perfect targeting (every poor HH benefits before any richer HHs benefit) and 1=uniform coverage (non-poor as likely to benefit as poor) and >1=pro-rich
      - Education about 0.9
      - Subsidized rice about the same
      - Medical services (best) about 0.8
- How did HHs cope (in Indonesia and elsewhere in region)
  - Sensibly and systematically
  - Reduced nonessential spending – recreation, clothing, home improvements and furnishings
  - Focus on essentials
  - Change in employment patterns – additional jobs and hours; more family members working (including school-age children – big declines in education and health, but scholarship program did have an impact)
  - Migration back to rural areas
  - Reliance on informal transfers

- What WB see as key lessons?
  - Information critical
    - Routine data collection of the kind needed for geographic targeting
    - Monitoring and evaluating of programs
  - Pre-crisis planning essential
    - Cannot wait for crisis to occur
    - SSNs need to be in place
      - To the extent possible, these should kick in automatically
    - Public work programs a good example
      - Govt. employment at below-market wage rates will automatically expand during economic recessions
    - But also need cash or food transfers for those who cannot work (e.g. disabled) and for those who should not work (e.g. school-age children)
  - Response to 1997 crisis was massive and did have an effect, but many programs were slow to kick in, less well targeted than they should have been, uncoordinated across Govt. depts.
  - Role of donors
- Help Govts. put public SSNs in place during normal times, not wait for crisis to come and try to intervene at a time when resistance from the entrenched political forces likely to be greatest
- Identify where private sector responds well, so govt. can focus where most needed

- Bank instruments
- TA
- Structural adjustment loans (with measures to protect poor)
- Investment loans (e.g. social funds)
- Emergency recovery loans (in post-conflict situations)
- Research-identify what works and disseminate
Asia-Pacific Economic Cooperation

The Poor at Risk:
Surviving the Economic Crisis in Southeast Asia

Submitted by: Dr. Terry McGee, Canada

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
25-26 July 2002
Introduction
This document is a synthesis of a report, The Poor at Risk: Surviving the Economic Crisis in Southeast Asia. The report was originally carried out under the auspices of the Human Resources Development Working Group of APEC with a Canadian Academic, Terry McGee acting as the project lead with a team of researchers from Southeast Asia and Canada. The main body of report was prepared for use by officials at the Brunei 2000 Trade Ministerial and Economic Leaders meeting and is intended to provide a summary of the key findings of the report together with policy recommendations. It also situates the work within the broader context of the Asian Financial Crisis and provides some specific information on its social impacts. It has been slightly modified for the purposes of the APEC Social Safety Net Meeting to be held on July 25 and 26, 2002. The Synthesis is organized as follows:

Outline of the Project
Key Findings
Context
- Southeast Asia—Financial Crisis
- Southeast Asia—Future
Recommendations
Conclusions

The detailed report is available by contacting Terry McGee at the University of British Columbia. e-mail<tmgee@interchange.ubc.ca>

Project Outline
The project was carried out jointly with researchers from five Southeast
Asian countries (Indonesia, Malaysia, Philippines, Thailand and Vietnam). From June 1999 to September 2000, researchers investigated the social impact of the 1997-2000 financial crisis with a focus on its impact on the poor in these countries. The project involved the preparation of a report that includes a general policy review and recommendations, plus individual country chapters prepared by the Southeast Asian project participants. Project participants met for workshops held in Manila in July 1999, in Vancouver in October 1999, in Dalat, Vietnam in January 2000, and at a policy workshop attended by policy commentators from Southeast Asian countries in Bangkok in July 2000. The final report was made available in October 2000.

It should be stressed that the study focused specifically on:

1. programmes developed and delivered in response to the monetary crisis in Southeast Asia between July 1997 and July 2000 which the authors suggest should be accurately labelled as social safety net programmes.¹

2. programmes developed by government, NGO and private sector to cope with this situation.

3. recommendations on lessons learned from these programmes for incorporation in future policy development.

The study also provides exemplary case studies of responses developed by the various sectors that provide information that can inform future policy making.

**Main Findings**

Despite the great diversity of APEC societies, the study drew out common elements of the Southeast Asian experience as indicated in the following key findings:

¹ Programs that were introduced during the financial crisis in Southeast Asia to target the poor suffering asset depletion have been labeled social safety net programs, but these emergency measures should not be confused with the more formal and long-term social safety net programs that exist in many OECD countries.
Most Southeast Asian countries in the study had well-developed programmes of poverty reduction in place at the time of the onset of the financial crisis in July 1997. Most of these were long-term programmes that resulted in a decline in the numbers in poverty over the last ten years.

Most governments (particularly the most severely impacted of Indonesia and Thailand) were initially not well prepared for the severity of the impact.

The study found that the impact of the crisis was initially much more severe in urban areas where unemployment, and rising costs of living were worst for the urban poor. There were real difficulties in providing up-to-date data on the effects of the crisis. Lack of information led to reliance on unsystematic reporting that led to exaggerated reports.

The study found that governments generally developed responses that utilised existing poverty reduction programmes but later developed programmes directed at specifically targeted areas such as livelihood creation, etc.

The study found that NGO responses were valuable particularly in targeting problems such as the reduced nutritional intake among the poor (e.g. school lunch programmes in the Philippines) and reduced access to health facilities (e.g. increase in drug prices by 200-300% in Indonesia)

The study found that there was differential impact by gender. Women were more adversely affected by the crisis. For instance, in Indonesia the reduction of urban unemployment among males was associated with an increase of the numbers of women working in the informal sector.

The study found that the coping responses at the household level were the single most important contribution to alleviating the worst impact of the crisis. Household strategies were very diverse, ranging from the return of urban workers to rural areas, to creating alternative income
opportunities, to reducing household expenditure.

The study found that in general there are few government agencies that had an overall mandate for quick response in such crisis.

The study found that the short-term economic crisis is not a one-time phenomenon in the current global phase of development and that governments should plan to develop programmes and institutional responses for future crises. Models of institutional response systems exist for natural disasters that could be useful for developing effective institutional responses.

The Context

The Asian Financial Crisis

Beginning in 1997 with the collapse of the Thai baht, the Asian financial crisis was largely the result of structural problems in the financial sector and exposure to overseas portfolio investment that led to large capital outflows. The effects of the crisis were sharp contractions in the GDP of the most severely impacted Southeast Asian economies—Thailand and Indonesia—and a slowing of growth in others, reflected in falls in the value of all national currencies against the US dollar. Initial reaction to these developments focused upon both the economic dimensions and the social impact of the crisis, such as increases in poverty, unemployment, and increasing crime and threats to the social fabric of society.

Appendix 1 summarizes the major social impacts of the crisis in the five countries studied.

The Future

The Asian financial crisis was not a one shot occurrence and there is some agreement that financial crises are likely to re-occur. From 1975 to 1997, the IMF identified 158 specific country crises, 54 banking
crises and 32 instances where a country experienced a combined currency/banking crisis... Financial crises have become the rule not the exception” (Glosserman, 2000). This comment is further strengthened by the failure of international policy-makers to reform the global financial system, which means that the vulnerabilities created by the last crisis can be unleashed again. Volatility in financial markets is expected to continue.

Such continuing volatility in markets is a reminder of the need to prepare for poverty relief in the event of another shock. Advance preparation for poverty relief in the event of economic/financial crisis should be a foundation of policy formation. The overarching argument of the report is:

· most Southeast Asian countries were inadequately prepared for the challenge of poverty deepening that occurred as a consequence of the financial crisis
· advance planning is needed.

A second component of this argument is the view that policy planning for the future should be multifaceted. A review of the likely demographic trends for Southeast Asia over the next 25 years indicates that, while growth rates for the region will fall, the total population will grow by 181 million to reach 706 million in 2025. By this time, the majority (55 percent) of the population will likely be residing in urban areas and there will be much higher proportions of the population over the age of 65. Thus, Southeast Asian governments will have to be concerned with developing a major part of their social policy to deal with aging population many of whom will be living in urban areas. The more developed economies of APEC already face this policy challenge. This implies another set of budgetary demands and suggests that the role of formal sector social security programs will also become more important. But there will be an ongoing problem of developing adequate funding for this situation. This will be in addition to the broad thrust of public policy that is designed to strengthen the capacity of poor households to manage risk. Of course, it will be argued that
poverty reduction programs that stem from indirect policies and reduce poverty by increasing assets of the previously poor have a major role. Yet these rest upon macro-economic management that is not always easy to accomplish in the period of recovery when there are many other demands on government budgets. It is therefore necessary to give priority to devolving programs to the community level and to give the poor more voice, responsibility, skills and resources to cope with risk. Thus being prepared for shocks and building capacity are the twin components underlying the policy recommendations that follow.

