An elderly woman walking past fruit and vegetable stalls on a street in New Taipei City. By 2030, the proportion of the population aged 65 years or older will reach 25 per cent. This will inevitably increase the pressure for more social welfare assistance from Taiwan’s government.

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Taiwan’s social welfare system in predicament after expansion

By Qi DONIAO

Taiwan’s social welfare system has also been attracting criticism for another reason: its continuing tendency to favour people who work in particular professions.

Both those problems have their roots in Taiwan’s immediate post-World War II history, and the subsequent increased competition between the Kaohsiung (KMT) and the Democratic Progressive Party (DPP) resulting from the democratisation of the 1980s and 1990s.

Taiwan’s social welfare history since 1945 may be viewed as a development from a selective to an inclusive developmental welfare state. Developmental welfare state is the term used by some social policy scholars to characterise the social welfare models of East Asian economies since World War II. These include Japan, South Korea, Hong Kong, Taiwan and Singapore.

One of the major things these economies have in common that distinguishes them from the advanced economies in Europe and North America, is that their social welfare policies are subordinated to, and an instrument of, national economic development. The developmental welfare state necessitates to increase social welfare spending because such spending will have to be funded by tax and premiums paid by employers. This increases business costs and thus constrains rapid economic growth. The social welfare spending of developmental welfare states in the early decades following World War II was therefore low.

When the social welfare budget is not large, social welfare programmes have to be selective and ensure efficient spending. This usually means that the population that contributes to economic growth most will receive better social welfare. As a result, in the selective developmental welfare state, civil servants and employees of large firms are usually the first to enjoy better social welfare.

In the case of Taiwan, early social welfare policies were influenced by other factors as well. In 1945, as a defeated government retreated from mainland China to Taiwan with over one million soldiers and mainland Chinese, the KMT government’s legitimacy in Taiwan was threatened. Apart from local resistance, there was also the possibility of military action by the mainland Chinese government.

To consolidate its domestic legitimacy, the KMT therefore selected those working in the military, government and schools - the most important groups for maintaining its power - as the first beneficiaries of its social welfare programmes.

Because mainland Chinese were over-concentrated in those three fields, the KMT government’s social welfare policy came to be criticised as not only highly selective but also ethnocentric. Although this favouritism has been gradually reduced in more recent years, the discrimination remains an important – and very divisive – one.

The democratisation of the 1980s and 1990s led to further changes as rival parties battled for electoral support. Indeed, social welfare spending as a percentage of total government expenditure almost doubled from an average of 6.4 per cent in the 1980s to 12.1 per cent in the 1990s.

The old-age allowance issue is a good example of how this happened. It was first raised by the DPP in 1945 to attract the votes of the elderly in city and county mayoral elections. A few months after they won office, however, some DPP mayors had to stop paying the promised old-age allowance because of the financial difficulties facing their local governments.

In the 1997 local elections, the KMT candidates raised the old-age allowance issue again, forcing DPP candidates to respond with their own proposals. Since then, the old-age allowance issue has become a permanent topic in Taiwan’s local and national elections, with rival candidates offering higher and higher allowance levels.

That said, Taiwan’s social welfare system does meet the economic and social needs of its people in many areas. It has also had an increasingly positive effect on income equality.

And while the financial sustainability of the social welfare system is a major problem, the system probably does have room to expand. This is suggested by the fact that public social spending as a percentage of gross domestic product in Taiwan is about 10 per cent. By comparison, the average social welfare spending in the Organisation for Economic Cooperation and Development countries is about 20 per cent.

Taiwan’s rapidly ageing population also justifies the appeal for more social spending. By 2030, the proportion of the population aged 65 years or older will reach 25 per cent. This will inevitably increase the pressure for more social welfare assistance from Taiwan’s government.

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