

**MODERN SOCIAL PROVISION FOR OLDER PEOPLE IN
TAIWAN, HONG KONG AND SINGAPORE:
VICISSITUDES OF FAMILISATION AND DE-FAMILISATION**

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Abstract

Western scholars suggest that social security serves to free people's dependence on their family. This position, however, cannot explain the situation in some Asian countries where the social security has not replaced the family as the major provider for welfare. This study compares the development of old age income protection system in Taiwan, Hong Kong and Singapore. In particular this study examines the convergence and divergence of old age provision systems in Taiwan, Hong Kong and Singapore; and the relationship between these systems and the de-familisation of older people's income.

Using a comparative approach to research, this study draws on primary and secondary data from variety of sources and finds out that only the state-centred approach can explain the similarities and differences in old age provision systems in these countries. The need for state building is the main reason that Taiwan and Singapore established their first old age provision schemes in the 1950s. Hong Kong during the same period did not have major social security establishment due to the lack of intention for the Colonial government to exercise national building under uncertain political future. The need to increase state legitimacy contributed to the expansion of old age provision system in Taiwan and Hong Kong on the 1970s. Up to this point, these systems in Taiwan, Hong Kong and Singapore were well under states' deliberate plan and only had limited effect on de-familising older people's income.

Since the 1980s to the present date, the states in Taiwan and Hong Kong have lost their autonomy in policy making due to political reforms. The states could no longer maintain their preference for family cohesion and introduced new old age benefits. These benefits play stronger role in de-familising older people's income. Singapore, on the other hand, remains a one-party state, and the government continues reinforce family obligations to look after older people in its policies.

Analysis based on panel data, from 1989 to 1996, collected in Taiwan, shows that the expansion of old age benefits in Taiwan in the 1990s did help to de-familise older people's income. However, this expansion would not improve older people's living standard unless benefits are provided on a sufficient level.

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List of Acronyms and Abbreviations

AFDC	Aid to Families with Dependent Children
CEPD	Council for Economic Planning and Development (Taiwan)
CPF	Central Provident Fund (Singapore)
CPP	Canada Pension Plan (Canada)
CSSA	Comprehensive Social Security Assistance (Hong Kong)
DPP	Democratic Progress Party (Taiwan)
EU	European Union
GDP	Gross Domestic Product
HOAA	Higher Old Age Allowance (Hong Kong)
IMD	International Institute for Management Development (Switzerland)
ILO	International Labour Organisation
ILO/EASMAT	International Labour Organisation East Asia Multidisciplinary Advisory Team
KMT	Kuomintang (the Nationalist Party, Taiwan)
MLIEA	Middle-Low-Income Elder Allowance (Taiwan)
MPF	Mandatory Provident Fund (Hong Kong)
NICs	Newly Industrialised Countries
NOAA	Normal Old Age Allowance (Hong Kong)
OAA	Old Age Allowance (Hong Kong)
OAA	Old Age Assistance (US)
OECD	Organisation for Economic Cooperation and Development
OFA	Old Farmers' Allowance (Taiwan)
PAP	People's Action Party (Singapore)
QPP	Quebec Pension Plan (Canada)
ROC	Republic of China
TMP	Tribunal for Maintenance for Parents (Singapore)

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Chapter one

Introduction

Population ageing has become one of the most crucial challenges to the industrialized countries. Some critics even regard the greying of the developed world's population may present more challenges than the proliferation of nuclear weapons, high-tech terrorism, the financial, economic, and political aftershocks of globalisation, and violent ethnic explosions (Peterson, 1999: 42). Although this point of view might be an overstatement, it is not an exaggeration to say that the high and increasing proportion of older people has become the most important factor influencing social security system in all industrial countries.

Many countries and international organisations have demonstrated their concern over on the increasing older population. For example, early in 1963, the United States designated May as “Senior Citizens Month”, which was then called “Old Americans Month” from 1980 onwards, and this has become a tradition. More recently, the European Union nominated 1993 as “European Year of the Elderly and of Solidarity between Generations”; and the United Nations termed 1999 as “International Year of Older People”. These series of activities deeply reflect their concerns about the well-being of the older people. Along with these actions, the trends of population ageing and the debates on ageing and social security of older people have been attracting more attention.

As an introduction, this chapter begins with the process and trends of population ageing, then briefly illustrates the emergence of modern social provision for older people, and

finally spells out the aims of this thesis.

1.1 The process of population ageing

There is a high degree of consensus among demographers about the factors and the process of population ageing. The most popular and best-documented perspective on population change is the demographic transition model which characterizes the main developments that most industrialized countries have experienced. It distinguishes several demographic stages which are classified by different combinations of fertility and mortality (Johnson and Falkingham, 1992; Kirk, 1996; Creedy, 1998). The initial stage is characterized by high fertility and high mortality. The second stage is characterized by a fall in mortality, particularly infant mortality, which is associated with a rise in the expectancy of life, while fertility levels remain high. In the third stage, improved health conditions reduce mortality and increase longevity further, while the fertility rate continues to be high. The last stage then experiences a continued reduction in fertility and an increase in the expectancy of life.

Due to the different combination of fertility, mortality and life expectancy, there are significant differences in the age distribution of the population between these stages. In the first two stages of the demographic transition, since the mortality rates are high and the improvement in mortality is concentrated at younger ages, the population has a youthful age profile with a high proportion of young people and relatively few older people. In the third stage, however, with the decline of mortality and the extension of life expectancy, the proportion of the older population begins to increase. According to this perspective of demographic transition, the age structure of the population will stabilize with a relatively high proportion of older people on account of the equilibrium between fertility and mortality in the fourth stage. As the process of population transition has

ended in most industrialized countries, a significant feature of the population in these countries is the reduction in the population below 15 years of age and an increase in the proportion aged over 65 years. Thus, the ageing society has emerged. Moreover, as the fertility rates have declined to the levels below the replacement rates in many of the advanced countries, the size of the population of older people will be increasing continuously instead of stabilising, as the demographic transition theory predicts.

1.1.1 Population trends

Since the 1960s, fewer children were being born than the first half of the century in almost all industrialized countries. In addition, people are living longer, and life expectancy at birth has increased in all countries, especially in industrial countries. These factors together have contributed to the 'greying of the population', which means that, in all industrial countries, both the proportion of older people and old age dependency have been increasing. From Table 1.1 we can see that for all the selected industrial countries, the proportion of the population aged 65 or over has been increasing dramatically since the beginning of the twentieth century.

The United Nations suggests that any country with more than 7 per cent of population aged 65 and over is an 'aged nation'. As can be seen from Table 1.1, France, Norway, and Sweden had reached this level early by the turn of the twentieth century, and all these countries exceeded this level by the 1950s and so can be classified as aged nations. Indeed, from 1900 to 1990, the proportion of the population aged over 65 years has been more than double in all these countries. In five of the countries listed below, Austria, Germany, the UK, New Zealand, and the US, levels are now more than three times than those of 1900.

Table 1.1 Trends in the relative size of population over 65 years old (%)

	1850	1900	1930	1950	1990
Austria		5.0	6.8	10.6	15.0
Belgium		6.2	7.6	10.7	15.0
Canada	5.1	5.1	5.6	7.8	11.3
Denmark		6.7	7.5	8.4	15.4
France	6.2	8.2	9.4	11.8	13.8
Germany	4.9	4.9	7.4	9.3	14.9
United Kingdom	4.6	4.7	7.4	10.8	15.7
Netherlands	4.7	6.0	6.2	7.7	13.2
New Zealand		2.1	6.6	9.6	11.1
Norway		7.9	8.3	9.6	16.4
Sweden	4.8	8.4	9.2	10.3	18.0
Switzerland		5.8	6.9	9.6	14.9
USA		4.1	5.4	8.1	12.3

Source: derived from Myles (1989, Table 1.1, p.10), Johnson and Falkingham (1992, Table 2.1, p21), World Bank (1994, Table A.1, p343), and United Nations (1998, Table 6, p17-18).

The process of the greying of the population is still well under way, especially in western industrial countries. Based on the latest projections by the United Nations, the proportion of the population aged 65 and over in the world will increase to 10 per cent by 2025, about the same level as in most European countries in 1950s. In the most industrialized areas, including Europe, North America, and Oceania, the proportion of population of people aged 65 and over will be increasing rapidly from 13.8 per cent in 2000 to 24.0 per cent in 2050. On the other hand, by 2050, the size of the population aged 65 and over will be 40 per cent larger than those under 15 years of age in these regions (United Nation, 1998).

This changing structure of population means the old age dependency ratio will increase dramatically. The so-called “dependency ratio” is defined as the ratio of people who are

not expected to be in the working population to people of working age. The old age dependency ratio, which is simply defined as the ratio of people aged over 65 to those aged 20 to 65, is often used as an indicator in describing the level of ageing. According to the projection by OECD (OECD, 1996), for the OECD countries as whole, the old age dependency ratio increased from 14.9% in 1960 to 19.3% in 1990. In other words, old age dependency has increased 30 per cent in the last three decades. Moreover, the increasing trend will be continuing and the rates even speed up. The projected ratio of the entire OECD countries will reach to 20.9% in the year 2000, and in the year 2010, 2020, and 2030, the ratio will be 23.5%, 29.8%, and 37.7%, respectively. That is to say, in the year 2020, if other conditions remain the same, when the generation born today is about to begin participating in the labour market, the burden of supporting older people in their society will be twice as great as it was in the year 1960.

The use and calculation of old age dependency solely based on chronological age is not a universal accepted measure. Many critics (for example, Townsend, 1981; Jackson, 1998) argue that old age is not synonymous with economic dependency. They claim that the true economic dependency ratio must take account of economic participation profiles and informal economic activities. However, it is safe to confirm the rapidly increasing trend of old age dependency ratios in the foreseeable future whatever criteria employed, and this trend will significantly increase the burden on the working-age population in the future. Moreover, the long-term data of labour force participation shows a significant and declining trend of old age labour participation rates. As a result, the working population will need to bear the heavier cost of the welfare state.

1.1.2 Employment trends of older people

Accompanying the rapidly increasing proportion of older people, another important

trend regarding the ageing society which deeply affects the social security system is the dramatic decrease of the old age labour force participation rate. Figure 1.1 shows that the US, British, French, and German series all follow the same long-term trends of steadily declining labour force participation rate of older men.

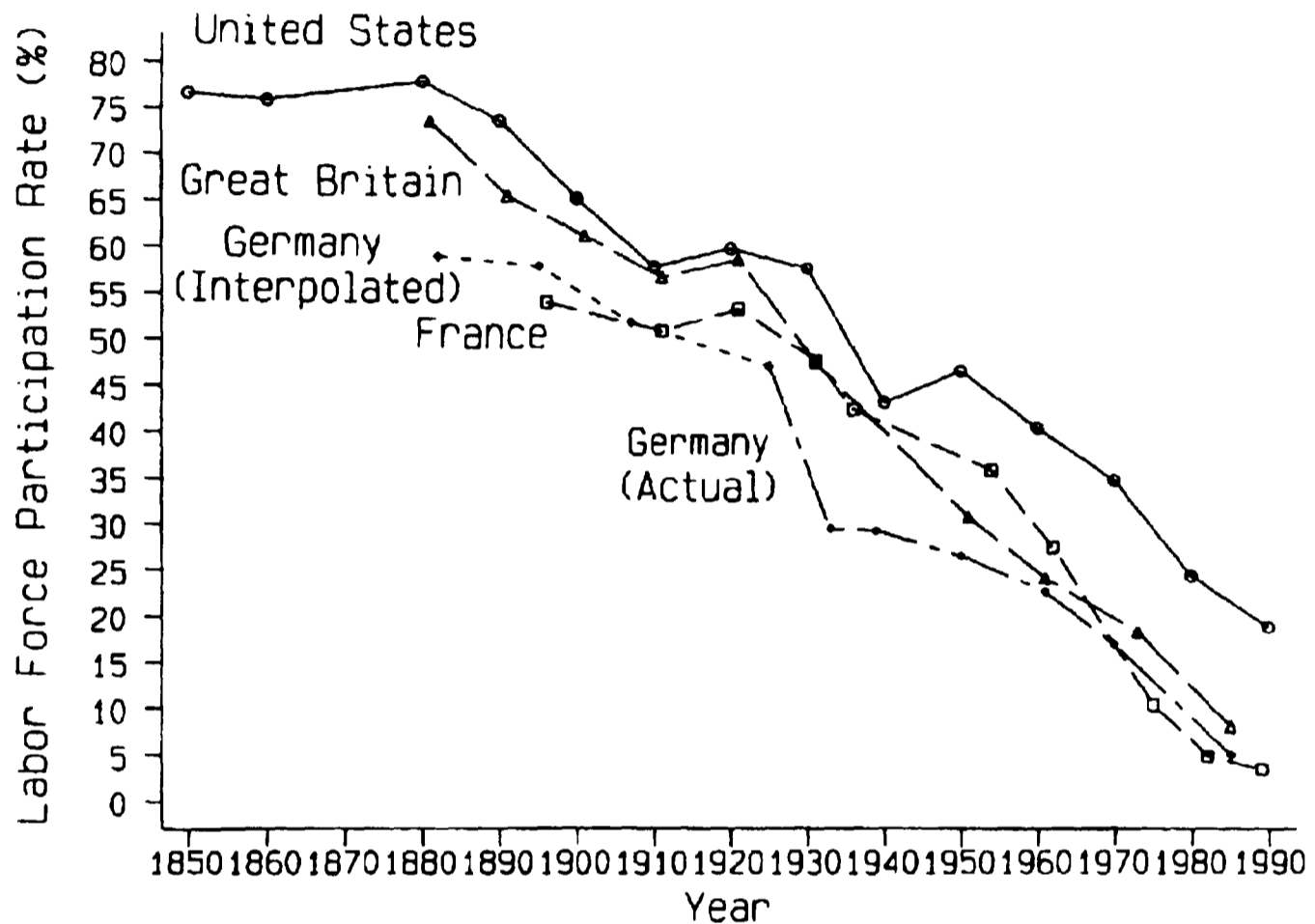


Figure 1.1 Labour force participation rates of men aged 60 and over, 1850-1990

Source: Costa, 1998: 9, Fig. 2.2

In the 1900s, the labour force participation rates of men aged 65 and over were all above 50 per cent in United States, Britain, and Germany. However, the level declined to below 40 in the 1960s in all these countries and has continued to decline more rapidly since. By 1990, only 18 per cent of men aged 65 or over still participated in the labour force in the U.S., and the level was below 10 per cent in Britain, France, and Germany.

1.2 The emergence and development of modern social provision for older people

Unlike the unemployed and lone-parent, older people are usually regarded as “deserving” people (Alcock, 1998). As early as 1601, the English Poor Law classified the “impotent poor” as a separate category from those able-bodied, and deserved relief financed by their parishioners (Laybourn, 1995). The older people, as well as the sick, blind, and lunatic, were then included to this category as proper objects of relief. Moreover, one of the main objectives of the enacting of the 1908 Pensions Act in Britain was to replace the Poor Law system, and thus excluding all the demographic category except for older people as the target of public relief scheme (Macnicol, 1998).

The history of modern social provision for older people, however, goes back to the late nineteenth century. Germany was the first country in the world to introduce national compulsory old-age insurance in 1889, as part of her social security system to provide compensation to industrial workers who were forced to withdraw from the labour market because of old age. However, the potential clientele was very small since the white-collar workers and the self-employed were not included. Moreover, it was payable only to those workers who had reached 70 years of age, while the average life expectancy at that time was around just 50 years (Scharf, 1998: 26), and only 20 per cent of the population would live long enough to reach the eligible age (Williamson and Pampel, 1993). The social security system established in Germany soon attracted the attention of its neighbour countries. Following the example of Germany, the French government introduced a compulsory old-age insurance in 1910. Unlike the German and French social insurance system, Denmark introduced, in 1891, non-contributory old-age pensions for those over 65 who could prove destitution. Such provision had much in common with the old poor law, and a similar means-tested approach was introduced by New Zealand in 1898, and Australia and Britain in 1908. Later, in 1938, New Zealand became the first country in the world to adopt non-means-tested, non-contributory old

age pensions. Similar universal pensions were introduced by Sweden (1946), Holland (1947), and Canada (1951). After one century's development, old-age pensions have now become the most important programs in social security system around the world. According to "Social Security Programs Throughout the World—1997", published by U.S. Department of Social Security Administration, old-age pensions have replaced the work injury programs and become the most popular social security scheme around the world. By 1997, 166 out of 172 countries or territories which have at least one social security scheme have old age, disablement, and survivor pension programs (see Table 1.2).

Table 1.2 Number of countries by type of social security program

	1940	1949	1958	1967	1977	1987	1997
Any type of program	57	58	80	120	129	141	172
Old-age, disable, death	33	44	58	92	114	130	166
Sickness and maternity	24	36	59	65	72	84	111
Work injury	57	57	77	117	129	136	164
Unemployment	21	22	26	34	38	40	68
Family allowances	7	27	38	62	65	63	86

Source: US Dept of Social Security Administration, 1997: xlv.

Accompanying the popularisation of pensions, the benefits of old-age pensions have now, from a modest level in the first decades they were established, reached a decent level in all industrial capitalistic countries. Ritter (1983, cite from Scharf, 1998: 26) calculates that, at the end of the nineteenth century, pensions represented between one-sixth and one-fifth of an average industrial income in Germany. Sweden presents a similar picture where old-age pension insurance was legislated in 1913, but provided hardly any benefits at all for decades (Esping-Andersen, 1990). Myles (1989) also shows that the flat-benefit rates introduced in the British National Insurance Act in 1946

were below the public assistance levels that could be claimed on the basis of a means test. In fact, in 1939, the replacement rates of pensions after tax were just 13 per cent in the UK, 21 per cent in the US, 19 per cent in Germany, 15 per cent in Italy, and 10 per cent in Sweden (Esping-Andersen, 1990: 99). However, since the position of government on protecting older people's income security has gained strong public support (European Commission, 1998; Walker and Maltby, 1997), the standards of old-age pensions have increased enormously. In 1980s, the maximum replacement rates had reached about 40 per cent in the UK and the US, 50 per cent in Germany, and 80 per cent in Italy and Sweden (Whiteford and Kennedy, 1995: 8). As a result, expenditure on older people is now the largest component of the welfare-state budget in most industrialized countries. In the European Union as a whole, old-age pensions accounted for 42.5 per cent of total social protection expenditure in 1995, equivalent to 12 per cent of GDP. Actually, pensions have accounted for the highest proportion of expenditure on social protection in all European Union countries except for Ireland in 1995 (European Commission, 1998).

Another outcome of the extension of pension programmes is that pensions have become the most important economic resource for older people in West industrialized countries. As we can see from Table 1.3, in the middle of 1970s, government transfers are the primary source of money income for older people, which represented 42 per cent of the total money income of older people in the US, and 56 per cent in Canada. In contrast, the contribution of occupational pensions is less than 13 per cent, and the asset income accounted for just about 20 per cent. Since the data in the mid 1970s were for the population over the age of 65, not for the retired, earnings still accounted for a significant proportion of money income of older people, 23 per cent in the US, and 11 per cent in Canada. By comparing the figures for Britain in 1951, 1985, and 1993, we

can see that the proportion of government transfer as money income of older people increased by 16 percentage points, from 43 per cent in 1951 to 59 per cent in 1986, and then declined by 5 percentage points, to 54 per cent in 1993.

Table 1.3 Percentage of Aggregate Income Supplied to older people by Source in Britain, Canada, and United States

	U.S.	Canada	Britain		
	(1976) ^a	(1975) ^a	(1951) ^a	(1986) ^a	(1993) ^a
All social security	42	56	43	59	54
Occupational pensions	13	12	15	20	25
Asset income	18	21			
Savings			15	14	16
Earnings	23	11	27	7	6
Others	4				
Total	100	100	100	100	100

Sources: derived from Myles, 1989: 20, Table 1.4; and Midwinter, 1997: 58 & 60, Table 5.2 & 5.5.

^a: For the population over the age of 65;

^b: For pensioners.

On the other hand, the proportion of occupation pensions as percentage of money income of older people follows an increasing trend, from 15 per cent in 1951 to 20 per cent in 1986, and the rise continued to 25 per cent in 1993. Coincidentally, the percentage increase in occupational pension from 1986 to 1993 is precisely the same as the percentage decreasing in government transfer over the same period. By contrast, the importance of earnings diminished dramatically, from 27 per cent in 1951 to just 7 per cent in 1986, and 6 per cent in 1993. The percentage of savings remains at the same level.

Although pensions have become the most popular social security scheme in the West, in

countries which originally have a mechanism to provide old people with economic support other than through pensions, the expansion of social provision system for older people may cause controversial issues. The campaign for an old age social security system in the United States in the early twentieth century is a good example of the controversy when the public transfer system was going to replace the traditional intergenerational support mechanism. As Hareven (1986) argues, in the 19th century, the mainstream of society believed that the family, rather than the state, was responsible for the well-being of its relatives. As Gratton and Haber points out: “In dealing with their own families, as well as in defining the correct welfare policy for the poor, the 19-century middle class continually espoused the primary importance of family responsibility” (1993: 147). Many families then employed a strategy of a “family fund” to protect their older members against impoverishment. Such a strategy was based on the children’s sense of responsibility and obligation to the family fund. Young workers dutifully turned their wages over to their older parents and added to the family’s financial success. Through the exchange of the family-shared resources, older people were able to enjoy economic security in their later life. In the first two decades of the twentieth century when the middle class began to object to this intergenerational transfer of funds and advocated establishing public transfer system, their criticisms were strident as the family-based strategy functioned well in many families (Gratton and Haber, 1993).

In most advanced industrialized countries, the private exchanges have already been replaced by public flows. However, in many countries especially those which still have strong family cohesion, the replacement of family support by public transfer remains a controversial issue.

1.3 The role of the family in supporting older people's income security

In spite of being the most important source of money income for older people in western industrial countries, public transfer does not seem to be the primary economic source for older people in countries outside Europe, Northern America, and Oceania. Table 1.4 is the result of a project cited by the World Bank. It addressed a common questionnaire to more than 20,000 married adults in some countries in the mid-1970s, asking the question "Would you expect your son(s)/daughter(s) to support you financially when you grow old?" All the Asian countries included in this project except for Singapore had a very high percentage of respondents answering yes for sons. In Indonesia, South Korea, Philippines, Taiwan, and Thailand, over 85 per cent of respondents expected financial support from their sons when they are old. By contrast, the figure in the United States was just 11 per cent respectively (World Bank, 1994).

Table 1.4 Parents Expecting Financial Help from Sons (S) and Daughters (D) (%)

	Indonesia		Korea		Philippines		Singapore		Taiwan		Thailand		US	
	S	D	S	D	S	D	S	D	S	D	S	D	S	D
Mothers	85	83	85	46	86	85	39	31	85	39	89	87	12	11
Fathers	79	77	78	42	82	80	31	25	76	29	78	75	12	11

Source: Adapted from World Bank, 1994: 62, Table.

Table 1.5 further provides a more detailed profile of the difference of economic resources between, using the World Bank's terminology, the 'high-income countries', the 'middle-income', and the 'low-income countries. More than 90 per cent of people over the age of 65 received income from public transfer systems in all the high-income countries in 1980s. In the Netherlands, Sweden, and the UK, the public transfer system was available to all their older citizens. Public transfers had even become the only economic resource for older people in Sweden. The proportion of older people receiving

income from work was very low in high-income countries, especially in France, Germany and the Netherlands, where the levels are less than 5 per cent. As for the family, it did not have any position in older people's income component in high-income countries.

Table 1.5 Sources of Income in Old Age, Selected Countries, 1980s (%)

High-income countries	Percentage of persons over 65 receiving income from			
	Work	Family	Pension/welfare	Savings
Australia	9	--	93	--
Canada	19	--	97	--
France	4	--	96	--
Germany	2	--	98	--
Netherlands	5	--	100	--
Sweden	0	--	100	--
United Kingdom	13	--	100	--
United States	20	--	94	--
Average	9	--	97	--
Middle-income countries	Work	Family	Pension/welfare	Savings
Korea, Rep. Of	24	64	6	8
Singapore	18	85	16	37
Taiwan *	8	61	13	12
Low-income countries	Work	Family	Pension/welfare	Savings
China	45	34	13	--
Urban	15	17	64	--
Rural	51	38	5	--
Indonesia	46	63	10	4
Malaysia	34	83	14	11
Philippines	63	45	13	2

Source: Adapted from World Bank, 1994: 63, Table 2.3 & Taiwanese Department of Interior Affairs, 1997:23.

*: For people over 65 of age; data of 1989.

The picture in Asian countries was extremely different from high-income countries, where the informal sector played an important role in supporting older people. Although the minimum age of the population of the survey - 65 in Taiwan and 60 in others - was equal to or greater than the pensionable ages in all these countries, the proportion of respondents receiving public transfer was between 6 and 16 per cent, which is very low. A relatively high proportion of respondents were still involved in paid work after pensionable age in these countries, especially in low-income countries. Generally speaking, family was the most important source of economic support for older people in Asian countries. In middle-income countries, including South Korea, Singapore, and Taiwan, more than 60 per cent of older people received income from their family.

The figures for Asian countries in table 1.4 seem consistent with the ones in table 1.5 in general. That is, in all these Asian countries, a very high proportion of older people received income from their family, and also a very high proportion of adults expected financial help from their children, especially from sons, regardless of the differences of economic and industrial development between these countries. Among these countries, Singapore might be the only exception, where a high proportion of older people enjoyed financial support from the family but a relatively low percentage of adults expected financial help from sons and/or daughters when they grow old.

1.4 The ideas of familism and de-familisation in supporting older people

The difference between western and eastern countries in the role of public transfers, familial support, and the peoples' expectations toward the family might be a result of the different cultures. Esping-Andersen (1999: 45) used 'de-familialisation' to capture policies that "lessen individuals' reliance on the family; that maximise individuals' command of economic resources independently of familial or conjugal reciprocities." In

his point of view, a high degree of de-familisation is one of the most important objectives for welfare regimes to achieve. However, most of the Asian countries are familialistic welfare regimes that assign a maximum of welfare obligations to the household. Take Chinese society as an example, as Chow (1987: 39) suggests, “the Chinese ideal is to draw each member closer to his family through social welfare provisions rather than to help him become independent of his home.” Furthermore, most Chinese are still holding fast to the principle that a person should first seek to have his needs met and satisfied within his family. It is only when the family fails to provide relief that the state should come in and give its support, but state provisions should never grow to the extent of replacing the functions of the family.

Although Asian countries still want to hold the traditional virtue of family obligation and filial responsibility, they are facing many challenges. First, the demographic trends, including the increasing proportion of older people and the declining fertility rate, are reducing the younger generation’s ability to give their older family members economic support. Second, the development of urbanisation could damage the relationship between working people and their aged parents. Indeed, although financial support from adult children is still a significant economic resource for the old people in these countries, it has been declining gradually. Thus, these countries face a choice between familism, to encourage intra-family financial transfer from adult children to old people, and de-familisation, to expand modern social provision for the older generations.

1.5 The triangle model for older people’s income protection

In addition to the public transfer system, the labour market provides another mechanism for de-familisation. Moreover, the availability of intra-family and public transfer will presumably influence older people’s participation in the labour market. Discussing

European social policy, a report published by Action Centre for Europe Ltd. (1998) offers a triangle model including three points of the state, the market, and civil society. They argue that all three sectors bear a share of the responsibility for ensuring social harmony. However, while applying to Asian countries, as far as older people's income protection is concerned, the family should take the place of civil society as a mechanism of social support. In these countries, it is the interaction between social provisions, labour market participation, and family support that determines older people's income security.

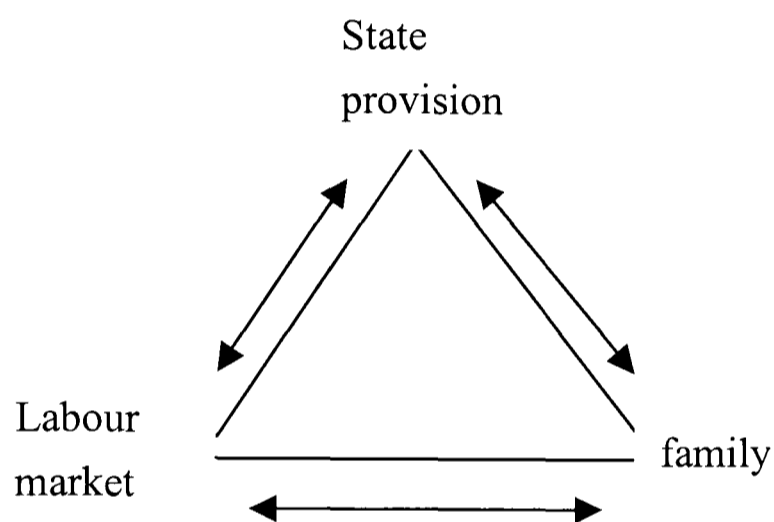


Figure 1.2 Triangle of older people's income security

1.6 Aim of this thesis

The main focus of this research is to analyse old age social protection systems in the three countries of Taiwan, Hong Kong and Singapore, and to compare their orientations in response to an ageing society. Questions being asked in this research are:

1. Do these countries stick to their tradition of taking family as the solution to an ageing society? Or do they follow their Western counterparts to introduce and expand de-familisation schemes?
2. What are the factors that contribute to these governments' policy-making of

orientations toward familisation or defamilisation?

3. What are the factors that can explain the convergence and divergence of the development of familisation or de-familisation of old age income protection system in these countries?
4. Does the development of familisation or de-familisation have an impact on the interaction between social provision, labour market participation, and family support in securing older people's income?
5. How does the development of familisation or de-familisation of old age income protection system affect older people's living standards?

To answer these questions, both macro and micro analyses will be employed to draw a thorough picture of these issues. In the macro level, the development of old age social protection systems in each country will be thoroughly reviewed to identify the trends of familisation or de-familisation. In addition, the main schemes concerning older people's income protection in each country will be analysed to see whether they as such should be regarded as familising schemes or de-familising ones. Furthermore, changes of older people's major income source in each country will also be analysed, to identify the trends of these changes. Analysis will also be undertaken to examine the connection of these trends and governments' orientation toward familisation or de-familisation in each country. Finally, a comparison will be made between three countries to draw out major factors that contribute to the convergence and/or divergence of the development of familisation or de-familisation of old age income protection system in these countries. At the micro level, subject to the availability of empirical data, the impact of the development of old age income protection system on older people's living standards will be analysed.

1.7 Definition of terminology

1.7.1 Choosing a name

There are a couple of names to call the group of people aged 65 and over. It would be inaccurate to describe them as “pensioners”, because not all people in this group receive pensions in each country, nor in some countries are all pensioners in these age groups (Whiteford, 1994: 9). One of the other terms, “retired”, faces exactly the same problem. Another possible term, the ‘third age’, usually do not include the ‘old old’ group. The Eurobarometer survey conducted in 12 member states of European Union in 1992, covered the population of the respective nationalities aged 60 and over, asked respondents directly: what do you prefer to be called? The results showed that there was no consensus across the whole 12 countries sampled. The majority vote being split between ‘senior citizens’ and ‘older people’. Four out of the 12 individual countries showed a majority favoring ‘older people’ and three ‘senior citizens’. By contrast, the term most commonly used by policy makers, the media, and social gerontologists, that is, ‘elderly’, is firmly rejected (Walker and Maltby, 1997). On the basis of their preference, this thesis will adopt ‘older people’ to indicate the targeted population of this research.

1.7.2 Familisation, pro-familisation, and de-familisation

There have been various definitions of family employed by governments and researchers. This study broadly defines family as ‘people related by blood, marriage, or adoption’. In this sense, the relationship between family members include grandparents, parents, children, spouse, son- and daughter-in-law, etc.

In this study, the level of familisation indicates the extent to which an individual financially relies on other family members. On the other hand, the terms

pro-familisation and de-familisation are used to capture policies that intend to manipulate the level of familisation. De-familisation signifies policies that maximize individuals' income independently of familial or conjugal transfer and thus lessen individuals' reliance on family members. By contrast, pro-familisation represents policies that encourage the financial interdependence between family members.

1.8 Outline of the thesis

Chapter two is a literature review that examines the related existing research. Chapter three introduces methodology of this research. Chapter four to six highlight the political, economic, social, and demographic developments in each of the three countries, and retrace the origin and development of modern social provision for older people in each of these countries. Chapter seven uses empirical data to analysis changes of older people's income and their impact on older people's living standard. Chapter eight compares the development of old age income protection system in these three countries to identity major factors that contribute to the similarities and differences of the development of old age income protection system in these countries. Chapter nine concludes this thesis.

Chapter Two

Literature Review

The development of old age income support occurred as a gradual evolution from work, to the family, to the state, to the enterprise and, most recently, to an emphasis on personal individualized savings (Rein and Turner, 1999). Historically, older people continued to work until they were no longer able to support themselves in an independent household. When this was no longer possible, they fell back on the benevolence of family, then some form of co-residence was established where the working adult child moved in to the home of the aged parent or the reverse (Atchley, 1976). Gradually, the state played a larger role in protecting older people's income, first through the strict means-tested programmes then through the introduction modern social security pensions. At the meantime, many employers also developed their own systems of pensions as human resource managerial strategies. More recently, governments in most industrialized countries have been encouraging occupational and private pensions in order to reduce the dramatically increasing burden on pension expenditure. Although many industrial countries are trying to relieve the role of the government by privatizing the pension systems, most of the 'privatized' pension system are still regulated and/or supervised by the government. In other words, the role of the government as a provider is declining. However, the governments nowadays are bearing more responsibility as regulators and supervisors.

Although the state has gained the overwhelmingly dominant position in providing financial support for the older population in all the highly industrialized countries, the importance of labour market and family has never completely fallen away. That is to say,

the relationship between the state, labour market, and family in protecting income security for older people is not only substitutive but also supplementary. Thus, there is an insufficiency of traditional welfare state studies focusing only on the state. As Esping-Andersen (1999) criticized, the family tended to disappear within the studies of comparative political economy. He argued that the term 'welfare state' has become misleading, and studying just the welfare state leaves a huge 'welfare residual' uncounted for. He claims the necessity of the practice of using terms like 'welfare regimes', since what is being studied is the broader package of welfare production and distribution. In addition, he defines a welfare regime as 'the combined, interdependent way in which welfare state is produced and allocated between state, market, and family' (Esping-Andersen, 1999: 34-35). In terms of protecting older people's income security, these three sectors represent different principles of risk management. Within the family, the dominant essence of allocation is reciprocity of filial obligation. The labor market, in contrast, is governed by the principle of commodification and distribution via the cash nexus. The dominant principle of allocation in the state, on the other hand, takes the form of authoritative redistribution.

The triad of welfare regimes proposed by Esping-Andersen is rather well-suited for analyzing the income maintenance of older people. A review by Rein and Turner (1999) confirmed that the historical income package of older people was a welfare mix based on market, state, and family. They argued that the income package managed by these three sectors was the dominant strategy in most industrial societies at the early stage of the welfare state. The reason for this was that the market (work after age 65), the family (children's earning), or the State by itself could not provide an adequate income for survival. As demonstrated in chapter one, although the family has been ignored in most of the comparative studies regarding older people's income protection, intergenerational

financial transfer within the family is still playing a significant role in the selected Asian countries involved in this comparative research. In these countries, the three sectors of state, labour, and family are an inter-causal triad. At the macro level, the welfare effort of any of the three sectors is obviously related to what happens in the other two. At the micro level, individual welfare depends on how the three sectors interact.

The following literature review will focus on these three sectors. The first part will retrace the role of work, family, and state as a mechanism for protecting older people's income. The second part will examine the interaction of these sectors, as well as their influence on older people's living standard. Although most of the existing research regarding these issues are based on OECD countries, they offer good reference materials for analyzing the relative issues in the targeted countries in this thesis.

2.1 Labour market and older people's income security

In the pre-industrial era, being older was really a 'risk' since very few people could survive till the age of 65 and there was hardly any social support mechanism for people who remained alive after losing their working capacity. Actually, with only limited accommodation available in almshouses and with retirement pensions virtually non-existent before the nineteenth century, there was a genuine fear of old age among working people (Phillipson, 1994).

With the improvement of the medical system and the increase in life expectancy, to most people, surviving until the age of late 60s nowadays is no longer a random unknown which is the key element of 'risk', but a future which can be expected (Culpitt, 1999). However, older people are more likely to incur hazards than the younger and thus are more vulnerable. Poverty is probably the most commonly identified 'hazard' (Brearily,

1982). To some extent, the poverty risk of older people is connected with modernisation (Beck, 1992), as the development of living and working styles in the modern societies makes it more difficult for people to get sufficient resources on their own in their later life.

The picture of older people's working style in pre-industrialized period was rather diverse. Reviewing the historical development of retirement in the US, Atchley (1976) pointed out that for the rare persons who lived to grow old in agricultural America, those who lived to become old tended to come from the upper economic strata. Those working men who did the heaviest labor were least likely to live long. For those from a better-off economic background, there was no problem with the living standards of their late life as they could get sufficient economic resources from assets. However, for people from the working class who did grow old, they had to continue full-time work as long as they could.

The existing historical studies verify the profile that older people keep working into old age. A study by Carter and Sutch (1996) provided a clear picture of older peoples' working pattern. They use the term 'agricultural tenure ladder' to represent the process of working peoples' life cycle in the agricultural era. That is, a working man started in life as a farm labour with limited capital, or with nothing but his own energy and enterprise, and then progressed to be a tenant farmer and finally became a farm owner-operator. Since they held the power of ownership, it is technically impossible for anyone to force the older farmers out in the early days. A survey of several less modernized nations by Cowgill and Holmes (1972) also supported the life long working assumption. They found that in all societies, older people were transferred to activities that are less strenuous and physically exhausting. They also found that in the societies

they surveyed, through control over land and the use of land, older people tended to retain power.

In addition to the earnings from work, the savings from work and the income from assets were also important economic resources for older people before the availability of social security benefits and pensions. As Carter and Sutch (1996) indicated, workers began work early and exited late, and the long working years and relatively short life expectancy in later life made it possible for many men at the turn of twentieth century to save a substantial fraction of their income during their working years to finance a period of non-employment in later life. They suggested that many men invested their savings in assets such as land, tools, shops, and inventory; became self employed; and eventually ceasing productive activity and presumably living off the stream of earnings generated by their assets.

However, industrialisation upset this picture. With the coming of the industrial era, the meaning of work and employment was recast, from artisan-type shops and small manufactures to modern mass production. Industrialisation also brought with it new forms of social organisation. The small-scale farmer and small businessman were gradually replaced by the salaried workers. The rise of the corporation and large-scale organisation for production eliminated the family with its patriarchal head as the typical unit of production. In addition, industrialisation reduced the power of older people by divorcing management from ownership and by devaluing experience. The long-run decline in the relative importance of self-employment, especially in agriculture and in owning and operating one's own business or farm meant that the vast majority of people had no way to claim an income except through a job. In countries like Germany and the United States, the share of agricultural employment declined from 50 per cent in 1870 to

about 33 per cent in 1910 (Esping-Andersen, 1990: 92). Land or other resources were no longer available, and ownership and control of the economic surplus were concentrated in the hands of large business concerns and financial institutions.

Industrialisation also put older people in the labour market at a disadvantage and brought about the phenomenon of retirement. The growth of the factory system brought about a growing concern with maximizing productivity rather than a stress on labour intensity. In particular, the argument of the scientific management school of thought that efficiency in the labour process depends on the removal of those with low levels of marginal productivity, which was crudely related to age is very influential (Walker, 1986; Myles, 1989). Thus, the desire of management to shed itself of ageing workers, accompanied by the development of assembly-line production, hastened the displacement of older workers by institutionalized retirement. The Northcote-Trevelyn report of 1857 on the efficiency of the British civil service, the first document that promoted the idea of retirement, was a typical example representing this idea. The authors of this report argued that the efficiency of the civil service would be enhanced by the removal of older workers. So from its inception retirement has been seen as a way of improving the economic efficiency of firms and organisations rather than as a reflection of concern for the well-being of the work force (Victor, 1994).

The statutory retirement defines older people as a social group and absolves them from the requirement to work, yet it has virtually no physical justification when longevity is increasing. Therefore, although the rising population of old people became steadily fitter and healthier, and thus more able to participate in the labour market, they were increasingly marginalised into economic inactivity.

Accounts of the emergence of retirement also suggest that older people have been used as a reserve army of labour: older people were encouraged to remain in employment in times of boom but were the first to be dismissed in times of recession (Walker, 1986; Townsend, 1986; Guillemard, 1999; Kohli et al, 1992). At times of high unemployment, retirement has come to be used as one of the most important strategies for adjusting the numbers and structure of the labour force, with the additional advantage that it is much more acceptable to the unions than some other options. Thus, in the boom of the late 1950s, older people were encouraged to work on to achieve a 'happier old age', while in the high unemployment period of 1930s and 1980s, older people were encouraged to retire early in many industrial countries.

Empirical surveys have also shown continuing discrimination against older workers in recruitment and employment. Research by Trinder and his colleagues suggest that employers' are now using early retirement to reduce the workforce and to change the age profile of their organisations and provide opportunities for younger employees to be promoted. On the other hand, a mail survey conducted by Taylor and Walker (1993a) found a range of negative and inaccurate stereotypes toward older workers. Their survey, targeted on 500 employers of big organisations with 500 or more employees in Britain with a response rate of 61 per cent, showed that nearly half of the employers (43 per cent) considered age to be an important consideration in the recruitment of staff. In addition, approximately 15 per cent of all employers specified maximum recruitment ages in the advertisements for the most common job in their organisation, and 60 per cent of employers in the sample considered people to be too old to be recruited at the age of 60. In fact, being discriminated against is an important factor causing the steady decline in share earnings of the age groups over 55-59 years old (Taylor and Walker, 1993b).

2.2 Family and older people's income security

As mentioned earlier, the family was a back-up for older people when they were no longer able to work. As an ILO review stressed, documenting and understanding the existing informal systems of support based within the family and how these systems are themselves changing is a prerequisite for developing appropriate and effective social and economic policies addressing older people (ILO/EASMAT, 1997).

In the past, children and relatives have, under ideal circumstances, supported parents who could not provide for themselves or wanted to retire. Support for the elderly traditionally took the form of an informal contract across generations. As parents cared for them as children, adult children should support their older parents in return (Pampel, 1998). In some countries, this sort of familial obligation is even written in the code. For example, Twigg and Grand's (1998) comparative study of family obligations between France and Britain showed that French law encodes responsibility for the financial maintenance of parents by their children through the operation of 'obligation alimentaire'. The 'code civil' was established in 1804 in French law, which sets out the character of marriage and the related nature of family obligation

The main measure for a family to support its older members is co-residence with their offspring. A survey in the United States of the composition of family earnings in 1890, 1918 and 1939 shows that the relatively low earnings of aged household heads could be offset because the family was able to maintain its economic position with adequate income by requiring that children work (Gratton, 1996: 51). Until recently, it was still the norm that aged parents would reside with their children. Laslett and Wall (1972) suggested that 30-40 per cent of older Britons in the eighteenth century lived with their offspring. Barbagli (1982) estimated that this was the case for 60 per cent of aged

Italians in the nineteenth century. As late as the 1950s, between one-third and one-half of the older people cohabited with their children in Finland, Norway, the UK, and the US (Esping-Andersen, 1999:54). Even in 1980s, there were still more than 10 per cent of persons over 65 years old living with children in the Netherlands (12%) and US (13%) (World Bank, 1994: 64).