Policy Recommendations

Recommendation One: the establishment of "quick-response social policy units" as an important component in the preparation for future shocks.

Southeast Asian governments were ill prepared for the social impact of the crisis and thus the policy lesson to be learned is the need to establish some form of social policy units concerned with short-term responses to the crisis situations. This should be an ongoing policy unit within the government that has maximum flexibility and responsibility. Ideally such units should be inter-departmental, be broadly based including representatives of the private sector, NGOs and the poor, and have the capacity to assess the social impact of the crisis. They should also be able to prioritize, recommend and in some cases implement and monitor poverty alleviation programs. They should be staffed by professionals in the field of social policy and they should be kept to small numbers of staff who have clear responsibility for the short-term social safety net programmes.

Recommendation Two: Developing More Comprehensive and Effective Definitions of Poverty

Another part of the package of shock preparation programs involves developing a working definition of poverty ("who is poor") that is
sufficiently flexible to aid the implementation of short-term programs. As the country studies show, the prevailing definition of poverty is based upon income/consumption, yet at times of rapid inflation, these measures are clearly inadequate. There are also problems in the Southeast Asian context which take into account the growing increase in the numbers of poor in cities as urbanization increases. The study showed that urban poor were the most seriously affected by the crisis. Therefore a definition of poverty must be developed which is more multi-dimensional and takes into account basic needs, thus facilitating the targeting of the most needy recipients. The adoption of such poverty definitions also enables decisions to be reached that accept the fact that long-term poverty programs are not all well adapted to the short term needs of the crisis. Hence the need to have flexible social safety net programs in place before the crisis occurs.

Recommendation Three: Developing an Effective Institutional Framework for Social Safety Net Programs

The report identified a four-fold framework of the main institutional configuration for delivering social safety net programs: government, quasi-government, NGO and community-household. The country reports indicate that these components all played some role in delivering programs to the poor during the crisis. Yet in the most severely impacted countries of Indonesia, Thailand and the Philippines, it was the household-community sector which was the major social safety institution. New programs introduced through governments often took time to develop, and were weak in targeting the poor and delivering programs. Quasi-government agencies and NGOs were often more effective. However, the funding channels to NGOs were a serious problem. For example, the Indonesian government at first required time-consuming accounting and project submission procedures for NGOs. In many cases there were bureaucratic hassles over the allocation of budget to social safety net programs. This was even more accentuated as government budgets were being cut, and the major source of funds was international agencies. Overall there was a need for
more co-ordination between these institutional sectors at the time of crisis. While several Southeast Asian governments put in place crisis committees with responsibility for broad strategic planning at the time of the crisis (e.g. SPEED in the Philippines and the National Economic Action Council in Malaysia), the social impact aspect was only one element of a focus that was broadly concerned with macro-economic responses. Once again this emphasizes the need to establish a social safety nets unit which could become an advocate, organizer and implementation agencies for the programmes for the poor.

Recommendation Four: Identifying the capital sources for social safety net programs - a social fund
• Although the crisis brought about a reduction in government income that was reflected in slashed government expenditures, the evaluation of most of the Southeast Asian countries indicates that basic needs expenditure in education and health were continued or only slightly reduced. However, the poor were adversely affected by increases in costs of pharmaceuticals and educational materials. Some of the governments of Southeast Asia, with the exception of Malaysia, were able to seek substantial loans from the IMF and the ADB for social safety net programs, which eased pressure on other parts of the budget, though again the release of funds was slow and not always effective. We argue that this process would have been greatly strengthened if some form of social fund had been created, as occurred in Bolivia and elsewhere. In this respect, the experience of several Latin American countries is worth considering. Faced with the exacerbation of poverty as a consequence of the conditions of structural adjustment in the 1980s, a number of countries, often acting with the support on international funding agencies, set up special funds designed to mobilize resources and provide benefits for the poor. They provide financial backing for infrastructure (generally labour intensive make-work schemes) for production, trade and service activities in micro- and small enterprises, co-operatives and other form of work associations.
• There is considerable variation in the scope, budget and operational
procedures of social insurance funds (SIFs). However, most exhibit the following characteristics:

1. they all seek to improve the well-being of the poor
2. they all adopt a “bottom-up” system of delivering poverty alleviation programs and assist projects at the direct request from people and organizations at the local level
3. they are established as an operating agency established independently from existing government departments
4. in most cases their projects are delivered on a project basis relying in part upon some contribution by the recipients (labour commitment)
5. the administrative unit of the social fund is kept small and made up of well qualified personnel, and often the projects are sub-contracted to the private sector

The creation of SIFs would seem to offer the opportunity, in conjunction with the newly established social impact preparedness unit, for an excellent institutional response to be put in place to counter future shocks (see McGee et al. 1999).

Recommendation Five: Targeting the Impacted Groups: Recognizing Plural Poverties

One of the greatest difficulties in developing effective social safety net programs is the multiplicity of target groups affected by shocks. With this in mind, the authors argue that a careful evaluation of the Southeast Asian examples and the exemplary practices indicates that a variety of tools are available for intervention to improve the ability to manage risk by the impacted households and groups. In preparing for the future it would certainly be prudent public policy to develop a package of programs that attempted to comprehensively cover risk management as part of the overall social policy of governments. In this respect some of the emergency preparedness programmes that exist in many countries offer organizational models that may adapted to events such as the social crisis particularly in the earlier stages of the crisis.
Recommendation Six: The Importance of Targeting Special Social Safety Net Programs for Particularly Vulnerable Groups, Including Women, the Elderly, and Children

The report emphasizes the diversity of risks to which a population can be subjected. This is particularly the case with respect to women who often have the major responsibility for managing household budgets. There is ample evidence from the country chapters that women have played a major role in responding to the economic crisis by taking extra employment (e.g. joining the petty trade sector in Indonesia, etc.) and adjusting household expenditures (so as to keep children in school). But there is also evidence that employment creation programs discriminated against women by primarily creating work opportunities for men (see AusAID 1998, cited in Chapter Two of report). The degree of vulnerability is usually greater for women, children and the elderly, for they are doubly affected by life cycle disadvantages, and limited budgets.

The implications of this situation suggest that a major policy thrust must be developed, aimed at building programs that involve women in the planning design and implementation of the social safety net programs. There is ample evidence from the case studies that the effectiveness of these programs will be improved if this recommendation were followed.

Recommendation Seven: Developing an Integrated Package of Programs

The preceding section suggested that governments must develop a social policy that provides an integrated set of programs that can effectively distinguish between short-term and long-term needs and is able to establish delivery priorities. A great deal of attention will have to be paid to delivery channels and delivery agents for these programs. This calls for careful consideration of the mix of public, private and civil society agents engaged in the programs. It is clear from the country reports that it is very difficult to establish a set of priorities in
short-term safety net programs. This process will be worked out in terms of the assessment of the manner in which the social impact of the crisis is working its way out in each individual country. Thus, in one country, priority might be given to basic needs delivery, but in another, to employment generation. There is no magic bullet that will solve the problems of all countries with a common response. This is why the authors favor the establishment of broad-based institutional capacity to respond to the crisis and a preparation of a number of responses that can be implemented if needed.

Recommendation Eight: Ongoing Monitoring and Evaluation of Programs

- More attention will have to be paid to developing effective methods of evaluation to involve greater participation on the part of the recipients of the programs. There certainly was some understanding among Southeast Asian governments of the need to include a wider representation of civil society in program monitoring. For instance, the Indonesian government’s padat karya 111 scheme had built into it a monitoring structure run by outside consultants that could be NGOs (see Haeruman, 1999). In practice, the general disorder in Indonesia did not allow these monitoring and evaluation procedures to work very well. In the aftermath of the crisis, international agencies have begun to realize the importance of monitoring and evaluation components of social policy. International agencies funded the Thai Social Monitor (1999 and 2000) and the Social Monitoring and Early Response Unit in Indonesia (SMERU) (2000) to use community-based monitoring and to develop more appropriate indicators for measurement. And in the Philippines, a community-based monitoring system was put in place in over 20,000 barangays. The Vietnamese government also attempted to use these systems through the involvement of mass organizations such as the Women’s Union, which are in place at the commune level (see World Bank, 1999). The Asian Development Bank also uses some of these approaches (see Knowles et al. 1999 and Racelis et al. 1999).