Empirical studies show that older people who live with their children receive significant help from children. A cross-sectional survey conducted in 1991 interviewing 4,628 people aged 65 and over in the UK, Canada, the UK, West Germany, and Japan found that a large proportion of respondents did receive help from their children and family. The proportion of respondents receiving help from other members of the family in Canada, Japan, the UK, West Germany, and the US was 78 per cent, 91 per cent, 82 per cent, 90 per cent, and 74 per cent respectively. However, if we only look at the help with money, the percentage points were much lower: 7.5 per cent often received money from their children and their family in Canada, 25.8 per cent in Japan, 15.7 per cent in the UK, 9.0 per cent in West Germany, and 5.0 per cent the US (Kunemund and Rein, 1999).

Although the family has played a significant role for older people's income protection, the process of modernisation has eliminated its function in supporting its older members in western industrial countries. Urbanisation and industrialisation have disrupted extended families and isolated adult children from their aged parents. Urbanisation attracts young people from the rural areas and results in a break-up of the extended family. In addition, as fertility declined and families became smaller, older parents found they had fewer adult children to support them.

However, in countries with strong familial cohesion, there are still rather high

proportions of older people living with their children. For example, the percentage of older people living with children in mid-1980s was still as high as 65 per cent in Japan (Esping-Andersen, 1999). Although the proportion of aged parents living with married children in Japan is declining, the process seems to be very slow. Palmore and Maeda (1985) found that, despite rapid industrialisation, the honorable status of older Japanese people has remained stable and older people have continued to be integrated into their children's families. In China, the three-generation family continues to be an important family type today. The case of Singapore also shows that although co-residence is declining, the trend is only modest. An earlier survey taken in 1988 indicated that 88 per cent of Singapore people aged 60 and over lived with at least one of their children, and in 1995, the figure was 85 per cent (Knodel and Debavalya, 1997). In the case of Taiwan, Thornton, Chang, and Sun (1984) reported that, the proportion of newly married women living with their parents-in-law declined from 90 per cent for the 1930-34 birth cohort to 78 per cent for the 1955-59 birth cohort. This finding suggests that fewer elderly persons live with their married children, however, the proportion of older people living with their children is still high. The case of Thailand also shows a very modest trend in the decline of co-residence. Knodel and Chayovan's review indicated that, for people aged 60 and over and with at least one living child, the percentage of co-residence with a child in the same household was 80 per cent in 1986, and 74 per cent in 1995, during the decade of rapid economic development decade, a drop of only 6 percentage points of co-residence (Knodel and Chayovan, 1997).

Co-residence is not the only way to support older family members' income security. Adult children do not necessarily have to reside with their aged parents to give them financial resources. A 1929 New York survey showed that more than half of older people depended on support from family and friends (Weaver, 1982: 42). Family support still is

the most important resource of older people's income in many Asian countries. For example, a recent official survey in Taiwan shows that near half (48.3%) of the older people pointed to "monetary support from children" as the most important resource for expense (Taiwanese Government, 1997). A survey in South Korea also showed that in the late 1980s, 72 per cent of older people received financial support as living expenses from family members (Kim and Choe, 1992).

In addition, although the percentage of older people who reside with their children has been declining with the development of industrialisation and urbanisation, this does not mean it is also true that the importance of intergenerational financial support within family members is declining. By contrast, empirical data from South Korea, Thailand and Philippines shows that the proportion of financial support from children to aged parents is higher instead of lower in urban areas than in rural areas. Data from the 1996 Philippine Survey on the Near Elderly and Elderly showed that the percentage of people aged 60 and over who received significant money from any non-coresident child was 27 per cent in urban areas, 10 percentage points higher than that in rural areas (17%) (Natividad and Cruz, 1998). A survey in South Korea in 1988 showed the same picture: for older people living in big cities, 79 per cent received financial support from family members, while for older people living in medium-size cities and rural areas levels were lower at 72 per cent and 64 per cent respectively (Kim and Choe, 1992). Data from the Survey of the Welfare of Elderly in Thailand conducted in 1995 revealed that, although there is no clear relationship between the location of the child and giving any money to a parent, if consideration is limited to significant amounts of money (more than 1,000 baht or US\$ 40 at the time of the survey), children who live farthest away from their parents are distinctly more likely to provide such amounts than other children, including coresident children (Knodel and Chayovan, 1997). A national survey of older people in

Singapore also showed that a high proportion of respondents who received financial support from their non-coresident children. In 1995, for people over 60 years old and with at least one non-coresident child, 85 per cent received money regularly from at least one non-coresident child in Singapore (Chen, 1999). The high proportion of non-coresident and distant children giving financial support to their aged parents could be attributed to the situation in which a higher proportion of such children attempted to substitute money for other types of exchanges that they could not provide.

The high proportion of older people residing with and/or receiving money from their children in Japan and Singapore suggests that it is the culture rather than purely economic factors that contributes to the high intergenerational support in these Asia countries. People in many Asian countries today still hold strong faith in Confucianism that highlights filial piety, which means that young and middle-aged family members are believed to provide assistance to their aging parents and to give priority to their parents' needs over their own (Lee, Netzer, and Coward, 1994).

In addition to the faith of Confucianism, another possible reason for the high degree of monetary transfer in Asian countries is the underdevelopment of pension system. It was not until 1980s that South Korea established a pension system, and in Thailand, a pension system was not introduced until 1990. In Taiwan, there is a remarkable reluctance to replace the retirement lump sum payment with pensions even though these could be financed within the present rate of the payroll tax (Chow, 1987). In Singapore and Hong Kong, provisions for conventional insurance are still absent.

Although these Asian countries still want to hold the traditional virtues of family obligation and filial responsibility, there is an increasing pressure toward these countries

to keep their status as industrial countries and to prove that they can give their populations the same protection other nations give to theirs. In many ways, they have taken what may be called a ‘learn-as-we-go’ approach to social welfare, continuously seeking and taking information and models from abroad, and adapting them to their domestic situations (Goodman and Peng, 1995).

2.3 State and older people’s income security

2.3.1 The origin of pensions

Although pensions nowadays have become the largest programs of social security and the most important resources of older people’s income in all western industrial countries, the considerations of these countries introducing the pension system are far more than pure income protection. The high age of eligibility and the low benefit were both good evidences that the original pension programs were far from ideal means of helping the very poor. The qualifying age for both the first British and German pension programs was 70. However, by 1900, life expectancy at birth was below 50 years. To adjust for high rates of infant mortality, we may note that life expectancy at age 20 around the turn of the century hardly surpassed 60 years: 60 years in Austria, 61 years in France, 62 years in the US, and 66 years in Sweden (United Nations Statistics Office, 1949). In other words, it was hardly usual for someone to survive beyond the age of 70 and qualify for pension benefit (Esping-Andersen, 1990:89). In addition, the 1889 German scheme remained a class of casual labourer earning less than M300 p.a. (c. 7s. per week) who were excluded from state insurance because they were irregularly employed and poorly paid (Williams, 1970: 63).

Instead of income protection, the ‘politics’ has been accepted as the main purpose of

old-age pensions. In early days, poverty was not only a curse, but also a danger. The old charity of rich towards poor was often motivated by fear of burglary and acts of violence which the desperate poor might perpetrate. In the Middle Ages and up to the 17th century while violent crime rose to worrying proportions in all European countries, public assistance was then an institution which made it possible to register and consequently control the poor and so prevent them from becoming a danger to society (Langendonck: 25-26). Such motivations may explain why the 1908 British pension scheme and the 1898 New Zealand pension scheme had clauses excluding applicants of 'bad character', such as having been imprisoned for a certain term.

Many researchers argue that the prime motivation for early state legislation of pensions was to arrest the growth of labor movements, and to redirect workers' loyalties toward the existing order (Williams, 1970; Rimlinger, 1971; Myler, 1989; Vincent, 1996; Esping-Andersen, 1997; Pempel, 1998). When Bismarck launched an old-age social insurance program for workers in 1889, he was hoping that the program would undermine the labour movements and dispel potentially more radical socialist programs, and that state-sponsored pensions would make workers loyal to the Prussian monarchy. These reasons were also the clear rationale behind the early Danish, and Austrian reforms (Esping-Andersen, 1990). The perspective that pension started as the gift for loyalty could also explain that, in many countries, pensions spread from soldiers and sailors to other civil servants and became over time a routine feature of public administration. Therefore pensions are middle class in origin and with the rise of modern society, it was state officials and then middle-class bureaucratic officials who first became pensioners (Vincent, 1996).

In addition to politics, the attempt to adjust the labour market was also a driving force for

introducing pension programs. As a number of studies have shown, retirement and the spread of pensions were stimulated by demands for greater efficiency and productivity in the workplace (Thane, 1978; Victor, 1996; Macnicol, 1998). In the early 1900s, new technology displaced older workers, and older workers were caught in a situation of shrinking job opportunities and a decrease in demand for their particular skills. Unless supported by the state, the unemployed older workers would become a growing reserve army of labour that would compete with younger workers and force down wages. Thus, pensions and statutory retirement were introduced as a legitimate way of excluding older workers from the job market and thereby decreasing the demand for employment.

Researchers who examined the background of the initial campaign of old age pensions also found that pensions were seen as a means of effecting an immediate and simple cure for unemployment (Philipson, 1982; Victor, 1994; Macnicol, 1998). By offering pension benefits as an economic incentive, it seemed elderly workers could be removed from the labour market, and their jobs being redistributed to the young. As in the pensions debate of the late nineteenth century in the UK and of the 1930s in the US, the dominant concern was focusing on the unemployment of the young male breadwinner, rather than the poverty of older people (Victor, 1994; Macnicol, 1998). The older workers, ‘worn-out’ after a lifetime of industrial service, could be granted an ‘honourable retirement’ through the payment of a pension at a level that would guarantee reasonable material comfort. Simultaneously, the young unemployed with families – who were perceived to be the most tragic victim of the economic recession – would be given jobs, a decent income, and thus self-respect in a culture where self-esteem came from the work experience. This argument was to dominate discussion on pensions in the early 1900s (Victor, 1994; Macnicol, 1998). In 1919, an American Trades Union Congress report argued that increasing the pension would induce ‘those above the age of 65 to take

a well earned rest from their work to allow the younger men, who are waiting for a job, to come into their place' (Trades Union Congress, 1919: 195, quoted in Phillipson, 1982).

2.3.2 Explaining the emergence and development of pensions

As introduced earlier, pensions have now become the most important programs of social security system in most industrialized countries, regardless of the huge social, economic, political differences between these countries. However, there have been considerable debate over the explanation of the emergence and extension of pension systems. Four major perspectives have been well developed on explaining the development for the welfare state and pensions: industrialism, social democratic, state-centre, and diffusion.

The industrialism approach to explaining the welfare state focuses on the growth of industrial technology and its demographic and institutional development. The basic argument of this approach is that the welfare state is a response to problems created by the development of industrialisation. From this point of view, the structural transformation of societies, when traditional productive and social relationship based on an agricultural society shifts to the modern capitalistic society based on industrial organisation and technology, creates pressures to expel less productive people, including the elderly and the disabled, from the labour market. Those citizens who do not possess productivity and can not earn themselves living expenses from the labour market need economic support, hence it creates the need for social security institutions. On the other hand, in terms of causal sequence, it appears that before positive change in political structure can bring about positive change in social security programme development, a nation must have experienced some economic growth (Cutright, 1965; Williamson and Pampel, 1993; Orloff, 1993a; Orloff and Skocpol, 1984).

According to the logic of industrialism, the ageing of the population is an important factor that explains the emergence and development of pensions because the aged need economic support more than other age groups since the family in modern societies no longer provides such support. In addition, the difficulty of accommodating older workers in mass production organisation also increases the need for pensions as economic development proceeds. From this point of view, the social security system is treated as responding automatically to substructural changes in the age structure and labour market. As a result, the increase in the number of older people and retirement increases the need for pensions and thereby raises the expenditure on pensions. This claim has gained much support from cross-national comparative studies. Pample and Williamson (1985) analyzed the pension expenditure during the period of 1960 to 1975 in 48 countries, for the regions Africa, Asia, Latin America, Europe, Northern American, and Oceania, and found that the relative size of the older population has a dominant effect on social security and pension expenditure. Another study by the same research team examined the welfare spending in 18 advanced industrial democracies from 1950 to 1980 also showed that the size of the older population has the strongest determining effect (Pample and Williamson, 1988). Palme's (1990) study also found that, from a large number of factors, the best predictor of cross-national variations in the early stages of pension development in 18 OECD countries was the degree of unionisation of non-agricultural labour force.

However, the influence of industrialism variables on pensions is not always consistent. For instance, Palme's (1990) study has found that economic-industrial development is not the factor explaining the cross-national diversity of social security rights. His study of pension rights covers 18 countries and adopted data for 12 points of time from 1930 to

1985. He finds that, although they have a positive effect on pension coverage, economic and industrial factors have very little to do with the cross-national differences in adequacy of pension rights. Thus he argues that for the 'logic of industrialism' hypothesis, the results are inconclusive.

The social democratic conception of the politics of social spending emphasizes the advancement of working-class interests by strong working-class movement, in particular left-party governments (Korpi, 1989). According to social democracy theory, social welfare programs benefit the working and lower classes. As a result, it is in nations where reformist labour unions are strong and social democratic or socialist parties dominate the government that social welfare programs are extensive. From this point of view, rightist-party participation in government tends to dampen welfare expansion, while leftist-party governmental participation tends to advance welfare expansion.

There is much empirical evidence supporting the social democratic perspective. Analyzing welfare expenditure across 18 OECD countries during the 1960-82 period, Hicks and Mishra (1993) found that left rule, or left party control of governmental authority, strikes, and working-class protest positively affect welfare effort, while petty bourgeois protest dampens welfare effort. Palme's (1990) study, also focused on 18 OECE countries, found that the working class mobilisation variables had positive and significant effects on the pension variables regardless of the differentiation of pension models within these countries.

The significance of social democratic variables, like industrialism variables, are not always successfully found in all empirical studies. Moreover, the results of some

empirical studies even produce results that are contrary to the working class mobilisation hypothesis. Pampel and Williamson (1985) found that class variables and the strength of the leftist parties had little or no effect on pensions, and concluded that age politics had been more important than class politics for the development of pensions. Wilensky (1981) analyzed social security expenditure in 1960 and 1971 in 19 advanced countries, and observed that left party dominance in the government during 1919-76 or 1946-76 did not have any effect. Kohl (1981) found that centre-based coalition governments tended to increase public and social expenditure more than socialist government among 14 Western developed countries in 1950-1975.

The third popular perspective explaining the development of the welfare state and pensions is the state-centre approach. This approach argues that the development of the welfare state is a part of nation building that can be seen as outcomes of a process where states gain capacity to provide social security on a large scale. In other words, it argues that welfare effort is shaped by relatively autonomous state institutions and elite (Orloff and Skocpol, 1984). Therefore, the crucial importance of elected or appointed state officials for explaining welfare state growth has been one of the leading themes in the state-centred approach (Palme, 1990).

The state-centre hypotheses have been supported by some empirical studies. Hecló (1974) found that the most important factor for explaining cross-national differences is the functioning of the central state bureaucracies and their administrations, while political and economic factors were only of secondary importance. The importance of state autonomy was also a finding in Orloff and Skocpol's (1984) comparative analysis of British and US patterns of social security systems at the turn of twentieth century. They concluded that the autonomous actions of officials and politicians, and the state

structures and their transformations were the main factors that explained why Britain launched a full range of modern workers' compensation, old age pension, health insurance, and unemployment insurance before World War I, while the United States resisted the possibility of launching modern social-spending measures. Allen's (1991) study also provides evidence for the state-centre approach. Using the samples of 589 capitalists in 1936, he found that four in five major capitalists who contributed to 1936, the year before the New Deal was enacted, US presidential campaign contributed to the Republican party. These results suggested that most capitalists were opposed to the New Deal by 1936, thus he argued that the New Deal reforms were initiated by state managers over the opposition of most capitalists.

The fourth perspective explaining the development of social security programs is the diffusion approach which was originally proposed by Collier and Messick (1975) who argue that social security adoption is taking place within an international system of communication and influence. They argue that some nations have directly imitated the legislation of other countries. For instance, the Italian insurance system for works' pensions established in 1898 is a synthesis of corresponding laws in France and Belgium, and the first program in Austria was modeled after those in Germany. The European experience had considerable influence on social programs adopted in the United States.

Although it is common for a country to learn from the experience of foreign forerunners, the influence of international effects on domestic social security programs is very difficult to measure empirically. Even if some countries have similar characteristics in social security programs, it is difficult to define the influence of diffusion. These difficulties probably explain why there are very few empirical studies regarding this approach.

In addition to the above four major approaches, there are other factors that might influence the development of the welfare state and pensions as well. The pluralist perspective argues that the growth of the welfare state represents the influence of the power of pressure-group politics reflecting the ordered segments of society. Accordingly, welfare effort reflects the ability of 'have-nots' to exhort and extort policy concessions from 'haves' (Hicks, Swak and Ambuhl, 1989). Pample and Williamson (1985) argues that unlike nearly all other social welfare programs, pensions benefit a large and easily identifiable population with ascribed characteristics and a high rate of voting. These characteristics make the aged a potentially strong interest group that can influence public policy in ways that welfare mothers, the unemployed, children, and the poor cannot. Their study found that the effect of the percent of the aged on pension expenditure increases with political democracy, which suggests that the aged wield political power in increasing pension expenditures. Day's (1990) study also provides evidence of pluralist approach. His case study of pension reform in the United States found that aged interest groups played an important role.

2.4 Comment on current research

Although each of the major approaches has provided some evidence from empirical studies, none of the particular theoretical perspectives can be plausibly regarded as a sole or sufficient source of explanation. Neither industrialism nor social democratic, diffusion nor state institutions and elite can be judged decisive. Moreover, empirical support for these theoretical perspectives come from a large number of studies, most of which focus on approximately twenty of the wealthiest, developed democracies and limit the time period to between 1960 and 1990. Although it has been important to explain continuities and changes in postwar welfare state development among capitalist

democratic countries because these countries, unlike other countries, have largely similar economic and political systems, which provide boundaries for empirical propositions (Amenta, 1993). However, the history of rich capitalist democracies from 1960 through the 1980s is far too restricted a pool of experience since almost all these countries established their pension systems before the 1940s. Thus research on postwar welfare state efforts cannot answer fundamental questions concerning why the systems were constructed the way they are and do not sufficiently explore why breakthroughs that might well have happened did not occur at relevant points in nations histories (Orloff and Skocpol, 1984). Neither can they explain critical phenomena such as the timing and content of innovations in the welfare state and pensions. Another weakness of the study of 20 nations at one point in time is that it truncates variation in development and age structure; industrialism variables are discredited through analysis of a sample in which such factors are nearly constant (Pamplpe and Williamson, 1985). Therefore, this sphere of research is far too narrow a focus to make strong generalisations about social policies.

After discussing the insufficiency of current comparative research regarding welfare state development, Amenta (1993) suggested that case studies and close comparisons of countries will remain the main means for understanding the development of welfare state expansion and provide propositions and hypotheses for examination of quantitative data sets. Moreover, he argues that it seems likely that only comparative historical research can untangle issues of causality for which quantitative indicators are too highly correlated to interpret. He also argues that more quantitative research is needed, but mainly on new units of analysis, in different time periods, and sometimes focusing on the quality and efforts of individual programs.

In consideration of the inherent weaknesses of existing research, this research is going to bring the family, an important transfer mechanism outside of public transfers, into the analysis of pension system development. In addition, a comparison of the similarity and difference of the development will be drawn between the three Asia regions including Taiwan, Hong Kong, and Singapore, which have not gained much attention from welfare state studies. Therefore, by bringing a new factor – family – into the analysis, and focusing on regions that have been neglected by most of the researchers, this research will contribute to broaden the understanding of the development of social security systems.

After examining the development of the three sectors of labour market, family and state, the next part of this chapter will review the relationship between each two of the three sectors: labour market, family, and pensions. However, the relationship between labour market participation and family support will be left out, as there seems to be no empirical studies regarding this topic so far.

2.5 Relationship between pensions and older people's labour market participation

There are a couple of factors that influence older people's decision about whether to continue participating in labour market or to retire, and the financial circumstances are one of them. Pension benefits improve older people's economic conditions, and may thus have considerable effect on retirement. In fact, empirical studies from economists have confirmed the importance of pensions and social security benefits as an explanation for the dramatic decline in older people's labour force participation. An early study conducted by Zabalza and his colleagues, using a 1977 British data consisted 1,940 men aged 55-73 and 1,848 women aged 55-73, all of whom had a job after age 45,

estimated that the supply elasticity curves for men over pensionable age are much shallower than those for men under pensionable age. The implied elasticity of substitution of the former is 0.25 while that of the latter is only 0.15. They interpreted the result as that being eligible for a state retirement pension makes the individual less dependent on his main job, and therefore has a higher degree in his choice of work regime (Zabalza et al, 1980). Their model also confirmed that the increase of the pension will have a positive effect on the retirement probability when the man reaches the eligible age. Samwick (1998) used the data of the Survey of Consumer to examine the effect of changes in pension coverage and simulated the probability of retirement. He estimated that as much as one fourth (27%) of the decline in labor force participation in the early postwar period can be attributed to the contemporaneous of pensions. Favreault and his colleagues', using the data of the 1990-93 Survey of Income and Participation sampling individuals between the ages of 62 and 69 in the US, also found that being covered by a pension plan, as well as the higher Social, reduces the probability of working (Favreault et al, 1999).

Research targeting on Old Age Assistance (OAA) benefit, the first means-tested program for older people in the US which was received by two million individuals by 1940, also found a negative relationship between this benefit and older people's labour force participation. Fiedberg (1999) used individual data from 1940 and 1950 American Censuses which contain 25,426 and 29,422 observations respectively, found OAA's impact on older people's labour force participation was strong. Their model estimated that, if benefits had not increased during the 1940s, the participation rate of 66-73 year olds would have risen to 53.1 per cent in 1950, instead of falling to 51.4 per cent, from the level of 1940 in 52.6 per cent, as strong economic growth was encouraging people to work longer. Parsons (1991) also analyzed the impact of AAA. He estimated that 50% of

the increase in retirement rates between 1930 and 1950 could be attributed to OAA. By including the 1930s, however, he was compelled to use aggregated state level data because individual records from the 1930 Census are not available.

The participation in the labour market, by contrast, also has a significant effect on the probability of claiming pensions. The Canadian pension system offered a unique structure for examining this argument. There are two public pension plans in Canada: the Quebec Pension Plan (QPP) covers workers in the province of Quebec, while the Canada Pension Plan (CPP) covers workers in the other provinces. Retirement/earnings tests, which applied to pensioners between the age of 65 and 69, were part of both plans when they were initiated in 1966, but were eliminated from the CPP in 1975 and from the QPP in 1977. Baker and Benjamin (1999b) used the micro data from the 1972, 1974, 1976, 1978 and 1980 Census Family files in the Survey of Consumer Finances to examine the labour market activity of men between the ages of 65 and 69. They found clear evidence that the removal of the retirement test is correlated with higher take up rates. The removal of the retirement test from CPP in 1975 is associated with a roughly 15 percentage point's increase in pension receipt.

2.6 Relationship between pensions and intro-viva transfer

Some researchers suggest that the role of state pensions and assistance was designed to make it easier for the family to maintain their aged parents through shared residence (Williams, 1970; Rein and Turner, 1999; Kunemund and Rein, 1999). The 1601 British Poor Law and means-tested programs in Asian countries, such as Hong-Kong and Taiwan might be good examples that social security benefits serve as a pro-family measure. These benefits enshrine the principle that children support their families and that the state enters only after the obligation has been honored.

Figures from survey data in many countries do show that groups that receive a higher proportion of government transfer receive a lower proportion of receiving financial support from children (Taiwan Government, 1997; Singapore Government, 1995). Compared to men, fewer women have income from pensions, and even if they do, they usually receive lower levels of benefit. This disadvantaged status of women is the continuance of the division of the labour market. Women work less often because of family and domestic duties. Furthermore, women in the paid labour force typically have low-status jobs which offer low pay, limited pension benefits, and high turnover. During middle age, gender differences in labour force experiences, wages and salaries and pensions contributions to create a large gap in the independent resources available to men and women. Thus, during old age, public programmes moderate the market disadvantages of women. On the other hand, in countries with strong familial cohesion, more women than men receive financial support from their children. All the 1996 Survey of Senior Citizens' Situation in Taiwan, the 1995 National Survey of Senior Citizens in Singapore, the 1996 Philippine Survey on the near Elderly and Elderly, and the 1988 Korea (South) Gallup Survey indicate this picture. However, there is no clear evidence to draw conclusions about the relationship between these two sorts of transfers.

Actually, there is hardly any empirical studies exploring the relationship between government benefits and intergenerational family transfer or other informal transfers. Lampman and Smeeding (1983) examined the relationship between government transfer and informal transfer – transfer between nuclear families – from the 1930s to 1979. They observed that during this period, there had been a modest decline in interfamily transfer as a percentage of personal income and a strong growth of government transfer. They suspected that the growth in government cash and in-kind

transfers explains much of this decline in interfamily transfer. Their study was targeted on the whole population rather than older people, furthermore, their interpretation of the relationship between public and informal transfer was only a conjecture. More research is needed to explore the real situation.

2.7 Relationship between labour market, family, and pensions

Researchers suggest that the development of old-age income support occurred as a gradual evolution through which a new mechanism replaced the earlier one. However, there are different viewpoints on the stages of this process. One of them argues that the sequence goes from labour market (work), then family support, and finally state support (pensions). The literature cited earlier from Atchley (1976) and Rein and Turner (1999) represented this point view. However, Esping-Andersen (1999) proposed a different perspective. He defines the labour market as a sector of commodity where the survival of older people was contingent upon the sale of their labour power, and the state as a sector of de-commodity which loosens the commodity status by introducing modern social provision programs including pensions, and family as a sector of pre-commodity. He argues that individuals first need to leap from the pre-commodified sector to the commodified sector, then they can be de-commodified. In other words, individuals relying on family support cannot have a high level of pensions unless they participate in the labour market. In spite of the difference, these two perspectives both seem to regard the three sectors to be mutually exclusive.

This chapter has reviewed changes of older people's strategies for securing their income in later life in the history, and interactions between the three sectors of the social security system, labour market, and family in providing financial resources to older people. As discussed above, in Western countries, the social security system has replaced the labour

market and the family as the major mechanism for protecting older people's income. However, in some Asian countries, as discussed earlier, changes of older people's income are still underway. In addition, the dynamics of interactions between the social security system, labour market participation, and family support might be more complex, as governments in these countries has expanded its old age income protection system under a situation where traditional family functions are still strong. Discussions in this chapter have already showed that the current situation of these sectors in providing income source to older people in selected Asian countries is very different from those in the West. Therefore, a study based on Asian countries where family cohesion is still strong will offer an opportunity to map a more comprehensive picture on these issues. The next chapter will be addressing the methodology adopted by this research.

Chapter Three

Methodology

This research will be adopting a comparative method. This chapter is divided into two parts. The first part introduces the characteristics and perspectives of comparative research, as well as its advantages and challenges. The second part explains the rationale of the research approach adopted in this research.

3.1 The development of comparative research in social policy

The use of systematic observation across societies is as old as Herodotus (ca. 495-424 BC.) (Warwick and Osherson, 1973: 3). In the field of social policy, cross-national research was carried out as early as the 1890s (Orloff, 1993a). However, it was not until the decade after the Second World War that comparative research on modern social provision has proliferated (Orloff, 1993a; May, 1998). In a way, the expansion of comparative research on social policy after World War II is attributed to the massive growth of the welfare state in many countries in this period, especially those of the industrialized West. One stimulus to comparative analysis on social policy, then, has been that of explaining common trends and accounting for national difference. (Orloff, 1993a; May, 1998; MacPherson and Midgley, 1987)

On the other hand, the growing theoretical sophistication of social policy studies has also increased the demand for comparative research. In their attempts to formulate broad generalisations and to conceptualize social policy issues in abstract terms, investigators have recognized the limitations of basing their research on the unique experiences of particular countries. Most have been aware that the analysis of social policy can be

strengthened by examining experiences from abroad and constructing cross-cultural models. This realisation has stimulated more comparative social policy research and resulted in a somewhat broader appreciation of the welfare systems of other societies (MacPherson and Midgley, 1987).

The increasing availability of cross-national data also encourages the adoption of comparative research in social policy. There has been an increasing amount of useful data from international agencies and databases, such as the Organisation for Economic Cooperation and Development (OECD), the European Commission (EC), and the Luxembourg Income Study (LIS). Such organisations have reworked national government statistics to make them comparable (Ginsburg, 1996: 19). These increasingly accessible and comparable sources make comparative research more attractive to researchers.

3.2 The meaning of comparative method

The term comparative method refers to social scientific analyses involving observations in more than one social system, or in the same social system at more than one point in time (Warwick and Osherson, 1973). According to this definition, the units of this method are diverse. The comparison could be done between national units, as well as regions, cities, communities, and other sub-national units. A comparison could also be drawn between different time periods in the same society.

Although it is argued that comparative study should be regarded as a different and separate research approach from others as its data and objective are distinct from analysis limited to a single society (Warwick and Osherson, 1973), many researchers argue that comparative study is not a field of study nor a distinct discipline (Higgins.

1981, 1986; Doling, 1997). In fact, viewed as a fundamental operation in human thought, comparison is essential to any effort at social scientific analysis. In itself the term 'comparative' does not imply anything about the object of study. Even in the phrase of 'comparative social policy', Higgins claims that "it is something of a misnomer" (1981: 1). She argues that it is not social policies themselves that are comparative, but the study of them. In other words, a more accurate description of the activity in which we are engaged should be 'comparative research (or analysis) in social policy'.

In addition, there is obviously no simple, unitary 'comparative method' as such, as the definition of comparative research is not linked to any specific research methodology (Warwick and Osherson, 1973; Higgins, 1981). Comparisons may be based on historical analysis, survey research, use of aggregate data, participate observation, content analysis, or many other options from the panoply of social science methods.

3.3 The rationale for comparative research in social policy

The most important reason that comparative research in social policy has gained more and more respect from researchers and policymakers is its potential contribution to both policy practice and academic knowledge. At a practical level, comparative study provides a better understanding of the domestic social policy environment. As a matter of fact, it is increasingly assumed that reaching a full understanding of developments in any particular country is only possible if its experience is set in the context of those of other countries. It is also increasingly acknowledged that developments in any single country cannot be explained without setting them in the context of global change (Cochrane, 1993). On the other hand, as different societies may have many common goals and common problems, it is possible to look at the political system of different countries as a range of experiments for solving common problems. As Titmuss argued in

the early 1970s, “It is only when one adopts a comparative approach and analysis that one can distinguish something of the nature of the real choices and priorities in social policy.” (1975: 102-103). By examining how and why things are done differently in other countries, policy-makers can learn from and avoid mistakes which others have made elsewhere, and replicate their successes (Madison, 1980; Higgins, 1981, 1986; Jones, 1985; O’Higgins et al., 1990; Doling, 1997; Ditch and Chilvers, 1995; Ovretveit, 1998; May, 1998).

Most, if not all, of the researchers doing comparative research in social policy recognise that the ultimate aim of this research method is to generalise and develop theories about social policy formation, which to an extent would not be possible by doing research based only on the home country’s experience and material alone (Warwick and Osherson, 1973; Leichter, 1979; Madison, 1980; Jones, 1985; Higgins, 1986). In order to theorize and generalize adequately, it is essential to compare, as theories should ideally cover the full range of explanatory conditions under consideration. Cross-national comparisons are clearly necessary for this task, for there is no single country that covers the full range of condition for all variables central to a theory.

In addition, by identifying the similarities and differences between the social institutions of two or more nations, comparative studies often reveal the causal links within each nation. As circumstances cannot be experimentally varied, comparisons of observations of the same identifiable phenomenon in different places and at different times can help us understand causal relationships. For example, by comparing and contrasting public expenditures of many countries, Pryor was able to discover “relationships which, for lack of perspective, can never be unearthed from study of such expenditures in a single country. If nations with different economic systems are used in such comparisons,

additional generalisations with political and ideological significance can be derived which are unobtainable if we limit such comparison to nations with the same economic system” (Pryor, 1968: 19-20).

The second academic merit of comparative research in social policy is the avoidance of cultural hegemony or ethno-centrism, because “we all wear blinders of some sort” (Janoski and Hicks, 1994: 6). People would argue that researchers could not possibly survey other countries’ system without cultural bias and without any misunderstanding. However, observing from some distance without taking anything for granted, comparative study often contributes wider and plural angles to view the social policy system in each country. Allardt’s (1990) argument is a good example to illustrate this point. This Finnish researcher points out that, Scandinavian social policy researchers tend to pay more attention to what has been institutionalized in Scandinavian. In other words, it is more or less taken for granted that, for instance, high state expenditures, a high degree of unification of the welfare schemes, the universalism of coverage, and the making of the reduction of inequality to a main target are tokens of the good society. It may be so, but it is also obvious that the goals attached to the welfare state may be very different in different countries. As a matter of fact, many authors have acknowledged the dangers of the ‘Sweden-centrism’ approach of comparative studies for misrepresenting other countries with different policy regimes (For example, Shalve, 1983; Palme, 1990). Thus, research in connection with strongly market-oriented societies such as the US, or societies with a corporatist welfare orientation such as the Germany, would help to offer an all-round understanding of welfare regimes.

3.4 The perspectives of comparative research in social policy

A large number of comparative studies have accumulated in social policy for the past

decades. Many researchers have tried to classify them into clusters or so-called 'generations' (for example, Esping-Andersen, 1990; Kangas, 1991; Hauser, 1993; Bradshaw, 1994; Johnson, 1999). The existing comparative studies not only differ from each other in terms of the research topic and approach they have chosen. In fact, they reflect the difference in perspective in looking upon social policy system. By reviewing the development of the dimensions of comparative studies in social policy, we also can see the paradigm shift of the perspectives on welfare states.

The development of comparative study in social policy can substantially be divided into three stages from their research focuses. At the first stage, comparative social policy study focuses on the welfare efforts and the explanation of welfare expansion. Comparative studies at this stage assumed that the level of social expenditure adequately reflects a state's commitment to welfare, while in most comparative analyses expenditures have been expressed as a proportion of GDP (for example, Curright, 1965; Wilensky, 1975; Hewitt, 1977; Korpi, 1989). The heavy concentration of previous research on social expenditure has been largely data driven, as comparative expenditure data has been easily available in published sources (Kangas, 1991; Korpi, 1989). Thanks to the fruitful cross-national data produced by international organisations, this approach has dominated comparative social policy study for decades since the 1960s.

The theoretical intention of the comparative social policy study at this stage was to test the validity of contending theoretical models in political economy. By scoring nations with respect to, for instance, the level of economic growth and urbanisation, the demographic and employment structure, and working-class strength, they tried to find the key factors that stimulate the development of the welfare state. However, the findings are difficult to evaluate, since there is no convincing case for any particular

explanation.

The expenditure oriented approach has been criticized for making too strong assumptions about the relationships between spending rates and the quality of benefits, and about the linear growth of welfare states (Therborn, 1987; Allardt, 1990; Esping-Andersen, 1990; Kangas, 1991; Orloff, 1993a; Bonoli, 1997; Johnson, 1999). As a matter of fact, an approach which concentrates only on expenditure is misleading, because not all spending counts equally. For example, as Esping-Andersen (1990) points out that in Austria large sums are spent on a scheme for privileged servants. When comparing welfare efforts, expenditure on such programmes should not be considered as equivalent to spending on universal schemes. Moreover, some nations spend enormous sums on fiscal welfare in the form of tax privileges to private insurance plans that mainly benefit the middle class. But these tax expenditures do not show up on expenditure accounts. In addition, expenditure indicators cannot reflect differences between countries in types of programs and institutional structures, nor the ways in which the welfare state differentially affect and benefit various categories of citizens.

The second stage of comparative social study focuses on social rights. In a way, this approach derives from Richard Titmuss's (1958) classical distinction between residual and institutional welfare states. Social rights, according to its founding father T. H. Marshall, cover a whole range of rights, from the right to a economic security through to the right to share in the heritage and living standards of a civilized society (Marshall, 1950). In this approach, efforts are made to measure the welfare entitlements and the quality of legislated social rights (For example, Myles, 1989; Korpi, 1989; Palme, 1990). At this stage, research focus has moved from the level of expenditures to the content of welfare states, such as the eligibility requirements, financing and administrative

arrangements, the level of benefits and quality of services, and, perhaps most importantly, the extent to which employment and working life are encompassed in the state's extension of citizen rights (Esping-Andersen, 1990).

This approach successfully avoids the above-mentioned inappropriate assumptions of the expenditure-oriented approach. However, it incurs some critique as well. The main weakness of this approach is that it focuses only on public welfare efforts and neglects the value of private solution. To an extent, that has led to considerable misrepresentation and misunderstanding. Social risks may be ameliorated not only by direct public provision, but also through regulation of the private market or by providing incentives for particular sorts of market-sector activity. Public social expenditure is just one element of a mixed economy of welfare in which protection for the individual against social risks arises from a combination of public and private sector activity. In consequence, studies focusing only on public welfare entitlements and state legislation may misrepresent the underlying level of social security or insecurity faced by the individual. Particularly, the neglect of non-state activities would distort the images of welfare of non-Western, non-industrialized, non-urbanized societies (Higgins, 1986; Johnson, 1999).

The third stage of comparative social policy study focuses on welfare regimes. This approach theoretically selects the criteria to judge types of welfare regimes. In his recent book, Esping-Andersen argues that the term 'welfare state' has become misleading in many studies conducted in the past two decades, as what was been studied was the broader package of welfare production and distribution. Thus, he suggests the emergence of the term 'welfare regimes' which can be defined as "the combination, interdependent way in which welfare is produced and allocated between state, market,

and family” (Esping-Andersen, 1999: 35). As a matter of fact, the study conducted by him has been the most representative and influential work of this type of study so far. By characterizing systems of social provision along the three dimensions of the relationship between the state and the market in providing welfare, the effects of the welfare state on social stratification, and the character of social rights, Esping-Andersen (1990) constructed a typology of regimes: liberal, conservative-corporatist, and social-democratic.

This approach of study has overturned the linear growth assumption employed by expenditure oriented study by showing that different types of welfare regimes can coexist. It also has a wider view on welfare provision than the social rights oriented approach as non-state welfare efforts are included.

However, there are limitations to this approach. The allocation of countries to any particular regime type is contestable and may depend on the positioning of thresholds between regime types or on the criteria chosen to determine national ranking. As Ginsburg (1996) criticizes, Esping-Andersen’s model is only applied to pensions, sickness and unemployment benefit and to labour market politics. It has not been applied to policy areas such as health care, family benefits and services, education, housing and so on. Lewis (1992), on the other hand, points out that the concept of de-commodification, by which Esping-Andersen established his typology, is limited. It fails to identify the meaning of the welfare state for gender and the sexual division of labour and overlooks the role of family as a crucial dimension engaging with state and society. Shaver and Bradshaw’s study examining state’s support to wifely labour also find that there is no obvious association between their measures and commonly identified regime types (Shaver and Bradshaw, 1995). A research comparing child

support in fifteen OECD countries conducted by Bradshaw and his colleagues also produced different groupings to Esping-Andersen. They conclude “it would have been inappropriate to classify the Netherlands with Norway, French with Germany and the United States with the UK, at least on the basis of the value of their horizontal redistribution in favour of children” (Bradshaw et al, 1993: 269). There also has been considerable debate about which countries should be allocated to Esping-Andersen’s three welfare regimes, and about whether there should be four (or more) different regimes (Leibfried, 1992; Castles and Mitchell, 1993; Kloosterman, 1995; Ferrera, 1996).

In addition to the difference in research focuses and approaches, comparative studies have varied in the research methods they’ve chosen. The adoption of different research method also reflects different objectives when they are exploring the emergence and development of social policy.

3.5 The method of comparative social policy research

Although the merit of comparative social policy studies is generally acknowledged, there is no agreement concerning the best way to approach the matter. Most of the existent comparative studies in social policy adopt one of the three approaches as their research method: variable-oriented, variable-oriented, or pooled analysis.

3.5.1 Variable-oriented analysis

As mentioned above, one of the most important aims of comparative social policy research is the development of theory. The variable-oriented method of comparative study is probably the best research strategy that can help to greater cross-national generalisability (Leichter, 1979; Ragin, 1994; Kangas, 1994). In this theory-centered

approach, hypotheses are derived from theories. By examining a large number and variety of nations, and with the help of statistics techniques, the relevance of the theory can be tested, and can thus be generalized to the broadest possible sample.

In this approach, two basic different kinds of measures have been used as the dependent variables: welfare efforts (inputs) and outcomes (outputs). Bradshaw has further added the dimension of macro and micro and thus forms a matrix of two dichotomies. He points out that macro studies seek to explain the origins and evaluate the impact of social policies on society at an aggregate level, whilst micro studies focus on particular policies or policy packages. Furthermore, the term inputs refer to policies and outcomes refer to their effects. Generally, macro studies have more concern for the construction of theory, whilst micro studies tend to focus on examining particular systems and to abstract lessons for policy making (Bradshaw, 1994: 439-442).

Although the variable-oriented approach is generally the best research strategy to test hypotheses and generalize theories, it has two substantial weaknesses. Firstly, it often sacrifices in substance and insight into the content of the policies and the dynamics of the policy process. It is not at all unusual for these studies to virtually ignore the individual nations. Second, it has been accused of being linear and monocausal, that is, of assuming that the cause links between explanandum and explanans work in a similar fashion from case to case regardless of the variation in other attributes in a wider social and historical framework.

3.5.2 Case-oriented analysis

Case-oriented studies employ small-N and intensive strategy, aim at the knowledge of cases, the understanding of pattern diversity, and the use, application, and advancement

of theory (Ragin, 1994). In this approach, by contrast, investigators begin research not by positing general dimensions of social, economical, and political variation, but by asserting the existence of comparable entities.

The strong point of the case studies design is that it gives a detailed description of the state of affairs and the processes through which actual historical developments took shape. It is sensitive to time, place, agency, and process. In addition, the investigator is able to evaluate more effectively the complexity and variability of causal conditions by concentrating on one or a few countries. However, these kinds of studies face severe restrictions on making theoretical generalisations.