- These initiatives are primarily a response to the evidence that most
existing statistical systems are inadequate for this purpose. The lack of adequate base-line data which with to compare the pre- and post-crisis situations was an obstacle to more effective intervention. The example of the Indonesia Family Life Survey conducted by Rand (see Frankenberg et al. 1999) provided an excellent baseline for comparison with the post-crisis context. The Biro Pusat Statistik 100-village survey (see Adep et al. 2000) also offered this longitudinal capacity. Establishment of baseline data for rapid crisis evaluation and poverty monitoring is thus an important recommendation. These base-line studies need not necessarily be part of the long-term poverty reduction programs, but should be designed to quickly provide relevant longitudinal information in a crisis situation.

Recommendation Nine: The Evaluation of Poverty Programs/ Developing an Exit Strategy

- In line with the earlier recommendations, the authors suggest that capacity to undertake the evaluation of programs must be built into the monitoring program. Participation of the poor should be a priority in the evaluation process. This process should be used to identify existing strategies that can be drawn upon to restructure social safety net programs and replace them with broader, longer-term social protection programs. There also should be plans for an exit strategy that involve a reduction in short term social safety net programmes as the affects of the crisis are reduced. Ideally this exit strategy should be tied to these short -term programmes being replaced by long-term social policy programmes that are aimed at long term poverty reduction.

Recommendation Ten: The Use of Exemplary Case Studies

- There is a clear need to build a collection of case studies of the practices that were successfully used by a variety of delivery agents: government, quasi-government, NGO and community-household. While there are already many of these examples cited extensively in the policy literature, (for example, the Grameen Bank), the team’s sense is that these examples need to be more carefully evaluated in the context
of the particular society of which they are a part, and continually reassessed as a basis for potential reiteration in other settings. There is a general lack of information accessible to governments dealing with coping responses at times of crises. Therefore, the authors suggest setting up an on-line database of these case studies, the management and updating of which could be the responsibility of a regional organization such as APEC. There is also an important role for building capacity by bringing trainers from exemplary programs to train other NGOs in their practices. There is also a need to develop training programmes for strategic planners in the field of social policy.

Conclusion – Incorporating Risk Management into Social Policy

The report suggests that Southeast Asian countries are on the road to recovery, albeit unevenly. The evidence since 2000 suggests that while many Southeast Asian countries have shown positive signs of economic growth the ongoing slowdown in the global economy is continually to adversely affect the region and the numbers in poverty are still very significant. The central question of the report still remains two years later: how can the lessons learned from the experience of the crisis be best used to provide inputs into social policy formation within an enabling economic environment? One thing has become clearer: there is now much greater public policy concern with social policy in the broadest sense. The crisis has sharpened government perceptions of the social dimensions of economic growth and globalization. These perceptions can be broadly classified into three categories.

First, a growing concern with equity issues. It is now realized that economic growth does not necessarily lead to a reduction in inequalities in income between the rich and the poor, women and men, and in the provision of housing, education and health, even if there is marked reduction in total numbers in poverty. The fact that this situation of inequity can provide the underlying motivation for social and political disorder if a triggering mechanism such as the financial crisis comes into play is no less important.
Secondly, there is recognition that social policy must be given greater emphasis in the development plans for the future. Thus there is a growing recognition among Southeast Asian governments that recovery involves not only getting their economic management on track; it also means that social policy has to be more centrally embedded in general development strategies. This fact is reinforced by the new policy thrusts within the international agencies, which are emphasizing concepts crucial to successful human development, such as decentralization, empowerment, community participation and the role of social capital. Terms such as "putting the people first" which have been part of the participatory rhetoric developed by Robert Chambers for over a decade are now becoming part of government discourse. Macro-economic policy is now recognized as having social outcomes that may reduce the effectiveness of these policies.

Thirdly, governments now perceive the need to prepare for the social consequences of future shocks.

The policy trick will be how to combine the lessons learned from the crisis and the new ‘thinking’ in the period of recovery. This will have to be tackled at all levels of management. At the macro level, the lessons of Southeast Asia along with other parts of the world indicate that neither the largely deregulated model (NZ) nor the levelers’ model (USSR) of social policy programs has worked. The third path is to restructure these models so that governments can continue the tasks of developing economically while at the same time developing social policies that can alleviate some of problems of the poor who remain marginalized in this process. The conclusions of this report indicate that an important part of this third path is the need to revise the institutional basis of poverty reduction, poverty measurement and risk avoidance for the poorer populations in these countries.

These initiatives should be part of a broad exercise of incorporating social policy into wider development planning. The state should be involved in the creation of new institutions that could be administered by NGOs, which are in turn responsible for building and operating
these new initiatives. The private/business sector would also have a role to play—for example, in pension funds and in insurance schemes for workers in the formal sector, which should grow in numbers as recovery occurs. It may not be unreasonable to seek greater support from employers for more comprehensive unemployment benefits in the developing countries of Southeast Asia. There should be a devolution of responsibility to the community-based and household sector enabling them to be more involved in the programs. International agencies are still struggling with how this might be done most effectively, and are deeply involved given their important role in providing loans for these initiatives.

With respect to the focus of this report, avoiding poverty thickening at a time of crisis, our most concrete recommendation is to establish some form of institution that will take overall responsibility for building capacity to avoid the worst social impacts in the event of future crises. One aspect of this could be building a regional framework to act as a coordinating and disseminating centre for information that could be accessed at the individual economy level. It is our judgement based on this comparative study carried out in Southeast Asia that there is much policy value to be gained by the comparison of the experience of these countries and an ongoing exchange of information. Initiatives within the APEC association over the last two years are moving in this direction. This could form part of a new institutional architecture for regional cooperation in the field of social policy able to realistically facilitate the APEC member economies ability to ride the storms of globalization with minimal social costs and disruption.

References


## Appendix 1

### Social Impact of the Economic Crisis

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<tr>
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<th>Thailand</th>
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<tbody>
<tr>
<td>Main crisis indicators</td>
<td>Average real GDP fell 1.8% in 1997 and 10% in 1998</td>
<td>GDP growth rate fell from plus 4.9% in 1997 to minus 13.7% in 1998. Inflation reached 78% in 1998. Basic food prices rose sharply.</td>
<td>Real GDP which rose 5.2% in 1997 fell by 0.50% in 1998.</td>
<td>GDP growth fell from 8.8% in 1997 to 5.8% in 1998.</td>
<td>Target GDP growth 1996-2000 was 8% but fell to 3.0% p.a. in 1996-1999.</td>
</tr>
<tr>
<td>Poverty and inequality</td>
<td>Number in poverty grew by more than 1 million 1996-1999. Gini coefficient</td>
<td>Overall poverty rate increased from 11% to 19.9% between 1997 and 1998, and to 24% in 1999.</td>
<td>Incidence of self-reported poverty increased from 40% in 1998 to 43% in 1999.</td>
<td>Poverty incidence fell from 30% in 1992 to 15.7% in 1998. Overall poverty decreased.</td>
<td>Between 1998 and 1999 increase in percent in poverty from...</td>
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<td>Labour markets</td>
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<td>rose by 47.7 in 1996 to 48.1 in 1998</td>
<td>-</td>
<td>Unemployment rose from 5.1% in Feb. 1997 to 14.8% in 1998</td>
<td>Unemployment rose 10.4% to 13.3% between second quarter of 1997 and second quarter of 1998</td>
<td>Unemployment in cities rose from 5.885 in 1996 to 7.46% in 1999, and in rural areas from 26.6% to 30% in the same period</td>
<td>Most of new poor were in urban areas</td>
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<td>Unemployment rate rose from 5.4% to 8.5% between Feb. 1997 and Feb. 1998</td>
<td>Agriculture experienced major increase in employment by 5 million</td>
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<td>-</td>
<td>Effects of recession cause layoffs in construction industry, etc. Special effect on Indonesian contract labour</td>
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<td>Social Spending</td>
<td>In 1999 budgetary allocations included 11% cut</td>
<td>Real 1998-1999 allocations for education were the</td>
<td>Spending on social services fell to 3% of government sectoral</td>
<td>In 1998 budget for social expenditures increased in real terms</td>
<td>Smaller cuts to Ministry of Health, and rural</td>
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<td>by Ministry of Education, 14.6% cut by Ministry of Public Health, 15.4% cut by Ministry of Labour and Social Welfare Budget for education cut by 15% in 1998 Real government expenditure for health increased by 11% between 1997 and 1998</td>
<td>same as 1996-1997 Real basic education budget increased by 55% between 1996-97 and 1998-99 (mainly for 'Stay at School Scholarships and school block grants) Real allocations to secondary education fell 42% and to higher education 26%</td>
<td>spending in 1998, down from 4.1% in 1998 Spending on health services fell from 2.9% to 2.4% of budget Budget allocations to primary education were reduced to 58.9% of the education budget in the same period Expenditures for secondary &amp; higher education increased slightly</td>
<td>but fell as a proportion development of total budget A major investment in HEPR after 1998, with significant foreign donor contribution</td>
<td>development &amp; agriculture Additional funds allocated for poverty alleviation despite overall decrease of budget by 2%</td>
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<td>Country</td>
<td>Health</td>
<td>Education</td>
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<tr>
<td>Thailand</td>
<td>Public health and education services expanded during the crisis although this may have masked the unequal access by the poor</td>
<td>Total enrollment ratio rose from 74.8% in 1997-98 to 75.5% in 1998-99 Dropouts as a</td>
<td>Reports of increasing malnutrition</td>
<td>Little evidence of change in health of the population</td>
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<td>Indonesia</td>
<td>Drug prices rose between 200% and 300% between Nov. 1997 and Mar. 1998 Most indicators of child nutrition status remained the same although anemia and vitamin A deficiency increased in children under 5</td>
<td>Considerable rise in proportion of school age children dropping out, particularly in 13-19 age group; 6.4% rise in rural areas and</td>
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<td>Philippines</td>
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<td>Secondary school registration slowed from 2.6% increase between 1993-94 and 1997-98 to 0.9% in 1998-99</td>
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<td>Vietnam</td>
<td>Introduction of socialization of education and health programs which were essentially the introduction of user fees Public expenditures on health fell in both real and nominal terms in 1998.</td>
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<td>Malaysia</td>
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<td>Education expenditures increased in real terms.</td>
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<td>Country</td>
<td>Regional impact</td>
<td>Other indicators</td>
<td>NGOs report</td>
<td>Increase in violence</td>
<td>Child prostitution</td>
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<td>Child prostitution</td>
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</tbody>
</table>

- Thailand: Percent of school-age population rose from 5.5% in 1997-98 to 6.7% in 1998-99.
- Indonesia: The poorest quartile of families experienced the greatest incidence of drop-outs. NGOs report an increase in child prostitution, child labour and child begging.
- Philippines: No data provided in report.
- Malaysia: No data provided in report.

Although crisis began in Bangkok, the social impact was felt primarily in urban areas because of the collapse.
<table>
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<tr>
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<tr>
<td>Impact transmitted to rural areas through return of temporary migrants. Worst hit was the NE where per capita real income fell 32.4% in first quarter of 1998. Major impact in Bangkok where per capita income fell by 8.1%.</td>
<td>Evidence of unemployed women increase participation in</td>
<td>Women take on major roles in adapting to the slowdown in economy caused increase in open unemployment. Rural unemployment continued to increase because of rapid rate of increase of labour force and no employment in formal sector.</td>
<td>Concerns about unemployed</td>
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</tbody>
</table>

**Effect on women**

- Evidence of unemployed
- Women increase participation in
- Women take on major roles in adapting to the
- Women increase participation in

**Role in rural areas**

- Women increase participation in
- Women take on major roles in adapting to the
- Evidence of unemployed
- Role in rural areas because of El Niño

**Impact**

- Worst hit was the NE where per capita real income fell 32.4% in first quarter of 1998.
- Major impact in Bangkok where per capita income fell by 8.1%.

**Evidence of unemployed**

- Indonesia
- Philippines
- Vietnam
- Malaysia

**Role in rural areas because of El Niño**

- Impact transmitted to rural areas through return of temporary migrants. Worst hit was the NE where per capita real income fell 32.4% in first quarter of 1998. Major impact in Bangkok where per capita income fell by 8.1%.

**Adapting to the slowdown in economy**

- Evidence of unemployed
- Women increase participation in
- Women take on major roles in adapting to the slowdown in economy caused increase in open unemployment. Rural unemployment continued to increase because of rapid rate of increase of labour force and no employment in formal sector.

**Concerns about unemployed**

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- Women increase participation in
- Women take on major roles in adapting to the slowdown in economy caused increase in open unemployment. Rural unemployment continued to increase because of rapid rate of increase of labour force and no employment in formal sector.
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<td>women entering the urban informal sector</td>
<td>agriculture and trade</td>
<td>crisis</td>
<td>informal sector</td>
<td>factory workers</td>
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Return of women to rural areas

AGENDA

APEC Social Safety Net
International Meeting

This is an annotated agenda of the APEC Social Safety Net International Meeting to be held on July 25th and 26th, 2002 in Seoul, Republic of Korea.
APEC Social Safety Net International Meeting
July 25-26, 2002 Seoul, Republic of Korea

Annotated Agenda

Opening of the Meeting

The opening of the APEC Social Safety Net International Meeting will be addressed by a senior official from the Republic of Korea. It will also be addressed by Co-Chairs from the Republic of Korea and the Kingdom of Thailand.

Session I
Each Member Economy's Current Social Safety Net Status, Problems, and Limitations

Member economies will have presentations its current social safety net programs in each member economy. Member economies will also present its experiences in supporting and implementing the social safety net programs for APEC developing member economies.

Session II
International Perspectives of Social Safety Net Activities in the Asia-Pacific Region

APEC Secretariat will present social safety net activities in the Asia-Pacific Region with a focus on the implementation by various working groups within APEC processes. This session will also examine international organizations' social safety net strengthening activities thus far.

Session III
Stocktaking and Lessons from the Practices of Social Safety Nets

This session will draw some common lessons from the
experiences with the social safety nets in APEC member economies. It will also discuss which practices of advanced member economies and international organizations in social safety nets may provide significant ideas for APEC member economies to overcome limitations on implementing their social safety net programs.

Session IV
Future Activities for
Strengthening Social Safety Nets in APEC

This session will provide future directions for strengthening social safety nets in APEC economies. This session will also discuss the broader issues of cooperation among APEC member economies to strengthen social safety nets in APEC economies and will hopefully formulate a matrix of proposed activities and involved agencies. Then, it will address issues related to activities of the APEC Social Safety Net Capacity Building Network (APEC SSN CBN) with its Head Institution and Lead Institutions to strengthen the social safety net activities in APEC.

Closing of the Meeting

The closing of the Meeting will be addressed by a senior government from the Kingdom of Thailand. It will also be addressed by Co-Chairs from the Republic of Korea and the Kingdom of Thailand.
This is a program of the APEC Social Safety Net International Meeting to be held on July 25th and 26th, 2002 in Seoul, Republic of Korea.
APEC Social Safety Net
International Meeting

Date:
Thursday, July 25, and Friday, July 26, 2002

Venue:
JW Marriott Hotel Seoul
Seoul, Republic of Korea

Host Economies:
Republic of Korea and Kingdom of Thailand

Host Organization:
Ministry of Health and Welfare (MOHW) and
Korea Institute for Health and Social Affairs (KIHASA),
Republic of Korea
**Wednesday, July 24**

18:00-19:00  Registration
19:00-20:30  Working Dinner (hosted by the KIHASA)

**Thursday, July 25**

8:30-9:00  Registration
9:00-9:15  Opening of the Meeting

**9:15-12:00  Session I**
*Each Member Economy's Current Social Safety Net Status, Problems and Limitations*

*(10:45-11:00  Coffee Break)*

12:00-13:30  Luncheon (hosted by the Kingdom of Thailand)

**13:30-14:45  Session I – Continued**

*(14:45 –15:00  Coffee Break)*

**15:00-17:00  Session II**
*International Perspectives of Social Safety Net Activities in the Asia-Pacific Region*

18:30-20:00  Welcoming Dinner (hosted by the Republic of Korea)
Friday, July 26

9:00-12:00  Session III
Stocktaking & Lessons from the Practices of Social Safety Nets