3.5.3 Pooled analysis

In a sense, pooled analysis could be classified as variable-oriented analysis but combines attention to variability across both time and space. Technically, 'pooled' arrays of data are ones that combine cross-sectional data on J spatial units (e.g., nations) and T time periods (e.g., years) to produce a data set of $J*T=N$ observations (Hicks, 1994). This approach has been widely adopted in quantitative studies of the political economy of democratic welfare states, especially in studies of income maintenance spending, benefits, and social rights (For example, Pample and Williamson, 1988; Korpi, 1989; Palme, 1990; Hicks and Swank, 1992).

This method has two weaknesses which are similar to that of variable-oriented method. First, with so many countries in the study, the researchers cannot know the intimate details of each case. Second, pooled studies tend to reduce the explanation to a single cross-nationally homogenous set of variables and parameters (Hicks, 1994).

3.6 The insufficiency of existing studies

In terms of either theoretical testing or exploring differences and similarities of policy, there are some insufficiencies in the existing comparative social policy research. First, comparative studies in social policy, even those that aim to produce universal generalisation, are limited to a few advanced industrial countries (Spalding, 1980; Uusitalo, 1984; MacPherson, 1992; Amenta, 1993). As a result, there exists a major gap in comparative social policy between those countries that are loosely categorized by Western social scientists as belonging to developing countries and the Third World. In addition, although a number of interesting hypotheses have been formulated by social policy investigators, they have not been tested on a global scale.

Second, almost all the existing comparative social policy research involving advanced industrial countries focus on time periods after 1960, the periods of welfare expansion rather than innovation in these countries. They focus on incremental changes in already existing social policies. These studies cannot answer fundamental questions concerning why the systems are constructed the way what they are and that accounts for gaps in the networks of programs and innovations. Insofar as general theories of social policy aspire to explain the initiation of policies as well as incremental increases in them, this type of research has little to offer.

The existing comparative research on pensions precisely reflects the insufficiency of comparative social policy research mentioned above. Day's (1978) work is probably the earliest comparative social policy research on pensions. Adopting criteria such as the coverage, adjustment, benefit levels, eligible conditions of pensions, and employing data from 19 industrialized countries, he finds that the development of pension rights in these countries substantially showed a convergent trend of expansion rather than

retrenchment from the year 1967 to 1975. A recent study conducted by Johnson (1999) has adopted a similar approach. To answer the question ‘has there been convergence of public pension outcomes?’, he has used five simulate individuals who earn respectively 25, 50, 100, 200, and 400 percent of the average earnings in each country, then compared their pension rights in each country in each time period. He found that the five European countries, including France, Germany, Spain, Sweden, and U.K., shared a convergent trend since the 1950s on the development of pension rights.

Another mode of comparative social policy research on pensions is to develop a set of measure to compare and rank the pension systems in different countries. Myles’s (1989) and Esping-Andersen’s (1990) work are typical cases of this type of study. The former adopts eight criteria, including benefit levels, adjustment rules, coverage, eligible conditions etc, to weight grades of pension policy as the “quality of pensions” of 15 capitalist democracies in the mid-1970s. The latter chooses criteria such as replacement rate, contribution periods, individual’s share of pension financing etc, to measure the degree of de-commodification of pensions. This type of comparison has incurred a great deal of criticism as the ranking of different countries depend very much upon selection of criteria and countries to be included in the comparison.

Another type of comparative social policy research seeks the determinant factors contributing to the development of pension expenditures or pension rights. This type of study usually adopts a pooled analysis approach (Palme and Williamson, 1985; Myles, 1989; Palme, 1990; Pampel et al, 1990; Williamson and Pampel, 1993; Huber and Stephens, 1993; Ragin, 1994). Just as the conclusion drawn early in chapter two, these studies yield contradictory results on key independent variables. For example, Hicks finds modest effects of centrist government on pension expenditure; Myles and Ragin

find that working class parties was an important determinant of pension quality; Williamson and Pampel, Huber and Stephens, and Pampel et al. find strong effects of rightist government; and the other three showed no party effects. The weaknesses of these hypothesis-testing approach studies have been discussed in chapter two.

Research adopting a historical case-oriented approach is in a minority in comparative social policy research on pensions. Myles's and Williamson and Pampel's study cited above do include a section of historical development of pensions in some of the countries involved in their comparison. However, such part in their work is just a country-by-country descriptive analysis, to supplement the pooled analysis of hypothesis-testing in their studies. Hecló's (1974) study comparing the development of pensions in Sweden and Britain also follows the descriptive approach. This mode of analysis offers rich detail and information of each country involved in their study, however, they are short of cross-national "comparison", and limited in their contribution to theory testing and structuring.

Orloff's (1993a) work is probably the only study that compares pension policies employing a holistic, historical, and case-oriented approach, and aims at theory testing and building. She combines the logic methods of agreement and difference to compare the development of pension policies in the United States, Canada, and Great Britain. These three countries all share substantial similarities along dimensions that are commonly invoked to explain cross-national differences in social welfare policy, such as liberal culture, ideological heritage, and political systems. In this way, she's controlled some variables and is able to highlight the causal contributions of state and political factors in producing policy outcomes. She divides the time involved in her research into three periods: the pre-World War I period, the 1920s, and the 1930s. In the first period,

Britain, which enacted pension legislation in 1908, is the positive case, while the United States and Canada serve as negative contrasts. In the second period, Canada is the positive case of enactment, while the United States again serves as a negative case. In the third period, the success of the United States in enacting old-age pensions is contrasted with the failure of extending old age assistance into a contributory scheme in Canada. Through this logical causal analysis model, she is able to conclude that the state capacity was the key factor that explains the failure or success of modern social provision in these three countries through the year of 1880 to 1940.

To sum up, the majority of the existing comparative social policy studies on pensions focus either on the comparison of pension expenditures and qualities, or on exploring the determining factors that explain the development of pension systems. The most popular research approach is either cross-sectional variable-oriented analysis or pooled analysis. The case-oriented approach is relatively unlikely to be adopted. In addition, most studies focus only on Northern American and European industrial countries, among the above-mentioned studies concerning pensions, only Myles's and Williamson and Pampel's study include developing countries and the Third World nations.

3.7 Research strategy of this study

As mentioned earlier, the topic of this study is to look at the vicissitudes of pro-familisation and de-familisation in the development and expansion of modern social provision for older people. That is to say, the main concern of this study is not the typology or quality of old age income protection systems, but the process of these systems. For this purpose, historical case-oriented comparative analysis is the methodology of choice. This approach allows for the most thorough observation of the content of old age income protection systems and the detail of the policy development

process in each country involved in the comparison. To approach a full understanding of the evolution of old-age security policy and its relationship to family cohesion, it is essential to assess the extensive information for each country. Such comprehensive understanding can be achieved only by detailed historical case-oriented study.

As soon as the comparative approach has been chosen, the questions that all researchers in the cross-national field then confront are how many and which countries should be covered in the comparison. As Bradshaw (1994: 443-444) has identified, comparative researchers face a dilemma of being naïve or native. A comparison between very few countries may enable the research to cover more dimensions in more depth and adequate detail. However, such comparison is relatively limited. By contrast, bringing in a great number of countries would cover more variability and enlarge the range of contrast and increase the credibility of theory-testing. However, besides the demands on time and intellectual efforts, such large-scale comparison also sacrifice the thorough understanding of the historical and social background of each country involved in the comparison. Such sacrifice brings with it a great danger to comparative study. As Kilby and Taira point out: “there is no point in saying anything about several countries in a comparative fashion until one has thoroughly studied the history and political-economic sociology of each country” (1969: 139-40).

In a case-oriented historical analysis, it is more realistic to choose only a small number of countries to compare. In the case of the case-oriented historical approach, a ‘most similar nations’ strategy has been suggested (Smelser, 1973; Orloff, 1993a; Doling, 1997). This principle is exactly the one that Orloff (1993a) chose for the United States, Canada, and Britain in her comparison of pension policy development. It is believed that it is more fruitful to study variations in societies that are very close to one another in

many respects. In this way, the researcher minimizes variation among background variables while maximizing variation along potentially explanatory dimensions. On the other hand, similar countries are more likely to be comparable units. As Smelser (1976) points out, only when a common socio-culture context can be reasonably assumed, is the direct comparative analysis of specific historical development possible.

3.8 The strategy for comparison and the selection of countries

Among the comparative strategies discussed above, this research adopts a small-N, case oriented approach analysis. The comparison in this study will focus on three small Asian island-countries, Taiwan, Singapore, and Hong Kong. It should be noted that Hong Kong is now in reality not an ‘country’ but a ‘special administrative region’ of China. However, it has a definite boundary of territory and a stable populace. In addition, as will be discussed later, it has been enjoying a high degree of autonomy in policy-making. Therefore, it is safe to treat it as an independent political realm.

Taiwan, Hong Kong and Singapore are three of the four Asian ‘Little Dragons’ whose social policy are often clustered into the same model. People in these three countries all have a strong adherence to ‘familism’ and share a faith in Confucianism which emphasises the notion of family obligation. Economically, they have adopted a similar strategy for development which puts economic growth the first priority since the 1960s. They are all open economies whose developments heavily depend on international trade and the world economy. Politically, they all experienced a long period of colonisation, and their development, especially during the first two decades after the end of the Second World War, were all heavily influenced by the world politics. Geographically, they all have a big hinterland, which constrains their domestic policies making. Most importantly, they all have been facing a trend of population ageing and all have

conducted substantial reforms on their old age protection system in the 1990s. A comparison will be made of these three countries. However, due to the availability of data, the analysis of Taiwan will be more in depth than that of the other countries.

3.9 Methods of comparison

The methods employed on this research for comparison are the “Method of Agreement” and the “Method of Difference”, labelled by John Stuart Mill. The method of agreement is to find common features for all cases with similar outcomes. As Mill himself illustrates, “we supposed two instances, A B C followed by *a b c*, and A D E followed by *a d e*. From these instances it might apparently be concluded that A is an invariable antecedent of *a*, and even that it is the unconditional invariable antecedent, or cause, if we could be sure that there is no other antecedent common to the two cases” (Mill, 1974: 435).

On the other hand, the method of difference is to identify cause factors by comparing cases that have common features on some variables but are different on other critical variables (Janoski and Hicks, 1994: 15). As Mill illustrates, “For if we have two instances, A B C and B C, of which B C gives *b c*, and A being added converts it into *a b c*, it is certain that in this instance at least, A was either the cause of *a*, or an indispensable portion of its cause...”(Mill, 1974: 436). Among these two approaches, it is well-documented that the method of difference is more powerful than the method of agreement for establishing causal associations (Mill, 1974: 436; Skocpol and Somers, 1980: 183). Skocpol and Somers (1980) have illustrated these two designs as figure 1.3.

The method of agreement

Case 1	Case 2	Case n	
A	d	G	} overall difference
B	e	H	
C	f	I	
X	x	X	} crucial similarity
Y	y	Y	

The method of difference

Case 1	Case 2	
A	A	} overall similarity
B	B	
C	C	
X	not x	} crucial difference
Y	not y	

Figure 1.3 Two designs of macro-comparative study

Source: Skocpol and Somers, 1980: 184, Figure 1.

In this study, we treat the introduction of a de-familisation scheme as a positive case, and the introduction of a familisation scheme or the lack of a new de-familisation scheme as a negative case. Thus, in the 1950s, Taiwan and Singapore are both positive cases, while Hong Kong is a negative case. In the 1970s, all three countries are positive cases as Singapore and Hong Kong introduced new schemes and Taiwan significantly expanded the coverage of its social insurance. In the 1980s, Taiwan initiated a new scheme and Hong Kong expanded its old schemes, and thus both are positive cases, while Singapore is a negative case as it introduced a new scheme to reinforce intra-family transfer. In the

1990s, both Taiwan and Hong Kong introduced new schemes and are again positive cases, while Singapore is a negative case as it enacted legislation to confirm family obligation.

3.10 Challenges to this research

There are a number of problems confronting researchers in the comparative field that may potentially challenge this study as well. The first issue is comparability. In other words, it is necessary to be sure that one is comparing like with like. As Bolderson and Mabbett put it: "... oranges are compared with oranges and not apples" (1991: 4). This problem will not be crucial in this study, as Taiwan, Singapore and Hong Kong share many common features of social and economical characteristics. Furthermore, their territory, population, economies, and other significant variables are more or less equivalent. In addition, the key concepts involved in this study, for instance, family cohesion, filial piety and modern social provision, all have the same construction in these societies. The similarities between these three societies also help to minimize some critical problems facing comparative study, such as, different definitions and meanings of the terminology and phenomena that are overtly the same, and the difficulty of language.

Another problem often mentioned is the difficulty for foreign observers to comprehend and interpret reality in other societies. As Bradshaw points out, "... for a foreign observer, they can be very alien and we often do not understand the real meaning of what we see" (Bradshaw, 1994: 444). Sometimes knowing one country from the inside is difficult enough. It becomes more difficult as the number of countries increases. Investigators who range over different cultures and nations in their search are at risk of misunderstanding events and of reaching conclusions that may fit their own conceptual

proclivities but not the perceptions of the members of these societies. Avoiding this risk is one of the important reasons why this study employs a case-oriented rather than variable-oriented research strategy, as the former is the one which more likely allows the research to get the thorough understanding of other societies. Furthermore, interviews with policy makers and academic scholars in these countries will be conducted, on an informal basis, to ensure that this thesis interprets materials concerning these countries properly.

The last problem worth noting here for besetting comparative researchers is the comparability and availability of data. The limitations of official statistics are well documented. The sources, the definition, the categories, and the formats used for official statistics in different countries may vary. In addition, there may be gaps in coverage, changes in definitions or in methods of collecting and classifying data. As this study covers only three societies, it will not be too difficult to carefully discriminate the way these regions construct their official statistics. However, the lack of empirical data is a crucial problem of this study. First, there is no database exist that offers empirical data that can be directly adopted in this study. Furthermore, Hong Kong is a region not an independent country, and Taiwan is excluded from many international organisations. This makes it difficult to find official statistics concerning these two regions in documents published by international organisations.

This study will adopt a strategy to deal with the above-mentioned challenges. Firstly, the three societies will not be given the same in-depth analysis, while the most comprehensive analysis will be focusing on Taiwan. Second, a micro as well as macro analysis will be carried out to make the understanding of related issues as comprehensive as possible. The emphasis of the macro analysis will be on the historical,

social, economical, and political backgrounds of the three regions, while the micro analysis will focus on the effects of policies on individuals.

3.11 Sources of data for this research

As mentioned above, this research contains two parts of analyses. The first part of macro historical analysis will be based on both primary and secondary materials. Governmental documents, including policy platforms and social security White Papers will be used to analyse related issues. Official statistics will also be used to understand trends of demographic structure, changes of the old age income protection system and labour force participation, and situation of family support. Acts and regulations related to social provision for older people will also be collected to examine their principles and objectives. Materials published by Parliaments will also be collected to examine government's preference and stands of different political camps. A special emphasis will be put on political leaders' policy address in the Parliament in these countries to analyse government's orientation toward related issues. Political leaders' speeches, interviews, memoirs, as well as reports on magazines and newspapers concerning related issues, will be reviewed to understand their true intention of implementing related policies.

In the second part of micro analysis, empirical data sets will be used to analyse changes to individuals' situation and the connection between these changes and the development of related policies. As mentioned earlier, there is no comparable data set existent that can be used in this study. Therefore, this part of analysis will only be focusing on Taiwan. Data sets of 1989, 1993 and 1996 Survey of Health and Living Status of the Middle Aged and Elderly in Taiwan will be used. These data sets were collected by National Institute of Family Planning, Department of Health, the Executive Yuan (Taiwan), and the Population Studies Centre, University of Michigan (USA), in Taiwan. This is the

only panel data existent and suitable for analysing issues concerning older people in these countries. By comparing changes of the samples' situations over time, this panel data is of great help to understand changes of older people's economic situations when experiencing changes of the old age income protection system.

Chapter Four

Modern social provision for older people in Taiwan

Taiwan's experience in the last century offers a great deal of material to the studies of political economy. Politically, it went through colonisation by the Netherlands and Japan, followed by the autocratic power of the Nationalists. It was not until one and a half decades ago that it peacefully embarked on political reform, and successfully transferred from an authoritarian regime to a full democratic one during a very short period of time. Economically, it has developed from a ruined society into a prosperous newly industrialised country. It experienced economic development in the past decades and has been described by some scholars as a 'miracle' (for example, Gold, 1986; Simon and Kau, 1992). In 2001 its overall world competitiveness was well ahead of Japan, who was its colonizing power half a century ago (IMD, 2001). Despite these outstanding achievements, however, Taiwan is struggling for its independent identity in the international political arena, and only about two dozen countries reject China's claim of 'one-China' sovereignty and have a official relationship with it.

These political and economic situations play an important role in shaping social policy in Taiwan. International political practice, domestic political reform, and economic development are the most documented factors employed by scholars when analyzing Taiwan's social policy development. This chapter will discuss the establishment and development of modern social provision for older people in the context of political and economic development. It should be emphasised that the development of Taiwan's old age income protection system is highly correlated to Taiwan's social, political and

economic situations at the same periods of time. This chapter will put the development of Taiwan's social security system in these contexts based on different stages of development.

4.1 The development of Taiwan's old age income protection system

4.1.1 Prior to 1945: The fate of being a colony?

Taiwan is a small island in the West Pacific and is about one hundred miles east of the Chinese coast. Its history can be traced back to 230 AD when a Chinese military expedition occupied Taiwan. It was not until the late 1500s that Taiwan first had contact with the western world. The first western visitors were Portuguese navigators, who marked their maps as 'Ilha Formosa' (Beautiful Island) when they first saw the island (Metraux, 1991: 1). In the 16th century when the European empires were expanding to Asia by sea for the first time, Taiwan received much attention because of its strategic location. The Dutch arrived in Taiwan in 1624 and built a colonial town in southwestern Taiwan as their major East Asian entrepot (Winckler, 1981). In 1662, the adherents of the Ming dynasty, after being expelled from the mainland by the Manchu who established the Ch'ing dynasty, came and drove the Dutch out of Taiwan (Ho, 1978: 7-9). They were subdued by Manchu forces in 1683 and Taiwan became part of the Chinese Empire (Gold, 1986: 25). The Manchu government declared Taiwan a province of China in 1887. In 1895 Taiwan was handed to Japan based on the Shimonoseki Treaty, as a result of its victory in the 1894-1895 Sino-Japan war. Thereafter Taiwan became a Japanese colony for half a century, till the take-over by the Chinese government at the end of the Second World War.

Despite political alternation, Taiwan had accomplished some construction and

modernisation. The Dutch recruited thousands of workers from the southeastern coast of China and stimulated economic activities. The cultural development began to sprout under the governance of the Ming Dynasty, as about 1,000 of the followers were literati and opened schools. Education and civil service systems had been established during this period (Metraux, 1991: 15). Before Japan's colonisation, the most remarkable construction, however, was accomplished by the Chinese government. During the late 1880s and the early 1890s, the Chinese governor introduced the first railway and telegraphy system to the island and established steamship and cable connections overseas. By then Taiwan may have been the most modern and progressive province in China (Metraux, 1991: 19).

Modernisation significantly advanced during the Japanese colonisation, due to the colonial power's practical consideration of benefit to Japan both militarily and economically. Its strategic location made it a perfect place for Japan to form a southern bastion for defense and expansion (Lamley, 1999: 203-204). In addition, Japan intended to develop Taiwan's agriculture to supply foodstuffs and raw materials for their own national sovereignty and industrialisation (Gold, 1986: 32-35). The production of rice and sugar was stimulated, and during the early decades of Japanese rule, 20 per cent of Taiwan's rice and 90 per cent of its sugar, the two most important agricultural products, were exported mainly to Japan (Metraux, 1991: 23). In 1930s Japan changed its strategy developing Taiwan as a supplier for foodstuffs. The expansionism and militarism in Japan was then increasing and it wanted to develop Taiwan as an industrial dependency and a gateway for invading south China and southeastern Asia (Amsden, 1991: 92). However, before long, the Second World War broke out and interrupted this strategy.

Despite the motivation of improving its self-interest, Japan did much to modernize

Taiwan's infrastructure. Irrigation systems were built, cultivated land expanded and new agricultural skills introduced. Heavy investment was also made in efficient transport and communication systems, such as railroads, harbors, roads, warehousing and banking (Barrett and Whyte, 1981; Grane, 1991: 33; Metraux, 1991: 24). Even the Taiwanese officers admitted that the Japanese had left the island a well-developed agricultural and industrial infrastructure¹.

Social and welfare services were also significantly improved in this period. The Japanese vastly improved the health of the Taiwanese. Modern medical services were increased, the public health environment was improved, and the diet was bettered. As a result, many infectious diseases were controlled (Metraux, 1991: 25). The education system was established. The primary enrollment increased from 21 per cent for males and 4 per cent for females in 1921 to 81 per cent and 61 per cent, respectively, by 1943 (Phillips, 1999: 278). The Japanese not only maintained the institutions left by the Chinese government but also introduced pioneering measures. These new measures included public housing, social settlements, public pawnshops, low interest loans and employment services (Lin, 1990; Ku, 1997).

4.1.2 Postwar to 1950s: A period of crisis

After the Japanese forces surrendered to the Allies in 1945, Taiwan reverted to Chinese rule based on the agreement of China, the US, and the UK³. The Taiwanese at first had eagerly welcomed the Nationalists as liberators. However, the early Nationalist rule

¹ For example, K.Y. Yin, one of the most important economic planners of Taiwan in the 1950s and the 1960s, wrote that, at the time of its restoration to China in 1945, Taiwan had "a well developed system of land and ocean transportation and abundant supply of electric power", and "virtually all agricultural resources having economic value were being developed and utilized". (Yin, 1962: 4).

³ The Cairo Declaration of China, the United States of America and the United Kingdom of December 1, 1943 states that "all the territories Japan has stolen from the Chinese, such as... Formosa... shall be restored to the Republic of China. See "Important Documents Concerning the Question of Taiwan" published by Peking Foreign Language Press (editor not indicated), 1955, pp.7.

brought serious problems between the native Taiwanese and the mainland arrivals. The occupying mainlanders regarded themselves as colonised people and governed Taiwan as an occupied territory rather than as a liberated Chinese province. They resented the local population who had adopted the customs and culture of Japan, and treated them suspiciously as collaborators with China's mortal enemy (Gold, 1986: 50). All important positions in the administration were monopolized by the mainlanders, and undisciplined soldiers and officials from the mainland caused serious corruption (Phillips, 1999: 283-287; Rigger, 1999: 15-16).

The extremely tense situation led to serious riots that broke out in February 1947, known as the '228 Incident'. The KMT leaders adopted a tough measure to suppress the riots. As Maclear Bate, a British journalist who was born in China and traveled in Taiwan in 1952, described, "The full story of those terrible days of February, 1947, is still unknown... We do know, however, that the rioting came to an end in a cascade of machine-gun fire..." (Bate, 1952: 20). It is estimated that about 10,000 people were killed, and 30,000 were wounded, among whom were a large number of the Taiwanese elite (Phillips, 1999: 295-296). After this accident, the KMT tightened its high-handed control on the Taiwanese society. Political activities were suppressed and opposition activists jailed. This policy lasted until the early 1970s, and was often regarded as a period of "White Terror" (Rigger, 1999: 58).

Apart from the tragedy of the 228 Incident, Taiwan was in a desperate situation when the Nationalists withdrew from mainland China to Taiwan after being defeated by the Communists in the civil war in 1949. It suffered severely during the Second World War and economic performance was worse than that before the War⁴. On the other hand,

⁴ In the year of 1948, the level of industrial output came up to only 59 per cent of that of 1941 (Yin,

Taiwan also suffered from serious domestic problems. In the first half of 1949, the inflation rate was as high as 3,000 per cent (Wang, 1999: 324). On the other hand, the lack of industrial recovery, magnified by the demobilisation of many youth who had served as labourers or soldiers for the Japanese during the War, caused mass unemployment (Phillips, 1999: 284). In addition, the Communists were eager to take Taiwan by military measure⁵, and the U.S. had adopted a hands-off policy⁶ and was contemplating the right time to recognize the Communist regime (Wang, 1999: 321). As Chen Cheng, the then Governor of Taiwan, notes:

“When I took up my duties as Governor of Taiwan early in 1949...our strength for the defense of Taiwan was extremely weak. We were in no position to offer effective resistance to enemy attacks from the sea. Most of our troops that had been evacuated from the mainland to Taiwan were a disorganized mass and were tired out... pessimistic and defeatist sentiments were rampant and everybody feared that doomsday was near at hand. Internationally, it was taken for granted that the fate of the Republic of China was sealed and that the fall of Taiwan was simply a matter of time.”

(Chen, 1954: 1-2)

Under such a turbulent situation, the Governor insisted that he “had to take extraordinary measures in military, government and economic affairs” (Chen, 1954: 55). Several emergency measures were implemented by the ruling KMT party, and some of these measures remained unchanged until the 1980s.

First of all, the Provisional Amendments for the Period of Mobilisation of the

1962: 5).

⁵ As Chou En-lai, Premier of the People’s Republic of China, stated: “The Chinese people’s determination to liberate their own territory of Taiwan and the Penghu Islands is unshakable”, and “... the civil war still continues... fighting is unavoidable” (Chou, 1958: 2&9).

⁶ The president of the USA, Harry S. Truman, made it clear in his statement on January 5, 1950 that “the US Government will not pursue a course which will lead to involvement to the civil conflict in China”. See “Important Documents Concerning the Question of Taiwan”, pp.16 (editor not indicated).

Suppression of Communist Rebellion promulgated by the ROC government in the mainland in 1948 was extended to Taiwan. These provisions nullified Articles 39, 43, and 57 of the constitution and allowed the president and the Executive Yuan to have unlimited power to authorize any policies deemed necessary to deal with threats to national security, natural disasters, and economic catastrophes (Chao and Myers, 1998: 49). Moreover, an emergency decree was issued in 1950 and the 1934 martial law was applied to Taiwan. The authorities justified these two emergency measures on the ground that China's civil war remained technically unfinished, and Taiwan was to be treated as a combat area (Tien, 1992: 7). To enforce compliance with martial law, the Taiwan Garrison Command and Security Bureau were established, and police and a military court were used to arrest, imprison, or execute any individual they considered a threat to national security and public order (Chao and Myers, 1998: 52). Limitations were also placed on the number of newspapers and the number of pages for each paper⁷.

In addition, the KMT, claiming that the nation-wide election was technically unrealistic, suspended the elections to the three national representative bodies, National Assembly, Legislative Yuan and Control Yuan. As a result, the representatives elected in 1947-48 were able to hold on to their offices since their arrival in Taiwan for more than four decades. They provided rubber-stamp functions that legalized the election of the ROC president and facilitated the passage of government bills. Through these measures, the KMT was unrestrained in its absolute control over Taiwanese society.

To maintain a stable economy was also a crucial challenge for the KMT in the late 1940s

⁷ In 1946, for example, the number of papers was only 27, and the total circulation was as low as 300,000. In addition, a regulation introduced in 1950 limited the number of pages for each paper to one and a half pieces (Chen, 1947: 70-71). In a public speech, the then President Chiang Kai-shek justified these limitations by claiming "the urgent need for pulp and the lowered domestic production and the high cost of paper" (Chiang, 1955: 33).

and the early 1950s. They embarked on critical monetary reform in 1949 but failed. Unexpectedly, the U.S. started its siege policy toward Communist China and the Soviet Union and valued Taiwan's strategic geographic location in the Pacific area after the Korean War broke out in 1950⁸. The financial and military support to the KMT was reverted. The Seventh Fleet of the USA was deployed to prevent any attack on Taiwan in 1950, and the Mutual Defense Treaty Between the United States and the Republic of China was signed on December 2, 1954 (Chiu, 1973: 228&250). On the other hand, between 1951 and 1965, Taiwan received \$US100 million of non-military aid, which served as important capital for the development of Taiwan's economy, infrastructure, and human resources (Wang, 1999: 328).

The KMT government embarked on a series of measures for land reform from 1949 to 1953, which helped to establish a good foundation for subsequent economic development. Land reform comprised a three-pronged package, namely the programme to reduce farm rents, the sale of public lands, and the land-to-the-tiller programme. The reform was a great success. About 500,000 farm households, or approximately 60 per cent of the total, benefited from such a reform (Yin, 1962: 13). The proportion of land cultivated by tenants fell from 44 per cent in 1948 to 17 per cent in 1959, and the ratio owner-cultivators to total farm families increased from 36 per cent in 1949 to 60 per cent in 1957 (Kuo et.al. 1981: 51-52). These changes in tenancy conditions provided a great incentive to produce more agriculture products and increased efficiency of the agriculture labour force. As a result, the agricultural productivity grew by 70 per cent and agricultural output by 80 per cent between 1949 and 1960 (Yin, 1962: 15). In addition to a stabilized and enriched agriculture sector, the land reform also helped the

⁸ As Truman, the president of the USA, stated, "In these circumstance [Korea War], the occupation of Formosa by Communist forces would be a direct threat to the security of the Pacific area and to the United States forces performing their lawful and necessary functions in that area". See President Truman's

government to extract the increasing agricultural surplus which was used to support economic development (Amsden, 1991: 97-100).

Meanwhile, large-scale economic reconstruction also began to move forward, due to the manpower and supplies evacuated from the China mainland in 1949 (Yin, 1962: 5). An import substitution policy was implemented in the early 1950s, a period when most of Taiwan's necessities, raw materials, and industrial equipment came from abroad, which resulted in a serious trade imbalance⁹. Protectionist measures such as high tariffs, import quotas, and multiple exchange rates were introduced to offset the island's growing trade deficit (Metraux, 1991: 125; Wang, 1999: 328). In addition, the first and second four-year Economic Development Plan was started in 1953 and 1957, respectively, to promote production, development, employment, and balance of payments (Li, 1988: 39-41). Altogether, between 1949 and 1960, the number of factories increased by 8,900, or 90 per cent more than the original total; industrial employed expanded by 147,000, showing a 70 per cent increase; total industrial output increased by 300 per cent, and productivity increased by 130 per cent (Yin, 1962:18).

Despite rapid growth, economic performance and living standards in Taiwan in the 1950s was low compared to Western countries. The average wage in the mid- 1950s was three to eight times lower than that in the US (Yin, 1954: 22), and GNP per capita in 1960 was as low as US\$154 (CEPD, 2000: 13). According to a survey targeting families of wage earners and salaried employees in cities and townships conducted by Taiwan Provincial Bureau of Accounting and Statistics in 1954, the ratio of expenditures spending on food and beverages among these families was high. Expenditure on food

Statement on the Mission of the U.S Seventh Fleet in the Formosa Area, (Chiu, 1973: 228).

⁹ The unfavourable balance between imports and exports was as high as US\$106.2 million in 1954. See Taiwan Industrial Development Commission, 1958, pp.21.

accounted for 57.5 per cent of consumption expenditures or 48.8 per cent of total expenditure (Taiwan Provincial Bureau of Accounting and Statistics, 1954: 4). On the other hand, census data showed that in 1955, 51 per cent of the total population lived in farm families and one-third of the national income came from agriculture (Taiwanese Ministry of Interior, 1958: 6). All these figures indicate that Taiwan in the 1950s was far from a wealthy society.

Despite the unfavourable economic conditions, the foundation of Taiwan's social security system had been well built in this period. The ROC Constitution enacted in 1947 contained a whole section (Chapter 13, Section 4) relating to social security. The most important article concerning social security is Article 155. This Article states that a social insurance and social relief system will be established for those who are old, weak, disabled, or victims of disasters. In addition, Article 157 stipulates that the state shall implement a national health system. Effectively, the social insurance system was given constitutional status.

The first main social security scheme, the Labour Insurance Scheme, was brought into effect in March 1950. Workers for public enterprises and utilities were covered. The coverage of the insured was expanded several times and, by June 1951, all workers who worked for an enterprise with more than 10 employees were covered. The Military Servicemen's Insurance was also in place in 1950. In 1958 the Civil Servants' Insurance was introduced. The coverage of these three insurance schemes were similar; notably maternity, injury, sickness, disability, old age and death. Thus Taiwan had established comprehensive social insurance covering major occupational groups, providing protection against industrial risks.

Some argue that the government's motivations for implementing these social insurance schemes in the 1950s was to strengthen social control and to accelerate the accumulation of national capital. There was no coincidence that military servicemen, labour, and civil servants are the three groups covered by the social insurance system (Lin, 1990; Fu, 1993a, 1994; Ku, 1997). As Taiwan was then facing a desperate war situation and encountered severe internal and external challenges, these people were the groups that the state wanted most to put under control. They served to ensure the island's security, helped to increase economic surplus and accelerate capital accumulation, and enabled the government to work effectively. Scholars who hold this view have correctly pointed to political factors to explain the introduction of the social insurance system in Taiwan in the 1950s. However, they failed to recognise that the fundamental task for the KMT government in the early 1950s was not only to maintain a stable society, but, more importantly, to prepare the island for the counterattack and the reunion of Taiwan with mainland China. Therefore, it was nation building rather than social control that the government established social insurance system for. The introduction of the social security system during this period was part of the measures for the preparation of the counterattack. It also served as a demonstration to the world and to the Taiwanese people that the KMT could provide a better state for its people than the Communists. This point will be further explored in Chapter eight.

4.1.3 The 1960s and the 1970s: Economic take-off, political incubation

These two decades could be described as a transition period. Economically, this is a period of 'take-off', from being poor to prosperity. Politically, the sovereign power faced severe internal and external challenges and was forced to change, from authoritarian to democratic. In the field of social security, the social insurance system was expanded, followed by the frame and principles introduced in the previous decade.

All these developments were overtures that prepared for the radical structural change in the next two decades.

The strategy for economic development had an essential change in the 1960s. The domestic markets became increasingly limited and the need for foreign exchange earnings was urgent. On the other hand, the KMT government wanted to accelerate economic development to strengthen its political legitimacy and to avoid political opposition. These factors, coupled with the international trade situation in which the American and Japanese enterprises moving overseas to seek less expensive labour, resulted in a policy change from import substitution to export expansion (Crane, 1982; Wang, 1999: 331). The Statute for the Encouragement of Investment was enacted and the Nineteen-Point Economic Financial Reform was introduced in the early 1960s to adopt measures to enhance capital formation, to liberalize the trade control, and to encourage export expansion (Kuo et. al. 1981: 73-74; Li, 1988: 13; Wang, 1999: 331). Many restrictions on trade were lifted, investment incentives were offered, and several Export Processing Zones were built (Wang, 1999: 332-333).

On the other hand, the third, fourth, fifth, and sixth four-year plans -- started in 1961, 1965, 1969 and 1971 respectively -- served as guides for economic expansion. In addition, a ten-year perspective plan was formulated in 1965 to provide directions for the long-term development of the economy (Li, 1988: 39-42). These plans, coupled with favorable conditions for an expanding world trade and international markets, helped Taiwan to successfully expand its economy. Between 1961 to 1972, the year before the oil crisis, the average annual economic growth reached 10.2%, and the consumer prices increased only by an annual 3.3% (Li, 1988: 13). On the other hand, for the two decades between 1960-1979, per capita GNP increased from US\$154 to US\$1,920 (CEPD, 2000:

13). These indicators demonstrate that Taiwan's economy achieved great success during this period of time.

The economic situation in the 1970s became severe. The 1973 oil crisis was the first challenge. The commodity price, which had been stabilized from the 1950s, increased dramatically. In 1974, the consumer price index was as high as 47.5%, and the industrial sector experienced a recession, for the first time since 1955 (Peng, 1991: 278-279). The government reacted to this crisis by investing heavily in the 'Ten Major Construction Projects', including seven transportation projects, one nuclear power plant, an integrated steel mill, and a petrochemical complex. These projects have made a tremendous contribution to the consequent economic development of the island (Li, 1988: 267-297).

It is also worth noting that Taiwan's high economic growth during this period was accompanied by the improvement of income distribution (Fei, et. al. 1979; Kuo, et. al. 1981). As Kwoh-ting Li and Wan-an Yeh, two Taiwanese senior economic planners, pointed out, several governmental development strategies had contributed to this. These strategies included carrying land reform programmes to equalize income distribution in the agriculture sector; developing labour-intensive industries to increase employment opportunities; promoting mass education and raising the quality and level of education; and maintaining a fair structure (Li and Yeh, 1982: 125). During the period between 1964 to 1975, the income share of the richest 20 per cent of families increased 181 per cent, while the income share for the poorest 20 per cent of families increased 231 per cent (Kuo, et.al. 1981: 38). In 1976, the ratio of the top highest fifth's income to the lowest fifth's was 4.2, well below other developed and developing countries during the same period, including Japan (5.2 in 1969), UK (6.2 in 1973), South Korea (7.9 in 1976), and USA (9.5 in 1972) (Li, 1988: 57; CEPD, 2000: 76). The relatively equal distribution

of income justified the government's economic-first development strategies and eased the pressure to expand the social security schemes for income redistribution.

Compared to economic prosperity, the progress of political development was much slower. In the 1960s the KMT remained as an absolute monopolistic power and, under the shadow of the '228 Incident', the political atmosphere was quiet. Even though there were some opposition activities, they did not make a critical challenge to the authorities and were soon suppressed by the KMT government. It was not until the 1970s when Taiwan faced challenges from international political practice that the political reform critical opposition movement emerged.

In the 1970s Taiwan's position in international politics faced essential changes. Since 1960 the ROC's seat in the United Nations became an "important Question" and Taiwan had to fight for its seat each year. In 1971, with 76 anti-ROC votes and only 35 pro-ROC votes (Hsieh, 1985: Appendix 2), Taiwan was eventually ousted from the United Nations and its place was taken by Communist China. Thereafter, due to its rigid and unrealistic diplomatic policy, the vast majority of the countries who had a diplomatic relationship with Taiwan terminated their official relationships¹⁰. When the U.S.A. broke off diplomatic relations with Taiwan in 1979, the whole island was shocked. More and more people became concerned with the diplomatic isolation of the country and its political future. Many were convinced that only by critical political reform could the country win the goodwill of the democratic West and the moral support of non-Communist countries (Lu, 1991: 40). The local Taiwanese petty bourgeoisie also developed gradually, due to the educational and economic development. Many of them hoped the state could relax its tight control on the society and financially supported the

¹⁰ Between 1971 to 1979, 46 countries ended their diplomatic ties with Taiwan, and in January 1979,

opposition (Lo, 1997: 223-224). All these conditions helped to generate the capacity for extensive campaigns for democratisation.

In response to domestic and external pressure, the National Assembly amended the Temporary Provisions in 1966 to permit supplementary elections to the National Assembly, the Legislature Yuan, and the Control Yuan. This measure was to increase the legitimacy of the KMT government after it had lost international recognition (Shelly, 1999: 110-111). These elections offered an opportunity for opposition leaders to participate in politics. They started campaigning election seats in the early 1970s. These candidates pooled resources and formed a campaign organisation which later became the core of a movement for founding an opposition party. In 1977 the opposition candidates scored impressive victories by winning 21 of the 77 seats in the Taiwan Province Assembly election (Tien, 1992: 9). At the meantime, several opposition magazines were also published and became influential (Shelly, 1999: 25). In late 1979, *Meilidao* (Beautiful Formosa), an opposition magazine which contained articles critical of Taiwan's political authorities, had a circulation of about 100,000 subscribers (Chao and Myers, 1998: 56-57).

Meanwhile, due to the development of favourable economic and social conditions, social movements and labour disputes also increased dramatically during this period. As Hsin-huand Hsiao pointed, Taiwan in the late 1970s saw the emergence of a "second generation" of the working class who, compared to the first generation working class with conservative and rural backgrounds, were more educated and had a longer urban industrial life experience. This group was more oriented to activism and initiated a new labour movement (Hsiao, 1991: 135). As Table 4.1 shows, throughout the 1960s, the

there were only 21 countries which still recognised the R.O.C. See Hsieh, 1985, Appendix 4.

yearly occurrence of labour disputes was about 36. Each individual case involved 24.72 workers, and as low as 0.07 per cent of the total employed population was implicated in labour disputes. In the 1970s, the total number of labour dispute cases increased by more than ten times, and the proportion of disputing workers in the total employed population increased five times (Hsiao, 1992: 157). These figures suggest that the KMT had eventually lost its monopoly of control over the political arena and the society.

Table 4.1 Labour disputes in Taiwan

Year	Cases	Workers involved in disputes (B)	Total employed population (C) (Thousands)	B/C
1961-70	359	8,875	12,294	0.07
1971-80	4,048	106,408	26,732	0.40

Source: Wu, 1989:4, cited in Hsiao, 1992:158, table 7.1

The most important internal events that influenced Taiwan's political future, however, were the 'Chungli Incident' and the 'Formosa Incident' in 1979. The former broke out on the election day when a crowd of angry voters protesting against alleged irregularities in vote counting touched off a serious clash. The latter broke out when opposition leaders extended political activism to street protests and mass rallies in an attempt to foster a nationwide network organisation. Forty-one key opposition activists were subsequently sentenced (Tien, 1992: 9). Even though they soon successfully suppressed these protest activities, the KMT government realised that they could no longer resist the call for democracy, and eventually embarked on critical political reform in the 1980s and the 1990s.

As mentioned earlier, the development of the social security system in this period

generally followed the model set up in the 1950s. That is, to expand the coverage of the system by introducing separated schemes and putting more people in different employment positions into protection, based on the principles of social insurance. The most significant one was the Insurance for Retired Civil Servants introduced in 1965. It was not until the 1980s and the 1990s when the KMT carried out its series of significant political reforms that the social security system substantially expanded, which will be discussed in the next section.

4.1.4 The 1980s and the 1990s: Great strides on democratisation

Based on the incubation in the last two decades, Taiwan made impressive progress in economic development and political democratisation in this period. In a short period the economy was transformed from a highly regularised one to a liberalised one. Equally the political system transferred from a highly authoritarian to a fully democratic one. The social security system also underwent revolutionary transformation in this period, and has become a main political issue.

The organized opposition movements became more aggressive during the 1980s. The most important one was the movement calling for a genuine opposition party. The alliance formed by the opposition candidates in the 1970s had the same characteristics as a quasi-party. They had enjoyed an increasing proportion of votes in a series of elections since the early 1980s, and the KMT government found it difficult to continue its non-toleration policy. Several attempts were made by the government to dissolve the group, but they remained consolidated. In September 1986, a group of opposition leaders announced the founding of the Democratic Progress Party (DPP), at the time illegal under martial law. However, the government tacitly accepted the DPP. The new party became a strong opposition power and contested intensively with the KMT in

every election thereafter. They won the 2000 presidential election and terminated the KMT's monopolistic regime.

In addition to domestic opposition movements, changes in international politics were also important factors that made it difficult for the KMT government to resist political reform. The isolation of Taiwan's situation in international politics, especially the loss of political recognition by the United Nations and the US, meant the KMT State had lost external legitimacy. To win support from the West, the KMT government had to demonstrate that it was superior to the Communist. Notwithstanding political and military tensions between the two sides of the Taiwan Strait was moderating and the government could no longer use national security as a reason to resist political reform.

A series of critical political reforms started in the late 1980s. In 1987 the Martial Law, implemented in 1947 and originally meant to be a temporary measure, was lifted. This was a milestone in political development, as opposition parties were legalized, and some restrictions on demonstration, group activities, and publication of newspapers were removed. As a result, there was a boom in a number of social movements. As Hsiao indicated, by the end of 1989, 18 social movements had already taken shape in Taiwan's resurrected civil society, including the labour movements, farmers' movement, students' movement, welfare group protests and women's movement, and so on (Hsiao, 1992: 157-163). The reported frequencies of social protest the government, including labour, environment, minority, and industrial ones increased from 175 in 1983 to 1,172 to 1988, among which 43 protests involved more than 1,000 protesters (Schafferer, 2001: 74-75).

The other milestone in the move to greater democratisation is constitutional reforms leading to full-scale elections for the National Assembly and the Legislative Yuan in

1991-2. As discussed earlier, based on the temporary provisions, the representatives who were elected in 1947-8 in the mainland and arrived in Taiwan in 1949 could hold on to their position permanently. Even though there were so-called supplement elections for adding members to the national representative bodies in 1969, 1972, 1980 and 1989, only a small number of seats were opened up to be contested. The 'permanent representatives' were forced to retire by the end of 1991, with a great deal of financial benefit. Thereafter, the KMT faced a crucial challenge from well-organized opposition parties in every election. Eventually, the development of social policy has become one of the most important issues in each election campaign. In the 1995 Legislative Yuan elections, for example, 85 out of total 389 candidates proposed a national pension insurance scheme in their election manifestoes, and 55 of them won elections (Aspalter, 2002: 126).

Meanwhile, income inequality increased during this period. The growing trend toward two-income families, coupled with the rapid growth of non-wage income as a result of wealth accumulation in the country, resulted in a wider gap of income distribution (Chan et al, 1999:274). The ratio of income of highest fifth's income household to the lowest fifth's income household increased from 4.21 in 1981 to 5.51 in 1998, and the Gini coefficient increased from 0.287 to 0.324 during the same period of time (CEPD, 2000:16). In other words, the miracle of growth with equality was no longer existed. The government thus was under an increasing pressure to expand public policies for redistribution.

On the other hand, the changes in international politics also had a significant effect on the development of the social security system in the early 1980s. As mentioned earlier, the KMT government lost its international support when the US and other western

democratic countries withdrew their political support in favour of Communist China in the 1970s. The KMT government's strategy for coping with these challenges was to improve its legitimacy by expanding the social welfare system. As Shui-de Hsu, former Minister of Home affairs, recalled:

“After the US severed diplomatic relationship with us, the Central Committee of the KMT established six reform groups to respond to the crisis. Mr. Ku Cheng-gang, Mr. Chiu Chuang-huan and I were the leaders of the social reform group. We attended the Central Standing Committee on February 8, 1979, and submitted plans for social reform. We proposed to the Government to introduce a social assistance act, a older people welfare act, and a handicapped welfare act.”

(The Central Daily, Overseas Version, 4/5/1999, translated from Chinese)

The three Social Welfare Acts Hsu proposed were all enacted in 1980. Clearly, the expansion of the social welfare system in Taiwan during this period was a result of the national crisis. Soon after the Americans severed diplomatic relations with the KMT government, three important welfare laws, including the Older People Welfare Law, the Handicapped Welfare Law and the Social Assistance Law, were enacted in 1980. Simultaneously, the social security system was also expanded. The Insurance for Teaching and Administrative Staff in Private Schools and the Health Insurance for Civil Servants' Dependents were introduced in 1980 and 1982 respectively. In 1986 the insurance for farmers was introduced, covering those farmers who were the heads of farming households. Followed by a series of farmer movements from 1987 to 1988, this scheme was further extended to cover all members of farming households.

The most important social security scheme, however, is the National Health Insurance introduced in 1995. Before the 1990s, the development of the social insurance system in

Taiwan was a typical example of the Bismarck model. Insurance schemes were introduced, each covered a certain group of people, mostly based on their position in the labour market. In the mid-1980s, the Prime Minister declared that the National Health Insurance was on the political agenda and would be implemented by 2000. Thereafter, this agenda became one of the most important issues in political debates, especially during the period of election campaigns. Due to the keen competition between the KMT and the DPP, this scheme was introduced in 1995, five years ahead of schedule. All citizens were insured into the same scheme, providing payment in kind for the risk of injury, sickness and maternity. Hence, both the Beveridge Model and the Bismarck model have been coexistent in the social insurance system.

After the implementation of the National Health Insurance scheme, the most important item on the social security agenda was the introduction of a nation-wide pension scheme to provide a secure income for older people. Although the Labour Insurance, the Military Servicemen's Insurance and the Civil Servants' insurance cover the risk of old age, however, they only provide a lump-sum payment which is not regarded as a good measure for old age income security. In addition, there are about four million people aged between 15 and 64, 20 per cent of the total population, who are not covered by any retirement protection scheme (CEPD, 1999). These limitations of the current social insurance system, combined with the facts that the aged population is growing bigger, and that the intergenerational financial transfer within families is declining, make the introduction of a nation-wide pension scheme necessary and urgent.

In the election for local authorities at the end of 1993, the DPP proposed a universal, non-contributory and non-means-tested pension system and intensified the debates concerning a national pension scheme. The DPP captured 41 per cent of the total votes in

these elections, while the KMT got 47 per cent of the votes. It was the first time in any election in Taiwan that the KMT's share of the vote fell below 50 per cent and the DPP increased beyond 40 per cent (Dickson, 1997: 169). The old age benefit was thus considered as useful propaganda for winning votes¹². Thereafter, this issue has become one of the most controversial debates in every election campaign. The KMT responded by expanding means-tested schemes for older people. The Middle-Low-Income Elder Allowance and the Older Farmer's Allowance were introduced in 1993 and 1995, respectively. At the same time, the government declared that the national pension scheme was on the political agenda.

The first stage of planning a national pension system was launched in March 1994. A committee was nominated under the auspices of the Prime Minister to review the adequacy of the retirement payment of the current social insurance schemes, and to assess the necessity for a national pension scheme. This committee completed a preliminary report in May 1995, suggested the necessity of introducing a national pension scheme and recommended a national-wide insurance scheme. Nevertheless, due to the implementation of the National Health Insurance in 1995, to avoid too much of a burden within too short a period of time on the populace, the national pension system has not been put forth immediately, but designated to the Council for Economic Planning and Development (CEPD) to further study its details by August 1996. The second stage of the pension planning thus began in November 1996 and completed the proposal stage in June 1998. On the other hand, the Prime Minister has declared that the proposed scheme would be realized by 2000. Nevertheless, a serious earthquake hit this island in September 1999, more than 2,000 people were killed and tens of thousands of

¹² In 1998 mayoral election, for example, then President and KMT party chairman, Lee Teng-Hui warned the party candidate of Kaohsiung City that he would lose if he did not promise to introduce new old age benefits. See Aspalter, 2002:119.

people became homeless. The government later declared that the schedule of the pension plan was suspended, as, they argued, the plans for recovery should have been a priority for all possible financial resources. Until now, the date for implementing the national pension scheme has not been declared.

4.2 Governmental orientation towards provision for older people

Since the Republic of China was established in 1912, the ‘Three Principles of the People’, set out by its founding father, Dr. Sun Yat-Sen, have become the foundations of the country. Among these three principles, ‘the Principle of Livelihood’ has been taken as the government’s guidelines for social welfare development. Since the KMT retreated from the mainland after the civil war in 1949 and established a centralised government in Taiwan the Government, has been taking these principles as the fundamental guidelines for nation building.

In his discussion on ‘the Principle of Livelihood’, Dr. Sun Yat-Sen repeatedly emphasizes the problem of the poverty gap in western countries, and advocates an equal society. In fact, his ideal state is rather similar to the welfare state. It is argued that in the spectrum of welfare ideology, his philosophy is close to Pinker’s (1979) classification as ‘Keynes-Beveridge collectivism’, and George and Wilding’s classification as ‘Fabian socialism’ (Lin, 1993). However, during the five decades of the KMT’s governance, Dr. Sun Yat-Sen’s ideal has never materialized. KMT government practice is based on ‘familism’ and ‘enterprise-liberalism’, and social welfare is taken as a matter of familial obligation (Lin, 1993).

This section will examine the Taiwanese government’s attitude and strategies toward protecting for old age. A method of content analysis will be adopted and the Prime

Ministers' policy addresses to the Legislative Yuan since the 1960s will be used as materials for analysis. As Lin states, the Prime Ministers' policy addresses are useful material to understand a government's intention and effort in social welfare as it is meant to present a comprehensive picture of a government's plan (Lin, 1993). This is especially true in Taiwan since it had been a one-party state for half a century and the ruling party, the KMT, had absolute power to make its policies realized.

The approach of analyzing the Prime Ministers' policy addresses to understand governmental policies has been adopted in Taiwanese research before. Lin (1993) analyzes the Premiers' policy addresses from 1974 to 1993 to explore the KMT government's ideology toward social welfare. His intention is to employ a theoretical structure to identify Taiwan's position in the spectrum of welfare typology. He concludes that Taiwan is purely a residual welfare state. In addition, he correctly points out that in the field of social welfare, what these addresses have offered is merely technical details rather than policy guidelines. These details may not be good material for theoretical analysis, but offer plenty of information about the government's rationale and effort in different fields of social welfare.

It is worth noting that in the early years after the KMT government retreated to Taiwan, the government did not consider the Civil War as ended and still regarded Taiwan as a base for counter-attack. In addition, the main purposes of nation building and construction were to strengthen the military force and facilitate national power, in order to restore the KMT on the mainland. As the Prime Minister Cheng Cheng stated in his policy address speech in 1962:

“Our efforts in military, economy, diplomacy, relieving the refugees of the Civil War, and in other fields, are all to accelerate our restoration of the

mainland and the rescue of our fellow nationals. “

(Taiwan Parliament Debates, 1961: 164, translated from Chinese)

Under these circumstances, social welfare programmes also served political purposes. In 1965, the KMT government promulgated “The Present Stage Social Policy under Dr. Sun Yat-sen’s Principle of Livelihood”. This was the first governmental guideline for social welfare development in Taiwanese history. However, from the government’s points of view, this signaled not the improvement of citizenship, but the enforcement of power for counterattack. The policy address by the Prime Minister Yan Gia-Gan this year clearly revealed this attitude. He stated:

“The intention that the government has decided to promulgate the comprehensive and intensive social welfare programmes, under the critical circumstance in which international situations are crucial and the mission of our national reunion is yet accomplished, is to serve for the goal of the counterattack...”

(Taiwan Parliament Debates, 1965, 36-1: 202, translated from Chinese)

It was very common to see this kind of statement in the Prime Ministers' policy addresses in the 1960s and the early 1970s. The KMT government declared that the Communist government was nothing but a rebel organisation, and regarded itself as the sole legal government that represented the whole of China. Thus, the implementation of social welfare programmes, despite limited, became a strategy to demonstrate that the KMT government treated its people better than the Communists. In other words, the KMT government regarded the welfare programmes as a measure to secure its legitimacy.

In the field of old age protection, these addresses reveal two important messages. First.

the retirement system, which contained schemes for the groups of government employees, soldiers, and teachers, was established not to protect retirees' income security, but to improve administrative efficiency. In the early years of its settlement in Taiwan, one of the issues that concerned the KMT government most was administrative reform. In order to strengthen military and political power for the counterattack - the government's first priority, an efficient and effective administrative system was essential. Therefore, during these years, although the governmental financial situation was not good, these addresses repeatedly emphasized the government's commitment to increase these groups' wages (see, for example, the policy addresses from 1964 to 1967, 1973). It was under such situation that the retirement system for government employees was created to serve as an incentive to replace older workers, who were considered less efficient. As the Prime Minister Chia-Gan Yan stated in his policy address in 1965:

“To improve our political strength, we will need to accelerate the metabolism of the personnel system of governmental organisations. To achieve this, we are working on improving the retirement system for government employees and teachers...”

(Taiwan Parliament Debates, 1965:35-1: 176, translated from Chinese)

The measure of using the retirement system to renew workers and to improve productivity and efficiency is not an innovative strategy. As Macnicol argues, when the introduction of a state pension system was first raised on the British political agenda in the late nineteenth-century and the early twentieth-century, it was an important argument to support the establishment of a system where the 'worn-out' older workers - whose industrial value were deemed to be very dubious - should be forced into retirement and replaced with healthier more productive younger workers (Macnicol, 1998). The Taiwanese government did not hesitate to admit its intention in this area.

Second, care for older people did not appear in the policy addresses until the 1980s, and was typically paid lip-service, for example: “to improve children, disabled, and older people’s welfare” (policy address by the Prime Minister Sun Yun-hsuan, 1981). When the government began to elaborate on this issue in the 1990s, ‘conventional virtue’ is repeatedly emphasized, referring to family obligations. As the former Prime Minister Hao Bo-chun stated in his policy address in 1991:

“Learning from Western countries’ experience, our welfare system should be based on people’s industriousness and thrift, and the filial piety within the family. Social welfare should not become a disincentive to our conventional virtue of industrious, thrifty, and filial piety.”

(Taiwan Parliament Debates, 1991, 80-78:175, translated from Chinese)

This kind of statement reveals a message that the government regards family obligations as a primary resource and the best solution to meeting people’s need in later life. This might explain why the government was unwilling to reform the retirement benefit system, which contains different schemes to cover labour, government employees, teachers, and soldiers and offers a lump sum payment to the retirees, and to replace it with monthly payment system, which was considered a better system for older people’s income protection. Even when the former Prime Minister Lian Jan pronounced in 1994 that the government was to establish a national pension system and a pension scheme for farmers, he also stated:

“In order to better older people’s life, we need to improve community care, and to enhance the idea of ‘three generations living in the same household.’”

(Taiwan Parliament Debates, 1993, 83-10: 124, translated from Chinese)

After 1994, national pension system planning and the importance of ‘conventional virtue’ and ‘family obligation’ have been repeatedly emphasized in each year’s policy address. There are, however, contradictions. Logically, a government that wants to assign welfare obligation to the family would not be willing to implement a pension system, which, based on Western experience, is considered as a system of de-familisation, unless the government creates a pension system based on interdependence between family members. Whilst, the establishment of a national pension system has been regularly emphasised recently, these speeches failed to address how to combine ‘family virtues’ with the future pension system.

To sum up, the Prime Minister’s policy addresses from the 1960s reveal three important messages concerning the retirement system and older people’s income protection. First, although the retirement system was introduced as early as the 1950s, in the early years of the KMT government’s settlement in Taiwan the income protection for retirees was never a major concern to the government. Taking the retirement system for the groups of government employees, teachers, and soldiers for example, the government regarded it as an incentive for administrative efficiency rather than a mechanism to increase the degree of de-modification and de-familisation in older people’s income. Second, the government has not ruled out family obligations as a solution to the coming aging society. However, the government has not clearly stated how they are going to embed family obligations into the old age income maintenance system. The government’s advocacy of family obligations to support older people became more serious in the early 1990s when there was a significant voice asking for the establishment of a nationwide old age income protection system in political campaigns. Family solidarity thus has become an excuse for the government to resist the pressure for creating a nationwide pension system. Third, the government has faced a contradiction since the middle of the

1990s when it started planning a national pension system whilst at the same time remaining strongly advocate towards the virtues of family obligations in looking after older people. Thus, the government is encouraging family cohesion whilst establishing a national pension system, which is normally considered to be a system for de-familisation. To explain this contradiction, it is important to recognise the gap between the government's preferences and political reality. Ideally, the government is still in favour of the family to protect older people. However, the increasing political pressure has made it impossible for the government to secure its position in power without promising the introduction of a nationwide pension system. The political reality has pushed the government from holding family values to establishing a system which will inevitably increase the degree of de-familisation.

4.3 An analysis of provision for older people: Familisation or de-familisation?

This section examines the contents of current old age income protection schemes to observe the intention and objective of these schemes, and to explore its implications. The main concern of the analysis is to understand whether the designs of these schemes are to increase or to decrease the degree of familisation.

When discussing the Taiwanese old age income protection system, a division of three categories of benefits is commonly adopted: contributory or social insurance benefits, means-tested benefits, and non-contributory non-means-tested benefits (Chen, 2000). Taiwan has employed a Bismarck model of social insurance system since the 1950s, including schemes to cover labourers, government employees, teachers, and soldiers, offering comprehensive benefits including medical benefits and cash benefits. In 1994 when universal National Health Insurance was implemented, all medical benefits of these schemes were shifted to this new scheme. However, the structure of cash benefits

of these schemes remained the same, including maternity benefit, injury benefit, and retirement benefit (each scheme's coverage varies). Together these schemes cover the majority of the working population and are considered the main system for protecting old people's income security.

Apart from social insurance benefits, means-tested benefits are also an important part of the old age income protection system. These benefits were not introduced until the early 1990s. However, with political reform and the severe party competition, the threshold of the means-test requirement has been lowered several times. One of these benefits, the Older Farmers' Allowance, has even become a non-means-tested benefit when the requirement of the means test was abolished in 1999. Together these schemes benefit 43.8 per cent of people aged 65 or above in 2000¹³.

4.3.1 Contributory schemes

There are three contributory social insurance schemes which offer retirement benefits for the insured, namely the Labor Insurance Scheme, the Government Employees and Teachers' Insurance Scheme, and the Military Insurance Scheme. All these schemes, as discussed earlier, are comprehensive social insurance schemes. However, the old age benefit has become the most important payment of these schemes accounting for the largest percentage of total expenditure. The Labor Insurance is the most important social security scheme in Taiwan as it covers the majority of those participating in the labor market, including employees and employers. On the other hand, welfare schemes targeting government employees and soldiers are generally considered as, to use Titmuss's (1958) term, 'occupational welfare' rather than 'social welfare'. The position of this thesis is grounded on the same position as Titmuss. The Government Employees

¹³ Data provided by the Council for Economic Planning and Development, Executive Yuan, Taiwan

and Teachers' Insurance Scheme and the Military Insurance Scheme are therefore excluded here.

Since the Labour Insurance Scheme was implemented in the 1950s, it became the most important scheme in the Taiwanese old age provision system. The scheme targets wage earners and started with a limited number of eligible people, then later extended coverage. At first only industrial workers employed by the public or private factories and mines were covered by the scheme. The number of people insured was only 128,625. The coverage expanded to craft workers in 1951, to fishery workers in 1953, and to sugarcane farmers in 1956. In 1958 the Labour Insurance Act became national legislation and was applied to the whole Taiwan area, and the categories of workers covered remained almost unchanged. The coverage continued to expand to manual workers, drivers and mechanics employed by governmental agencies and public schools in 1965. However, up until this point, only blue-collar workers were covered, – the vast majority men. The 1970 Amendments broadened coverage in order for manual workers and those working in commercial firms and shops, ranches and pasturage employing ten or more workers to be compulsory insured. The 1979 Amendments required compulsory insurance for people employed in government agencies and public schools under contract, employees in journalistic, culture, non-profit organisations and cooperative enterprise, and skilled workers receiving practical training. This was the first time that Insurance expanded coverage to white-collar workers. The 1988 Amendments brought coverage to full-time employed fishermen, people working for an agency employing five or more staff. By the end of 2000, the number of insured reached 7.9 million, the equivalent of 83.4 per cent of the employed population.

The coverage of this scheme clearly reflects a 'male breadwinner' approach. As Nelson

(1990) argues, by defining 'work', women and the minority groups are easily excluded from social security schemes. It was physical labourers who were first covered by this scheme and most of them were men. By the end of 1950, the year when this scheme was introduced, 93 per cent of those insured were men. Thus this kind of income-related scheme benefits men more than women due to differences in their contributions to the paid labour market participation. This scheme, which is the first social security scheme introduced to labourers, was based on the assumption of the traditional family form of a male breadwinner and a dependent wife. Clearly, at least at first, the approach did not help to increase the degree of de-familisation and de-commodification in women's income security for their later life.

The scheme offers a lump sum payment rather than pension benefit for retirement, therefore its function of protecting older people's long-term income security is limited. In 1950, a retiree who had paid the contribution for more than 15 years and retired at the age of 60 was entitled to a lump sum payment equivalent to 15 months of their last month's salaries. If one continued to work and did not retire until the age of 65, he or she would be granted another five month's wages for retirement. In other words, for those who did not have any other income, even if they were granted the maximum payment for retirement, they could not count on it for long. The 1958 Amendment substantially increased the entitlement of retirement payment. For the first 15 years of contribution, the insured are entitled to one month's salary as retirement payment for each year's contribution. For subsequent years of contribution, each year's contribution would be granted two months wages. An insured person could therefore claim up to 45 months salary when they retired. However, for those who continue to work after 60 years of age and continue to pay the contribution, they could be entitled to up to five month's salary. In other words, the maximum amount that an insured might be entitled to receive at

retirement is equivalent to 50 months wages. These calculations of retirement payment still remain the same. Although it has increased significantly in absolute terms, this lump sum payment is still considered insufficient and inadequate, as the average life expectancy for older people continues to rise. In addition, there are other issues arising with a lump sum payment, such as inflation and financial management, which could place retirees' financial situation at risk.

With the extension of its coverage, the sex composition of the Labour Insurance Scheme has become more equal. The proportion of women insured increased to 40 per cent by 1980 and in the 1990s women comprised about 50 per cent of the insured population. The equal share of proportion between the sexes, however, does not mean that women enjoy the same protection for retirement as their male counterparts.

The lack of consideration for women in the formation makes the Labour Insurance Scheme different from the same kind of male breadwinner schemes in other countries. First, pension schemes in some EU countries such as Belgium, France, Greece, Ireland and Britain in allow women to claim or top-up pensions based on their relationship with the breadwinners (Leitner, 2001). In Taiwan, women insured in this scheme do not have this option. This means that the Taiwanese scheme, compared with systems in some EU countries, is based more on the principle of individual responsibility rather than the support between family members, thereby lowering degrees of familisation. However, given women's income is generally lower than their male counterparts, their pension entitlements are lower and thus face a higher risk of income insecurity in later life. Second, unlike pension schemes in some EU countries in which the period of caring for young children and family members is considered in benefit calculation (Leitner, 2001), this is not the case in the Labour Insurance Scheme. Again, women are usually the group

who suffer from the neglect of these considerations.

Compared to pension schemes in EU countries, the retirement payment of Labour Insurance in Taiwan is more individualized placing less emphasis on mutual support between family members. Furthermore, there is no entitlement for spouses of the insured apart from the Survivors' Allowance and the period of caring for family members is not taken into account when calculating retirement payments. The absence of these two elements, which would improve women's entitlement in the social security system, results in a disadvantageous situation for women's retirement income. On the other hand, these two dimensions are considered as the main criteria of a pension scheme for familising women's role as carers and economic independents (Daly, 2000). Does the absence of these two elements in the Labour Insurance in Taiwan mean that this scheme has the intention of, or results in a higher degree of de-familisation than the schemes based on the same male breadwinner approach in EU countries? In short, the answer is that it does not.

The absence of considerations for insured women and dependents does not increase women's economic independence, instead, it deepens their reliance on men breadwinners for their later life. By offering credit for caring or spouse pensions, women in many EU countries enjoy a higher degree of financial independence, although some of these entitlements are based on their relationships with other family members. Women in Taiwan, whether insured or not, rely more on family support for their later life due to limited social security entitlement and the low female labour force participation, which will be discussed in a later section in this Chapter.

Although the Labour Insurance Scheme increases family solidarity by reinforcing the

support of a male breadwinner to his wife for later life, it has no element to encourage intergenerational financial support on a personal level. Apart from the Survivors' Allowances, parents and children of an insured can neither transfer their contribution to the insured nor share entitlement based on the contribution made by the insured. In fact, the principle of intergenerational support is difficult to incorporate into a social insurance scheme. It is in the non-contributory benefit system where the 'virtue' of intergenerational obligations are emphasized.

4.3.2 Non-contributory schemes

The two non-contributory schemes of Middle-Low-Income Elder Allowance (MLIEA) and Older Farmers' Allowance (OFA) were first introduced at a time when the KMT government was facing severe competition from the opposition party and struggling to maintain their governance. The ruling party could no longer bring about its own platform for social policy without considering voters' preferences. As discussed earlier, these two schemes are products of political campaigns. Although these schemes were introduced when the KMT still enjoyed the overwhelming domination in the Legislation Yuan, the influence of political campaigning on these schemes cannot be overlooked.

4.3.2.1 Middle-Low-Income Elder Allowance (MLIEA)

The MLIEA scheme was first introduced in July 1993 and amended in November 1993, July 1994, December 1994 and October 2000. Each amendment expanded the coverage or the levels of benefit. Despite these expansions, the fundamental principles of this scheme do not change. Eligibility is based on a means test which assesses incomes and assets of all household members. This practice is common to all means-tested schemes in Taiwan as well as in many Western countries. What makes the Taiwanese system distinctive, however, are the definitions of a 'household', which is much broader than in

Western countries.

In OECD countries, for instance, a test of income and assets is also required for all social assistance schemes. However, most of OECD countries take the nuclear family as the means test and benefit unit. Of all the OECD countries, in only three countries --Austria, Japan and Switzerland -- does the means test go beyond the nuclear family. Apart from these three countries, other adults outside the nuclear family would be considered as separated households even when living in the same house. Furthermore, financial obligations between spouses and from parents to their dependent children are clearly written in social assistance regulations in many OECD countries. However, it is only in Austria, Japan and Switzerland that these ties may expand to the relationship between grandparents and grandchildren, and also between other relatives who may have a duty of financial support under family law (Eardley et al. 1996).

According to Article 7 of the Ordinance of MLIEA, the members of a 'household' include 1) the applicant and his or her spouse; 2) the applicant's children and their spouses who have a duty of financial support, while married daughters and their spouses are excluded; 3) dependent children of the family member who fall into the above group; 4) the applicant's grandchildren who provide financial support should the applicant's family not have any member who falls into Clause two of the Article. Thus, lineal relatives are regarded as having an obligation to support their aged parents and grandparents, and it is only when they are not capable of doing so that their aged family members are entitled to the MLIEA.

The MLIEA, being a means-tested one, is different from other social assistance schemes in Taiwan. The coverage of 'household' by this Ordinance is more limited than what is

defined in the Social Assistance Act, which sets the basic principles for all means-test benefits. Furthermore, the income standard of eligibility is much more generous than the level set in the Social Assistance Act. Consequently, although the proportion of people who fall under the official poverty line is as low as 0.7 per cent, the proportion of older people who received the MLIEA was as high as 10.8 per cent in 2000¹⁴.

The importance of means-tested benefits to a large number of older people has significant implications in the development of familisation and de-familisation. First, the MLIEA is provided only to older people who do not have a family to support them or whose family is not capable of supporting them. It is the family, in particular the extended family, that has the responsibility for their aged members' financial security. This is a very clear declaration towards familising older people's financial protection. However, this approach runs the risk of contradictions. As Thane (2000) argues an older person who is poor and needs income support is likely to have a poor family which is not able to provide financial support to them. Consequently, a scheme like the MLIEA will not make a significant contribution to familisation despite its intentions to do so. As the well-off older people excluded by this scheme do not need familial support, and the poorer people who need familial support have to rely on state benefits.

Of course, this scheme has some effect on familisation. A group of older people without sufficient financial resources might have no other choice but to turn to their family as the state limits intervention to those without any capable immediate relatives to support them. This group of older people has no income from the labour market nor social security or occupational retirement benefits. Notwithstanding, the threshold of the means test set by this scheme for eligibility is relatively generous when compared with regulations set by

¹⁴ Data provided by the Council for Economic Planning and Development, Executive Yuan, Taiwan.

Taiwan's Social Assistance Act, and the proportion of older people receiving MLIEA is relatively high. Therefore, this scheme benefits older people, not only in the very low-income group, but also in the low-middle income group, whose family might have reasonable financial resources to support their aged members. Whilst the MLIEA scheme was intended to reinforce familial responsibility for supporting older people, it could have an opposite effect of de-familisation in older people's income protection. For the poorest beneficiaries, the reliance on the family is legitimated and strengthened, and the low-middle income group of older people enjoys a higher degree of de-familisation in financial protection.

It is important to recognise that the benefit levels of the MLIEA are as low as NT\$3,000 (for the lowest income group) or NT\$6,000 (for the middle-low income group) per month. These levels were equivalent to just 10.3 per cent or 20.6 per cent of employees' average income, or 21.4 or 42.8 per cent of the monthly minimum wage in 1994. Thus beneficiaries without other resources might still rely on family support. The effect of the MLIEA on de-familisation is therefore limited.

4.3.2.2. Older Farmers' Allowance (OFA)

The fundamental principles of the OFA were similar to that of the MLIEA when introduced in 1995: the means test with a relatively generous criterion, the recognition of family obligation in supporting older people, and a low level of benefit. The main difference between the PFA and other Taiwanese social security benefits was that this scheme was only for full-time farmers. This is mainly due to the fact that before the introduction of the OFA, all employees in different sectors except farmers were already covered by a social insurance scheme with an old age benefit. The first old age income security scheme for farmers was not brought into force until as late as 1995, which could

be due to farmers maintaining traditional ways of work and associated life styles. Farmers tended to work until they were no longer able to. Most farmers do not bequeath the farm to their children until they die. In addition, most of them live in rural areas where the extended family was common and the traditional function of the extended family for mutual-support was still strong. These factors eased the pressure of government intervention and delayed the emergence of social provision for the older farmer.

To some extent, the implementation of OFA symbolises the government's recognition that the development of industrialisation and urbanisation brings the dissolution of the traditional familial function for supporting its aged members. The government's response to the trend of family dissolution was to adopt a means test approach to support older farmers who can no longer support themselves and whose family cannot afford to support them. Clearly, the impacts of the OFA on the familisation or de-familisation of older people's income protection is similar to that of the MLIEA. Together these schemes characterise the government's strategy to old age income protection in the early and mid 1990s. Their impact on family cohesion, as discussed earlier, is contradictory.

The condition of the means test as eligibility criteria for the OFA was abolished in 1999. The OFA thus became a demogrant. The level of benefit remains unchanged at a flat rate of NT\$3,000, thus, this benefit, however low, may have a positive impact on the de-familisation of the older farmer's income protection. On the one hand, family resources are no longer a criterion for eligibility and farmers may receive this benefit without having to prove that their family cannot support them. On the other hand, old farmers, who tend to live in rural areas, experience low living costs. This benefit, plus fragmental income from the farming, may be sufficient for older farmers to sustain a

reasonable economic position in later life without dependence on their family.

However, as discussed earlier, the elimination of the means test practice can be attributed to political considerations rather than older farmers' financial needs. This change is not a product of the government's policy plan but a result of political pressure. The government lifted the assignment of family responsibility from this scheme only when it could no longer defend it against campaigns from political groups. The increase on the degree of de-familisation from this scheme is due to reductions in state autonomy. This point will be further discussed in Chapter Eight.

4.4 Other social legislation concerning older people: familisation or de-familisation?

Apart from the content of governmental declarations and social security schemes, other governmental platforms and regulations directly or indirectly concerning social policy or older people's well-being are also good material in order to explore the government's orientation towards family obligation.

4.4.1 Governmental platforms

Since the end of the Second World War, there are two platforms promulgated by the government as guidelines to social policy. The "The Present Stage Social Policy under Dr. Sun Yat-sen's Principle of Livelihood" proclaimed in 1965 is the first governmental platform of social policy in Taiwanese history. It addressed seven policy areas as the core of social policy, namely, social insurance, employment, social assistance, housing, personal services, continued education, and community development. It mapped out a comprehensive picture for social policy development, as well as practical strategies. As pointed out earlier, this platform was set forth at a time when the KMT enjoyed the

absolute domination of the government and took the counterattack to the Mainland as the most important national objective. The real intention for the government to promulgate this guideline was not to enhance citizenship, but to manifest that it was more kind and benevolent than its political and military rival, the Communist government.

Surprisingly, this platform does not mention anything about family obligation. In fact, when this guideline was set forth, the family was still the most important mechanism from which older people received their support. In addition, the demographic feature showed no sign of decline in family structure. At the time when the guidelines were promulgated, people aged 65 or above only accounted for 2.7 per cent of the whole population (CEPD, 2000), and the old age dependency ratio was as low as 5.1 per cent. Furthermore, the total number of childbirths per 1,000 women was as high as 4,828 (CEPD, 1999), more than double that the number of childbirths needed for population replacement. Moreover, living with adult children was still the most popular style of older people's living arrangement. According to a piece of research which reconstructed the data from 'Survey on Family and Production', in 1973, four-fifths (79.96%) of parents who had married children lived with their married children (Chi, 1990: 65). All these facts suggest that the reason for the government's not mentioning family obligation was the fact that it was so strong and showed no sign of decline so that the government had no reason to worry about it, rather than the intention to replace it with the social security system.

The second guideline for social policy was not promulgated until as late as 1994. When the 'Guiding Principles for Social Welfare Policy' was set forth, the demographic, social, economic and political situations were very different from when the first guide was

proclaimed. There was an increasing demand for social policies caused by the rapid demographic, social, economic and political changes. The proportion of people aged 65 and above reached to 7.1 per cent, and the old age dependency ratio increased to 10.5 per cent (CEPD, 2000). In particular, the total number of childbirth per 1,000 women decreased to 1,755 (CEPD, 1999), well below the population replacement rate. An ageing society was expected to be coming soon. Simultaneously, the series ‘The Old Status Survey’ conducted by the Government showed a clear trend of decline in family structure. On the other hand, the opposition party was getting stronger and started advocating social security schemes as a strategy to attract votes. The KMT government faced severe challenges from the political opposition, and had to demonstrate its ability to respond to people’s need.

The Guidelines contains nine fundamental principles for social policy, in which the first four of them are general principles for all policy areas, the other five of them each addressed one core policy area for the future, namely, employment, social insurance, social service, housing, and health care. In this comprehensive blueprint for social policy, the role of the family is highly emphasized. One of the four guidelines for all policy areas is indeed all about the family. The Article four states:

“To construct a social welfare policy based on the principle of family-center, to advocate ‘family ethic’ and to improve family relationship, and to accelerate ‘family ethic’ to better its members’ well-being.”

(Guiding Principles for Social Welfare Policy, translated from Chinese)

It is clear that, from the government’s point of view, it is the family that people should turn to when they are in need. When the family function was declining and the government faced the inescapable task to respond to people’s need, its intention was to

reaffirm and to reinforce family obligation, rather than to replace it with social security benefits. On the other hand, this blueprint does not address any strategies or practical measures to improve traditional family function. Nor does it explain how to integrate the family obligation into each policy area. For instance, in the section of social insurance, the introduction of a national health insurance and a pension system are proposed, however, all practical measures addressed to improve these social insurance schemes contain no elements about family obligation. In other words, the emphasis on family is more a moral totem rather as opposed to a policy orientation.

4.4.2 The legal system

Table 4.2 shows regulations concerning family obligation to older people in the Taiwanese legal system. It appears that this kind of regulation exists in various laws.

These Laws together present three main features of family obligation. First, there is no doubt that the offspring have a statutory obligation to support their parents and grandparents, regardless of their ability for self-reliance. In addition, the obligations for children and grandchildren to take care of their parents and grandparents have the priority against any other kind of obligation and mutual support between family members, including the obligations for parents to take care of their children. That is to say, in a three-generation household, the breadwinner generation with economic limitations should place priority on taking care of their parents against looking after their children. This regulation offers clear protection to older people for later life. Second, only when this family obligation is, due to economic reasons), unable to function may older people be entitled to the protection of a social safety net. Third, there are rewards and penalties to this obligation. Those who fail to fulfill this obligation will according to the law be fined. Those families who indeed shoulder this obligation are entitled to some

exemption from taxation, and enjoy priority when applying for public housing.

Table 4.2 Taiwanese Laws containing regulations about family obligations towards older people

Laws	Articles	Contents
Civil Law	Article 1084	Children must show filial piety and respect for their parents.
	Article 1114	Immediate relatives as well as persons living with spouse's parents have the obligation of mutual support.
	Article 1116	In the case of economic limitation to which people are unable to support all of their immediate and coresident relatives, the following sequence prioritises who should receive their support: <ol style="list-style-type: none"> 1. Immediate older relatives 2. Immediate younger relatives 3. Family members 4. Siblings 5. Head of household 6. Spouse's parents 7. Children in Law
Income Tax Law	Article 17	Taxpayers and their spouse who look after their immediate relatives aged 60 or above are eligible to exempt a certain amount of earnings from taxation.
The Social Assistance Law	Article 5	Earnings of immediate relatives and collateral relatives who statutorily have obligation for mutual support must be added to the family earnings for means test.
The Older People's Welfare Law	Article 7	Children have a duty to support their older parents. The Government and welfare organisations may help and supervise this duty.
	Article 15	The three-generation family should have the priority to rent public housing.
	Article 25	Older people who are ignored, abused, or abandoned by immediate offspring may apply for accommodation and protection. Their immediate offspring must pay for these expenses.
	Article 30	A person who is responsible for supporting an older person will be fined and named if he or she fail to fulfil this duty.
The Public Housing Tender Ordinance + Assistance in Mortgage Housing Ordinance	Article 6	Governmental department responsible for public housing should take the need of aborigine, lower income veteran, lone parent and three-generation family, and provide up to one-fifth of public housing for these families.
	Article 9	

Generally speaking, the legal system clearly defines family obligation to take care of its aged members. However, these regulations are indeed a backing in form rather than in practice. The Civil Law formally declares that children must show filial piety and respect to their parents, but provide no punishment to those who fail to do so. The Social Assistance Law includes all immediate relatives as a household that is supposed to share the obligation of mutual support. This only makes it harder for older people with adult children to receive benefit from the social safety net and offers no help to those older people whose offspring refuse to do so. In addition, the tax and housing incentives are not attractive thus offers little effect in encouraging this obligation. Furthermore, it is only when children ignore, abandon, or abuse their aged parents may they be penalised a fine for up to NT 150,000 Dollars (equivalent to about 3,000 pounds). Both the standards of the obligation and the penalty are low. All these facts suggest that what the legal system does is to highlight the moral standard of family cohesion, rather than to threat or coerce people to hold this obligation.

The analysis so far has shown that there is a clear discordance between the government's preference and the policy in practice. The government has been trying to advocate family obligation as a solution to older people's later life, however, social policy provisions rarely integrate the essence of intra-family support. How do these contradictory orientations influence the familisation or de-familisation of older people's income? The key to this question is to examine the change of importance of labour market, family, and social security benefits to older people's income.

4.5 Vicissitudes of familisation and de-familisation of older people's income

This section explores the changing role of the three sectors - the labour market, the

family, and the social security system in protecting older people's income security. In discussing this issue, historical data are essential. Unfortunately, there is no systematic serial statistics or survey existing covering this subject. There are fragmented data related to each of these sectors, collected by different organisations using different methods of sampling and surveying. Although these data are not empirically comparable, they offer a great deal of information about the role of these sectors in supporting old people's later life.

4.5.1 Changes of older people's labour force participation

There is no doubt that the government wants to encourage older people to join and stay in the labour market. The 'Employment Law', enacted in 1983, states in Article XXIV that the government must set plans to help older people with ability and willingness to participate in the labour market, and must evaluate these plans regularly to make certain that they succeed. This Law was enacted in a time when the ruling party enjoyed the overwhelming majority in the Legislative Yuan, and thus doubtlessly illustrates the government's intention. Following this Law, the 'Improving Older People's Labour Force Participation Scheme' was introduced. This scheme clarifies the responsibility of the governmental department, including central and local government, Labour, Economics and related Departments, to improve older people's participation in the labour market. Some practical measures are adopted to increase the incentive for both employers and older people to improve employment. These include subsidising employers for recruiting older people, awarding companies for redesigning jobs to suit older people and utilizing retired manpower, conducting symposium, and issuing handbooks to deliver information. In addition, the older unemployed, defined as an unemployed person aged forty-five or over, may attend vocational training courses freely with subsidy for board and living expenses. All these efforts, despite being more

symbolical than practical, confirm the orientation of government's policies toward older people's employment.

On the other hand, various surveys show that older workers' willingness to staying in employment remains at a high level. The governmental statistics show that in 1988, 34.4 per cent of the employees aged between 55 and 59, and 37.1 per cent of the employees aged 60 or above planed to stay in employment after they reached the compulsory retirement age of 65 (Department of Labour Affairs, 1990). In 1991, the figures increased to 33.4 per cent and 42.8 per cent respectively (Department of Labour Affairs, 1990). In 1996, 24.5 and 25.9 per cent of the age groups of 55-59 and 60-64 planed to stay in employment till they reached the compulsory retirement age, regardless of the situation of the company, the working condition, retirement benefit, and their health (Department of Labour Affairs, 1996). A governmental survey conducted in 1999 shows that, only 2.8 per cent of the employed aged between 55 and 59 planed to retire before the age of 60, and 34.1 per cent of them plan to retire at the age of 65 or above. None of the 499 interviewees fell into the age group between 60 and 64 had planed to retired before they reached the age of 60. 75.2 per cent of people in this group did not want to retire before they were 65 (Taiwanese Department of Labour Affairs, 2000: 28-29).

Given the strong willingness to work until their later years, it is not surprising that the labour force participation rate for older people is significantly higher than that of the Western countries. In the 20-year-period between 1977 and 1996, the labour force participation rate for the age group between 55 and 64 years old, despite fluctuations, stabled within the range between 48 and 52 per cent, followed by a steadily falling trend down to 43.9 per cent in the year 2000. The difference between the labour force participation rate in the age group of 55-64 and the average rate of all age groups

fluctuated between 6 and 11 percentage point in the same 20-year-period, then increased steadily and researched the peak at 13.7 percentage point in 2000. On the other hand, the labour force participation rate for people aged 65 and over has stabilised within the range of 8 to 11 per cent for the last 20 years. Although there is a slight trend of decline from 1995, the change has not been significant.

The labour force participation rate is highly different for older men and older women. As Table 6-2 illustrates, the labour force participation rate for men aged between 55 and 64 years has even been significantly higher than that of the national average for all age groups over the past quarter of the century. Among the male groups, the labour force participation rates for the age group of 55-64 has been close to that of the national average, and the difference between these rates has never gone beyond seven per cent. As for the age group of 65 years and over, the male labour force participation rate stabled at a high range between 13 and 17 per cent.

The picture for women has changed more dramatically. The labour force participation rate for older women, as shown in table 4-3, is much lower than their male counterparts. However, there has been a significant increase in older women's labour force participation rate. The labour force participation rate for females aged between 55 and 64 almost doubled from 14.8 per cent in 1977 to 27.6 per cent in 1995, while the rate for female aged 65 and above increased more than threefold during the same period, from 1.05 per cent to 4.32 per cent.