(11:00-11:15  Coffee Break)
12:00-13:30  Luncheon (hosted by the Republic of Korea)

13:30-15:00  Session IV
Future Activities for Strengthening Social Safety Nets in APEC

(15:00-15:15  Coffee Break)
15:15-16:40  Session IV – Continued

16:40-17:00  Closing of the Meeting
<APPENDIX 3> PREPARATORY MEETING

Preparatory Meeting
for An International Meeting of Experts on Social Safety Nets
between 25-26 July 2002 in Seoul, Republic of Korea

Ministry of Foreign Affairs
Sri Ayudhaya Road, Bangkok, Thailand
27 June 2002
09.30-12.00 hrs

Draft Agenda

1. Welcoming remarks and introduction of participants
2. Progress of the preparation by Korea and Thailand
3. Arrangements for the Actual Meeting on 25-26 July 2002
   a) Logistics (including any cost sharing issues)
      - Accommodation Reservation
      - Venue Arrangement
      - Luncheon for participants
      - Invitation of international experts
      - Local Transportation
      - Registration
   b) Substantive part
      - Preparation of papers to be presented in the meeting
      - Arrangement of speakers/moderators
      - Arrangement of report/minute of the meeting
      - Nomination of Co-chairs for the International Meeting
      - Presentation of each speaker
      - Status of International Organizations in the International Meeting
      - Arrangement of presentations by representatives from International Organizations
   c) Other coordination issues
4. Conclusions
List of Participants

Korean participants
1. Mr. Ik-Hee Han, Deputy Director of Welfare Policy Division, Ministry of Health and Welfare
2. Mr. Chan Buom Lee, Deputy Director of Regional Division, Ministry of Foreign Affairs and Trade
3. Dr. Chanyong Park, Director, ISACO, Korea Institute for Health and Social Affairs (KIHASA)
4. Ms Jae Youn Woo, International Project Coordinator, ISACO, KIHASA
5. Mr. Young Sik Park, First Secretary, Embassy of Korea, Bangkok

Thai participants
1. Mr. Pradap Pibulsonggram, Director-General, Department of Economic Affairs, Ministry of Foreign Affairs.
2. Mr. Chirachai Punkrasin, Director, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs.
3. Mr. Soonthorn Chaiyindeepum, Counsellor, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs.
4. Mr. Theeratep Promvongsanon, Counsellor, Social, Cultural and Information Division, Department of ASEAN Affairs, Ministry of Foreign Affairs.
5. Ms. Urasa Mongkolnavin, First Secretary, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs.
6. Mr. Kovit Burapathanin, Director of International Affairs Division, Office of the Permanent Secretary for Ministry of Labour and Social Welfare.

APEC Secretariat

1. Ms. Siti N. Mauludiah, Director (Program), APEC Secretariat, Singapore
Summary Conclusions of the
Preparatory Meeting for An International Meeting of Experts
on Social Safety Nets
between 25-26 July 2002 in Seoul, Republic of Korea
Ministry of Foreign Affairs, Bangkok, Thailand
27 June 2002 at 09.30-12.30 hrs.

1. The Preparatory Meeting for An International Meeting of Experts on Social Safety Nets between 25-26 July 2002 in Seoul, Republic of Korea, was held at the Ministry of Foreign Affairs of Thailand in Bangkok on 27 June 2002. The Meeting was chaired by Mr. Pradap Pibulsonggram, Director-General of the Department of Economic Affairs, Ministry of Foreign Affairs of Thailand. The Korean delegation was led by Dr. Chanyong Park, Director of ISACO, KIHASA. Also present at the Meeting were the representative from the Korean Embassy in Bangkok, officials from the Ministry of Labour and Social Welfare of Thailand and Ministry of Foreign Affairs of Thailand. Ms. Siti N. Mauludiah represented the APEC Secretariat in the Meeting. List of participants is attached as Annex.

2. The Korean delegation briefed the Meeting on the progress of the preparation for the said International Meeting of Experts on Social Safety Nets. Details covered the draft program of the Meeting, registration, accommodation reservation, luncheon for participants, and local transportation, which were outlined in the Administrative Circular of the Meeting. The International Meeting shall take place at Meeting Room No. 2 of the J.W. Marriott Hotel in Seoul, Korea. The Meeting also took note that, at present, Thailand, Korea, Australia, Indonesia, Chinese Taipei and the USA have already confirmed their participation in the Meeting. The total number of participants was estimated around 50-60 persons.

3. The Thai side informed the Meeting that delegation from Thailand would include senior officials from the Ministry of Labour and Social Welfare which shall be the lead institution of Thailand in SSN CBN; representatives from the Ministry of Foreign Affairs, and Mr. Paiboon Watanasiritham, former Co-Chair of the Ad hoc Task Force on Social Safety Nets. The Thai side also confirmed the luncheon on 25 July 2002 to be hosted by Thailand. In this regard,
KIHASA will closely liaise with the Royal Thai Embassy in Seoul on the final arrangements.

4. Regarding the pending matter on SOM's approval for the invitation of international organizations – ADB, ADBI, IADB, ICFTU/APLN, UNDP and the World Bank, to attend the International Meeting, Ms. Siti Mauludiah informed the Meeting that there has only been objection to the ICFTU.

5. The Meeting then discussed and exchanged views on the draft program and substantive arrangements of the said International Meeting and agreed on the followings:-

5.1 Objectives of the Meeting
- To come up with policy recommendations that would help developing economies to be better prepared for social impacts arising from structural change in their economies brought on by globalization and progress towards the Bogor goals of trade and investment liberalization.

- To identify potential areas where donor economies and multinational lending agencies (i.e. ADB, IADB, World Bank) can effectively assist developing economies in building necessary capacity that will help strengthen the ability of developing economies to achieve APEC's overriding goals, especially in the Ecotech areas.

- To give new ideas and suggestions for strengthening SSN activities in APEC, including the launching of the Social Safety Nets Capacity Building Network (SSN-CBN) as had been approved by the 13th APEC Ministerial Meeting in October 2001.

5.1 Format of the Meeting
- The Meeting shall be co-chaired by Thailand and Korea. Both sides will decide on the appropriate persons to be the Co-Chairs.

- Assistant Minister of Health and Social Welfare of Korea will deliver a welcoming remark at the beginning of the Meeting on 25 July, while a farewell remark will be delivered by Head of the Thai delegation at the end of the Meeting on 26 July.
Following the welcoming remark by Assistant Minister of Health and Social Welfare of Korea, there shall be a brief ceremony to officially launch SSN-CBN by the Assistant Minister of Korea.

It is suggested that the Meeting be arranged in round-table format, with a standing podium behind the panel of Co-Chairs and speakers.

5.2 Agenda of the Meeting

- Day 1: Overview of Each Member’s Current Social Safety Nets Status, Problems and Limitations, presented by volunteered representatives from developing and developed member economies including Thailand and Korea.

: Stocktaking of Social Safety Nets Activities in APEC, presented by Ms. Siti Mauludiah with focus on the implementation thus far by various working groups/fora within APEC process.

- Day 2: Lessons from Practices of Social Safety Nets Strengthening Activities, presented by invited experts and representatives from participating international organisations.

: Future Activities for Strengthening Social Safety Nets in APEC, which shall serve as a brainstorming session among all participants. In order to facilitate fruitful discussion, a matrix of proposed activities and the agencies involved shall be prepared by Korea.

- A press conference will be held after the Meeting.

5.3 Other suggestions

- To ensure the successful outcome of the Meeting with substantive deliverables, the Thai side proposed the dinner on 24 July be arranged as a “working dinner”, with a meeting of small core group prior to the dinner.

- Apart from the international organizations in point 4, the meeting agreed that additional organizations such as ILO, ESCAP, UNCTAD and ASEAN Secretariat should also be invited to shed lights on SSN in a regional and global picture.

- SOM Chair will be requested to issue a letter to encourage member economies to give support to the International Meeting by sending their representatives to attend the Meeting.
Thailand and Korea will jointly instruct their diplomatic missions in APEC to inform the host government of this event and call for support and possible representation in the meeting.