It is reasonable to assume that earnings from the labour market help older people to de-familise their income. Therefore, changes in the degree of de-familisation in income should be more significant for women than for men, as men's labour force participation

rates have been stable and women's have been increasing. To examine this point, it is necessary to review the trend of intra-family financial support to older people.

Table 4-3 Labour force participation rates In Taiwan

Year	All age groups			55-64 years old			65 years old or above		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1977	56.75	77.19	36.02	45.85	70.48	14.77	4.84	9.48	1.05
1978	58.28	77.65	38.47	51.68	77.30	17.23	8.63	15.43	2.18
1979	57.80	77.09	38.23	51.29	75.51	18.39	8.51	15.53	1.74
1980	57.87	76.36	39.20	50.58	72.71	20.07	8.10	14.66	1.63
1981	56.90	76.12	37.57	49.95	73.41	17.42	8.03	14.43	1.66
1982	56.75	75.67	37.71	49.06	71.95	16.95	7.93	14.08	1.73
1984	58.87	75.28	42.42	50.76	71.42	21.57	9.19	15.07	2.99
1985	59.01	75.01	42.97	49.35	69.52	20.87	9.52	14.85	3.84
1986	59.43	74.61	44.19	49.69	68.20	23.85	9.57	15.36	3.31
1987	60.14	74.41	45.79	51.21	69.73	25.78	9.51	14.95	3.56
1988	59.11	73.67	44.52	50.23	68.73	25.35	9.25	14.41	3.50
1989	59.87	74.70	45.00	50.98	70.74	25.02	10.66	16.49	4.10
1990	58.67	73.29	44.03	48.93	68.28	24.60	8.98	13.79	3.50
1991	59.13	73.57	44.66	50.20	70.15	26.19	9.88	14.89	4.09
1992	59.10	73.83	44.32	49.29	71.07	24.20	9.13	13.57	3.95
1993	58.59	72.42	44.68	49.70	70.32	26.64	9.52	13.99	4.20
1994	58.63	72.11	45.06	48.00	68.67	25.63	8.99	13.23	3.09
1995	58.51	71.56	45.44	49.09	69.83	27.55	9.77	14.28	4.32
1996	58.28	70.29	46.28	48.33	69.62	26.91	8.80	12.90	3.84
1997	58.11	70.43	45.86	47.62	69.70	25.82	8.66	12.68	3.85
1998	57.84	70.22	45.57	46.05	67.62	25.07	8.35	12.08	3.97
1999	57.80	69.37	46.32	45.67	65.70	26.26	8.06	11.64	3.95
2000	57.51	69.27	45.82	43.85	66.25	22.26	8.04	11.97	3.60

Sources: Report on the Manpower Utilisation Survey, various years, Taipei: CEPD

4.5.2 The trend of intra-family financial support to older people

The data often cited to argue that the family function is declining is the proportion of older people living with children, which, based on the series of governmental old age surveys, declined from 70.24% in 1986 to 61.16% in 1996 (Taiwan Government, 1997). However, Hu's research which reconstructs the data has successfully demonstrated that the proportion of young and mid-age people living with aged parents has not had any significant change between 1986 and 1989 (Hu, 1995). In other words, the decline in the proportion of old people living with children is mainly due to demographic factors, and offers no evidence of the decline in traditional beliefs in family functions. Lo used the ten-year data of 'Household Income and Expenditure Survey' between 1976 and 1985 also found that although the proportion of older people living with married children decreased in this period, the proportion of older people living with unmarried children increased in the same period (Lo, 1987). On the other hand, an older person who does not live with children does not necessarily mean that he or she receives no financial support from his or her children. As discussed in Chapter Two, the cases in Singapore, Philippines, South Korea and Thailand show that a significant proportion of older people receive financial support from their non-coresident children.

The trend of change in older people's financial resources offers a clearer picture about the change of intra-family financial support. Table 4.4 shows a clear trend that the importance of children's financial support to older people has been decreasing throughout the past decade and half. The percentage of older people relying on their children for living decreased from 65.8 per cent in 1986 to 47.1 per cent in 2000, a drop of 28.4 per cent in 14 years. It is worth noting that the 2000 Survey made a change to the use of telephone interviews, which might underestimate the proportion of older people living alone, and overestimate the proportion of older people living with relatives. This

suspicion is proved to be true by comparing data collect by this survey to census data. The 2000 Old Status Survey finds that 67.8 per cent of people aged 65 or above lived with their children, and 9.2 per cent of them lived alone. On the other hand, the 2000 census finds that the proportions of older people fall into these groups are 58.1 and 16.0 per cent respectively. In other words, had the 2000 Old Status Survey exactly mirrored the demographic profile, the picture of de-familisation in 2000 would have been more significant.

Table 4.4 Main sources of living expenses of people over 65 years old in Taiwan (%)

Year	Total	Children ¹	Saving & Investments ²	Pensions	Own earnings	Spouse's earnings or pensions	Social assistance & Allowances	Others
1986	100.00	65.81	29.77				1.24	3.18
1987	100.00	64.00	31.68				1.70	2.45
1988	100.00	61.82	34.88				1.07	2.25
1989	100.00	58.37	15.29	11.87	8.23	2.72	1.23	2.29
1991	100.00	52.37	15.87	16.07	8.10	2.68	1.57	3.33
1993	100.00	52.30	17.25	14.76	6.60	4.25	1.61	3.24
1996	100.00	48.28	13.15	17.55	7.30	4.34	6.37	3.00
2000 ³	100.00	47.13	9.26	15.39	13.72 ³	--	12.86	1.64

Note: 1. Including children-in-law

2. Including oneself and his/her spouse's saving and investments

3. Including oneself and his/her spouse's earnings

Sources: Survey of Older people's Living Status in Taiwan, Taipei: Department of Interior Affairs, 1997, 2000

Taiwanese authors who argue that the traditional family function for supporting their aged family member is fading away often cite these data to prove their argument. In fact, being relative figures, these data do not show whether the proportion of older people receiving financial support from children has changed. Nor do they show whether the

absolute level of financial resources older people receive through intra-family support has changed. The decrease of the relative importance of children as older people's financial resource might result from the real decline in intra-family transfer, or the increase in other financial resources.

Although these data do not provide any direct evidence about the change of the absolute level in intra-family transfer, they do show that older people's reliance on their family has been decreasing. The question that remains here is what are the driving forces of this decline? Is it the labour market or the social security benefits that help to increase the degree of de-familisation in older people's economic resource? As Table 4.2 shows, the labour force participation rates for the age group of 55-64 and 65 and above in this period are decreasing rather than increasing. Therefore, earning from the labour market cannot be the direct cause of de-familisation. This point is reconfirmed by Table 4-3 which shows that, while the proportion of older people who mainly count on intra-family dropped for 26.7 per cent between 1986 and 1996, the proportion of older people relying on own earnings as the main financial source did not increase in the same period.

Other possible forces for de-familisation are personal financial management and social security benefits. It makes sense that older people with the increasing awareness of the fading away of family function adopt a personal financial management strategy, such as savings and investments, to secure their later life. However, Table 4-2 clearly shows that the proportion of older people mainly relying on saving and investments has been decreasing rather than increasing since 1993. In other words, personal financial management cannot be the force of de-familisation either. This leaves the social security benefits as the only possible reason.

4.5.3 The trend of old age social security benefits

As introduced earlier, before 1994, the Labour Insurance scheme is the main social security scheme that provides cash payments to older people. This scheme was introduced in 1950 and, as shown in Table 4-5, 30 years on, in 1980 it had matured as the average units of retirement payment leveled at the plateau. The average retirement payment per claim in 1980 was equivalent to 23.5 months of wage, a level as high as in the 1990s. In fact, the highest level of the average retirement payment per claim is only 25.5 months of wages, equivalent to about 20 years of contribution. This is due to the interruption of employment of the insured, in particular female employees.

Table 4.5 Average units of Old Age Benefit, Labour Insurance scheme, Taiwan

Year	Average units of benefit per claim	Year	Average units of benefit per claim
1961-1969	10.81	1988	21.23
1970-1979	19.31	1989	19.08
1980-1989	20.45	1990	21.54
1990-1995	22.40	1991	25.52
1996-2000	21.26	1992	23.48
1980	23.52	1993	23.86
1981	22.48	1994	24.51
1982	20.83	1995	16.93
1983	21.18	1996	17.82
1984	19.18	1997	19.79
1985	17.10	1998	21.56
1986	22.64	1999	23.00
1987	19.47	2000	24.11

Sources: Labour Insurance Statistics, various years, Taipei: Bureau for Labour Insurance

Therefore, if this benefit had a direct effect on the degree of de-familisation of older people's income for later life, logically, the impact should have started in 1950 when this scheme was first introduced, and increased afterwards as the insured were cumulating their contribution record for retirement payment. Furthermore, with the maturity of this scheme, its impact on de-familisation should have leveled at the peak since 1980. However, there were not many discussions concerning the change of the traditional family function before 1980. When the Old Age Welfare Law was introduced in 1980, it contained only as little as 21 Articles, and did not mention anything about the family obligation and older people's financial needs. Furthermore, the census did not contain questions regarding older people's situation till 1990. On the other hand, governmental surveys concerning older people's economic situation were not conducted until 1986, they found that almost two thirds (65.8%) of older people still counted on their children as the main financial resource.

These pieces of evidence suggest that intra-family support was still strong while the Labour Insurance scheme had matured. Does this suggest that this scheme has no effect on the de-familisation of older people's income?

Figure 4.1 and 4.2 provide another angle to examine this issue. Figure 4-1 clearly shows that although the Labour Insurance was implemented in 1950, it was not until the 1970s that the number of insured started increasing significantly. This was due to the fact that the Labour Insurance only included a small number of workers when it was first brought into practice, then gradually extended its coverage. The 1970 Amendment, which expanded its coverage to white-collar workers for the first time, is no doubt a milestone and accelerated the increase in the number of insured. Therefore, although this scheme was supposed to mature in the 1970s, the newly-covered insured were then just starting

to build their contributions for retirement payment, and would need at least another one or two decades to receive decent retirement payment.

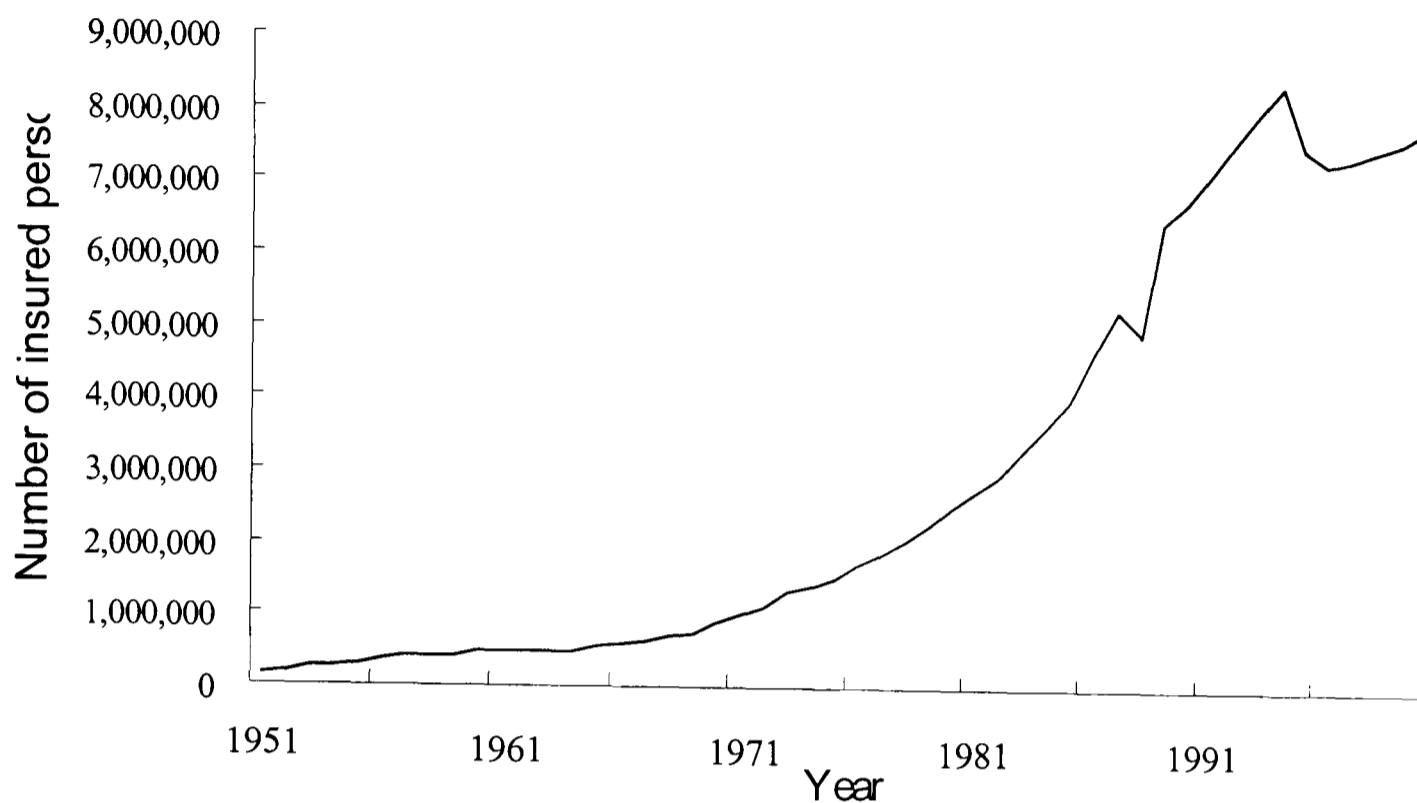


Figure 4.1 Number of persons insured by the Labour Insurance Scheme

Figure 4.2 echoes this point. It shows that it was not until the 1980s that the number of people receiving a retirement payment had increased significantly. Before 1980, although the average units of retirement payment (19.3 months wages in the 1970s) were almost as high as that in the 1990s (21.8 months wages) (see Table 4.5), the number of people that actually received this payment was low. The number of people who claimed retirement payment increased dramatically in 1994 when the National Health Insurance was implemented, and then fell back to the normal level. This picture remains the same if the number of insured and the number of people claiming retirement payment in the other two social insurance schemes, Government Employees' Insurance and Teaching Staffs Insurance, are included.

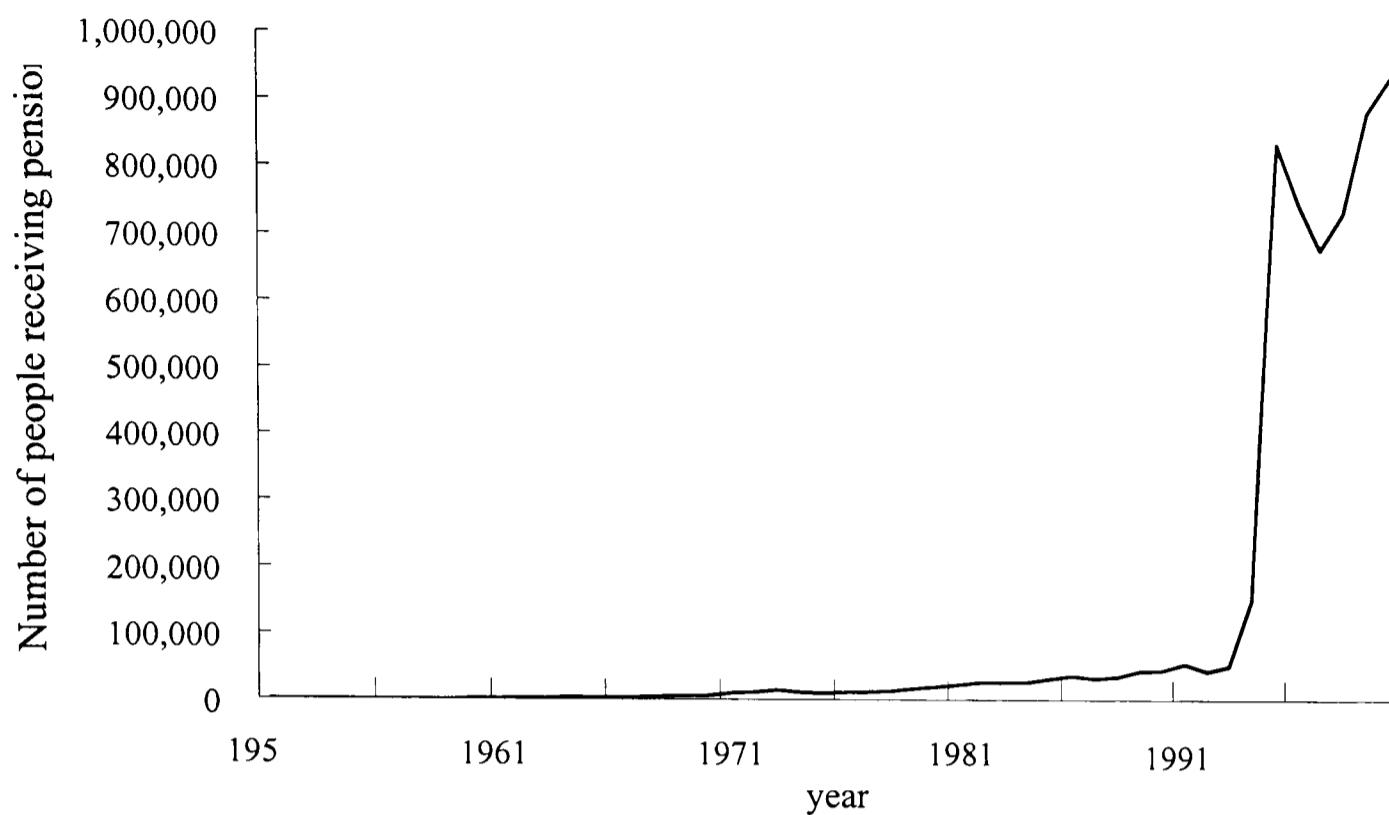


Figure 4.2 Number of people receiving pensions.

Note: Including people receiving retirement payments from the Labour Insurance Scheme, the Government Employee's Insurance Scheme and the Private School Staff's Insurance Scheme, and people receiving Veteran's Settlement Allowance, Older Farmer's Allowance and Middle-low Income Elder Allowance.

This offers the likely explanation that although the social insurance system was established in the 1950s and is supposed to be matured in the 1970s, it did not have significant effect on de-familisation during this period. The fact that an increased number of people claimed retirement payment since the 1980s coincides with the timing when both the government and the academia starting paying attention to the decline of the traditional family function. However, these aggregate data offer only a general picture. Empirical data is needed to examine the real impact of social insurance benefit on the degree of de-familisation and the extent of this influence. This will be done on chapter seven.

The Middle-Low-Income Elder Allowance and Older Farmers' Allowance were

successively introduced 1994 and 1995, which together have significantly increased the number of older people receiving state benefits. By the end of 1995, 38.6 per cent of people aged 65 or over received one of these new benefits (CEPD, 1997). This figure increased further to 43.8 per cent by the end of 2000. Consequently, as Table 6-3 shows, the proportion of older people relying on social assistance and allowances increased dramatically in the 1996 and 2000 survey.

As the levels of these two benefits are low and the beneficiaries of one of these benefits are disentitled to the other one, older people cannot comfortably rely solely on these benefits. This point might explain the fact that from 1993 to 2000, the increase in proportions of older people mainly relying on social assistance and allowances is significantly higher than the decrease in proportions of older people relying on children in the same period. On the other hand, it is too soon to conclude that these benefits has had any effect on de-familising older people's income as the process of de-familisation started earlier than the introduction of these benefits. In fact, Table 4-4 does not suggest that the importance of children to older people's income declined more sharply after these benefits were introduced.

4.5.4 Vicissitudes of older people's income from Social Security, intra-family support and labour market

The analysis in previous sections has offered a general picture about the trend of the importance of labour market, family, and state benefit to older people's income. First of all, the familiar function as older people's financial reliance was still strong in the mid-1980s, when the aggregate data concerning this field were first produced. Furthermore, older people's labour participation rate leveled between 1980 to the mid-1990s and was followed by a trend of decrease rather than increase, thus it could not

be the main cause of de-familisation for the past two decades. In addition, with the maturity of the Labour Insurance by 1980 and the lack of new schemes supporting older people's living expenses before the mid-1990s, the social security system is not to be attributed to the de-familisation for this period either. However, as shown in Table 4-6, the percentages decline in family support were approximately the same as percentage increase in the social security system. However, the real relation between family cohesion and state benefit needs further exploration. All these points suggest that these aggregate data are not sufficient to work out the relation between the three sectors of labour market, the family and state benefits as older people's financial resources, and empirical survey data is needed to examine this issue. This will be done in Chapter Eight.

Table 4.6 Old people's main reliance for later life in Taiwan (%)

Item	Total	Children	Own or spouse's earning & resources	Social security			Others
				total	pensions	Social assistance & allowances	
Year							
1989	100.00	58.37	26.24	13.10	11.87	1.23	2.29
1991	100.00	52.37	26.66	17.64	16.07	1.57	3.33
1993	100.00	52.30	28.09	16.37	14.76	1.61	3.24
1996	100.00	48.28	24.79	23.93	17.55	6.37	3.00
2000	100.00	47.13	22.98	28.25	15.39	12.86	1.64

Source: sorted from Table 4.4

4.6 Conclusion

Taiwan's old age income security system was established during a period of national crisis and based on the Bismarck model. It is a result of a national plan rather than plural or corporatist politics. It originally served to strengthen the state rather than to improve older people's living standards. As this system grew and became mature, its role in older

people's income provision became more significant. To a large extent, it does help to de-familise older peoples' incomes, although it contains an element of family support. This is against the government's preference, which is to encourage family obligations of support older people. The effect of de-familisation of this system, therefore, is not a result of the government's deliberate plan, but of unexpected development.

On the other hand, the development of the old age social security system alone can not explain the de-familisation of older people's income in Taiwan. The process of large-scale de-familisation did not occur until a decade after the social insurance scheme had matured, and speeded up before the social assistance system expanded. To explore the relationship between the social security system, the labour market, and the family in older people's income protection, a further analysis based on empirical data is necessary. Chapter Seven will be dealing with this issue.

Chapter Five

Modern social provisions for older people in Hong Kong

The social, economic and political development of Hong Kong in the twentieth century presents a very unique case. Not only does its economic achievement provide a successful model, but its political and social transitions also offer a good example to examine many political and sociological theories. Hong Kong was colonised by Britain for one and a half centuries, however, by the end of the colonisation, its GDP per capita was greater than its colonial master. Although it is one of the wealthiest and most prosperous areas in the world, it was as late as 1995 when its citizens could select all the members of the Legislative Council through a direct election system for the first time. The densely populated society is mono-racial, namely Chinese. However, according to the by-census report published in 1996, 40 per cent of the population were not born in Hong Kong. These social, economic and political aspects are important elements which have constructed modern Hong Kong, and have influenced the development of the modern social security system in Hong Kong.

This chapter analyses Hong Kong's old age social provision system. The first part highlights social, economic and political changes influencing the development of old age social provisions since the end of the Second World War. The second part discusses government's policy orientation toward provisions for older people. The third part provides a context analysis on Hong Kong's old age income protection schemes. The fourth part reviews changes of older people's financial sources and discusses the trend of familisation and de-familisation of older people's income. The fifth part concludes this chapter.

5.1 The development of Hong Kong's old age income security system

Since the end of World War Two, the development of the economy has been set as the most important objective for the government. Under this clear guideline, all other public policies are more or less subordinated to economic policies, or at least should be planned with economic considerations. Hence, it comes as no surprise that the social security system in Hong Kong is significantly under-developed. However, it would be far too over-simplified if we attributed the lagging development of the social security system only to economic development strategies.

From the 1840s to the late 1990s, the British colonial government successfully turned Hong Kong from a remote poor fishing village into a modern prosperous city. However, until Hong Kong was taken over by its mother country, the PROC, in 1997, the colonial government did not establish a comprehensive social security system. In the area of modern social provision for older people, the schemes were introduced much later, compared to other advanced capitalistic countries. The reason for this is multi-faceted and varies from period to period.

5.1.1 Prior to 1945: A developing free port

The area we now call Hong Kong consists of three main parts. First, the island of Hong Kong came into the British Empire's dominions as a result of the Treaty of Nanking in 1842. Second, Kowloon was added in 1860 through the Convention of Peking. Third, the New Territories were added in 1898 on a lease of 99 years which expired on 30th June 1997. Geographically, it has many advantages to accelerate development. The Victoria Gulf, located between the Island of Hong Kong and the Peninsula of Kowloon, is one of the finest natural deepwater ports in the world. In addition, Hong Kong is

located in a crucial position for world shipping. It is right in the middle between Tokyo and India, and between Peking and Indonesia, and located on the golden shipping line from Eastern Asia to Australia and New Zealand.

However, the situation of China in the nineteenth century was so severe that one could not imagine the government would have developed this remote area had Hong Kong not been ceded to the UK. The island of Hong Kong was so poor when the British Empire first took it over that Palmerston, the Foreign Secretary of the UK at that time, even doubted the value of occupying it. In a letter to Captain Charles Elliot, who raised the first British flag in Hong Kong in 1841, he wrote: 'You have obtained the cession of Hong Kong, a barren island with hardly a house upon it. Now it seems obvious that Hong Kong will not be a mart of trade any more than Macao is so' (quoted in Harris, 1988: 1). Actually, some thousands of people inhabited the territory, most of them were farmers, fishermen and their families, many of whom lived permanently on boats along the sheltered coast. The inhabitants were from China and most of them were male. They went there alone to make a living and left their family on the mainland, and only a small proportion of them brought their families here after they settled (Lim and Liou, 1998: 11). After the takeover, the British Government soon employed a free port strategy in Hong Kong, allowing goods to transfer freely without imposing customs duties. There was no other choice considering the natural limitations. Hong Kong was a small place without any natural resources, all the food and commodities were dependent upon imports. Had there not been a free port policy, there would not have been any good transport to this remote place (Yung, 1992).

The free port policy, coupled with the excellent geographic location, soon enabled Hong Kong to become an important site of trade not only between China and the U.K. but also

between China and the rest of the world. In 1880, 21 per cent of goods exported from China and 37 per cent of goods imported to China were transferred through Hong Kong (Yu and Liu, 1994). In addition to being a port of transit, Hong Kong was also a transfer port for Chinese coolies. Between 1851-1872, there were in total 320,349 Chinese coolies going through Hong Kong to America, Oceania, and other parts of the world (Yu and Liu, 1994).

Table 5.1 Hong Kong population, 1841-1941

Year	Population
1841	7,650
1851	32,983
1861	119,321
1871	124,198
1881	160,402
1891	217,936
1901	300,600
1911	456,739
1921	625,166
1931	878,947
1941	1,640,000
1945	600,000

Note: 1841 to 1851 only includes the island of Hong Kong, from 1861 onwards includes Kowloon, from 1901 onwards includes New Territory.

Source: Cheng (G-Y.), 1997: 123, Table 1.

During the first century of British occupation, the population of Hong Kong increased dramatically and eventually became a huge pressure in terms of providing sufficient welfare and services. In 1841, the year before Britain's takeover, the population of the island was less than eight thousand, by 1851, just ten years under British governance, it had increased more than three-fold to about thirty-three thousand. In 1860, Kowloon

became part of the colony and the population kept on growing. From 1861 to 1891, the population increased by 83 per cent. In the beginning of the twentieth century, with the addition of the New Territory, the population exceeded 300 thousand and continued growing at a much higher rate than in the nineteenth century. As we can see from Table 5.1, the population of the Hong Kong area doubled in the first twenty years of the twentieth century, and then almost tripled in the next twenty years. Natural growth could not explain this and immigration is the major reason for these increases. Most of the immigration came from southern China because of politics and war. In the 1930s when China was involved in military conflict with Japan, a huge wave of residents moved from southern China to Hong Kong and made the population of Hong Kong double in ten years. By contrast, the born-in-Hong Kong group was the minority. According to the census data, in the year 1921 and 1931, the proportion of the population born in Hong Kong was 27.7 per cent and 32.5 per cent respectively (Cheng, 1997: 123). Between December 1941 and August 1945, when Hong Kong was occupied by Japan, large scale deportations of Hong Kong's inhabitants were carried out to solve the food shortage problem and the population decreased for the first time since 1841. At the end of the Second World War, the population was estimated to be only 600,000, less than that of 1921.

Being a free port and a transfer port had become Hong Kong's key feature from 1842 to 1941. The transfer trading was the most important economic activity. By contrast, there were not many industrial activities before the Second World War, apart from family-based manual industries and cottage industries. In 1932, The British Empire signed the Ottawa Agreement which offered Hong Kong, as a British Colony at that time, the entitlement of its industrial products to Imperial Preference. This tax preference, coupled with the development of a financial market; the demands created by the

increasing population; the industrious immigration and the enterprising businessmen, helped Hong Kong's industry to develop. In the year before the Japanese occupation (1940), a total of 800 were factories registered in Hong Kong and hired 30,000 workers. During the Japanese occupation, Hong Kong's industry experienced a decline. By the end of Japanese occupation, there were only 366 factories left (Wong, 1997: 374).

During this period, the colonial government in Hong Kong was like those in other British Colonies. In general, they believed that a very limited administration would meet the needs of the people. On the other hand, it was British policy to make each colony as self-sufficient as possible (Tang, 1998). However, in the nineteenth century, Hong Kong had no resources to embark on social reform. As a result, public expenditure was confined to the bare essentials. It was no surprise that there was not any form of systematic welfare provision by the government at this stage. Just like all other industrialized countries in their early developing stage, the responsibilities of looking after the underprivileged and vulnerable groups in Hong Kong were undertaken by voluntary organisations.

5.1.2 Postwar to the 1950s: Coping with refugee problems

When the Second War just ended, Hong Kong was a chaotic society¹. It experienced huge demographic, social, political and economic change during the first one and a half decades after the Second World War. A great crowd of people kept on fleeing to Hong Kong from China. They created huge social tension and eventually caused political turmoil. On the other hand, the cheap labour, capital and the merchant equipment withdrawn from China after the Civil War contributed to the significant economic

¹ As Horold Ingrams, a British Journalist who travel to Hong Kong in 1950, wrote, "Hong Kong's economic life was dead... public utilities were scarcely working: food, shipping, industry and trade were non-exist... The place swarmed with rats, malaria was rife... and lawlessness was widespread". See

growth in Hong Kong. It was during this period that Hong Kong's economy began to take off.

The harsh conditions in the 1950s were mainly brought by a sudden increase of population. Many people who left during the period of Japanese occupation moved back to Hong Kong after the end of the Second World War. Moreover, a huge number of emigrants from China flowed into Hong Kong after war. The population tripled in three years from 600,000 in 1945 to 1,800,000 in 1947 (Lim and Liou, 1998: 11). It was the political instability in China that caused this huge wave of refugees. In 1947 and 1948 during which period the Nationalists were defeated by the Communists in China, another wave of immigration occurred to Hong Kong. In 1950, Hong Kong introduced a quota system and successfully stabilized the migration flow. However, in 1958 when the Great Leap Forward and the People's Commune caused massive starvation in China, the illegal immigrants flooded in again. By 1959, a third of the population of Hong Kong were refugees (Hilton, 1962: 71). At the same time political instability in China made people living in Hong Kong feel insecure. As a consequence, a great deal of the population in Hong Kong migrated to other countries (Lim and Liou, 1998: 15). Hong Kong in this period was a lifeboat for refugees and a temporary shelter for population transience.

The massive number of refugees brought cheap labour to Hong Kong. In addition, after the Civil War in China, there were wealthy merchants running the textile industry in China moving to Hong Kong with the skill, experience, capital, and equipment to restart their business after the Civil War. These are two important pulling factors which accelerated the development of the Hong Kong economy (England and Rear, 1975: 25:

Ingrams, 1952: 243.

Scott, 1989: 69-70). The geographical politics also served as a pushing factor behind Hong Kong's industrial development. The Korean War that broke out in 1950 caused an embargo to be imposed on China. At the same time the democratic world then led by the U.S. started employing encirclement policy toward communistic countries. These situations meant that Hong Kong could no longer rely on its transit trade to survive. Hong Kong was forced to develop its industry to maintain economic growth (Yung, 1999).

The shift from transit trade to industrial manufacturing was successful. The number of registered factories increased from 961 in 1947 to 4,784 in 1960, and, between 1947 and 1960, the number of people hired in manufacturing industries increased more than the population growth with the only exception of 1951-52 (Wong, 1997: 378-379). In the 1950s, Hong Kong experienced an average 5 per cent of growth in trade. From 1947 to 1960, the G.D.P. increased almost three-fold from HK\$1,535 to HK\$5,895 (Yung, 1992: 460-462).

Although the economy started growing, the situations in employment were still severe. The huge number of working age people, most of them were male, fled from China and provided a surplus of labour supply and caused massive unemployment. According to an official estimation, the unemployment rate in 1950 was as high as 25 per cent (England and Rear, 1975: 29). In addition, employers had no incentive to increase wages or to improve the working conditions of their workers. Many people were forced to work for inadequate wages under very bad working conditions. According to a sample survey of industrial workers' earning and expenditures in 1955, the Hong Kong worker was earning only one-third as much as his British counterpart (Saczepanik, 1958: 70-71). Furthermore, due to the insufficiency of adequate housing, many people had to live in

appaling conditions. As the Governors of Hong Kong stated in their Policy Address, in 1951, there were estimated about 330,000 squatters (Hong Kong Hansard, 1951/2: 39), and in 1955, there were “some 350,000 persons – not squatters -- who were inadequately and squalidly housed.” (Hong Kong Hansard, 1955/6: 43) This created a lot of serious problems in the densely populated Hong Kong, including both health and fire hazards, problems of water supply, and a menace to law and order (Hong Kong Hansard, 1950/1: 39-4; 1954/5: 21).

These problems caused by refugees put a tremendous strain upon governmental resources. The Government at one time hoped that these people would return to China and regarded the problem as a temporary one which would solve itself. But instead, they had come to stay, and the Government was compelled to take action (Hong Kong Hansard, 1954/5: 21). The Government thus faced severe challenges in its capacities in providing housing and urgent social services. As Governor Hilton pointed out in an address in 1959: “For the past ten years the heavy burden of caring for these refugees has been borne almost entirely by the Hong Kong Government. Directly and indirectly... one-third of Government’s annual expenditure is being spent annually by the Hong Kong Government on the refugees” (Hilton, 1962: 69). This financial burden caused by the refugees limited the government’s means in both the pace and extent to which it could develop social services.

The development of the social security system in Hong Kong was originally in response to political changes and social instability rather than the needs of the underprivileged. In the 1950s, there were still hardly any kind of systematic social provisions provided by the government. The reason for this, apart from the limitation of state capacity mentioned above, came from many directions. After the Second World War, China

claimed its sovereignty over Hong Kong, and the British Government looked into the possibility of returning all or parts of Hong Kong to China. Moreover, the British colonial government saw the enlarged population as mobile and transient (Tang, 1998: 51). Therefore, there was no point in providing social welfare for them. As Law has pointed out, in the 1950s, the transience of the Chinese population was frequently used by the government as an excuse to abstain from playing a more active role in service provision (Law, 1982: 46). Furthermore, thanks to economic growth, the Government was able to possess internal legitimacy without providing social security benefits. On the other hand, the British colonial government insisted in its self-sufficiency policy, as it “certainly doesn’t want to be a burden on Great Britain” (Hong Kong Hansard, 1948/9: 58). It employed a conservative fiscal policy and adopted an economy-first policy. It also stressed its laissez-faire capitalism and least-government orientation (Saczepanik, 1958: 7). Regarding provisions for education, health and housing as its responsibility, the government’s strategy was to encourage voluntary organisations to provide services. Under these circumstances, it comes no surprise that the government did not introduce any modern social security scheme at this stage. Although there were insufficient housing supplies and a huge number of people unemployed, the government enjoyed a financial surplus in the 1950s (see Table 5.2).

Table 5.2 Governmental finance of Hong Kong, 1955-1960

Financial Year (1 st April to 31 st March)	Revenue (\$ million)	Expenditure (\$ million)	Surplus (\$ million)
1955-6	454.7	402.5	52.2
1956-7	509.7	469.5	40.2
1957-8	584.2	532.7	51.5
1958-9	629.3	589.9	39.4
1959-60	664.6	709.9	-45.3

Source: Hong Kong Government, 1960: 57

Another reason for the limited development in social service and social security in this period comes from a lack of democratic development. After the end of the Second World War, former European colonies started a process of decolonisation to pursue independence and to develop democracy. However, the colonial polity of Hong Kong remained largely unchanged. There were proposals advocating political reforms in 1945 and 1952, but these were abandoned due to opposition by the Governor and the conservative business elites who dominated the Executive Council and the Legislative Council (Lo, 1997: 34-35). The business elites feared that the development of a democratic polity might cause political turbulence and thus jeopardize the economy. In addition, China would not tolerate any attempt to develop democracy in Hong Kong and saw any political reform in Hong Kong as an omen of moving toward independence (Scott, 1989: 69-70; Lo, 1997: 15). In addition, there was a fear that, after its victory in the Civil War, the Communists might carry on fighting for the sovereignty of Hong Kong (Lo, 1997: 36-37). Under such circumstance, any political reform toward democracy was unlikely to happen. On the other hand, the difficulty in control over ingress of population also discouraged the government to introduce a democratic system, as, claimed by Governor Hilton, “universal suffrage is usually exercised in a territory by people who consider themselves citizens of that territory, and where there is careful control over the ingress and egress of population” (Hilton, 1962: 13). Above all, the majority of the populace were not interested in political reform due to their apathy toward politics². These factors together allowed the Government to enjoy a high degree of autonomy and remain free from pressures to introduce comprehensive social service or social security system.

² Regarding Hong Kong’s constitutional advance and democratic reform, a minute by a British official stated that “it would be difficult, especially in view of the effect of the prevailing apathy on the working of Hong Kong political institutions”. See British Government Document CO 537/1651, 18 Jan 1947. Quoted

Despite these disadvantageous conditions, there were some developments in social welfare provisions in this period. The Social Service Office was established as a sub-department of the Secretariat for Chinese Affairs in 1947, and the Social Welfare Department was set up in 1958. In addition, in response to the need of a massive population working under low wages, many of whom could not even have adequate food, the first public assistance scheme in the form of providing free meals was introduced in 1948. The recipients were nearly all women and children (Hong Kong Hansard, 1948/9: 49). During the 1950s the Government provided about 2,000 cooked food and dry rations every day. It was far too deficient considering that the whole population in Hong Kong was about two million (Chow, 1984). This scheme was too limited to be seen as the origin of the social security system. It did not provide any cash payment nor related social service.

5.1.3 The 1960s to the 1970s: Building a homeland

This was a period of transition. Illegal immigrants kept on flooding into Hong Kong, which caused social and political tensions; its economy enjoyed a very rapid growth; and it was in this period that the government started integrating refugees into the Hong Kong society and building Hong Kong as a homeland for the Chinese residents.

The demographic trend became relatively stable as both the inflow and outflow of migration became more balanced during this period, and natural increase replaced migration as the major factor in population growth. According to the census, the contribution of natural increase to the total population increased from 63 per cent between 1951 and 1961 to 87 per cent between 1961 and 1971 (Hong Kong Census and

from R. Hyam ed. Part II, 1992: 385.

Statistics Department, 1982: 119). The proportion of the population born in Hong Kong also sharply increased. According to the 1961 census, 47.7 per cent of the Hong Kong population was born in Hong Kong, while the 1966 by-census showed that 53.8 per cent of the people living in Hong Kong were born there. It was the first time in Hong Kong's history that more than half of the population was native-born. In addition, unlike before the 1950s when many Chinese came here for economic reasons and eventually returned back to China, more and more people had decided to stay in Hong Kong (Law, 1982: 11-13). Although there was still a lack of a sense of belonging for people in this place, Hong Kong had shifted from a temporary shelter for transient people to a permanent home for its residents. This change had an important effect on the government's investment in social programmes after the late 1960s. As Governor Sir David Trench stated in his Policy Address in 1970:

“The fundamental change which then occurred was that the population, rapidly swelling in numbers, also became much more static, and the numbers of those who could be considered long-term residents vastly increased. Hong Kong started to change in character, and... social policy had to recognize this change by undertaking the provision of social services for vastly increased numbers...”

(Hong Kong Hansard, 1970/1: 8-9)

There were also significant changes in the age structure of the population during this period. When the first census was carried out in Hong Kong in 1961, the population was very young. The population under the age of 15 accounted for 40.8 per cent of the total population, while the population over the age of 65 constituted only 2.8 per cent of the total population. However, the latter almost doubled in only 15 years, to 5.5 per cent in 1976 (Hong Kong Census and Statistics Department, 1996: 22). Although the proportion of older people in Hong Kong was still low compared to its European or North American counterparts, a symptom of a rapid increase in aging population had

appeared. Therefore, it is no surprise that issues on provision for older people were first raised in this period.

Table 5.3: Age structure of the population, Hong Kong

Age group	1961	1971	1976
Under 15	40.8	35.8	30.1
15-64	56.4	59.7	64.4
65 and over	2.8	4.5	5.5
Total	100.0	100.0	100.0

Source: 1996 By-census Main Report, p22, Hong Kong Census and Statistics Department.

Meanwhile, the economy continued to develop. According to the GDP data published by the Government since 1966, the average economic growth rate between 1966-1979 was 8.3 per cent. During the same period, GDP per capita based on current price increased from HK\$ 3,779 to 21,816, a 477 per cent increase in 13 years. If based on 1980 prices, the increase in GDP per capita during this period was still as high as 109 per cent (Wong, 1997: 392). The flourishing economy contributed a stable and adequate source of income to the government which accumulated a huge sum of financial reserve. Many people started criticizing the government for being over-conservative in spending money on social dimensions, such as social policy (Chan, 1996). On the other hand, the rapid economic growth brought significant increase in taxation and public revenue. In the ten years from 1961 to 1970, public revenue grew by an average of 11 per cent annually (Hong Kong Hansard, 1971/2: 4). This increase in government revenue lifted the Government's capacity to spend on social investments – a task which had been postponed for one and a half decades since the end of Second World War – without having to increase taxation and thus was able to avoid opposition from the business elites (Scott, 1989: 127-8).

Despite rapid economic growth, the problems of insufficient job opportunity and lack of decent and adequate housing were not solved. These problems deepened social tensions and eventually caused riots. In 1966, a riot came about and lasted for a few nights, during which one person was killed and property damage was high. The report on the riots drafted by the government came to the conclusion that they were sparked off by economic causes and the lack of a sense of belonging. This report also called for reforms in social policies such as housing and education and for improvements in social environment and working conditions (England and Rear, 1975: 5; Chan, 1996: 86). In 1967, a more serious riot broke out in May and the political unrest lasted until December during which period many people organized a series of protests against the colonial government. The militant Red Guards in China and many local dissidents wanted the immediate return of Hong Kong to China (Tang, 1998: 65). This was the first time after the Second World War that there was a disturbance which directly challenged the legitimacy of the government and lasted for such a long period of time (Chan, 1996: 86). These political tensions were important backgrounds against which the government started implementing social welfare programmes in the late 1960s (Law, 1982: 44-45; Scott, 1989: 152).

The demographic, economic and political situations discussed above led to the government's intention to build Hong Kong into a more integrated society for all its residents, including the refugees. From the 1960s, "integration" and "community building" became important issues that frequently appeared in political leaders' addresses. As Governor Sir Robert Black stated in his Policy Address in 1961:

"It is important that those who wish to know about Hong Kong... should see our problem as one of refugee integration, not just one of refugee relief... We

have offered shelter and we have offered it in the form of integration... Our hope is to make this integration successful, not just for Hong Kong as a community, but for every soul who lives here, that he or she may enjoy freedom from want."

(Hong Kong Hansard 1961/2: 32)

Social services had become a means for social integration. In addition, according to the Governors' Address, they were also good tools to "make Hong Kong a better place to live in" (Hong Kong Hansard, 1965/6: 313), to "build a society... in which there is mutual care and responsibility" (Hong Kong Hansard, 1976/7: 25), and for "the building of our community and its channels of communications with its government" (Hong Kong Hansard, 1976/7: 26). In other words, social welfare became a means for state building. However, to some extent, the government was still reluctant to expand its role in this field. There are some reasons for this. First, the provision of social services was contradictory to the government's doctrine of laissez-faire (Law, 1982: 45-6). The Financial Secretary for the 1960s, John Cowperwaite, and his successor for the years from 1972 to 1982, Phillip Haddon-Cave, were both free market advocates and insisted in non-intervention policy (Lau, 1977: 269). Second, the government and the business elites feared that increasing social welfare might lead to increased taxation (Hong Kong Hansard, 1965/6:311) and jeopardize Hong Kong's competitiveness in international trade (Hong Kong Hansard, 1964/5: 38-39). Third, the government believed that extended help would weaken the Chinese tradition of family responsibility for its members (Hong Kong Hansard, 1965/6: 309).

Despite the disadvantageous conditions, there were big improvements in social services and the social security system during this period. In 1965 the government published its first White Paper regarding social welfare, titled "Aims and Policy for Social Welfare in

Hong Kong”. However, we can hardly see any policy guidance or planning for the future in this report. It was merely a report to justify the lack of government action to carry out social policy. It stressed that, considering the vital importance for the government to develop Hong Kong’s economy, and the fact that the traditional function of the family was still strong, “it is not realistic... to plan for the establishment of fully comprehensive social security and social welfare services (Hong Kong Government, 1965: 7).

In 1966, the British government sent Professor Williams, a Professor at the University of London, to go to Hong Kong to give advice about social policy. Her advice was that the extended family system was no longer capable of carrying out its traditional functions of looking after older people and there was a need for a social insurance system (Williams, 1966). In 1967, an inter-departmental working party was set up to examine the feasible development of Hong Kong’s social security system. A report was published by the working party in 1967 calling for the introduction of a comprehensive social insurance system. It appealed that “social insurance for old age and survivorship benefit and for employment injury benefit should be introduced as soon as possible after sickness benefit and medical care insurance have been successfully established” (Hong Kong Government, 1967: 221). However, the government rejected the proposal. Instead, a tax-funded, means-tested scheme was introduced in 1971.

The public assistance scheme which implemented in 1971 was the first scheme that offered cash payments to those in need. This scheme was means-tested, and the able-bodied, defined as aged from 15 to 55, were excluded. Therefore, to some observers, it shared some elements with the antecedent Poor Law, and was set out in such a way as to minimize cost (Heppel and Webb, 1973; Jones, 1990a).

In 1973, the second White Paper regarding the development of social welfare was published, titled “Social Welfare in Hong Kong: The Way Ahead”. In this Paper, the government clearly stated its reason for not implementing social insurance:

“... while there may be no overriding technical reason why social insurance should not be considered as suitable for Hong Kong, there are a number of practical objections which, in the Government’s view, argue against the introduction of social insurance in Hong Kong. Foremost amongst these is the fact that a social insurance is usually built round the payment of compulsory contributions. The Government does not believe that such a system would be generally acceptable to the people of Hong Kong. On the other hand, the alternative of making employers alone responsible for funding the scheme would place a heavy financial burden on them and so affect their competitiveness in overseas markets. In any event, even if these obstacles were overcome, it would not be possible to build up the necessary administrative machinery without a fairly lengthy preparatory period. Social insurance, therefore, is not judged to be the right way in which social security in Hong Kong should develop at this state.”

(Hong Kong Government, 1973: 19)

Therefore, the government rejected proposals for the social insurance system and implemented this tax-funded, non-contributory scheme instead. To the government, it “can be introduced much more quickly ...without building up a new administrative structure” and is “less complicated and less expensive than that for a social insurance” (Hong Kong Government, 1973: 19).

It was in the same year that the demogrants named Disability and Infirmity Allowances were implemented, according to the White Paper, to offer aid to those who were in need and were not eligible for social assistance. These included Special Needs Allowances which offered benefits to older infirm people, defined as those over 75 years old, and severely disabled, and Normal Old Age Allowance which provided payment to those

aged 65 and over. The former was non-means-tested while the latter was means-tested. These were the first social security schemes especially targeted at older people in Hong Kong. In 1978, the eligible age for Special Needs Allowances was adjusted from 75 to 70 years old.

The introduction of these allowances was in line with the government's orientation that the social security system only targeted the most deprived groups. As the public assistance scheme "had to help those who were by definition the worst off financially", these allowances were to provide help "on the next most vulnerable groups in the community who were least able to support themselves" (Hong Kong Government, 1973: 20). The 1977 Green Paper on social security, "Help for Those Least Able to Help Themselves", confirmed again this strategy by both its title and its content. In 1979, the third White Paper regarding social welfare, titled "Social Welfare into the 80s" was published. However, there were barely any in-depth discussions about the social needs and welfare plans in the 80s. In the same year, public assistance was extended to the able-bodied.

Since the mid 1970s, there were numerous debates over the necessity of introducing a social insurance or a provident fund to meet the need of retirement. Opposite positions were held by two clear camps among which social workers and labour unions were in favor and businessmen and industrialists were strongly against it (Tang, 1998). In 1974, the Secretary of Social Welfare pointed out in an oral session in the Legislative Council that the government was not going to implement a mandatory provident fund as people in Hong Kong would not be willing to pay the contribution (Hong Kong Hansard, 1974/5: 125). In 1977, a semi-compulsory social insurance plan was rejected by the government. The reasons that the government was not willing to implement social

security schemes were mainly two-fold, the opposition of employers and the uncertainty over Hong Kong's future, the reasons that the government could not admit and manifest (Chow, 1988). The right time for the emergence of a comprehensive old age income security system was yet to come.

5.1.4 The 1980s to the 1990s: The coming of plural politics

Hong Kong in this period experienced huge change in its polity as the British colonisation came to an end. During the preparation for the takeover, the British administration, the Chinese government, and the people of Hong Kong contested the future of Hong Kong. The emergence of a direct-election system reduced the government's dominance in the polity and the government at this state had to contest with other political forces against policy issues. Meanwhile, the signs of the coming of an ageing society became more obvious. The issue on whether or not to introduce a contributory old age benefit scheme became a subject for political battle in this period.

The demographic changes in Hong Kong became more severe when it entered the 1980s. The proportion of people aged 65 and over doubled again in 25 years from 5.5 per cent in 1976 to 11.1 per cent in 2001 (Hong Kong Census and Statistics Department, 1996: 22 & 2002). The proportion of older people was higher than any countries in Asia apart from Japan. On the other hand, the proportion of people below 15 years old had been following a declining trend with a sharper rate, from 24.8 per cent to 16.5 per cent in the same period (Hong Kong Census and Statistics Department, 1996: 22 & 2002). An ageing society had emerged in Hong Kong. At the same time, the family structures were also experiencing significant changes. The proportion of nuclear families was increasing whilst the proportion of extended families was decreasing. In 1996, the former counted for 63.6 per cent of the total households while the latter counted for 11.1 per cent (Hong

Kong Census and Statistics Department, 1996: 41). Another important demographic trend in Hong Kong in this period is that the population had become more 'Hongkongnized'. The proportion of people born in Hong Kong continued to increase. The 1996 by-census data shows that 60.3 per cent of the population was born in Hong Kong and 79.5 per cent of the population have been living in Hong Kong for more than 10 years (Hong Kong Census and Statistics Department, 1996: 29). Although there is still a significant proportion of people born in China or holding a Chinese passport, 90.4 per cent of the entire population held a Britain Overseas Passport, meaning that they had the right of residence only in Hong Kong; or held a Chinese Passport but take Hong Kong as their permanent abode (Hong Kong Census and Statistics Department, 1996: 24-25). This demographic picture signifies that, to people living in this area, Hong Kong was no longer merely a harbour of refugees, but a resident homeland. An empirical survey carried out in 1985 also showed that a large proportion of respondents (59.5%) identified themselves as "Hongkongese" rather than "Chinese" when they were asked to choose between these two (Lau and Luan, 1988: 2). As a consequence, people's expectation of the Hong Kong government increased. These demographic shifts are important forces that drove governmental political and social reforms in this period.

Meanwhile, Hong Kong's economy followed the trends of the growth in the 1980s and the first half of the 1990s, then experienced huge fluctuations subsequently, suffering from the financial upheavals that swept Asia in 1997. The contagious impact of the Asian financial crisis brought Hong Kong its worst economic downturn for half a century. In 1998, consumer spending fell by 6.6 per cent in real terms, the spending on investment dropped by 5.8 per cent, and the total export of goods dropped by 4.3 per cent (Hong Kong government, 1998). The result was a fall in GDP of 5.1 per cent. Fortunately, Hong Kong soon recovered from the economic turbulence before the end of

the twentieth century and enjoyed 10.5 per cent of growth in GDP in 2000 (Hong Kong Commerce & Industry Bureau, 2001). The financial crisis did not alter Hong Kong's policy towards the economy and public finance. By the contrast, it reinforced the government's beliefs and commitments to its fundamental principles. In the 2000 budget speech, the Minister of the Treasury reaffirmed three economic and fiscal believes, including: the economy must be market-led; the government must stick to its rule of 'maximum support and minimum intervention' (Hong Kong government, 2000).

The government's orientation toward economic, financial and fiscal policies remained mainly the same as before 1997. The factor that had the most impact on the development of the social security system in this period was the huge change in the political situation. The negotiation between Britain and China, started in the early 1980s regarding Hong Kong's future, raised people's concern on political issues (Tsang, 1995: 277). Beijing's promises that Hong Kong would continue to enjoy a high degree of autonomy and that Hong Kong's capitalist system and lifestyle will remain unchanged for 50 years after the establishment of the Special Administration Region (SAR) did not sound convincing to the Hongkongese. The Hong Kong people's lack of confidence in the face of communists and fear about their future, coupled with Britain's desire to withdraw from Hong Kong in glory and their hope of protecting Hong Kong's autonomy vis-à-vis China after 1997, resulted in furious political reforms in the 1980s and the 1990s (Lo, 1997: 68-69). These reforms changed Hong Kong's situation in every aspect. Concerning social policies, the establishment of political parties and reforms of the election system have proved to have huge impacts on the policy-making process and the direction of policy development.

In 1990, the Basic Law of the Hong Kong Special Administrative Region (Hong Kong

SAR) was promulgated by the People's Congress of the People's Republic of China as Hong Kong's institution to protect people's rights and interests. Concerning social welfare, it states that 'Hong Kong residents shall have the right to social welfare in accordance with the law. The welfare benefits and retirement security of the labour force shall be protected by law' (Basic Law, 1990, Article 36), and that 'On the basis of the previous social welfare system, the Government of the Hong Kong SAR shall, on its own, formulate policies on the development and improvement of its system in the light of economic conditions and social needs' (Basic Law, 1990, Article 145). Clearly, the Basic Law confirms the position of social welfare and concedes that certain improvements are necessary, but they can only be made under the precondition of economic development. In other words, the SAR is expecting to see itself sticking continuously to its economy-first policies, that have been adopted since the end of World War Two for the foreseeable future. However, with the political reforms since the 1980s, especially the regular direct election of the members of the Legislative Council, the issues related to social welfare have become political matters. Neither the SAR authorities nor any political group alone can dominate social welfare development.

It was not until 1990 that political parties were allowed to be organized, and there were not direct elections for members of the Legislative Council before 1991. The Legislative Council was established in 1844 and, before 1985, its members were all appointed by the Governor. In 1985, the first ever elections to the Council were held, and 24 out of 57 members were elected by functional constituencies and other official institutes (Hong Kong Legislative Council, 2001). In 1991, Hong Kong voters were permitted to elect some of its members under full adult suffrage. This was the first time in Hong Kong's history that people could vote directly for the members of the Legislative Council, even though it was just a small proportion of the Council. It was not until 1995 that it became

a fully elected legislature.

Since the first direct election to the Legislative Council in 1991, the British administration had lost its domination in the legislature and started facing challenges in policy making from different political forces. The introduction of a direct election system also contributed to the emergence of party politics. To compete in the first partial popular Legislative Council election, the first party in Hong Kong, United Democrats of Hong Kong, was organized in 1990 and the era of political competition began (Tsang, 1995: 277). The government could no longer monopolize politics and had lost its autonomy in policy-making process.

The election since 1991 also contributed to huge changes in Hong Kong people's attitudes toward social welfare. Among the candidates campaigning for elected seats in the Legislative Council in 1991, nearly all of them pledged that they would support the introduction of a scheme to provide income protection in old age (Chow, 1998). These political campaigns not only put the government under pressure, but also made some people begin to believe that the government should be held responsible for their welfare. Studies conducted since the early 1990s on people's attitudes toward responsibility for welfare have clearly indicated a shift from perceiving it as family obligation to seeing it as a shared responsibility between the government and the family (Tam and Yeung, 1994). These are such important pulling forces that the government finally proposed introducing contributory social security schemes, the schemes that the government had denied had been necessary or practical since the 1970s, to protect older people's income security.

In fact, the issue for establishing a scheme to protect older people's income security had

become a popular subject for political debate since the late 1980s. The matter was not only whether an old-age income security scheme was to be established, but also, for those who advocated it, what kind of programme was to be chosen. These issues raised a big debate on May 13, 1987 in the Legislature Council³. However, the idea of introducing a contributory old age income security scheme was once again rejected by the government. In November 1991, the government changed its passive position to active strategies by setting up an inter-department Working Group on Retirement Protection (WGRP) (Hong Kong government, 1992: 2). In October 1992, a consultant paper titled “A Community-Wide Retirement Protection System” was published proposing a mandatory retirement scheme for all employees in full-time employment under the age of 65 unless specially exempted. It proposed that either pension or lump sum schemes, or a combination of both, should be permitted under the retirement protection system (Hong Kong Government, 1992). However, this proposal did not gain majority support within the community because, among other reasons, it did not help those outside the workforce (Hong Kong Hansard, 1995: 2493).

The government was fully aware of the fact that “there is a powerful sentiment within this (Legislative) Council and among the community at large in support of more comprehensive arrangements to cover the entire workforce” and was trying to find a way “to respond to this sentiment.” (Hong Kong Hansard, 1992:23). In December 1993, the second consultation document, entitled “An Old Age Pension Scheme for Hong Kong” was released. When the consultation period ended, a total 6,665 written submissions were received showing that public opinion on this programme was “at best divided” (Hong Kong Hansard, 1995: 2493). The government and social workers were in the support camp, while economists were in the opposing camp. Both of them used

³ See Hong Kong Hansard, 1986/7: 1531-1611.

mass media to advocate their preference⁴ (Lei, 1998: 8).

In 1994, another consultation paper titled “Taking the Worry out of Growing Old” was published. In this paper, the government comprehensively compared the two approaches of a central provident fund and a pay-as-you-go old age pension scheme. The former, like that in Singapore, which will be discussed in the next chapter, is a fully-funded scheme with contributions made by employees and their employer. This approach was relatively preferred by business society as it was considered to be less harmful to the economic development. This scheme would also free the government from financial responsibilities apart from administrative costs. However, this kind of scheme only covered those who participated in the labour market and it would take decades for labourers to build up a sufficient fund for retirement. The pay-as-you-go scheme, on the other hand, could provide immediate benefits to the vast majority of the populace, including low-income employees, housewives and retirees. However, it would cause a heavy burden to the government in the long-run (Hong Kong Government, 1994). The consultation paper made a clear decision between these two options. It stated, “[h]aving examined the other retirement protection options i.e. a central provident fund (CPF) and a mandatory privately-run retirement protection scheme (RPS), Government has concluded that only an OPS (Old Age Pension Scheme) would be capable of meeting the community sentiment within a reasonably short time” (Hong Kong Government, 1994: 1).

On the other hand, from 1993 to 1995, there were no less than six motions proposed by members and passed by the Legislative Council urging the government to implement an

⁴ For instance, seventy-eight scholars, mainly economists, signed a letter opposing the proposed pay-as-you-go old age pension scheme in favour of a central provident fund system and published it in mass media on September 1, 1994 (Lei, 1998: 9).

old age income security scheme. In March 1995, the government, claiming that there was no clear public consensus on this issue and that there seemed to be widespread opinion in favor of a private mandatory central provident fund program, announced the abandoning of the proposed pay-as-you-go Old Age Pension Scheme system. The Secretary for Education and Manpower proposed a motion in the Legislative Council urging that the government implement a private mandatory retirement income protection system. As a result of intensive canvassing, the motion was approved by the Council by a vote of 28 against 21 (Hong Kong Hansard, 1995: 2013-2068). In April, the Mandatory Provident Fund Office was established. The Legislative Council approved of the Mandatory Provident Fund Schemes Ordinance in 1995 and the subsidiary legislation in 1998. The debates in favor of different programs had finally tailed off and a new system for protecting retirement income security had been brought into practice.

5.2 Governmental orientation toward provisions for older people

As in the last chapter, this section is to examine the Hong Kong government's attitude toward provisions for older people by analyzing Governors' policy addresses and state secretaries' statements in the legislature. Although the universal suffrage to the Legislative Council did not come to realisation until 1985, Governors of Hong Kong have been giving policy addresses each year in the legislature since its establishment like other democratic countries. Before 1997, the Governor of Hong Kong was appointed by Britain. He was the head of the Executive Council, the administration body of Hong Kong, and the chairman of the Legislative Council, the legislature body. Before 1985, he appointed all members of these two councils. In other words, he was able to implement all policies under his preference. Even after the people in Hong Kong were given universal suffrage in 1985 to elect members of the Legislature, the Governor still

enjoyed supreme governance as he was not elected by people in Hong Kong but appointed by the British authority. Therefore, his policy addresses are the best materials to understand the government's orientation and preference in each policy area.

In the field of social policy, Governors' policy addresses after the Second World War clearly showed the government's reluctance to see its expansion. The main reasons for this are economic considerations. As discussed above, political leaders strongly believed that Hong Kong's prosperity depends on trade. It has long adopted an economic-first orientation for development. A low tax system and a minimum intervention of the government toward the force of the market are regarded as essential conditions for international competitiveness. Therefore, it is no surprise that the government is against the ideas of increasing tax and building a welfare state. In 1962, Governor Sir Robert Black stated in his policy address:

“In a full welfare state, where welfare services go hand in hand with steeply progressive personal taxation, the administrative convenience of providing free or nominally priced services to rich and poor alike is not seriously prejudiced by considerations of equity. We do not have a steeply progressive taxation system and I often wonder whether the substantial subsidies we give, for example, in education, to all, irrespective of ability to pay, are really justified... It is true that we have some leeway, too, on taxation before it is heavy enough to do serious damage to the economy. But... as our public services grow the margin between revenue and expenditure narrows, not only do we have to be concerned about the danger of the one overtaking the other but there is also the fact that we will no longer have an adequate surplus to help finance capital expenditure.”

(Hong Kong Hansard 1962: 57-58)

Clearly, the government saw the expansion of social welfare as a threat to governmental finance and economic growth. The government insisted on its policy of financial

prudence and low tax system. In 1984, the Financial Secretary pointed out in his Budget Speech that the revenue just accounted for 11.3 per cent of GDP, much lower compared to 50.3 per cent in Sweden; 40.0 per cent in Britain, 31.2 per cent in USA, and 26.9 per cent in Japan (Hong Kong Hansard, 1983/4: 591). However, instead of proposing a financial plan to increase taxation, he emphasized again the government's insistence of a minimum government. He stated:

"... the majority in Hong Kong have by now learned, I believe, the lessons that income must be earned before it is spent; that incentives must be offered; that taxation should moderate... and above all that growth of public sector expenditure must be related to growth in G.D.P."

(Hong Kong Hansard 1983/84: 591)

The government was reluctant to expand public expenditure, even at a time of financial surplus. Its intention was to keep the social services system at a minimum scale, in line with its least-intervention ideology. In Hong Kong, the functions of the social welfare system were not to improve equality, income distribution, or social solidarity, but just to provide a safety net for the deprived people. This philosophy never changed under the British governance. As recently as 1996, Governor Chris Patten admitted in his Policy Address that "Hong Kong recently spends on welfare about the same as it spends on perfume and cosmetics each year." (Hong Kong Hansard, 1996: 25) He also stated that

"Quite deliberately, our welfare system does not exist to iron out inequality. It does not exist to redistribute income. Our welfare programmes have a different purpose. They exist because this community believes that we have a duty to provide a safety net to protect the vulnerable and the disadvantaged members of society, the unfortunate minority who, through no fault of their own, are left behind by growing prosperity enjoyed by the rest of Hong Kong."

(Hong Kong Hansard, 1996: 24)

In line with the least-intervention orientation toward economy, the government regards the responsibility to look after people in need as a family matter and thus has no intention to interfere. The fact that the people of Hong Kong are ethnically Chinese who have a tradition of strong family cohesion is often used by the government as an excuse for not expanding the social welfare system. This cohesion relieves the government's burden in providing service and aid to people in need, and the government certainly does not wish to replace or jeopardize it. As the Colonial Secretary stated in the Legislature in 1965:

“Government's first reason (for not proceeding more comprehensive social welfare services) is that extended help would weaken the Chinese tradition of family responsibility for its members who find themselves in need, and that it would be bad if they came to rely on Government and shed their own responsibilities.”

(Hong Kong Hansard 1965: 309)

Therefore, the government's strategy is to minimize the number of people who are eligible for benefits. When the first cash benefits for older people were introduced in the early 1970s, two conditions of age and means-test were adopted to limit the number of beneficiaries. First, the universal allowance for older people was called “Infirmity Allowances”, and the eligible age for this benefit was as high as 75 years old. The second benefit for older people, Normal Old Age Allowance is for people aged 65 and above. However, it is a means-tested scheme. Therefore, only those families that proved to have insufficient means to support their aged members can be eligible for this benefit.

The belief in family obligation by the government has never changed. After the hand over in 1997, the Secretary for Health and Welfare emphasized again in the Legislative

Council that it is the family's responsibility "to take care of and support their elderly members", and the government's responsibility is only to offer assistance "for those elderly people who have no one to lean on" (Hong Kong Hansard, 1997:183). In addition, the purpose of providing cash benefits for older people is not to promote their independence from their family or to replace the family's obligation to look after them. Rather, it is to reinforce family cohesion. As the Secretary of Health and Welfare pointed out, "[t]his allowance (old age allowance) is intended to encourage families to continue to look after their elderly members" (Hong Kong Hansard, 1987/88: 1583).

On the other hand, the existence of family cohesion was one of the main reasons that the government used to reject introducing a contributory old age income maintenance scheme when it became a hot political issue in the 1980s and the early 1990s. In a long debate on whether to introduce such a scheme or not in May 1987, both the Secretary for Health and Welfare and the Secretary for Education and Manpower took the opposition stand. The main reason they gave was family cohesion. The Secretary for Health and Welfare stated:

"According to the by-census, in 1986 over 80 per cent of elderly lived with their family... the statistics I have quoted do not indicate that there is a general breakdown of the extended family system..."

(Hong Kong Hansard, 1987/88: 1584)

While the Secretary for Education and Manpower stated:

"People tend to remain fit and active to a more advanced age and are working longer. The proportion of old people drawing public assistance has remained small and there is no evidence at present that families are either less able or less willing to support their elderly members."

These statements clearly reveal a residual approach towards social security. In the responsibility of supporting older people, the government comes after the family and the labour market. It has no intention of introducing social security schemes to increase the degree of de-familisation or de-commodification for older people. Although there are cash benefits for older people, the purpose is to reinforce the familisation of older people's support rather than defamilize it. When the government could no longer resist political pressure and finally implemented a contributory old age income protection scheme, it chose to adopt a private-managed provident fund scheme. Older people's financial resources after retirement still, to a large extent, rely on their own contribution during their working career. In other words, it has only a limited effect of de-commodification. The next section will discuss these aspects further by examining each of the existent schemes.

In summary, in consideration of international competitiveness and economic growth, Hong Kong's government has no intention to expand the scale of its social investment. It has never changed its preference for taking family as the best solution to the coming aging era. Its believe and emphasis on family obligation to look after its older members after their retirement appeared in Governors' and state Secretaries' statements repeatedly through the 1950s to the 1990s. However, due to its long-standing philosophy of least-intervention, the government did not take any action, such as enacting a Maintenance of Parents Act, as happened in Singapore in 1995, which will be discussed in the next chapter, to enforce this obligation. Instead, it took the tradition of such family functions as an excuse for not introducing or expanding the old age income protection system. This strategy was successful through the 1950s to the mid 1980s during which

period the government was actually the sole political power and no other party could challenge it in the policy making process. After the later 1980s when the introduction of a contributory old age benefit attracted public concern and parliamentary debates, the government still tried to reject the urge for introducing such schemes by emphasizing the existence of strong family cohesion. However, with the progress in political reform, the government had lost the autonomy in policy making and finally had to implement a de-familisation scheme, the MPF, for older people's income protection.

5.3 An analysis on the old age income security system: familisation or de-familisation?

Hong Kong's old age income protection system comprises three main schemes: the Mandatory Provident Fund scheme, the Old Age Allowance scheme, and the Comprehensive Social Security Assistance. The first two were introduced to provide income for people after retirement or upon reaching a certain age, while the last one is for those who lack financial resources, among them older people is the majority.

5.3.1 The Comprehensive Social Security Assistance (CSSA) scheme

The CSSA scheme was introduced in 1993 to replace the original Public Assistance scheme, introduced in 1971. It also extended its coverage and significantly increased the standard rates for benefits (Hong Kong Government, 1996: 2). However, the fundamental elements of this scheme, including the means-test process and ungenerous benefits covering only basic needs, remained the same. When it was first introduced, it even excluded the able bodied, defined as people aged between 15 and 55 years old. These elements made it difficult to be eligible. It was often regarded as a "Poor Law" by critics (e.g. Jones, 1990a).

Since its predecessor, the Public Assistance scheme, was introduced, old age became the main reason for people to claim this benefit. This feature has not changed since its implementation in 1993(see Table 5.4. Old age accounted for about two-thirds of all cases till the early 1990s. It was not until the mid 1990s when Hong Kong suffered from a economic recession that the unemployed cases increased and the old age cases declined. However, it still accounted for more than half of the total cases. Therefore, this scheme was important in supporting older people and their family. Before the 1990s, the government frequently argued that many older people were already supported by this scheme when it defended its position for not introducing a contributory old age income protection scheme.

Table 5.4 Number of CSSA (Public Assistant scheme) cases by type

	1980/81	1985/86	1990/91	1995/96	1998/99
Old Age	29,262	40,214	44,806	84,243	124,304
Total	45,813	63,713	66,675	136,201	232,819
%	63.9	63.1	67.2	61.9	53.4

Sources: Hong Kong Social and Economic Trends

The feature of this scheme that has the most important effect on a family is its nature of means-test, which is based on household rather than individual income. In the means-test process, a household is defined as people living with family members under the same roof and enjoying the benefit of shared household facilities. Based on the belief that the income-earners have a responsibility of supporting other family members who have no financial means, the resources and the needs of the whole family are taken into account when assessing a family's eligibility for the CSSA scheme. In other words, it required an admission of family failure in order to qualify (Jones, 1990a).

In the case of older people, the process of means-test is operated in the following ways:

“... where an elderly applicant is living physically apart from his adult children and claims that he is not supported by them, the Social Welfare Department processes the claim in the normal way, and the usual conditions attached to public assistance applies. Where an elderly applicant lives under the same roof as his adult child or children and there are contradictory claims from the parties concerned, eligibility for public assistance would have to be determined on the basis of the departmental investigator’s observations of the daily pattern of life of the applicant, supplemented by any evidence of the source of support. In the absence of any concrete evidence to the contrary, sharing of cooking utensils and meals with independent adult children would usually be taken as prima facie evidence of support by the latter, and the family would have to be assessed as a unit for public assistance purposes.”

(Hong Kong Hansard 1979/80: 278)

This process may cause some problems and results in a rejection of an older applicant. Practically, when older people who have children apply for the CSSA benefits, a written declaration signed by their children saying that they are not supporting them might be required. However, in a society where filial piety is still a common value, some children are not willing to do so as this will make them lose face. As a consequence, administrative staff have to make the decision by subjective judgements which in some cases lead to a rejection of the applicants (Mo, 1993: 89).

The principle of assessing the whole family’s resources may also result in a separation between older people and their children for the sake of being eligible. It seems understandable if older people who want to apply for the CSSA benefits ask their children to move out of the same roof in order for them to be eligible for the benefits. Just like in the United States in the 1960s a mother would choose to live with her children, apart from her children’s father, in order to be eligible for AFDC (Aid to

Families with Dependent Children) benefits, as its regulations prohibited benefits if there is 'a man in the house' (Murray, 1984: 156-162). However, this is very unlikely to happen. Hong Kong is one of the most densely populated cities with one of the highest housing costs in the world. Members of a household that might potentially be eligible for the means-tested public assistance scheme can hardly afford to set up another home. For the same reason, due to the ungenerous benefit rates, the CSSA benefits can hardly enable the beneficiaries to live independently without pooling their resources with their family. In other words, the CSSA benefits can not have any significant effect on the degree of de-familisation.

5.3.2 Old Age Allowance (OAA)

The OAA was first introduced in 1973 and was called Infirmity Allowance. It was a flat-rate, non-contributory, non-means-tested universal benefit for people aged 75 and over. In 1978, the eligible age was lowered to 70 years old and it changed into the present name. In 1987, the government proposed to lower the eligible age to 65 and employ a means-test process. This proposal encountered severe opposition so that only people aged between 65 and 69 needed to go through a means test. As a consequence, the OAA was practically divided into two benefits. First, the Normal Old Age Allowance (NOAA) is a means-tested benefit for people aged between 65 and 69. Second, the Higher Old Age Allowance (HOAA) is a universal demogrant payable for people aged 70 or above.

Its original name, the Infirmity Allowance, tells its own tale that initially it targeted only the most deprived people. After lowering eligible ages, the number of beneficiaries of OAA has increased dramatically. By the end of 1998, 63 per cent of people aged 65 or above received these benefits. However, due to its low benefit rates, it can hardly

improve older people's financial situation. In the year 2002, the monthly benefit level for the NOAA is as low as \$625 (equivalent to about £60), and for the HOAA is \$705. These rates are equivalent to only one-quarter of the standard rate of the public assistance scheme, the CSSA benefits, payable to an able-bodied person aged above 65 years old. The fact that the rates are so low has made these benefits be regarded as "fruit grants", meaning this benefit serves as pocket money for older people to buy fruits⁵.

Theoretically, a demogrant like the HOAA could be an ideal scheme for de-familisation. It is payable to all citizens above a certain age without requiring any conditions such as means test and records of contribution or labour force participation. However, the low benefit rates of the HOAA lead to a result that these benefits hardly have any significant effect on the de-familisation of older people's financial support. As discussed in the previous section, the purpose of the government's implementation of these benefits is not to replace but to reinforce family cohesion. It is impossible for older people to live solely by these benefits without relying on other financial support. With the absence of other old age benefits, the family is the only resource that older people can count on if they have financial difficulties after retirement. In addition, , these benefits, despite being very limited, would to some extent relieve children's financial burden for supporting their parents. Therefore, they would promote children's willingness to look after their parents and thus increase the degree of familisation rather than de-familisation of older people's financial support.

Its low benefit rates were also the reason that, despite the existence of an Old Age Allowance, there had been a long campaign for a contributory old age income protection scheme by scholars and politicians, especially since the late 1980s. After almost a

⁵ This point was made by Professor N.W.S. Chow of Department of Social Work and Social

decade's debate, a provident fund was finally established to protect older people's income after retirement.

5.3.3 Mandatory Provident Fund (MPF)

This is the first and sole contributory old age income protection scheme in Hong Kong. The Ordinance was first enacted in 1995 and amended in March 1998. It was then supplemented by subsidiary legislation enacted in April 1998 and May 1999 respectively, and came into operation in 2000. Based on the regulations, all employers except those who have set up an occupational retirement scheme for their employees are required to arrange all their relevant employees to join a registered MPF scheme. Under this scheme, an employee and his/her employer both contribute 5% of his/her relevant wages to a private-managed, fully funded provident fund. The employees may withdraw the lump sum benefit in the MPF scheme once they attain retirement age, normally 65 years of age. The self-employed under the age of 65 are also required to join a registered MPF scheme and contribute 5 per cent of their relevant income for the protection of their retirement. By March 2001, 82 per cent of employers, 92 per cent of employees, and 90 per cent of self-employed had joined a MPF scheme (Hong Kong Mandatory Provident Fund Authority, 2001: 89).

Although now regarded as the first pillar of the old age income protection system by the government, this scheme is merely a compulsory individual saving plan rather than a social security scheme. The amount of money a retired person can have depends mainly on the amount of money he or she had contributed during his or her participation in the labour market. It has no effect on interpersonal income distribution. In addition, it does not offer any help to those who for one reason or another have not participated in the

Administration, University of Hong Kong, at an interview with the author on October 28, 2000.

labour market, among whom many are the most deprived. People who have a fragmental record in labour market participation, most of whom are likely to women, will also find themselves in a disadvantageous financial position after retirement. In other words, just as the social insurance system in Taiwan, this scheme creates an unequal world after retirement that mirrors the class stratification in the labour market. That is, people who enjoy an advantageous position in the labour market will also have a better payment after retirement, and vice versa.

Despite the lack of social functions, the MPF is no doubt a de-familisation scheme. Both the contributions and the payments are based on individuals' status and have nothing to do with their family. There is no mechanism for mutual support between family members in this scheme. In addition, people who accumulate a reasonable fund during their working age might have sufficient financial resources to maintain a decent life after retirement without having to rely on family support. However, the effect and the degree of de-familisation of this scheme is not through the input of the government's resources, but the participation in the labour market, the sector of commodification. The government only plays a role of regulator and does not provide any financial resources for people who attend this scheme. The levels of protection that employees can enjoy after retirement depends on the continuity of their participation in the labour market and the levels of their wage. In other words, the higher participation in the commodification sector, the higher degree of de-familisation one can enjoy after retirement. This situation certainly does not support Esping-Andersen's view that one has to be de-familised before he or she can be de-commodified (Esping-Andersen, 1999).

5.4 The vicissitudes of familisation and de-familisation

Discussions in the above sections have clearly shown that Hong Kong is a laggard in

terms of the development of an old age income protection system. Its public financial provisions for older people have never played any significant part in supporting older people's life after retirement. Therefore, it is no surprise that the degree of de-familisation of older people's income is low.

5.4.1 The public sector

The first old age benefit, the OAA, was introduced as early as 1973, and the cases receiving this benefit have increased dramatically ever since. For the 20 years from 1976 to 1996, the number of people aged 65 and above increased 159 per cent from 262,800 to 629,555. During the same period of time, the cases receiving OAA increased 676 per cent from 56,399 to 437,827. Although it has benefited the vast majority of older people in Hong Kong, the OAA is not considered to be a major scheme to protect older people's income after their retirement. Nor does it have any significant effect on the de-familisation of older people's income. The main reason this, as discussed in the previous section, is its low rates of benefits.

The scheme that is now considered the most important one for old age income protection, the MPF, only came into operation in 2000. It will need two decades or longer for attendants to accumulate an adequate amount of money for retirement. Therefore, its effect on the degree of de-familisation will not appear immediately. The question, that to what extent does this scheme affect the degree of familisation or de-familisation of older people's income, cannot possibly be answered until it has matured in two or three decades time.

5.4.2 The family sector

A quarter of century after the implementation of the OAA, the ties between older people

and their family are still strong. As we can see from Table 5.5, in 1996, more than 20 years after the OAA came into operation, the vast majority of older people, 71.1 per cent of people aged 60 or over, still lived with at least one non-elderly persons. Despite there being no empirical statistics data available to approve of, it is reasonable to assume that, in most of these cases, the persons whom old people lived with were their children/grandchildren or children/grandchildren-in-law. For the ten years from 1986 to 1996, despite the rapid change in demography and economy, the proportion of people aged 60 or over living with one non-elderly person decreased by only 3.8 per cent, from 74.4 per cent to 71.3 per cent. The family is still the most important resort for older people to count on for their later life.

Table 5.5 People aged 60 or over living with at least one non-elderly person

Year	Number of people aged 60 or above who lives with at least one non-elderly persons (1)	Number of people aged 60 or above (2)	(1)/(2)*100%
1986	459,891	618,156	74.4%
1991	509,867	716,901	71.1%
1996	634,537	889,850	71.3%

Source: Derived from Hong Kong Census and Statistics Department, 1996:2-3 & 44; Table 2.2 & 3.7.

The other criterion that indicates the degree of familisation of older people's income is the proportion of older people who rely on family support as their main financial resource after their retirement. Although there are no official statistics regarding this field available, some academic sample surveys might help us to piece together a picture of older people's financial resources.

Table 5.6 Surveys on Older People's Income

		Chinese University of Hong Kong (1984) ¹	Hong Kong Baptist University (1993) ²	Chi (1998) ³
Time of survey		1984	1992	1995/96
Target group		People aged 60 or above	People aged 65 or above	People aged 60 or above
Sample size		235 service recipients & 1441 community samples	2,196 samples	334 samples
Major source of income	Children/Grandchildren	55%	60.6%	67.5%
	Earning	16%	11.4%	6.1%
	Retirement payment	16%	3.2%	6.1%
	Social security		11.4%	
	Savings	5%	--	8.9%
	Others	8%	14.3%	11.7%

Sources: ¹: Cited from Mo, 1986, pp.36, Table 2.

²: Liu, W. et al, 1993, Table 7, cited from Mo, 1999: 104, Table 5.11.

³:Chi, 1998, pp.174, Table 3-2.

Table 5.6 shows three surveys that contain data regarding older people's income resources. Although this data is not strictly comparable due to differences in population and sampling, they clearly show a message that the family is still the most important resource for older people to count on in their later life. The majority of older people take financial support from the children and/or grandchildren as their major source of income. In addition, this data confirms the fact that public provision does not play a significant part in supporting older people's income. The proportions of older people taking social security benefits as their main income source are very low in these results.

It is worth noting that the proportions of older people taking retirement payments or

pensions as their major income source are also very low. These figures are certainly inconsistent with the fact that the government claims 30 per cent of the work force have been covered by some kind of retirement plans provided by their employers before the implementation of the MPF (Hong Kong Hansard, 1992:23). The most possible reason for this gap is that, given the fact that occupational pension plans are neither universal nor transferable, very few people actually stay in the same firm for long enough and until their retirement to get a sufficient payment for retirement. Therefore, the proportion of older people who have a sufficient occupational pension to count on are much lower than the proportion of people who were once covered by an occupational pension plan during their working age.

The under development of public provisions, coupled with the lack of occupational pensions, makes the family the last resort for older people. Although those who are still fit for work, they might stay in the labour market for as long as possible as a strategy in response to the lack of external resources.

5.4.3 The labour market

Table 5.7 shows the labour participation rates for both male and female in the age groups of 60-64 years old and 65 years old and over. It reveals several important messages. First, there are dramatic declines in both male and female labour force participation rates in the past quarter of a century in these age groups. For males, the labour force participation rates for the age group of 60-64 years old has declined from 67.2 per cent in 1976 to 44.8 in per cent in 1999, a drop of more than 22 percentage points in 23 years. For the age group of 65 years and over, this rate declined from 32.0 per cent to 11.0 per cent in the same period. The rate is now just about one-third of the level of two decades ago. These trends of decline are in line with those in the West.

Table 5.7 Labour force participation rates in Hong Kong

Year	60-64 years old		65+ years old	
	male	female	male	Female
1976	67.2	28.8	32.0	11.3
1977	66.1	27.7	32.5	11.0
1978	65.8	30.4	33.8	12.1
1979	64.4	27.2	32.5	11.3
1980	64.1	26.8	32.1	11.9
1981	67.0	31.4	35.2	13.7
1982	62.1	27.8	33.0	12.7
1983	60.2	25.7	30.6	11.5
1984	61.0	24.7	29.8	12.0
1985	57.6	24.8	26.7	11.1
1986	56.5	21.7	25.0	10.0
1987	57.6	21.6	23.8	9.9
1988	55.7	21.1	23.9	8.6
1989	56.6	19.4	22.4	7.6
1990	54.7	18.4	21.4	5.9
1991	54.7	17.2	20.8	6.4
1992	54.6	16.3	18.3	4.4
1993	51.9	13.5	16.8	3.8
1994	50.7	12.4	15.4	3.2
1995	50.7	12.5	15.2	3.0
1996	50.1	11.3	13.5	2.7
1997	48.5	10.5	12.0	2.0
1998	47.1	11.2	11.2	1.9
1999	44.8	11.1	11.0	2.0

Source: Hong Kong Annual Digest Statistics, various years, Hong Kong: Hong Kong Government

However, the trends of female labour force participation rates in these age groups in Hong Kong in the past two decades are distinct from other advanced capitalistic countries. Unlike Western European and North American countries which experienced a rebound in older females' labour force participation as part of an overall increasing trend

in female labour force participation in recent years, older females' labour participation rates in Hong Kong have followed a trend of steady decline in the past two decades. In 1976, about three out of ten women aged between 60-64 participated in the labour market. However, in 1999, only about one out of ten are still participating in the labour market in this group. For the group of females aged 65 and over, the labour force participation rates declined from 11.3 in 1976 to only 2.0 in 1999, much lower than those in advanced Western capitalist countries.

The declining trends in older people's labour force participation are surprising. As mentioned earlier on, given the lack of public and occupational retirement payments, one would expect to see older people in Hong Kong stay in the labour market for as long as possible for the sake of maintaining a decent life. However, the actual figures of older people's labour force participation behaviour just reject this expectation. The seeming contradiction in relations between public and occupational old age income protection and older people's labour force participation is not difficult to explain. The answer to this lies in the sector of family.