**List of Participants**

**Korean participants**

1. Dr. Chanyong Park, Director, ISACO, Korea Institute for Health and Social Affairs (KIHASA)
2. Ms Jae Youn Woo, International Project Coordinator, ISACO, KIHASA
3. Mr. Young Sik Park, First Secretary, Embassy of Korea, Bangkok

**Thai participants**

1. Mr. Pradap Pibulsonggram, Director-General, Department of Economic Affairs, Ministry of Foreign Affairs.
2. Mr. Soonthorn Chaiyindeepum, Counsellor, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs.
3. Mr. Theeratep Promvongsanon, Counsellor, Social, Cultural and Information Division, Department of ASEAN Affairs, Ministry of Foreign Affairs.
5. Ms. Urasa Mongkolnavin, First Secretary, International Economic Affairs Division, Department of Economic Affairs, Ministry of Foreign Affairs.
6. Mr. Kovit Burapathanin, Director of International Affairs Division, Office of the Permanent Secretary for Ministry of Labour and Social Welfare.


APEC Secretariat

1. Ms. Siti N. Mauludiah, Director (Program), APEC Secretariat, Singapore
INVITATION LETTER

30 May 2002

Dear Madam/Sir,

In recognition of your extremely valuable contributions to the establishment of APEC Social Safety Net Capacity Building Network (hereinafter APEC SSN CBN), we would like to extend a cordial invitation for your economy to APEC Social Safety Net International Meeting, to be held in Seoul, Republic of Korea on 25-26th July, 2002.

As adopted at the 2001 APEC Ministerial Meeting, Korea and Thailand will jointly host the International Meeting to address specific social safety net related capacity building issues. For this purpose, Ministry of Health and Welfare, Republic of Korea is organizing the International Meeting, and Korea Institute for Health and Social Affairs (KIHASA) is undertaking administrative procedures.

In the stage of finalizing the establishment of the APEC SSN CBN, the International Meeting is very timely and is hoped to facilitate the discussion of current issues on social safety nets within the network to policy makers, experts, and stakeholders and explore the way in which specific capacity building needs on SSN can be augmented in the APEC economies.

In the International Meeting three agendas will be dealt: Current social safety nets status, the problems and limitations in APEC, Assessment of social safety net strengthening activities, and Recommendations on guidelines or best practices for SSN CBN.

To promote the discussion regarding the above agendas, senior government officials and experts in Social Safety Net of APEC member economies will be invited to the International Meeting. Thus we would appreciate if you could nominate relevant
participants to attend the International Meeting and inform KIHASA, the Administrative Secretariat, by 7 June 2002, either by fax (+82-2-352-8106) or email (jywoo@kihasa.re.kr). Their esteemed presence will very much contribute to the impact and substance of the International Meeting.

For your attention, we have attached tentative plan and program of the International Meeting. Upon receiving the list of participants from your economy, we will provide administrative information and guidelines for further information of APEC Social Safety Net International Meeting.

Thank you for your time and kind consideration, and we await your prompt reply.

Sincerely,

On Hang Shin
Assistant Minister for
and Social Welfare Policy
Ministry of Health and Welfare,
Republic of Korea

Apinan Pavanarit
Deputy Permanent Secretary
APEC Senior Official
for Thailand
ADMINISTRATIVE CIRCULAR

INFORMATION AND GUIDELINES FOR

APEC SOCIAL SAFETY NET
INTERNATIONAL MEETING

Seoul, Republic of Korea
July 25-26, 2002

Republic of Korea and Kingdom of Thailand
APEC Social Safety Net
International Meeting

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  2. VENUE
  3. REGISTRATION
  4. ENTRY FORMALITIES
  5. AIRPORT ARRIVALS & TRANSPORTATION
  6. ACCOMMODATION
  7. SPEAKER'S DOCUMENT SUBMISSION & DISTRIBUTION
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     e. Time

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  B. Delegate Registration Form
  C. JW Marriott Hotel Seoul Reservation Form
  D. Seoul Palace Hotel Reservation Form
1. PURPOSE
This circular provides an overview of the administrative arrangement for the APEC Social Safety Net International Meeting, to be held in Seoul, Republic of Korea, July 25 – 26 2002.

2. VENUE
The venue for the APEC Social Safety Net International Meeting is:

JW Marriott Hotel Seoul
Address: 19-3, Banpo-dong, Seocho-gu, Seoul, 137-040, Korea
Tel: +82-2-6282-6262
Fax: +82-2-6282-6263
E-mail: marriott@nuri.net

3. REGISTRATION
Each delegate is requested to fill out the Registration Form [Annex B] and send it to the Administrative Secretariat, either by fax or by email. Deadline for registration is July 10, 2002. The information of the Administrative Secretariat is as follows:

KIHASA (Korea Institute for Health and Social Affairs)
Contact Person: Ms. Jae Youn Woo
San 42-14, Kulkwang-dong, Eunpyung-ku, Seoul, 122-705, Korea
Tel: +82-2-380-8121, Fax: +82-2-352-8106
E-mail: jywou@kihasa.re.kr
The formal registration will be from 6:00PM - 7:00PM July 24, 2002, and the following morning from 9:00AM - 9:30AM July 25, 2002 at the Registration Desk next to Meeting Room 2 on the 3rd Floor in the JW Marriott Hotel, Seoul.

4. ENTRY FORMALITIES

All participants are required to possess a valid passport or applicable travel document with valid visas or entry permits to enter into the Republic of Korea. Participants are responsible for arrangement of their visas at their closest Korean diplomatic or consular representations.

5. AIRPORT ARRIVALS & TRANSPORTATION

The organizer will not arrange for participants' transportation to and from the meeting venue and hotels. For your general information, the following transportation is available from Incheon International Airport to the JW Marriott Hotel, Seoul:

- **Central City Limousine Bus**: Central City Limousine bus goes non-stop to the JW Marriott Hotel Seoul. The bus for the JW Marriott Hotel Seoul runs every 20 minutes from 05:30 to 22:20 at Bus Stop No. 7 and Bus Stop No. 17 in front of Gate No. 4 and Gate No. 9. The one-way fare is 10,000 won (about $8.00). You may purchase a bus ticket at the Airport Limousine Desk. It takes approximately 1 hour from the airport to the JW Marriott Hotel Seoul under normal traffic conditions.

- **KAL Limousine Bus**: KAL Limousine bus goes to Seoul Palace Hotel. The bus for the Seoul Palace Hotel runs every 30 minutes from 05:45 to 22:30 at Bus Stop No.4B and Bus Stop No.11A. The one-way fare is 10,000won (about $8.00). You may purchase a bus ticket at the Airport Limousine Desk. It takes approximately 1 hour from the airport to the Seoul Palace Hotel under normal traffic conditions.
APEC Social Safety Net
International Meeting

- **Standard Taxi:** Taxies with meters are available at the authorized public taxi stands in the arrival hall of the Airport. Taxi drivers are only permitted to pick up passengers at these authorized stands. The cost is approximately 80,000 won to downtown Seoul. Generally, free interpretation service via telephone is provided inside the taxi. There are deluxe taxies that provide greater comfort and higher-quality services at higher cost.

6. **ACCOMMODATION**

<table>
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<tr>
<th>Hotel</th>
<th>Room Type &amp; Negotiated Room Rates*</th>
<th>Distance from Venue</th>
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<tr>
<td>JW Marriott Hotel Seoul</td>
<td>Superior King/Twin W 240, 000 ++ daily (Breakfast Included)</td>
<td>Venue</td>
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<tr>
<td>Seoul Palace Hotel</td>
<td>Standard Double/Twin W 149, 500 ++ daily (Breakfast Not Included)</td>
<td>5 min. by walk</td>
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<td>Deluxe Double/Twin W 182, 000 ++ daily (Breakfast Not Included)</td>
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*The above rates are subject to 10% service charge.

* Exchange rate is 1310.80 won per $ 1.00 USD dollar approximately.

All costs incurred by delegates during their stay such as telephone calls, use of facsimiles, laundry, refreshments, and meals are at their own expenses. Therefore participants should settle their accounts directly with the hotel before their departure.