As mentioned above, the traditional function for the family to look after its older members is still very strong in Hong Kong. The proportion of older people living with children/grandchildren has not changed too much in the past decades and still remains at a very high level. With the continuous economic prosperity in the past decades, children/grandchildren's financial capacity to support their parents/grandparents has been increasing. As a consequence, older people no longer need to stay in the labour market just for financial reasons as they had to decades ago. A survey of 641 samples selected among those aged 55 or over in Hong Kong in 1981 found that, among those who stayed in the labour market, 69.2 per of them were because of financial reasons.

Another survey targeted people in the same age group conducted in 1984 in Wen-Chai area found that 59.4 per cent of those who participated in the labour market did so for financial reasons (Mo, 1986: 36). Moreover, in 1986, for those who still participated in the labour market, two-thirds (66.4 per cent) of them worked for more than 44 hours per week; 37.5 per cent worked for more than 55 hours per week (Mo, 1993: 131). These figures clearly show that, up until the early 1980s, staying in the labour market was still a necessity, not a preference, for older people due to economic considerations. As the economy of Hong Kong became more prosperous and the families no longer needed their older members' income for financial maintenance, older people have taken the option to retire from the labour market and rely on their family. The figures in Table 5.3 also provide evidence for this point. It shows that, despite not being strictly comparable, the proportion of older people taking family support as their major financial resource in the 1990s are significantly higher compared with the figures of the early 1980s. In other words, the key to the decline in older people's labour force participation in Hong Kong in the past two decades is not the change of public provisions for old age, but the increase in the capacity of the family to support its older members.

5.5 Conclusion

Compared to other advanced capitalistic countries, Hong Kong is no doubt a laggard in the development of a social security system. When it finally introduced the first cash benefit system in the 1970s, it was a mean-tested scheme targeted for the poorest and excluded the able-bodied – a copy of the seventeenth century British Poor Law. In the field of provisions for older people, the first scheme was implemented in 1973 and also targeted only the most deprived groups. Although issues about introducing a contributory old age benefit system were raised as early as in the late 1960s, it was not until the late 1990s when the MPF system was brought into operation. However, the

government still managed to limit its role to a minimum scale. This is a private-managed compulsory savings scheme per se, and the government is exempted from contributing to the fund and offers no guarantee in levels of benefit for the participants. Clearly, despite being considered as a proper modern social provision for older people, the MPF scheme does not break the government's long-standing path of a least-intervention strategy.

During the whole process in establishing an old age income protection system, the government's insistence on the family obligation was a key element. The government never actually changed its preference for traditional family function to look after older people. Before the 1970s, the existence of this function of the family was used to justify the government's stand for not introducing an old age benefit. While in the 1970s, benefits for older people were introduced to strengthen family cohesion. When campaigns and serious debates on introducing a contributory old age benefit system emerged from the mid 1980s, the government, again, tried to reject the advocates by emphasizing family obligations.

On the other hand, the degree of commodification of older people's income protection has declined since the 1970s, as older people's labour market participation rate has decreased steadily since then. It is the increasing ability of the family sector, rather than governmental de-commodification schemes, that has promoted the de-commodification of older people's income protection. Simultaneously, older people's income protection has become more familised. In other words, with the government's input in social provisions for retirement kept at almost the same level, which is a level of minimum, older people's income protection in the past three decades has been shifting from commodification sector toward familisation sector. With the introduce of the first proper

benefit for older people's income protection, the MPF, both the de-commodification and the de-familisation of older people's income is likely to increase at a slow rate in the first decade, then at a faster rate in the long run.

Overall, the development of the old age income protection system in Hong Kong since the end of the Second World War does not fit the models described by some mainstream theoretical approaches, including the logic of industrialisation approach, the diffusion approach, and the social democratic approach, as addressed in Chapter Two. Instead, it has a strong link with the characters of the state. In the 1950s, unanticipated international situations made Hong Kong a transit camp for refugees with an indefinite future for its sovereignty. Under these circumstances, the government had no willingness or capacity to develop any old age income protection schemes. Between the 1960s and 1970s, old age benefits were introduced along with many social policies and services for the purpose of making Hong Kong a homeland for its residents. However, it was not until the 1990s when the government lost its autonomy and faced challenges from other political forces that the first old age income protection scheme was introduced. In this regard, the case of Hong Kong in its development of the old age income protection system is rather in line with what Skocpol (1986) has categorized as the 'state centre' model.

Chapter Six

Modern social provision for older people in Singapore

In early nineteenth century when western colonist arrived here, what they found was a tiny peninsula inhabited by about only 150 fishermen (Tremewan, 1994). Today there are more than 3.2 million citizens and permanent residents living in this city state, producing the highest population density in the world, which including foreigners was 5,900 persons per square km in 2001. The political and social development of Singapore is an extraordinary model of stability and harmony. Since the country's independence in 1965, the ruling party, the People's Action Party (PAP), has won every general election, and there has been no significant political resistance. In addition, since 1977, there has been no labour strike and the number of working days lost has remained at zero. Although it is a multiracial society that consists of Chinese, Malay, Indian and others, there has been no significant ethnic conflict in the later half of the twentieth century.

In the field of social security, Singapore's Central Provident Fund (CPF), as will be discussed later, not only benefits people in getting their houses, receiving health services and retirement payment, but it also works together with economic policies and has been a main contributor to economic success. While many industrial countries are suffering from a shortage of funds to finance social security, the problem that the Singapore government is facing now is how to efficiently manage the huge amount of CPF savings¹.

The initiation and changes of Singapore's old age protection system has a close relation

¹ This point was made by the Singapore Chief Statistician, Dr. Paul Cheung at an interview with the author on November 4, 2000.

with different stages of its economic and political development. This chapter begins with the analysis of the development of Singapore's old age protection system, then discusses the state's orientation toward the family's role in an aging society, and finally examines the vicissitudes of familisation and de-familisation of Singaporean older people's income sources.

6.1 The development of Singapore's old age income protection system

There is no doubt that the CPF scheme has been a big success and has played a significant role in Singapore's social policy and economy. There are some essential social and economic conditions that make this programme work. To analyse this programme, it is essential to trace it back to the colonial history and to put it into the context of the political, economic and social development of this country.

6.1.1 Prior to 1945: A free trade port

The modern history of Singapore dated back to 1819 when Sir Stamford Raffles established a trading station under an agreement between the East India Company (EIC), the Sultan of Johor and the Malay ruler of the island (Singapore Government, 2000). In 1826 the EIC united Singapore with Malacca and Penang to form the Straits Settlements and ruled them from India. In 1830 the Straits Settlement came under the Presidency of Bengal in India, and in 1851 Singapore was transferred to the direct control of the governor-general of India. It was not until 1867 that the control of Singapore was transferred to the Colonial Office. Britain eventually took control of Singapore due to its intention to build a trade entrepot against Dutch monopolistic practices, and to provide a base for imperial military and naval purposes (Cheng, 1991).

Raffles established Singapore as a free port. The free trade policy, coupled with its

natural geographical advantages, and its deep-water harbour, quickly drew the highly developed regional trade of Southeast Asia in the early years of settlement (Chia, 1995). The development of the Straits Settlements, combined with the general expansion of trade arising from the liberalisation of Dutch trade policy, the founding of Hong Kong, the opening of Chinese treaty ports, and the opening of Siam to the British, helped Singapore to gain enormous economic achievement in the first half of the nineteenth century (Tremewan, 1994). In addition, the opening of the Suez railway in 1858 and then the canal in 1869 confirmed the Strait of Malacca's status as the major sea route from the West to East Asia (Tremewan, 1994). In the late nineteenth century Singapore's exports increased in response to the demand in the West for tin and tropical products from Malaya and Dutch India. As these trades expanded, the port became an economic centre which mediated imports from Malaya and Dutch India and made them become its exports to the West. During the period from 1870 to the end of the nineteenth century, Singapore's imports from Malaya and the Dutch India and exports to the West both rose more than fivefold (Huff, 1995).

The free port policy, accompanied by the free immigration policy, attracted an enormous number of immigrants from other parts of the region. By 1821, only three years after the free port was established, the population had risen from just over a hundred to approximately 5,000, and by the years 1840 and 1860, it had reached 35,389 and 81,734 respectively (Tremewan, 1994). In 1871 when the first census took place, the population had reached 97,100 and the rapid growth trend continued (You, et. al, 1971). It was not until 1930 when the Immigration Restriction Ordinance came into force to restrict the inflow of unskilled male labourers, due to rising unemployment, that the free immigration policy changed (You, et al, 1971; Tremewan, 1994). In 1931 when the last census before the Second World War took place, the population had risen to 557,700.

The development of social welfare in Singapore in the nineteenth century was like western countries in their very original stage. It mainly depended on the provision of religious and voluntary groups. Missionaries and other religious leaders played a major role in establishing welfare services. Since 1920s, the government gave increasing attention to the inhabitants' well-beings. A Women and Girl Protection Ordinance was passed soon after the First World War, and a Children's Ordinance in 1927. In 1932 a Worker's Compensation Ordinance to regulate and enforce proper conditions of health and labour was passed. A charity, known as the Silver Jubilee Fund, was created for the relief of distress in Singapore. Assistance was given in the form of old age allowances, funeral grants, educational grants, meal subsidies, and special allowances (Cheng, 1991).

6.1.2 From 1945 to 1965: Unrest before independence

After the Japanese force surrendered to the Allied Forces in 1945, Singapore experienced a brief period of military control under British Military Administration. In April 1946, Singapore was detached from the rest of the Straits Settlements and made a separate crown colony of the United Kingdom to emphasize its importance as the leading British naval base east of Suez (Cheng, 1991). However, the British Authorities had lost their legitimacy and the support from Singaporeans as they failed to protect them from the ravage of Japanese forces. The nationalists became more active and powerful, and anti-colonialism forces developed further (Tremewan, 1994).

Despite the separation of Singapore from the rest of Malaya, practically all Singaporean political parties during the period 1946-1963 regarded the island as being inseparable from its Malayan hinterland, and sought political unification with the Federation of

Malaya. In addition, the majority of Malaysians also rejected the armed struggle of the Malaysian communists against British rule and preferred the constitutional movement (Cheng, 1991). However, the constitutional advance in Singapore was slow. The first ever election based on universal suffrage in Singapore was held in 1948, to elect six members of the Legislative Council. However, a large number of the people in Singapore were immigrants who were not officially citizens of Singapore and thus could not vote (Hill and Lian, 1995: 26). On the other hand, these six elected members were only a minority of the total 25 members in the Legislative Council and could not actually make any significant differences in Singapore's politics. Moreover, many people were not interested in these elections simply because they did not speak English, which was the language that these elections proceeded with (Lee, 2000: 163-167). Therefore, there was no surprise that the turnouts were low. In 1948, only about ten per cent of the potential electorate registered. In 1953 election, the figure was still as low as twenty-five per cent (Yeo, 1973: 252-260).

In 1957 the Constitutional Conference held in London agreed in principle that Singapore should become a state and receive full internal self-government. In 1959, the general election on the first full-elected Legislative Assembly was held and the system of compulsory voting was first introduced. The People's Action Party (PAP) won 43 seats out of 51 and formed the government, and became the dominant power in Singapore's politics ever after. The Singapore Constitution Order in Council came into operation and Singapore eventually achieved internal self-government. In 1961 the Malaysian Prime Minister proposed the formation of Malaysia to include the Federation of Malaya, Singapore, Sarawak, Brunei and North Borneo. A referendum was held in Singapore in 1962 and 71 per cent of the electorate voted in favour of the merger with Malaysia (Turnbull, 1996: 272-273). In 1963 Singapore joined Malaya with virtual freedom from

colonial rule. However, due to the antipathy between Chinese and Malay populations, Singapore eventually separated from the Malaysian Federation and became an independent republic in August 1965 (Murray and Perera, 1996: 13-14; Huff, 1995).

In addition to unstable political situations, Singapore in the 1950s and the 1960s also suffered heavily from industrial and social unrest. The communists, who were regarded as great heroes during the Second World War in Singapore due to their efforts in resisting the Japanese army in Malaya, gained enormous support among the masses (Turnbull, 1996: 223). Under the influence of the Malayan Communist Party and the Chinese communist revolution in China, left-wing powers were active in the late 1940s and the 1950s. Singapore's anti-colonial movement, organized largely by Chinese-educated leaders from the Chinese middle schools, and the labour movement, organised by communist-oriented and left-wing leaders, caused enormous political unrest and industrial dispute during this period (Yeo, 1973; Huff, 1995). The society was wracked by strikes, lockouts, and racial conflicts and riots. In the year 1955, for example, the working days loss through industrial dispute reached to almost a million (946,354) (Colony of Singapore, 1955). During the period 1960 to 1963, the average working days loss in strikes per month was as high as 23,251 (Lim and Ow, 1971). To counter the influence of the communists, the Emergency Regulations Ordinance was enacted in 1948 (Colony of Singapore, 1954:194). In addition, the Immigration Bill was enacted in 1950 to prevent Chinese who had gone to China for political indoctrination from returning to Singapore (Yeo, 1973: 278).

On the other hand, the PAP, which came to power in 1959 as the moderate wing of a coalition based on grass-roots support of the labour movement, used the repressive legislative measures to deal with the mass political opposition. The law was used to

illegalise existing organisations. Left-wing unions were deregistered and their leaders, as well as sympathetic politicians and journalists, and other community leaders, were arrested and placed under political detention without trial in 1963. As a result, the PAP successfully gained the monopolistic control of the parliament and the politics in Singapore (Tremewan, 1994).

The turbulent political developments, coupled with the rapid population and labour-force growth, made Singapore suffer from economic difficulties. The rapid natural population growth joined with the immigrants returning to the country after China's 1949 civil war and the end of World War Two resulted in a substantial amount of unemployment in 1950s (Lim and Ow, 1971; Krause, 1995; Huff, 1995). The other economic difficulty was the low voluntary personal saving and so a lack of capital formation needed for development. Moreover, the Confrontation policy of Indonesia between 1963 and 1965 as a response to the formation of the Federation of Malaysia also advanced the economic difficulties.

Despite these challenges, Singapore, in the last phase before its independence, experienced a rapid economic growth and expansion. Apart from the year 1964 when it suffered from the Indonesia Confrontation, the average real GDP growth rate from 1960 to 1965 was as high as 8.2 per cent (Cheng, 1991). This remarkable performance in this period was due to both internal and external factors. Singapore, as an open economy, benefited from the boom conditions prevailing in the major industrial democracies and leading to expansion in world trade and growth in overseas investments (Cheng, 1991). The Economic Development Board was established in 1961 under the suggestion and assistance of a team of United Nations experts to improve the economy and to attract foreign investments (Singapore Government, 1961: 97). On the other hand, the

expansion of the construction and manufacturing industries was also an important factor that stimulated the economic growth. From 1961 to 1965, whilst embarking on the housing programme and the construction of infrastructural facilities, the average annual growth rate of the construction industry was as high as 26.7 per cent. The manufacturing and quarrying sector also enjoyed a high annual growth rate of 17.3 per cent in the same period (Lim and Ow, 1971).

Singapore in the late 1940s and the early 1950s also suffered deeply from the after effects of war. The Department of Social Welfare, which came into existence in 1946, carried out a survey of living conditions and found an appalling state of misery and overcrowding (Turnbull, 1996: 234). It conducted a survey again in 1952-53 and found that living conditions had not improved since the end of the war and poverty was a severe problem. About one-quarter of the survey population and more than one-third of the survey population aged 60 or over were living in poverty (Low and Aw, 1997: 17). As a consequence, social provisions from voluntary organisations, which were the main source of welfare before the war, were no longer sufficient in meeting the urgent need of the masses and the government.

The development of social welfare in this period was largely in response to the need of a large number of destitute people suffering from the war (Colony of Singapore, 1947: 81-82). As half the population was under the age of 21 and many did not have proper education and decent jobs after the war, the provision of education, employment and housing were most important (Colony of Singapore, 1953: 8). In addition, the annual reports of the Social Welfare Department in the 1950s and the 1960s also clearly put an emphasis on the protection and welfare of youth and women. On the other hand, Public Assistance had been payable since 1947 to three categories of people, including the

unemployable, namely the aged, physical impaired, and widows, the temporarily unemployed, and dependents of war victims (Colony of Singapore, 1948:84). The Silver Jubilee Fund, which was established in 1936 to relieve distress in the Colony of Singapore, was also payable to older people and convalescents who were in need (Colony of Singapore, 1954: 12-13).

Despite the government's reluctance, there were also important progresses in the development of an old age income protection system during this period. When its colonial power, Britain, established a comprehensive social security system after the end of the war, the Government of the Colony of Singapore had no intention to follow it due to, as the government claimed, the differences of social conditions between these two countries. The Five-year Plan, published by the Department of Social Welfare in 1949, states that

“In England... a complete framework of social security is near achievement. This stage has, however, only been reached after 100 years of steady advanced in the field of social progress. The present structure in England had been built on a homogeneity population with a high rate of literacy. A very high degree of co-operation exists between the more enlightened members of the various communities of the Colony, but the lack of homogeneity and education amongst the masses of the people will inevitably militate against any rapid introduction of a comprehensive state-controlled system of social security.”

(Colony of Singapore, 1949: 2-3)

In 1951, a commission was appointed by the Governor and Commander-in-Chief, Sir Franklin C. Gimson, to “inquire into the desirability and practicability of ensuring payment of retirement benefits to wage-earners” (Colony of Singapore, 1951: 1). After a thorough comparison with a provident fund scheme, it recommended a flat rate benefit

pension scheme financed by flat rate contributions from employers and employees with the government's financial responsibility being limited to meeting the cost of administration of the scheme (Colony of Singapore, 1951). However, after serious debates, the Provident Fund was chosen over the pension scheme due to its self-funding principle. The decision was also swayed by two important reasons. The first one was the intention of the British to avoid the potential financial burden for setting up state funds to support pension funds in case they were at deficit. The second one was consistency, as the Federation of Malaya, a country which was geographically proximal and shared the free flow of labour with Singapore, had adopted a provident fund scheme in 1951 (Low and Aw, 1997: 15). The CPF Ordinance was legislated in 1953 and came into force on July 1, 1955. Employers and employees were each required to contribute five per cent of wages, the balance of which was available to retirees at age 55; the government did not make financial contributions other than as an employer. Employers who had provided benefits more favourable than the Central Provident Fund were allowed to continue and to be exempted from the CPF (Colony of Singapore, 1955: 27). By the end of the year, the Fund had registered 12,300 employers and 190,000 employees (Colony of Singapore, 1956: 42).

The establishment of the CPF did not end discussions on social security issues. Several papers regarding this issue were published and all of them claimed that the Provident Fund was inadequate for old age income protection. The report by G. J. Brocklehurst, which was based on the study of the problems of social security system in Singapore on behalf of the ILO and published in 1957, pointed out that "the provident fund... is not adequate for any substantial part of the working population" (Colony of Singapore, 1957: 33). Therefore, it explicitly recommended that "the general approach adopted be that of contributory social insurance" (Colony of Singapore, 1957: 70), to provide sickness,

maternity, old age, invalidity and survivors' benefits. In the same year, a committee studying Singapore's minimum standards of living and social security published its report, known as the Caine Report. It stressed that problems of poverty among older people in Singapore were already severe and it would take decades until employees could accumulate sufficient funds for retirement under the CPF system. Therefore, it recommended that the government cease the operations of the Central Provident Fund, and introduce a social insurance pension scheme (Colony of Singapore, 1957). In 1958, a Committee of Officials, was appointed by the Minister for Labour and Welfare to examine the Caine and Brocklehurst Reports. It published a report in 1959 and also recommended that the government start a social insurance scheme to provide benefits including old age benefits (Singapore Government, 1959). In 1959, a report by the ILO also suggested to the Singapore government that they cease the CPF scheme and start a social insurance scheme providing sickness, maternity, old age and survivors' benefits (ILO, 1959). However, the Singapore government rejected all these suggestions and stuck to its provident fund approach.

There is no doubt that, considering the unfavourable political and economic context, the establishment of the CPF was a great achievement during this period. However, the colonial government's commitment to older people's income protection is subject to doubt. Although a couple of committee reports and empirical surveys addressed the inadequacy of the provident fund system in protecting older people's income, and recommended a social insurance pension benefit, the government stuck to its decision. The colonial government's preference for the provident fund scheme, as in some other Britain's former colonies, is generally perceived as a result of the colonial power's reluctance to subsidise financial resources to these countries (Low and Aw, 1997). On the other hand, the establishment of such an old age income protection system at a time

when the democratic system was yet to develop and the demographic structure was young, also suggested that Singapore's case in social security is beyond the explanation of the convergent theory discussed in Chapter Two. This issue will be further discussed in the next chapter.

6.1.3 From 1965 to 1980: From survival to affluence

The separation from the Federation of Malaya in 1965 brought Singapore big challenges to its economy and politics. Economically, it meant that Singapore lost its hinterland, a big domestic market, and Singapore's advantageous economic position as a centre of transit trade and business services in the Malay Peninsula faced uncertainty. Politically, even though the Chinese society excitedly welcomed the end of the governance by Malayan racism (Lee, 2000), Singaporean political leaders worried about the state's future. Lee Kuan Yew, the then Prime Minister of Singapore, recalled his feeling about the independence in his memoir, "now we are independent. We said that an independent Singapore could hardly survive. ... Among the archipelagos consisting of more than 30,000 islands inhabiting more than 100 million of Malayan and Indian Muslim, our Chinese population is trifling. Singapore is a Chinese island in Malayan surroundings. How can we survive in such a hostile surrounding?" (Lee, 2000).

Soon after the blow of the separation, the country was shocked again by Britain's announcement in 1968 of large-scale military withdrawal east of Suez. The British armed forces employed directly and indirectly 38,000 local workers, or 20 per cent of the work-force (Krause, 1995); Britain's spending accounted for 20 per cent of Singapore's GNP and played a vital part in Singapore's economy (Turnbull, 1996: 294). It is obvious that the withdrawal of the British Military threatened to plunge Singapore into a recession. In addition, it raised the issue of national security as Singapore was

surrounded by hostile neighbours (Chua, 1995: 48).

Under these unfavourable situations, the foremost mission for the government was national survival, and the only way to achieve it was to develop its economy, and thus increase the capability of the state (Chua, 1995: 49). The PAP government accomplished remarkable economic success in this period. In absolute terms, the GDP rose by 4.4 times from \$ 6,627 million in 1965 to \$28,833 million in 1980 (Peebles and Wilson, 1996). By 1975, Singapore claimed to be the third largest port in the world after Rotterdam and New York, although it was later overtaken by Hong Kong (Turnbull, 1996: 295-6). There were manifold factors that contributed to these remarkable economic achievements, including the favourable international developments, the valuable political and economic heritages, and the adequate policy efforts.

Internationally, again, thanks to its geographic location, Singapore benefited from the increasing liberalisation and growth of world trade in the late 1960s. It had developed a major refining industry in the 1960s, and a petroleum industry in the 1970s. By the early 1970s, it had also become a regional financial centre with an influx of foreign banks (Wawn, 1982; Tremewan, 1994; Chia, 1995; Huff, 1995a; Murry and Perera, 1996). On the other hand, good political and economic heritages and assets were also important factors to its economic success in this period. These heritages included a strong and stable government, an efficient administration, hard-working and good quality human resources, a solid free trade tradition, and substantial infrastructures built before the early 1960s (Tremewan, 1994; Chia, 1995; Huff, 1995a, 1995b).

In addition to the elements mentioned above, the government's strategies were also important factors that contributed to its economic achievement. After Singapore's

independence, the most important strategy, to make domestic economic conditions favourable for investment, especially by foreign capitals, was developed and has been consistently applied since. The government's effort to attract foreign investment included expanding and upgrading necessary infrastructure services and facilities, developing banking and other financial institutions, and offering tax concessions (Chua, 1995: 60). This strategy was successful and foreign capital became a vital part of Singapore's economy. Foreign-affiliated companies, defined as companies whose foreign equity exceeded 50 per cent, accounted for 57 per cent of total manufactured export in the 1970s. If joint ventures are included, the proportion rises to 84 per cent. Between 1966 and 1976 foreign-affiliated companies increased their proportions of employment in manufacturing from 25 per cent to 54 per cent, value of output from 42 per cent to 73 per cent, and value-addendness from 44 per cent to 64 per cent (Cheng, 1991). By 1979 wholly foreign owned firms alone accounted for 63 per cent of total industrial employment (Deyo, 1995).

In addition to upgrading infrastructure and offering tax incentives, the government's effort on controlling wages was also an important factor to Singapore's success in attracting foreign investment (Lim and Ow, 1971; Yeh, 1971; Wawn, 1982; Cheng, 1991; Huff, 1995b; Rodan, 1995; Chua, 1995). The Employment Act and the Industrial Relation Act of 1968 "de-politicised the labour movement, established de facto government control over unions and transferred bargaining power from workers to employers" (Huff, 1995: 324). As a consequence, labour costs in Singapore were significantly lower than other industrialised countries. By 1969, although productivity levels were as high as in the other newly industrialized countries (NICs) and higher than the United States, hourly compensation in Singapore was less than one-eleventh of the US level, and below those in South Korea, Taiwan and Hong Kong (Huff, 1995b). When

the National Wage Council was established in 1972, the collective wage bargaining role of unions was further reduced (Chua, 1995: 61). The government had a powerful influence on wage determination, and had been able to steady the wage level and construct a competitive economy to attract foreign investment.

In addition to its economic success, Singapore's political situation had been stable after its independence. The PAP had successfully suppressed the critical left-wing political oppositions both in the political arena and in the labour movement (Cheng, 1991), and enjoyed overwhelming support in the elections. In the 1968 election for the Assembly, which was the first election after Singapore's independence, the PAP received 84.4 per cent of the vote and won all the 58 seats, among which 51 seats were uncontested. In addition, even though the proportion of votes in favour of their candidates fluctuated, the PAP maintained its absolute domination over the Assembly in the 1970s by capturing about 70 per cent of the vote and winning all the seats of the Assembly in the 1972 and 1976 elections (Quah, 1991). In other words, since Singapore's independence in 1965 to the 1970s, the PAP won every single seat for the parliament and, undoubtedly, enjoyed an absolute dominance in Singapore's politics.

In addition to political and economic development, Singapore's demographic policy in this period was also heavily influenced by the separation from the Federation of Malaysia. The loss of its hinterland highlighted the viability of the tiny island devoid of natural resources. The rapid population growth rate thus had to be reduced. The Singapore Family Planning and Population Board Act was passed by the Parliament without any debate in 1965, and came into force in 1966 (Saw, 1999). In 1972 the government promoted a two-child family policy, backed by an array of incentives and deterrents. Abortion laws were liberalised, priorities in government housing formerly

given to large families were withdrawn, and hospital fees for third and subsequent confinements were raised and the provision of paid maternity leave to working women was abandoned (Turnbull, 1996). This policy, coupled with widespread economic and social changes, resulted in a dramatic drop in the fertility rate. The total fertility rate decreased sharply from 5.76 in 1960 to 3.07 in 1970, and by 1975, it fell below replacement level (Cheng and Vasoo, 1992: 79).

The reduction in the fertility rate inevitably resulted in an increase in the percentage of older people. The proportion of people aged 65 or above more than doubled in 23 years from 2.2 per cent in 1957 to 4.7 per cent in 1980 (Singapore Ministry of Health, 1984:10). Although the proportion of older people was still low, issues related to provisions for older people had attracted concerns within both academic society and the government. As Cheng and Vasoo (1992: 78) pointed out, during the 1970s, at least seven studies were conducted on this issue. On the other hand, worries about declining family functions in supporting older people started being raised in this period (Chen, 1977: 23-24). Additionally, the government also started using housing policies to offer incentive to encourage intergenerational family support (Hill and Lian, 1995: 123).

Simultaneously, the CPF, a system originally designed for old age income protection, also played an important role in the economic development process, as it helped to accumulate the capital and contributed to stabilised employment. Since its establishment, the CPF contribution rate had gradually increased, from 5% in 1955 to 10% in 1971 for both employee and employer. By 1980, the contribution rate was 20.5% for employee and 18% for employer. These savings provided a huge amount of cheap capital for the government to fund infrastructural development, and to invest in income-earning enterprise and thus consolidate the power of local capital (Tremewan, 1994; Huff,

1995b).

On the other hand, the content of the CPF had gone beyond old age income protection to allow workers to use the saving for the purchase of public housing since 1968, and from the late 1970s, the saving could be used to finance selected financial and estate investments before retirement. During the period of 1968-1977, the proportion of the withdrawal for housing schemes consisted of 65.6 per cent of the total withdrawal, while withdrawals at age 55 counted for 25% (Carling and Oestreicher, 1995). The high proportion of the CPF savings used by participants for the purchase of houses raised the issue that there might not be a sufficient sum of money left at their retirement. Therefore, a demarcation was considered necessary to ensure that social provision for old age remained secure. It is under this situation that, in 1977, CPF contributions were divided into the Ordinary Account and the Special Account. The Special Account reserved 4 per cent of the total CPF contribution especially for retirement, disability, or special contingencies (Carling and Oestreicher, 1995; Low and Aw, 1997). This measure was to ensure that the Singaporeans have a decent fund to rely on after their retirement.

6.1.4 The 1980s and 1990s: Preparing for the future

The overall situation of political stability and economic progress in Singapore did not fundamentally change when the 1980s started. However, there were crucial issues that challenged the country. The most serious political challenge to the PAP state was that the ruling party started losing its monopoly of parliament. The PAP obtained 75.5 per cent of the vote in the 1980 general election, and, again, won all the seats of the Assembly. Seven opposition political parties fielded 43 candidates against the PAP in 38 constituencies and did not win any seats. However, this was the last time that the PAP retained its monopoly of parliamentary seats. A candidate of the Worker's Party beat

PAP's candidate in the 1981 by-election and ended its monopoly of parliament that had begun in 1966 (Quah, 1991). The 1984 general election brought a worse result to the PAP. They won 75 of the 77 contested seats, capturing 62.9 per cent of the votes, a 12.6 percentage-drop in its popular vote (Quah, 1991). It was the first time in a general election since 1963 that the opposition parties won two seats of the parliament. This result was perceived as a signal that the voters wanted a more open polity (Vasil, 1988: 175-176; Chong, 1991: 35). The PAP was alerted by this warning and responded to it by promising more consultation and participation in the public policy-making process (Quah, 1991). In the 1988 election the PAP improved its performance by winning 80 of the 81 seats, and slightly increased its votes to 61.8 per cent (Quah, 1991). However, under the compulsory voting system, in addition to 2.2 per cent spoilt votes, 36 per cent of the voters voted against the PAP (Singapore Government 1990: 13), which clearly sent a warning of dissatisfaction of the voters toward the PAP government. In the 1991 election, the PAP got a worse result winning 77 out of 81 seats, and the percentage of votes dropped again to 60.97 per cent. However, it recovered in the 1997 election by winning 81 out of 83 seats, with 64.98 per cent of the votes.

The extraordinary performance of the PAP in the general elections in the 1980s and the 1990s shows that the ruling party's achievement in bringing about continuing stability and prosperity had won the Singaporean's approval. In addition, the high support of the populace to the PAP government did not change as the second-generation took over the helm of the government. Therefore, the government has been able to continue policies of its preference without being confronted by opposition forces. This autonomy of the government makes the Singapore government different from the governments in Taiwan and Hong Kong which have lost their dominance in politics since the 1980s. This feature, and its influence on the making of old age income protection policies, will be further

discussed in the next chapter.

On the other hand, there were important constitutional changes in Singapore during this period. The first one was to strengthen the function of the parliament to check the government's policies. Before the 1984 election, a scheme was inaugurated to guarantee that there are at least three seats in the parliament held by opposition parties. If candidates from opposition camps win less than three seats, than those from these camps capturing the highest votes may fill the positions (Vasil, 1988: 185). The second institutional reform was the introduction of an directly-elected President who was given the right to veto key public services appointments, and the annual budgets of the Government, statutory boards and key Government companies, and the use of reserves accumulated during the terms of previous governments (Singapore Parliament Debates, 1990: 460). The constitutional reforms were introduced within the period that the first-generation leaders were handing over political power to their successor's and were thinking over how to strengthen the check on the government's power to secure Singapore's long-term prosperity (Vasil, 1988: 184), and thus have important political implications.

As for economic development, despite facing recessions in the mid-1980s and the late 1990s, Singapore by and large continued the trend of rapid growth in the last two decades. The recession in the mid-1980s was mainly due to the 'Second Industrial Revolution' that started in 1979. The background of this programme was that Singapore was facing increasing competition from other new Asian industrialised countries, and the government planned to move out of low-wage, labour-intensive manufacturing to capital-intensive and higher value-added industries (Wong, 1989; Tremewan, 1995). In addition to providing incentives for high-technology industrial capital, the most visible

component of this programme was the significant increase in wages. The National Wage Council recommended a wage increase of some 20 per cent in 1979/80, 19 per cent in 1980/81 and 14-20 per cent in 1981/82 (Chia, 1995; Tremewan, 1995). Unfortunately, these strategies didn't attract foreign capital to invest in Singapore's technological base as the government had hoped for. By contrast, foreign investors were driven away by high business and labour cost, and it resulted in a recession between 1985-88 (Tremewan, 1995; Yuen and Lim, 2000).

The government responded to the recession by adopting a less rigid wage system and reducing employer's CPF contribution rate from 20 per cent to 10 per cent (Wong, 1989; Yuen and Lim, 2000). By the end of the 1980s the economy recovered and the real average growth rate between 1989 and 1997 was as high as 8.9 per cent (Singapore Government, 1999a). Then, the country was hit by the Asian economic crisis which broke out in 1997, with the economic growth rate falling to 0.4 per cent in 1998, and the unemployment rate rose from 1.8 per cent in 1997 to 3.2 per cent and 3.5 per cent in 1998 and 1999 respectively (Singapore Government, 1999b). The economic recession resulting from the Asian economic crisis, reinforced and refined the strategy of 'managed flexibility' adopted by the government after the last recession in 1985 (Yuen and Lim, 2000). With the tax and wage adjustments, and the cooperation of the National Trade Union Congress, Singapore had managed to get through the economic crisis by 1999. The economic growth rate increased to 5.4 per cent by the end of 1999 (Yuen and Lim, 2000).

The aging population had also become a significant issue since the 1980s. The proportion of the population aged 65 or above increased from 4.7 per cent in 1980 to 7.3 per cent in 1999 (Singapore Department of Statistics, 2000:24). It is projected to

increase to 18.9 per cent in 2030 (Singapore Ministry of Community Development, 1999: 31). In response to the trend of aging, a series of actions were taken by the government. A Committee on the Problems of the Aged was set up in 1982, and a national survey of older people's needs and problems was conducted by the Ministry of Social Affairs (Singapore Government, 1985: 227). In 1989, the National Advisory Council on the Family and the Aged was formed "to advise the government in issues related to these groups" (Singapore Government, 1993: 191-192). The Senior Citizens' Day and the Senior Citizens' Week were designed to promote people's concerns about older people's welfare (Singapore Government, 1993: 92; 1997: 205). The Inter-ministerial Committee on the Aging Population was established in 1998, chaired by the Minister for National Development, consisted of Minister of Health, Minister for Community Development, Chief Statistician, Department of Statistics, and twenty other members from different Departments and key social groups. Its mission is "to prepare Singapore for the Challenge brought about by a rapid aging society" (Singapore Government, 2000: 203-204). These actions clearly show that the Singapore government takes issues concerning aging seriously and has been preparing for it.

In response to population ageing, serious schemes have also been introduced since the late 1980s. The two-child policy was officially abolished, replaced by an array of encouragement for three-child or even four-child families (Cheng and Vasoo, 1992: 80; Hill and Lian, 1995: 153; Lee, 1988: 295). In addition, the retirement age was raised. There was no mandatory retirement age in Singapore before 1993 although companies usually retired their employees at the age of 55 (Singapore Manpower Research and Statistics Department, 1999: 13). The retirement age was made mandatory and set at 60 in 1993. It was further raised to 62 in 1999.

Concerning the support to older people, the most distinctive scheme was the government's intention to return to the three-generation tradition, and to reinforce family cohesion (Turnbull, 1996). The Maintenance of Parents Act was introduced in 1994. Actually, advocates for the enactment of this Act had started in the early 1980s. Reports by the Committee on the Problems of the Aged, published in 1984, and by the Advisory Council on the Aged, published in 1989, both recommended for the introduction of this legislation. The government had also been prepared to adopt legal measures to ensure that children undertake the responsibility to support their parents (Cheng and Vasoo, 1992: 98). The Bill was intensely debated in the parliament for three days for its second reading and eventually got the support of 50 out of 63 members who voted for this move (Singapore Parliament Debates, 1994: 149-363). This Act allows Singaporean parents to apply to the Tribunal for Maintenance for Parents (TMP) to seek redress for support from their children who fail to take up their responsibilities. Through this enactment, the government wants to deter 'negligent children' who abandon their parents as the state believes that children have moral responsibilities and obligations towards maintaining their parents (Rappa, 1999).

Simultaneously, the CPF has seen significant changes during this period. In addition to adjusting in line with the economic fluctuation, the CPF contribution rates by different age groups have differed since 1988. Employees who are above 55 years of age pay a lower contribution rate to the CPF, so do their employers. The aim of this reform is to encourage the employment of older people. In 2000, the contribution rates for employees in different age groups are 20 per cent for those who are below 55 years old, 12.5 per cent for 55-60 years old, 7.5 per cent for 60-65 years old, 5 per cent for above 65 years old, and for their employers, the contribution rates are 16 per cent, 6 per cent, 3.5 per cent and 3.5 per cent respectively (Singapore CPF Board, 2001).

The content of the CPF has also been expanded further in the last decades. The Medisave Account was introduced in 1984, a fixed proportion of CPF contribution is set aside to be available to meet hospitalisation and medical expenses. In 1987 the Retirement Account, known as the Minimum Sum Scheme, was introduced to fund a pension, with the intention of ensuring that all retirees had sufficient income for basic subsistence. Thereafter, the members of CPF have to leave a minimum amount of savings in their Medisave Account and transfer a specified amount into a newly created Retirement Account when they withdraw their balance upon reaching the age of 55. The required amount for the Retirement Account may also be used to purchase an approved annuity or pension from a commercial bank (Carling and Oestreicher, 1995). The Topping-up Scheme was introduced later in the same year so that members of CPF below 55 years of age may transfer their Ordinary Account saving to their parents' Retirement Account, which enjoys a higher interest rate, to supplement their payment for old age (Singapore Government, 2000a).

6.2 Governmental orientation toward provisions for older people

The development of Singapore's old age income protection scheme is a unique story, not only because it was established as early as in the 1950s, when the state was still under the threat of the Communists and the uncertainty of political unrest, but also because the scheme has gone far beyond the function of protecting older people's income to securing housing and medical expenses. Since the 1990s, as discussed above, the government has tried to use this scheme to encourage intergenerational family support. Thus, the scheme, perceived from the Western point of view as a de-familisation programme, has been assigned the task of reinforcing family cohesion. However, to comprehend the government's strategy in responding to the challenges of the coming aging society, we

need to thoroughly review the intention and the design of this programme and other related schemes.

Before Singapore gained the position of self-government in 1959, the British colonial government undoubtedly had absolute political control. The PAP government thereafter has enjoyed an overwhelming dominance in the parliament and politics. The first generation leaders, led by former Prime Minister Lee Kuan Yew, encountered few challenges in adopting policies of their preference. After the second-generation leaders took over in the 1980s, the party has still had a monopoly in politics. Therefore, there is no doubt that these political leaders' policy addresses reflect the government's policy preference. This section is to review these policy addresses and governmental documents to identify the government's orientation in responding to the aging society.

6.2.1 Developing the economy at the price of egalitarian distribution

As discussed earlier, the British colonial government was reluctant to see expansion in social security in its colony due to its fear of financial burden. In the first stage after Singapore's independence, the country was struggling for survival and adopted an economy first strategy. It is not surprising that the government had no intention to expand the social security system during this period, due to the fear of its potential impact on national finance and economic competitiveness. The government first revealed this view in the Five-year Plan for social welfare. In this report, the government emphasized the importance of fiscal balance and economics when planning social welfare programmes. It states:

“The fiscal question is again far from simple: the Colony occupies a very special economic position and governmental activity in Social Welfare as in other matters must take full account of the dependence of revenue upon reasonably

untrammelled trading facilities. Any activity tending to upset the extremely sensitive adjustment of local economy would defeat its own objects.”

(Singapore Department of Social Welfare, 1949: 3)

When the PAP government came into power, it valued the tradition of this prudent financial strategy. In his Policy Speech in 1968, Prime Minister Lee Kuan Yew actually praised European colonial administrations for their insistence on a surplus budget compared with many countries who, after gaining independence, have failed economically and collapsed socially due to the lack of self-discipline in their leaders and their people to budget and live within their means (Singapore Parliament Debates, 1968: 40). The government’s prudent attitude toward the budget, coupled with the fact that the country’s economy was yet to develop, not surprisingly marginalised issues related to social security. As Lee Kuan Yew recalled in his memoir:

“It was not until the 1960s when I took over the government that I realised the burden of governmental finance. The tiny country of Singapore was much poorer than the U.K. The challenge I was facing was how to enlarge taxation and to create wealth. Therefore, there was practically no room to discuss issues concerning income distribution.”

(Lee, 2000: 136, translated from Chinese)

On the other hand, the government was deeply convinced that the idea of a welfare state was detrimental to Singapore as it would jeopardize traditional virtues, such as hard-working, an ethic that the government considered vital to its economic development. In his 1972 Policy Address, the Prime Minister states:

“Singapore must eschew one of the characteristics of the welfare state syndrome, where everyone expects others, not himself, to work harder to carry the subsidies for services everyone wants. For us, a yet to be developed and fully industrialised society, this selfish rejection of the work ethic is fatal... No one

should get away with enjoying services subsidised through the hard work of others, without making his own contribution, to the best of his ability and capacity.”

(Singapore Parliament Debates, 1972: 9)

This kind of anti-welfare ideology has been carried through and never changed. Since the early 1990s when signals for an aging society became clear, the government still insisted on this approach of limited state welfare. In addition, criticism of the welfare state from the anti-welfare camp was cited by political leaders to support the government's stance. For instance, in his policy address in 1990, the Minister of Community Development cited the views in Charles Murray's book, *Losing Ground*, to explain the government's stance for not expanding welfare provisions. In 1992, the Prime Minister cited Frederick Hayek's view to reject the idea of the welfare state. He insisted that the way to improve the living standard of the less able was 'leveling up' rather than 'closing the income gap' (Singapore Parliament Debates, 1992: 355). He states:

“The egalitarian approach is detrimental to economic progress... The population, once fed in the milk of welfare, cannot be weaned away. Consumption patterns then become distorted by subsidies and resources are misused. The result, eventually, is economic decline, indebtedness and a falling standard of living relative to others... For a country to progress, let the market reward a person according to his worth, i.e., his ability, performance and contribution. There will always be an income gap between the able and less able. And if the Government intervenes to make them equal, the result will be tyranny and bankruptcy. We must help the less able to increase his income, but we should never stop the able from increasing his income even higher. The gap can never be closed under a market economy. What we can do is to level up a person's standard of living, as opposed to artificially handing him more money to spend as he likes. We can do this by upgrading his competence and by spreading the fruits of economic progress.”