Each delegate is requested to fill out the **Hotel Reservation Form** [either Annex C or Annex D] and send it to a contact
person in the Hotel, either by fax or by email. The reservation deadline is July 10, 2002. For inquiries and reservations, please contact either the JW Marriott Hotel Seoul or the Seoul Palace Hotel:

JW Marriott Hotel Seoul
Sales Team
Contact Person: YK Kim
Phone: +82-2-6282-6774
Fax: +82-2-6282-6222
E-mail: ykkim@marriotthotels.com

Seoul Palace Hotel
Sales Team
Contact Person: Ki-Sun Cha
Phone: +82-2-2186-6796
Fax: +82-2-532-0399
E-mail: ckskmb@seoulpalace.co.kr

7. DOCUMENT SUBMISSION AND DISTRIBUTION

a. Process for Document Submission

Documents submitted for reproduction and distribution should be forwarded in electronic form (By e-mail, in Word Format, font size 12, A4 size) to the Administrative Secretariat by July 10, 2002.

For security reasons, one signed copy per Authorization Form for Document Publication (attached as Annex A) should, at the same time, be sent by e-mail to: Ms. Jae Youn Woo: jywoo@kihasa.re.kr

b. Document Distribution

The documents provided by speakers prior to the opening of the International Meeting will be reproduced by the Administrative Secretariat and distributed to participants upon formal registration.
8. GENERAL INFORMATION

a. Seoul in Brief
Seoul is both the capital and the heart of the Republic of Korea, home to 11 million of the nation's 45 million people. The capital is the center of finance, politics, commerce, recreation, education and culture in Korea. It is also noted for its major historical as well as cultural and natural attractions. Visitors to modern Seoul can still experience the essence of the ancient Orient which lingers in and around the old palaces, the imposing city gates, and the serene temples in the midst of skyscrapers and modern architecture of the thriving international city of today.

b. Weather
An average temperature of July in Seoul is 28°C.

c. Currency
The unit of Korean currency is the won. Currently the exchange rate is 1310.80 won per $1.00 USD dollar approximately. Foreign currency and traveler's checks can be converted into Korean won at foreign exchange banks and other authorized exchange booths. Credit cards, including VISA, American Express, Diners Club, Master Card, etc. are largely accepted.

d. Electricity Supply
Two-pin outlets for 220 volts, 60 cycles are dominant.

e. Time
Korean Standard Time is 9 hours ahead of UTC.
Annex A.

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
July 25-26, 2002

AUTHORIZATION FORM FOR DOCUMENT PUBLICATION

| Economy: | 
| --- | --- |
| Name: | (Mr./Mrs./Ms./Other) 
(Surname) 
(Given Name) |

- One Document per Authorization Form for Document Publication.

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<th>AUTHORIZATION FORM</th>
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<td>I, [Name], do hereby authorize the Administrative Secretariat, to reproduce and distribute my document at the &quot;APEC Social Safety Net International Meeting&quot;.</td>
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| Title of Document: | 
| --- | --- |
| Number of Pages: | 
| Special Instructions: | 
| Approved By: | Date: 2002 |
| E-mail: | 

Please Forward Document and Signed Authorization Form by July 10, 2002 to: Ms. Jae Youn Woo: jywoo@kihasa.re.kr
APEC Social Safety Net International Meeting

Annex B

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
July 25-26, 2002

REGISTRATION FORM

Member Economy: ________________________________

Name (Mr./Mrs./Ms./Other): ________________________________

Organization/Institution: ________________________________

Position/Designation: ________________________________

Address: ________________________________

Telephone No: ___________  E-mail: __________________

Fax No: ________________________________

Arrival Date (mm/dd/time/flight) ________________________________

Departure Date (mm/dd/time/flight) ________________________________

Please type or write in block letters and e-mail this form by July 10, 2002 to Ms. Jae Youn Woo: jywoo@kihasa.re.kr
### APEC Social Safety Net International Meeting

**Annex C**

APEC Social Safety Net International Meeting  
Seoul, Republic of Korea  
July 25-26, 2002

#### JW MARRIOTT HOTEL SEOUL RESERVATION FORM

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**Arrival**

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- Superior King/Twin Room (39.87 sqm)

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- Superior King / Twin Non-smoking Room

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- Limousine Service

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- To Incheon Airport: 90,000 won  
- From Incheon Airport: 105,000 won

The above rates are subject to 10% service charge. No Government Tax is applicable only if foreign travelers pay in 2002. There's no second person charge.

* Indicate special requests and comments

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**METHOD OF PAYMENT**

Card: All major cards (Amex, Visa, Diners, Master, JCB, Others)  
Credit Card No. :  

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APEC Social Safety Net
International Meeting

Name of Card Holder: Expiry Date:

GUARANTEE
I hereby authorize the JW Marriott Hotel Seoul to charge one night’s accommodation to the credit card number provided herein, in case of late cancellation within 3 days prior to arrival or a no-show.
Please use your Major Credit Card to guarantee your reservations.

REMARKS
Reservations must be made direct with the hotel by returning this form (fax no.: +82-2-6282-6222) or email to YK Kim (ykkim@marriotthotels.com) before July 10, 2002. One form for one booking only. Reservations after the cut-off date will be acceptable only upon space availability and room rate may change.

Hotel check-in time is 2:00 pm, and Check-out time is 12:00 noon. Rooms confirmed shall be made available for occupancy by the hotel after 3:00 pm on the day of arrival. Rooms shall be available on a confirmed basis before 3:00 pm on the date of arrival only if the room is pre-blocked for one night in advance, for the charge of an additional day will be charged.

Requested by

RSVN cfm #
(Office use only)

Date
RSVN cfm by
(Office use only)

Send this Form to:
ATTN: # 19-3, Bampo-dong,
Seocho-gu, Seoul 137-040
Tel : +82-2-6282-6211
Fax : +82-2-6282-6222
E-mail : ykkim@marriotthotels.com
APEC Social Safety Net
International Meeting

Annex D

APEC Social Safety Net International Meeting
Seoul, Republic of Korea
July 25-26, 2002

SEUL PALACE HOTEL RESERVATION FORM

Please Return Before July 10, 2002

Return to Ki- Sun Cha (Seoul Palace Hotel)
E-mail: ckskmb@seoulpalace.co.kr
Tel: (+822) 2186-6796 Fax: (+822) 532-0399

Please Use Blockletters or Type the Following:

First Name: (Dr, Mr, Ms) ..................
Family Name: ..............................
Job Title: ................................................................
Organization/Institution: ......................................
Address: ................................................................
City / State: .................. Country: ..................
Tel: ........................................... Fax: ........................
E-mail: ................................................................

Seoul Palace hotel Accommodation:

Reservations must be made before July 10, 2002 to ensure availability of accommodations and the special group rate. Please mark your choice of accommodations

- Standard Double/Twin Room KR 149,500
- Breakfast KR 15,000 (Per Person)

The above room rates are subject to 10% service charge. No Government Tax is applicable only if foreign travelers pay in 2002. There's no second person charge. The above breakfast rate is subject to 10% service charge & 10% V.A.T.

Date Check-in: .......................... Date Check-out: ......................

Please Indicate Any Special Guest Needs Request

--------------------------------------------------------------------

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APEC Social Safety Net
International Meeting

- All guaranteed reservation are subject to one night charge in case of no-show, Please inform cancellation or amendment 24 hours prior to the original Arrival date to avoid no-show charge.
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Informal Senior Officials’ Meeting

Agenda Item 10

APEC SOM Ad Hoc Task Force on Strengthening Social Safety Net in APEC (Republic of Korea)

Informal Senior Officials’ Meeting
Shanghai, People’s Republic of China
15-16 October 2001
APEC SOM AD HOC TASK FORCE ON
STRENGTHENING SOCIAL SAFETY NETS IN APEC

REPORT TO MINISTERS
17-18 October 2001, Shanghai, China

I. Background

1. The Twelfth APEC Ministerial Meeting held 12-13 November 2000 endorsed the proposal on the Revitalization of Social Safety Net Activities in APEC by Korea and Thailand. APEC Ministers agreed to establish the Ad Hoc Task Force on Strengthening APEC Social Safety Nets (hereinafter the ‘Task Force’) in the twelfth APEC Ministerial Meeting in November 2000. Furthermore, the Eighth APEC Economic Leaders Meeting held in Brunei on 16 November 2000 welcomed “the proposal to strengthen social safety net activities in APEC to address economic disparities.”

II. Activities

2. At SOM I held in February 2001, in Beijing, Dr. Chung Kyungbae from the Republic of Korea and Mr. Paiboon Wattanasiritham from Thailand were appointed as Co-Chairs of the Task Force. The First Meeting of the Task Force was held immediately after SOM I on 13 February 2001.

3. The Second Meeting of the Task Force was held on 28 May 2001 in Shenzhen; the Third Meeting of the Task Force was held on 19 August 2001 in Dalian, the People’s Republic of China.

III. Results

4. As a result of its meetings, the Task Force was able to conclude that capacity building should be the focus of APEC SSN activity, and the Task Force would seek to obtain endorsement of two
recommendations at SOM III: a) Establishment of a Capacity Building Network; b) Convening an International Meeting of policymakers, experts and other stakeholders to address specific social safety net related capacity building issues.

5. The Task Force also agreed that the initial framework for the CBN would be to build capacity for the implementation of recommendations on SSNs made by APEC Finance Ministers Process and HRDWG, and that attention to gender dimension will form an integral part of the work of the CBN.

IV. The Capacity Building Network

6. Among others, the Capacity Building Network may address the following issues:
   - pre-crisis social safety net planning and prevention measures;
   - capacity for evaluating effectiveness of policy action;
   - collection of disaggregated data and access to current data;
   - identifying at-risk populations;
   - designing response institutions and financing;
   - strengthening transparency and accountability in social safety net operations.

7. The meeting agreed that the appropriate institutional arrangements for the CBN will be considered intersessionally. Proposals will be made on how best to structure relationships with existing APEC fora, such as the ECOTHCH Sub-Committee, The Labor and Social Protection Network of the HRDWG and the Finance Ministers Process. The question of designating one or more economies to lead the CBN on SOM’s behalf will also be explored.

V. The International Meeting of Policy-makers, Experts and other Stakeholders

8. The Task Force also agreed .convening an International Meeting of policy makers, experts and other stakeholders to address specific
capacity building issues.

**VI. Future Work**

9. Korea and Thailand will submit proposals on the appropriate institutional arrangements for the CBN, a detailed implementation plan on the two recommendations including a draft agenda of the international meeting and present these intersessionally to SOM before the end of 2001 for approval at SOM I, February 2002 in Mexico City.
Senior Official's Meeting I
Establishing the APEC SSN CBN and the
International Meeting for Addressing Specific
Capacity Building Issues on SSN

Agenda Item: VIII. 4. 2

Submitted by: Korea
Establishing the APEC SSN CBN and an International Meeting
to address specific capacity building issues on SSN
by
Republic of Korea and Thailand

Since the establishment of the *Ad Hoc Task Force on Strengthening APEC Social Safety Nets* (hereinafter the ‘Task Force’), there have been three meetings of the Task Force in China in 2001. As a result of the meetings and a preliminary research paper, two recommendations were made to 2001 APEC SOM III. These include the establishment of an APEC Social Safety Net Capacity Building Network (SSN CBN) that would function virtually and an International Meeting of Policymakers, Experts and Other Stakeholders to address specific capacity building issues on Social Safety Net (SSN). These Recommendations were subsequently submitted to, and endorsed by, AMM.

I. Establishment of APEC SSN CBN

1. Objectives & Activities

The goal of APEC SSN CBN is to promote SSN capacity building for the implementation of recommendations on SSN made by APEC Finance Ministers Process and HRDWG. Attention to gender dimension shall also form an integral part of the work of the CBN. Among the mechanisms the SSN CBN can consider are exchange of information, collaborative research and development, and seminars among the concerned institutions, government bodies, and other suitable international organizations and individuals. Establishment of the SSN CBN may also contribute to implementation of the e-APEC Strategy. There are two types of SSN CBN activities as follows:
Information Exchange
APEC SSN CBN relies on the effective exchange of information, which is related to its goal of strengthening SSNs in APEC economies. Exchange of information that is not related to SSN CBN specific activities but is deemed beneficial to the goal of strengthening SSNs in APEC economies is one of the main tasks of the network. Information exchange includes the following:

- pre-crisis social safety net planning and prevention measures;
- capacity for evaluating effectiveness of policy action;
- collection of dis-aggregated data and access to current data;
- identifying at-risk populations;
- designing response institutions and financing;
- strengthen transparency and accountability in social safety net operations;

Dissemination of Effective Practices for Better Social Safety Net Delivery
APEC SSN CBN provides access to technical expertise in social safety net capacity building across a variety of institutions, organizations and individuals. Consequently, it provides a unique opportunity to sensitize the APEC on matters requiring policy discussion. Issues of this type may be identified throughout the network, discussed at the meeting if necessary, and consequently brought to the attention of the APEC.

2. Framework
The followings are the proposed SSN CBN framework to be established.

- APEC SSN CBN is to be established with a variety of institutional participants, such as government departments, centers of higher
education & research, international financial organizations and training institutions, etc.

- Participants in the network include a Head institution for the network and Lead Institutions for each APEC member.
- The APEC SSN CBN will closely work with relevant APEC fora, especially the HRD Working Group.

**Head Institution**
The role of the Head Institution will be carried out by the Korea Institute for Health and Social Affairs (hereinafter KIHASA) of the lead economy, Korea, until the year 2005 in which Korea will be the hosting economy for the APEC Leaders’ Meeting. In addition, the KIHASA will provide ongoing administration, coordination and policy advice functions for the network. All activities and practices of SSN CBN will be reported to the SOM for review and assessment of the effectiveness of the SSN CBN.

**Lead Institutions**
Lead Institutions (LIs) are assumed to play a principal network role of information exchange and coordination within SSN CBN. Each Lead Institution participates in APEC SSN CBN activities; assumes leadership in specific activities; participates with other Lead Institutions in specific activities.

CBN activities are initiated by Lead Institutions. Proposals for annual activities of SSN CBN may be circulated through the Head Institution for reaction and endorsement. The Lead Institutions of APEC SSN CBN will be designated internally by each member economies’ related government, among high education or research institutes.

**Financing**
The APEC SSN CBN financing will relate to the following principles:
Activities of the Head Institution will be funded nationally;
Participation of Lead Institutions (and sub-networks) will be funded nationally;
Involved volunteer institutions are invited to contribute in kind or other resources;
Specific activities will be funded through other channels

3. Time Table

**February-March, 2002**
- Implementation plan of APEC SSN CBN is submitted to SOM I in February 2002.
- Establishment of the server and web-site design is undertaken.
- APEC SSN CBN Lead Institutions are nominated.

**April, 2002**
- Structure of cooperation with the international organizations is established.

**May-October, 2002**
Some specific issues that can be considered by SSN CBN are:
- pre-crisis social safety net planning and prevention measures;
- capacity for evaluating effectiveness of policy action;
- collection of dis-aggregated data and access to current data;
- identifying at-risk populations;
- designing response institutions and financing;
- strengthen transparency and accountability in social safety net operations;
August, 2002
. Report on activities and practices of SSN CBN to the SOM

October, 2002
. Report on the result of APEC SSN CBN to the 2002 AMM.

II. Hosting an APEC SSN International Meeting

1. Basic Direction

As adopted at the 2001 APEC Ministerial Meeting, Korea and Thailand will jointly host an International Meeting to address specific social safety net related capacity building issues with the cooperation from the APEC Education Foundation. The International Meeting will be held in July 2002 in Korea. Participants to the Meeting should include senior policy makers, experts, representatives for multilateral development agencies, NGOs and other stakeholders involved with the issue of social safety net in APEC.

2. Objectives & Activities

After the APEC SSN CBN is established through virtual networking there is also a need to supplement it with a physical networking as well as to promote the discussion within the network to other policy makers, experts, and stakeholders so that effective capacity building experience can be shared. The Meeting may focus on the discussion of current issues on social safety nets and explore the way in which specific capacity building needs on SSN can be augmented in the APEC economies. These should include, inter alia, the member economies' current status on social safety nets, the problems and limitation in APEC, and the assessment of social safety net strengthening activities carried out by the member economies and the IFIs. At the end of the Meeting, guidelines or best practices for SSN CBN shall be recommended.
3. Financing

The host economies, i.e. Korea and Thailand, will support the financing of an International Meeting. The airfare and accommodation expenses for the participants should be borne by each participant. International experts and speakers could be invited at the expense of host economies.

4. Time Table

March, 2002
- The Steering Committee is formed to prepare the scope of the Meeting and the logistical needs.

April, 2002
- Topics of discussion and necessary background materials for the Meeting are delivered to all participants.

July, 2002
- The International Meeting is held in Seoul.

Aug., 2002
- The Steering Committee prepares a report to the APEC SOM III in Mexico.
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