(Singapore Parliament Debates, 1992: 355-358)

These quotations reveal a clear message that the government feared the potential negative effect of the welfare state and has no intention to expand welfare provisions. They also show that the government strongly believes in the mechanism of the market, not the state, in improving people's living standard. Therefore, it is not surprising that it emphasizes the responsibility of the family, rather than the government, to support people in need.

6.2.2 State hiding behind the family

There is no doubt that Singapore is one of the countries that emphasizes the values of Confucian philosophy most. The importance of these values to the development of Singapore's economy has often been addressed by political leaders. Surely, the government is happy to propagate family virtues emphasized by Confucian's teaching. One of the reasons for this is practical: to reduce governmental burden in welfare provisions, a strategy of financial prudence inherited from the British colonial government.

Soon after Singapore's independence, the Prime Minister pointed out in his Policy Speech in 1968 that "the promotion of strong family ties and the encouragement of each family to look after its own members is the best way of keeping the country's expenditure on welfare services within reasonable limits" (Singapore Parliament Debates, 1968: 221). The second-generation leaders totally share this view with their political predecessors. Lee Kuan Yew's successor, Goh Chok Tong, echoed with his view in a public speech in 1996:

"The Government does not want to take over the role of the family. We have seen the disastrous results of welfare programmes in the West. There, the

governments provided unemployment benefits, disability benefits, free medical benefits, unmarried single-mother benefits, and so on, out of taxes. They have taken over much of the role of the family as provider. People then look to the governments to provide for them, instead of looking to the family. This erodes the family structure and results in debt-ridden governments.”

(Singapore Ministry of Information, 1996: 3)

Although political leaders have publicly emphasized financial benefit for the government not to replace the family as the main welfare provider, there is no doubt that the advocate of family responsibility is simply due to their belief and preference in this traditional virtue. Actually, their belief in family cohesion are so strong that they have produced enormous speeches and addresses emphasizing this virtue. For instance, in the Ministry of Information collections on Ministers' public speeches for the two years from 1981 to 1982, there are no less than seven speeches given by members of the Cabinet emphasizing the family's obligation to look after its older members. These include 'Family units must be preserved' (1981), 'Family should look after their old' (1981), 'It is our duty to look after our parents' (1981), 'We should retain our oriental traditions' (1981), 'Three-generation family is an asset to the nation' (1982), 'Why the three-generation family must be encouraged' (1982), 'Filial piety helps keep the family together' (1982). These titles alone are enough to demonstrate the government's favour on the family as a main support for older people.

The state, however, will step in when the family is incapable of bearing this obligation. As the Second Deputy Prime Minister, S. Rajaratnam, states in his speech in 1981 entitled 'It is our duty to look after our parents':

“... the sons and daughters owe a debt of responsibility to their parents when the latter are no longer able to look after themselves and need the care and affection they bestowed on their children. To pass this responsibility on to the state or

charitable organisations when the children are in a position to discharge this responsibility is morally indefensible and, in my view, should be made legally enforceable.

The state and charitable organisations should only step in where the children are clearly not in a position to discharge this responsibility. With more and more Singaporeans earning better and with government compelling Singaporeans to save more of their earnings the care of the aged, the sick and the disabled could become more and more the responsibility of the children. Of course with increased savings the old and the otherwise disadvantaged may have the wherewithal to look after themselves but where they cannot their first recourse should be to family responsibility.”

(Singapore Ministry of Communication and Information, 1981: 38)

Apart from political leaders' addresses, governmental documents concerning issues on aging also heavily emphasize family obligation to look after older people. The *Report of the Committee of the Problems of the Aged*, published in 1984 by the Ministry of Health, the *Report of the Advisory Council on the Aged*, published by the Ministry of Home Affairs in 1989, and the *Report of the Interministerial Committee on the Aging Population*, published in 1999 by the Ministry of Community Development, all highlight the importance of family obligation in an aging society. In 1994, the government further stressed family virtues by identifying five values as Singaporeans' commonly shared family values. These values are love, care and concern; mutual respect; filial responsibility; commitment; and communication. In the section of filial responsibility, it describes that:

“Filial responsibility means honouring and supporting one's parents and grandparents, and providing for them in their old age. Filial responsibility is more a duty or an obligation, it is a natural fruit of the close bonds among family members.”

(Singapore Ministry of Community Development, 1994)

This statement once again highlights the importance for children to look after the older members of their family. In addition, it cleverly justifies the government's strategy to assign this task to the family: it is human nature so people should be happy to do it, and thus is it not inadequate for the government to hold back its role in developing provisions for older people.

6.3 An analysis on provisions for older people: Familisation or de-familisation?

Singapore's old age income protection system was established as early as in the 1950s. The CPF scheme, which was introduced in 1955, became the sole income protection scheme for older people thereafter. Although it has expanded its functions and has gone beyond the protection of old age, its fundamental principles have not changed since. In the 1980s when issues related to aging became major concerns and attracted serious discussions in the government and the academic society, important reforms were made to strengthen its function in protecting people's later life. These reforms, as discussed above, included the introduction of the Minimum Sum Scheme and the Topping-up Scheme. These changes, especially the latter, have an important impact on familising older people's income protection.

On the other hand, when the government was preparing for the challenges of the emergence of the aging society, the Maintenance of Parents Act was inaugurated in 1995. The implementation of this Act echoes political leaders' emphasis on family obligation, as discussed above, and clearly reaffirmed that children have the responsibility to look after their parents in their later life. These developments together have made Singapore's old age provision system very different from that in other countries.

6.3.1 The CPF scheme

As discussed above, the CPF is a fully funded, defined contribution scheme. It was originally designed only for the protection of older people's income after their retirement. Under this scheme, employees, as well as their employers, contribute a proportion of their wages to a fund which they are not allowed to withdraw until they reach the age of 55. As such, this is a scheme of compulsory saving and basically the protection of one's income after retirement is not based on the redistribution of income between different groups of people, but between the different life cycle of an individual. In this regard, this scheme, like the MPF scheme in Hong Kong, is different from social insurance schemes adopted in other countries.

However, it is undoubtedly a de-familisation scheme. Employees put aside a proportion of their wages during their working years as a reserve fund, so that they have a financial resource to count on and thus can have an independent life without having to rely on their family or other income sources after retirement. Ideally, if this scheme has any impact on increasing familial financial transfer, it will be from older people to their children and grandchildren. As older people withdraw their fund at their retirement as a lump sum rather than a monthly or weekly payment, they might use this fund to help their children or grandchildren, for example, for the expense or investment of their education, housing or business. However, there is a danger that, if the fund is not sufficient or if it is not managed wisely, older people might soon use it up and have to rely on other sources, most likely the family, especially under the consistent trend that life expectancy after retirement is extending.

There is also an important feature of this scheme that it, just like income related social insurance benefit schemes implemented in other countries, is based on the assumption of full employment, the male-bread winner, and lifelong engagement. Those who for one

reason or another are not in the labour market, or have a fragmental history of employment, or are in low-paid jobs, cannot accumulate sufficient funds for their retirement. Undoubtedly, these groups of people are the less better off ones in the society, including women and the disabled. In this regard, although the CPF is generally perceived as a de-commodification scheme as it provides financial resource for older people when they no longer participate in the labour market, it to some extent reinforces the logic of commodification. Under this system, those who had better conditions for employment and were engaged in a favourable position in the labour market get better protections for retirement. In other words, the degree of income protection one can get for retirement depends on the continuity of his or her engagement in the labour market. For those who are engaged in unpaid work, including household works, there is not any protection for later life. Thus, it approves Esping-Andersen's theory that one should get de-familised and become commodified before they can get de-commodified (Esping-Andersen, 1999). Under the CPF system, it was only the individual themselves that one can rely on for his or her retirement.

The introduction of the Topping-up scheme in 1987, however, changes this nature of the scheme. Under this new scheme, not only the individual, but his or her family as well, can help to accumulate the fund for his or her retirement. This new scheme, started on 1 April 1987, enables individuals to transfer their CPF savings to top-up their Retirement Accounts. Siblings can also use their CPF savings to top-up their parents' Retirement Account. As discussed above, the government actually encourages this intergenerational transfer by offering the incentive of a higher interest rate. This scheme has proven to be very popular with CPF members. On 31 December 1987, only eight months after it was brought into practice, 12,400 accounts amounting to about 100 million Singaporean Dollars were topped-up for parents (Singapore CPF Board, 1988:7). This scheme was

extended to grandparents in December 2000 (CPF Board, 2001:19). It is clear that the government has tried to assign the task of familisation to this de-familisation scheme.

6.3.2 The Maintenance of Parents Act

Apart from the reforms of the CPF scheme, the enactment of the Maintenance of Parents Act in 1995 is also an important step for the government's preparation of the emerging aging society. The gist of this Act is simple: to affirm that children have the responsibility to look after their parents. It states that:

“Any person domiciled and resident in Singapore who is of or above 60 years of age and who is unable to maintain himself adequately may apply to the Tribunal for an order that one or more of his children pay him a monthly allowance or any other periodical payment or a lump sum for his maintenance.”

(Maintenance of Parents Act, Article 3-1)

And that:

“An approved person or organisation in whose care a parent resides may apply to the Tribunal for an order that one or more of his children pay the approved person or organisation a monthly allowance or any other periodical payment or a lump sum for the purpose of defraying the costs and expenses of maintenance the parent.”

(Maintenance of Parents Act, Article 3-2)

This Act actually contains only 21 articles, most of which concern legal procedures for dealing with applicants' cases. It is unusual for the country, which has a strong tradition of Confucianism and believes that providing maintenance for parents is a natural duty of children, to enact a law so that parents may go to court to sue their children to support them. In addition, when the enactment of this Act was debated in the parliament, most of

the adult children were still supporting their parents, as will be discussed in the next section. It is probably due to these reasons that supporters of this Act emphasised that the aim of this Act is not to promote filial piety or to interfere in the vast majority of families who still hold this virtue, but only to “provide a safety net if filial piety fails” (Singapore Parliament Debates, 1994: 150), and to use it “as a last resort and a necessary evil for the errant of the recalcitrant few” (Singapore Parliament Debates, 1994: 166).

By the end of 1998, two and half years after the Tribunal was established, it received a total of 424 applications for maintenance (Singapore Parliament Debates, 1999: 22). This low figure might reflect the fact that the vast majority of adult children do support their parents, just as they did before the Act was introduced. In addition, in the Chinese context, people are too careful of preserving the dignity or face of the family to go to court to sue their children for their maintenance. A survey conducted by the government before the enactment of this Act showed that 87 per cent of those aged 50 years and above said that they would not take their children to court even if their children did not support them financially (Singapore Parliament Debates, 1994: 171). These facts together suggest that the enactment of this Act would have a more significant effect on appeal form rather than on practice.

6.4 The vicissitudes of familisation and de-familisation of older people’s income sources

Singapore’s old age income protection system was introduced as early as the 1950s with the characteristics of de-familisation. Since the 1980s, the government has adopted major reforms to encourage family cohesion. These developments, coupled with its tradition of strong family ties, make Singapore an ideal case to examine the impact on familisation or de-familisation of the social security system.

6.4.1 The public sector

As discussed above, the CPF is the sole scheme in Singapore for the protection of older people's income. The number of accounts increased from just 180,000 in 1955 to 2,828,072 in 1999 (CPF Board, 1960: 2; 2000: 74). However, there are still a large number of account holders who do not contribute to the fund. In 1999, more than half of the account holders made no contribution to the fund, which leaves the number of active accounts (with contributions paid in) at 1,244,470 (CPF Board, 2000: 74). The consistent trend of an increasing number of accounts does not necessarily mean that more people benefit from this scheme. There have been a significant number of people excluded from the CPF. Groups of workers including the self-employed, casual and family labourers, and those in part-time and irregular employment are not covered by this scheme (Cheng and Vasoo, 1992:84; Lee, 1998: 301). In actuality, the number of CPF contributors has in relative terms. The number of contributors as a proportion of the total labour force declined from 69.4 per cent in 1989 to 62.0 per cent in 1999. In 1989, the contributors accounted for 70.9 per cent of the total employed population, and in 1999, this figure declined to 64.9 per cent. These figures suggest that there has been a significant proportion of people participating in the labour market not covered by this scheme.

At the same time, there has been a steady trend of increase in the numbers of people withdrawing from this fund upon reaching the age of 55, enjoying its protection for retirement. However, as discussed above, since the introduction of the Approved Housing Scheme in 1968, a large proportion of members' savings have been withdrawn for the purchasing of housing. In 2000, among all savings withdrawn by members, 83.1% was withdrawn for housing installments, while only 12.3 per cent was withdrawn

due to reaching the age of 55. The situation that large amounts of saving have been spent on housing before retirement may result in an inadequacy of protection for members' later life.

Data from *the National Survey of Senior Citizens in Singapore* conducted in 1995 confirmed this suspicion that the fund is not sufficient for retirement. Table 6.1 shows that the majority of people aged 55 or above actually did not have CPF savings. This figure increased with age, from 50.4 per cent among those aged 55 to 64 to 67 per cent and 82 per cent among those of 65 to 74 years and 75 years and above respectively. In addition, among those who had CPF savings, the majority of them found it inadequate.

Table 6.1 Sufficiency of CPF Saving

CPF Saving	Age Groups			
	Total (55 & above)	55-64	65-74	75 & above
Total	100.0	100.0	100.0	100.0
Without CPF	60.8	50.4	67.0	82.0
With CPF	39.2	49.6	33.0	18.0
Whether CPF Adequate (for those with CPF)				
Total	100.0	100.0	100.0	100.0
Adequate	43.6	50.6	30.5	26.5
In adequate	55.8	48.9	68.6	72.8
Not Sure	0.6	0.5	0.8	0.7

Source: Singapore Ministry of Health, 1996, Table 5.10, pp.29.

It comes no surprise that for people in the higher age groups, especially for those aged 75 or above, many did not have sufficient CPF savings, as this scheme was not introduced till years after they had participated in the labour market, and that the contribution rates for the fund were low in the early years of its operation. They might not have had the

chance to accumulate sufficient funds before they retired and might have run out of the fund during the early years after their retirement. However, even for people in the age group of 55-64, who were just retired and were allowed to withdraw their CPF savings for retirement, half of those who had the fund found it inadequate. Given the fact that the total contribution rates of the CPF fund for members under the age of 55 have never fallen to under 30 per cent since 1974. The inadequacy mentioned by the respondents might result from the fact that large proportions of people withdraw their CPF savings for housing installments before their retirement, rather than in the insufficiency of the CPF scheme per se.

The inadequacy of the CPF savings for retirement has put huge pressure on older people themselves and their family. Fortunately, Singaporean families at large have been able to fulfil the task of supporting their older members.

6.4.2 The family sector

Although the CPF savings are not sufficient for retirement, older Singaporean people do not worry too much about retirement, as most of them still receive support from the family. As Table 6.2 shows, very few older people had financial plans for retirement. The basis for their lack of planning is not the social security scheme, but the family. Overall, 77.2 per cent of people aged 55 or above stated that they did not have a plan because their children would provide for their later life.

Table 6.2: Plans for financial security

Financial plans	Age Groups			
	Total (55 & above)	55-64	65-74	75 & above
With plans	12.7	16.6	10.0	5.6
Without plans	87.3	83.4	90.0	94.4
Total	100.0	100.0	100.0	100.0
Main reasons for not making plans (Those without plans)				
Children can provide	77.2	70.6	83.1	85.2
Insufficient income	11.1	12.9	9.5	8.8
Already have CPF savings	5.9	9.9	2.6	0.7
Others	5.8	6.6	4.8	5.3
Total	100.0	100.0	100.0	100.0

Source: Singapore Ministry of Health, 1996: 28, Table 5.9.

The fact that very few people make financial plans for retirement might worry policy-makers as income protection for older people has become the thorniest problem of the social security system in almost all Western advanced capitalistic countries. However, empirical data shows that older Singaporean people's expectation for the family and not planning for their retirement is not impractical. As Table 6.3 shows the proportion of older people living with their family has, countering what modernisation and urbanisation theories have suggested, increased rather than decreased in the last two decades. Eight-six per cent of people aged 55 or above lived with their children in 1995, a significant increase compared with 81.4 per cent in 1983. The increase might result from the fact that Singaporean families' financial situations are more affluent than two decades ago, and thus they are more capable and more willing to have their older parents live with them.

Table 6.3: Living arrangement of older people, Singapore, 1983 and 1995

Living Arrangement	1983			1995		
	Aged 55 & above	Aged 65 & above	Aged 75 & above	Aged 55 & above	Aged 65 & above	Aged 75 & above
Total	100.0	100.0	100.0	100.0	100.0	100.0
Living Alone	5.4	7.0	8.1	3.1	3.4	4.4
With Spouse only	4.9	5.9	5.2	5.2	6.3	4.5
With Children	81.4	79.0	78.1	86.2	84.4	84.0
Other Living Arrangement	8.3	8.1	8.6	5.6	5.9	7.0

Source: 1.Singapore Ministry of Affairs, 1983: 12, Table 1.8.

2.Singapore Ministry of Health, 1996: 15, Table 4.1 & Table 4.2, pp.16.

On the other hand, empirical data shows no evidence that intergenerational financial transfer has declined in the past two decades. As Table 6.4 shows, in 1995, three-quarters of old people aged 55 or above received cash transfers from their children. For people in higher age groups, the proportions are even higher. Among people aged 65 or above, 83.5 per cent received financial support from their children. Given the fact that not every older person has children alive and of working age, the figures suggest that actually very few people after their sixties with able children alive do not get financial support from them. The availability of family support relieves older people's reliance on the CPF saving, and justifies older people's lack of financial plans for retirement. In this regard, it is safe to say that older Singaporean people are happy to take family support as the main resource for later life. The strong family support also reduces the necessity for older people to stay in the labour market in their later life.

Table 6.4: Respondents Receiving Income From Relatives

Year	Source	Age Group		
		Total 55 & above	Sub-total 65 & above	Sub-total 75 & above
1983	Relatives	86.4	--	--
1995	Children	75.9	83.5	83.1
	Spouse	8.4	3.0	1.6

Sources: 1.Singapore Ministry of Affairs, 1983: 25, Table 3.2.

2.Singapore Ministry of Health, 1996: 19, Table 5.2.

6.4.3 The labour market

There is no doubt that the government's strategy toward older people's labour participation is to encourage them to stay working for as long as possible. It has adopted a series of measures to achieve this goal. In 1993, the Retirement Age Act was introduced which raised the retirement age norm from 55 to 60. This led to a increase of the labour force participation rate of people aged 55 to 60 from 47 per cent in June 1993 to 52.6 per cent in June 1996 (Singapore Ministry of Labour, 1997: 1). The retirement age was further raised again in 1999 from 60 to 62. In addition, measures for moderating the cost of retaining older workers were also implemented. Since 1988, a system of differential contribution rates was adopted for the CPF scheme so that employers pay lower rates of contribution for their employees aged 55 or above than the rate they have to pay for the employees under the age of 55. The gap of the employers' share of CPF contribution rates between their employees above and under the age of 55 had steadily widened from 1-4 per cent in 1988 to 12.5-15 per cent in 1998. Furthermore, a reduction of up to 10 per cent in wages is recommended by the government if the employers think this is adequate. As stated in Article 5 of the Retirement Age Act Amendment of 1998, "...an employer may, from time to time and in accordance with this section, reduce the wages of any of his older employees on or at any time after the employees attains 60 years of age". It has also been recommended that the current senior-based wage system

be replaced so that the wage structure reflects the actual value of the job and productivity growth rather than the seniority of the employees (Singaporean Ministry of Labour, 1997: 27).

Table 6.5 shows that a large proportion of people, especially males, stay in work after they reach the normal retirement age. About half of males aged between 60 and 64 still participate in the labour market. The labour force participation rate for this group only declined 4 percentage points in three decades from 1970 to 1999. Overall, for males aged between 50 and 64, the labour force participation rates in the 1990s were still as high as those in the 1970s. On the other hand, labour force participation rates for females in these age groups have largely followed a steady increasing trend in the past three decades.

However, the high proportion of older people participating in the labour market does not imply that most of the people heavily rely on the commodification sector for their later life. As shown in Table 6.6, for people aged between 55 and 64 still working after retirement, 49.7 per cent of them did not do so for financial reasons. For those aged 65 or above, only about one-third of them were working due to financial reasons. In other words, although, as discussed above, the CPF savings are regarded by most of the older Singaporeans as insufficient for retirement, the majority of them do not have to rely on their participating in the labour market for their later life. Despite the fact that the CPF provides a lump sum for retirement rather than a pension, so that older people might use it up in their early years after retirement, this table clearly shows that the proportion of people working after retirement due to financial needs actually declines with age. These pictures together suggest that the majority of older people in Singapore have something other than the CPF saving and earnings from the commodification sector to count on for

their later life. From discussions in earlier sections, it is not difficult to conclude that this source is the older person's family.

Table 6.5 Labour force participation rates for older people in Singapore

Year	50-54		55-59		60-64		65+	
	Male	Female	Male	Female	Male	Female	Male	Female
1970	88.1	17.5	73.9	16.2	55.6	13.4	31.9	6.5
1974	90.1	19.1	69.4	17.3	54.3	12.6	31.9	6.9
1975	87.8	18.3	73.6	14.2	54.2	14.0	31.7	6.4
1976	87.9	17.3	70.3	12.1	58.0	11.1	32.9	7.8
1977	89.7	19.1	70.9	15.6	57.7	12.9	31.0	6.4
1978	89.8	20.6	73.2	13.8	55.0	12.1	28.7	7.5
1979	92.0	19.2	75.7	16.2	55.6	12.5	30.2	7.5
1980	90.4	22.0	73.2	15.8	55.8	12.3	29.8	7.2
1981	89.9	22.1	71.3	15.8	54.5	12.8	27.6	6.3
1982	90.4	23.1	75.4	18.6	53.9	10.0	29.0	6.7
1983	89.4	25.4	73.7	18.2	54.1	12.4	29.4	5.9
1984	91.5	25.0	74.4	18.8	54.1	14.2	27.3	6.7
1985	88.5	25.9	69.5	18.4	52.3	11.9	25.9	5.9
1986	90.5	28.0	68.7	17.4	47.3	10.3	23.3	5.9
1987	89.6	28.1	63.8	17.1	45.7	12.2	22.3	5.5
1988	88.9	28.8	65.1	17.4	47.3	11.9	21.2	4.7
1989	89.2	30.7	66.6	19.4	48.2	11.0	20.7	5.0
1990	89.6	33.6	72.8	18.8	47.0	10.8	21.1	4.6
1991	92.5	34.1	71.0	21.2	46.9	12.3	19.8	4.1
1992	89.4	36.6	71.3	22.7	49.2	12.6	22.5	4.5
1993	90.0	36.8	71.9	23.9	50.9	10.9	21.9	4.0
1994	91.1	38.1	74.5	26.1	48.9	12.8	34.4*	8.1*
1995	90.6	37.1	73.5	25.1	46.3	11.6	29.8*	6.8*
1996	91.4	43.7	77.8	28.5	48.6	14.9	21.7	5.2
1997	92.7	44.7	76.2	27.1	49.9	15.5	20.9	5.1
1998	91.7	46.0	76.6	30.0	48.9	13.9	18.7	4.3
1999	92.2	46.4	76.1	32.0	51.7	19.1	21.4	4.9

* For the age group of 65-69

Source: Singapore Ministry of Labour, Annual Report

Table 6.6 Main Reasons for Working After Retirement, 1995

	Total		Male		Female	
	55-64	65+	55-64	65 +	55-64	65+
Total	100.0	100.0	100.0	100.0	100.0	100.0
Need Money for Own & Family Expense	43.2	22.9	39.1	23.9	56.1	18.7
Need Money for Future Financial Security	7.1	12.0	9.4	10.4	-	18.7
To lead an Active Live	26.0	36.1	29.7	35.8	14.6	37.5
Feel Bored	21.9	21.7	19.5	25.4	29.3	6.3
Others	1.8	7.2	2.3	4.5	-	18.7

Source: Singaporean Ministry of Health, 1996: 37, Table 6.8.

6.4.4 The vicissitudes of older people's income from social security, intra-family support and the labour market

Discussions in the above sections have shown that older people in Singapore do not get adequate income protection from the CPF, nor do they have to rely on participation in the labour market for later life. Their main reason for not having to rely on these sectors is that they have a family to count on. Table 6.7 reaffirms this inference. It shows that the family is the most important financial source for older people, and this importance increases with age.

Table 6.7 Most Important Source of Finance Support, Singapore, 1995

income sources	Age Group				
	Total 55 & above	55-59	60-64	65-74	75 & above
Children	64.0	41.1	57.4	79.0	85.7
Salaries/Business income	25.7	45.9	32.6	13.5	3.9
Spouse	3.7	7.9	3.3	1.7	0.9
Others	6.6	5.1	6.7	5.8	9.5

Source: Singapore Ministry of Health, 1996: 21, Table 5.3.

In 1995, for people aged between 55 and 59, who were still considered as suitable for employment and were supposed to be participating in the labour market, 41.1 per cent of them had already taken the family as their main source of finance for living. For people aged 65 or above, more than four-fifths of them are counting on their family for later life. On the other hand, there was still a significant proportion of people receiving financial resources from the commodification sector, including salaries and business incomes. However, not surprisingly, the proportion of this group of people declines sharply with age. Most surprisingly, income from the social security system, which is commonly the most important source for older people's financial support in the West, did not even exist in this table as an alternative for older people's financial source.

Table 6.7 also shows that the relation between financial support from the family sector and from the commodification sector was almost a perfect complement. There were less than one-tenth who stated that their main financial source came from either of these sectors. As the proportion of people relying on incomes from the commodification sectors declines with age, the proportion of people counting on family increases with age almost at the same percentage points.

Table 6.8 Respondents with/without cash contributions from relatives, 1983

Cash contribution from relatives	Males			Females			Total		
	With income	Without income	Total	With income	Without income	Total	With income	Without income	Total
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
With	67.4	92.4	75.2	80.4	96.2	92.0	71.3	95.2	84.0
Without	32.6	7.6	24.8	19.6	3.8	8.0	28.7	4.8	16.0

Source: Singaporean Ministry of Affairs, 1983:25, Table 3.2.

Table 6.8 reaffirms the complementary relationship between financial resources from the family sector and the commodification sector once again. It shows that, although the vast majority of people aged 55 or above received money from relatives, there was a significant difference in proportions of people receiving money from relatives between those who had their own income and those who had not. On the other hand, a higher proportion of females with income still received cash contributions from relatives (80.4 per cent) than their male counterparts did (67.4 per cent). This gap confirms that older women's wages from the labour market are significantly lower than those of their male counterpart. Overall, only 4.8 per cent of people aged 55 or above without their own income did not received cash contributions from relatives.

6.5 Conclusion

Singapore's modern old age social security system, the CPF, was established as early as the 1950s, synchronized with many advanced capitalistic countries in the West. Although at the first stage there were critical challenges toward the CPF and serious campaigns for an alternative to this approach, it survived and has become a major system not only for old age protection but also for other parts of Singaporeans' life, such as housing and economic development. This compulsory saving system, which has accumulated to an amount equivalent to 61.4 per cent of the GDP in 1999, now provides financial resources for old age, medical services, and housing for the Singaporeans, and serves as a cheap capital for the government for infrastructure and investment. It is not an exaggeration to say that, had it not been for the CPF system it would not have been possible for Singapore to be enjoying the current high degree of economic prosperity and social cohesion.

Ironically, the CPF's role in protecting old age is not addressed and emphasized so often

as its role in providing housing and in economic development, both by the government and the academia. In the field of old age protection, what the government has been addressing most is the importance of family obligation. There is no doubt that, based on the analysis in earlier sections, the government regards the family as the best and necessary solution to population aging. Since the 1980s when symptoms of population aging have become clearer, the government has reaffirmed family obligation to support older people by introducing a new law, and has encouraged family transfer in the CPF saving by offering financial incentives.

It is the autonomy of the state that has made it possible for Singapore, unlike other democratic capitalistic countries which all generally have expanded their old age income protection system in the past four decades, to take the traditional approach of family obligation in response to population aging. Although Singapore has been a democratic country with universal suffrage since the late 1950s, there has not been any significant opposition force or interest group that might challenge or influence the PAP government's orientation of public policy. Therefore the government has been able to stick to its preference of policy orientations. The government's insistence on not expanding the social security system, and taking the family as the major mechanism to deal with social risks and to meet people's need, has not faced any serious challenge. On the other hand, the fact that family cohesion has been very strong in Singaporean society also helps to build the consensus of a familisation approach in response to aging, which has made the Singaporean case distinctive from all other democratic capitalistic countries.

With the deliberate plan by the government, the ties between older people's financial need and their family are getting tighter. The majority of older people still count on their

family rather than the social security system for their later life. With the monopoly power in policy making, the PAP government has successfully established a system which emphasizes the role of the family, rather than the government, in providing old age income security. In this regard, Singapore has proved that a social security system is not necessarily a de-familisation one, but could also be a familisation one.

Chapter Seven

Old age income protection in Taiwan: vicissitudes of familisation and de-familisation

As discussed in Chapters Four to Six, although modern social provision system for older people have been introduced for decades in Taiwan, Hong Kong and Singapore, the family is still the main mechanism for old age income protection in these countries. Do these systems in these countries not have significant effects on the de-familisation of older people's income, as witnessed in Western countries? In a situation where old age income protection system was not sufficient, how did older people cope to secure their later life? And what are the impacts of incomes from social provisions, labour market earnings and family support on older people's living standards? This chapter seeks to answer these questions by using empirical data. As mentioned in Chapter Three, as there is no existing data which is comparable about Taiwan, Hong Kong and Singapore on these issues, this chapter will focus only on the situation of Taiwan.

The data used in this chapter is data of "Survey of Health and Living Status of the Middle Aged and Elderly in Taiwan" collected by National Institute of Family Planning, Department of Health, the Executive Yuan (Taiwan), and Population Studies Centre, University of Michigan (USA). This is panel data interviewing a same group of people at different points of time. The population of the first survey were those who aged 60 or over. Samples were selected based on multi-stage random sampling. At the first stage of sampling, all 331 non-aboriginal cities, towns and counties in Taiwan were divided into 27 levels based on administrative divisions, education levels and total fertility rates.

Fifty-six of the 331 towns were then randomly selected as sampling areas. At the second stage, several neighborhood zones were randomly selected in each sampling area as sampling blocks. The last stage randomly selected two cases in each neighborhood zone as samples of the survey.

The panel data used in this chapter are from the first (1989), second (1993) and third waves (1996) of the survey. In the first wave, a total sample of 4,412 cases were randomly selected, among those who were aged 60 or over, of whom 4,049 cases were successfully interviewed, achieving a successful interview rate of 91.8 per cent. In 1993, 894 cases were lost due to attrition (death or lost contact of the survey), which reduced the number of cases to 3155. By 1996, another 798 cases were lost due to attrition, and the number of total cases was 2,669.

This chapter first explores respondents' income source in 1989, when the survey was first conducted, followed by analysis on changes of their income source from 1989 to 1993 and from 1993 to 1996, and finally examines impacts of these changes on respondent's living standards. The first part of this chapter will use percentage distributions and cross-tables to illustrate respondents' major income sources during different periods of time. In the second part of this chapter, several models of income source will be categorised, and logistic regression models will be used to examine the impact of respondents' characteristics on their likelihood of falling into each of these models. As the probability of respondents' falling into each of these models is between 0 and 1, logistic regression, which is design to describe a probability (Kleinbeaum, 1994), is the most suitable tool to be employed in this part. The third part will also use logistic

regressions to examine the impact of these income models on respondents' living standards.

7.1 Older people's major income source in Taiwan, 1989

Table 7.1 shows percentage distribution of respondents' income sources in 1989, when the first survey was conducted. It shows that the family, especially sons and daughters-in-law, was the major source for older people's income. Forty-five per cent of the respondents received income from their sons and/or daughters-in-law living in the same household, and 34.9 per cent of them received income from sons and/or daughters-in-law not living in the same household. Daughters and sons-in-law, on the other hand, regardless of whether they were living in the same household with the respondent or not, were relatively less important in supporting older people's income. Only a minority of the respondents had income from the labour market and the financial markets (the stock and estate markets). Only about one-third (36.4 per cent) of the respondents still earned income from the labour market, and less than one-tenth of them gained any income from the financial market. In addition, more than eighty per cent of the respondents did not have any pensions, retirement payments or old age benefits. This figure clearly indicates that Taiwan's old age income protection system needed radical reform and expansion.

On the other hand, it was common that a respondent's income came from a mix of different sectors rather than from only one sector. As it can be seen from Table 7.2 that large proportions of respondents received income from more than one sector. Among those who received income from their family, about one-fourth (24.1 per cent) of them also had earnings from the labour market, and one-tenth (10.0 per cent) of them also received old age or retirement benefits. Among those who had earnings from the labour

market, nearly half of them (46.5 per cent) also received financial support from the family, and 14.8 per cent of them also at the same time enjoyed old age or retirement benefits. Among those who enjoyed social provisions, more than one-third (35.3 per cent) of them also received income from the family, and more than one-fourth (27.0 per cent) of them also had income from the labour market.

Table 7.1 Percentage of respondents receiving income from various sources, 1989

Income source	Percentage
From work	36.4% (1,471)
From son, daughter-in-law living in the same household	44.9% (1,811)
From son, daughter-in-law not living in the same household	34.9% (1,409)
From daughter, son-in-law living in the same household	7.8% (313)
From daughter, son-in-law not living in the same household	10.6% (427)
From pension, retirement payment or old age benefits	19.9% (804)
From rent or savings	7.0% (284)
From stock, estate exchange	1.0% (42)
Others	3.9% (156)

N = 4,018

Source: Author's calculation.

Table 7.2 Matrix of respondent's income sources, 1989

	Also received income from		
Received income from	Family	Labour market	Social provisions ¹
Family		680 (24.1%)	283 (10.0)
Labour market	680 (46.5%)		216 (14.8%)
Social provisions	283 (35.3%)	216 (27.0%)	

Number of total valid observations: 4,018

Source: Author's calculation.

This picture provides important implications. First, it indicates that the relation of family support, labour market earnings, and social provision was not a replacement, but a supplement. Receiving income from one of these sectors did not prevent them from gaining financial resource from other sectors. It is also important to note that, compared to respondents who received income from the labour market and social provisions, respondents who received income from the family and at the same time received income from other sectors are substantially smaller. This is certainly not to say that those who received income from the family had the smallest need to get financial resources from the other sectors. Rather, it suggests that those who relied on family support were the most disadvantaged group who were less likely to be able to get any income from other sectors. Second, although the amount of money respondents received from each sector is not available, it is reasonable to argue that a large proportion of them received income from a second income source implies that income from only one source was not sufficient. The fact that high proportions of respondents who enjoyed old age or

¹ This includes all kinds of pensions and retirement payments provided by the government and employers. In Taiwan, retirement payments have been made compulsory by the government since 1984, thus are categorised as social provisions too. Personal pension schemes are practically not existed in

retirement benefits also received income from the family and the labour market at the same time might result from the insufficiency of the old age income protection system, which has been discussed in Chapter Four.

Table 7.3 provides another picture of respondents' major income sources. It compares the importance of different sectors in terms of being the major income source of the respondents. It shows that more than half of the respondents (52.0 per cent) mainly relied on their family. Only about one-third (32.8 per cent) of them counted on markets (mainly but not exclusively the labour market), and only 14.3 per cent of the respondents said that social provisions were their most important income source. It is clear that these pictures are very different from those in most of the western capitalistic advanced countries where social security benefits have replaced family support and labour market earnings as older people's major income source since long time ago. These figures have also once again confirmed that, as discussed in Chapter Four, although Taiwan's social insurance system was introduced as early as 1950 and covered the majority of employees and providing old age benefits for the insured, its impact on the de-familisation in older people's income was very limited.

7.3 Respondent's most important income source, 1989 (%)

Income source	Family	Markets*	Social provisions	Others	Total
Percentage	52.03	32.79	14.25	0.93	100.0

Source: Author's calculation.

*: Mainly the labour market, also including the estate market and the financial market, as can be seen in Table 7.1.

It comes no surprise that there are significant differences between different groups of respondents in terms of their social and economic characteristics in their most important income source. As Table 7.4 shows, the percentage distributions of respondents' major income source for respondents' in different groups of gender, age groups, education levels, marital status, working status, number of living children, family size, and total monthly money income are significantly different. Male were more likely than female to rely on the labour market and social provisions, while female were more likely to count on the family. As high as 70.8 per cent of female still depended on their family, compared to 38.0 per cent of their male counterparts. Forty per cent of men had earnings from the markets as their main income source, while only 22.8 per cent of women fell into this category. Only one in twenty female (5.5 per cent) relied mostly on social provisions, while one in five (20.8 per cent) of male did so. The difference of the respondent's major income source between male and female is not difficult to understand. Compared to female, male are more advantaged in the labour market in terms of occupying a better position and gaining higher wages. Male's advantaged position in the labour market, coupled with the fact that Taiwan's old age social security system is strongly linked to people's participation in the labour market, made them the beneficiary group enjoying retirement payments. Being disadvantaged in the labour market, and thus in the old age income protection system, most female were less likely to have income from the labour market and social provision, and were more likely to have to rely on their family.

7.4 Cross-table of respondent's most important income source, 1989 (%)

Independent variables		Income source				
		Family	Markets	Social provision	Others	Total
Sex***	Male	38.03	40.24	20.76	0.97	100.00
	Female	70.83	22.79	5.50	0.89	100.00
Age group***	60-64	36.53	47.67	14.84	0.96	100.00
	65-69	49.96	31.43	17.65	0.97	100.00
	70-74	65.11	22.41	11.63	0.85	100.00
	75-79	74.40	14.59	10.05	0.96	100.00
	80+	79.57	10.21	9.36	0.85	100.00
Education level***	Illiterate	71.98	22.17	4.99	0.86	100.00
	Can read or primary	47.42	37.33	14.36	0.89	100.00
	Jr high or jr vocational	24.69	44.69	29.38	1.25	100.00
	Sr high or above	14.65	47.21	36.98	1.16	100.00
Marital status***	Married	46.53	39.38	13.27	0.59	100.00
	Separated or divorced	21.31	31.15	43.44	4.10	100.00
	Widowed	73.91	17.54	7.75	0.80	100.00
	Never married	4.00	34.67	56.00	5.33	100.00
Number of living children***	0	2.67	40.00	50.67	6.67	100.00
	1-3	39.67	37.44	22.02	0.97	100.00
	4-6	57.26	32.73	9.38	0.64	100.00
	7 or more	68.52	26.30	4.83	0.36	100.00
Family size***	1-2	33.59	39.32	25.73	1.36	100.00
	3-4	41.50	40.39	17.36	0.74	100.00
	5-6	60.00	28.56	10.35	1.09	100.00
	7-8	67.17	25.79	6.30	0.75	100.00
	9 or more	73.86	23.64	2.27	0.23	100.00
Work status***	Currently working	18.33	75.53	5.52	0.62	100.00
	Currently not working	65.43	15.82	17.69	1.06	100.00
Total monthly money income***	Less than NT\$ 5,000	78.39	16.38	3.97	1.26	100.00
	NT\$ 5,000-9,999	51.26	31.21	16.87	0.66	100.00
	NT\$ 10,000-19,999	40.29	39.52	19.43	0.77	100.00
	2,0000 or more	24.22	58.98	16.31	0.49	100.00

χ^2 test: ***: p<.001

It is also the shortcomings of Taiwan's social insurance system that have resulted in the

significant difference in respondents' main income source in different age groups. As discussed in Chapter Four, Taiwan's social security old age benefits are lump-sum payments rather than pensions. The average level of payments is low and thus is not sufficient for maintaining a retirement life for too long. Therefore, the 'old old' eventually have to rely on their family, even if they received old age benefits at their retirement. Therefore, it comes no surprise that, as shown in Table 7.4, with the increase of age, lower proportions of respondents relied on social provisions and higher proportions of them relied on family support. The insufficiency of the old age income protection also explains the fact that there were significant proportions of respondents, even in the highest age groups, who had to be involved in market activities to manage their finance.

It is also not surprising that, compared to respondents with weaker education backgrounds, a higher proportion of respondents in higher education groups relied on markets and social provisions for later life, as education backgrounds are strongly linked to labour market positions and the level of wages. Again, the advantaged positions in the labour market make people with higher education levels the favourable groups to enjoy social provisions. By contrast, respondents with relatively limited education levels, being disadvantaged in the labour market and thus the social provision system, are more likely to rely on their families.

Respondents' marital status was also associated with their major income source. Compared to those who had a spouse, a higher proportion of widowed respondents relied on family support as their major income source. Forty-six per cent of married respondents depended on their family, while 74.9 per cent of widowed respondents did so. This difference may result from the fact that, compared to those who were married,

respondents who were widowed were more likely to be female and tended to fall into older age groups. Those who were separated or divorced or never married had different types of percentage distribution in their major income source compared with the two groups mentioned above. However, the total number of cases that fell into these two categories were limited, and they only accounted for 3.4 per cent and 4.2 per cent respectively of the total valid cases.

The proportion of respondents relying on family increased with the increase of the number of living children. Less than forty per cent of those who had fewer than three children relied on their family, compared to 68.5 per cent of those who had more than seven children. On the other hand, with the increase of number of children, the proportions of respondents depending on the labour markets and social provisions increased. This might result from the fact that there is usually a negative correlation between individuals' social and economic status and the number of their children. Respondents who did not have any living children had a very different picture in terms of the percentage distribution of their major income source, but they totaled only accounted for 1.9 per cent of the valid sample.

The proportion of respondents relying on family also increased with the increase of number of people living in the same household. For respondents who lived alone or lived with only one person, only one-third (33.6 per cent) of them relied on their families; while more than two-thirds of respondents who lived in a household with more than eight persons did so. By contrast, a larger proportion of respondents who lived in a small household had income from markets and enjoyed social provisions. The negative association between individuals' economic situation and the size of their household can explain this difference. Wealthier families are financially more able to divide themselves

into several households, while less wealthier families often need to reduce their expenditure by sticking with each other under the same roof. Therefore, people who live in a small household are more likely to be those who have a better position in the labour market, and thus, under Taiwan's employment-related social insurance system, are more likely to enjoy social provisions.

Working status also had a strong connection with the respondents' major income sources. For those who were currently working, more than three-quarters (75.5 per cent) of them depended on their earnings as their main income source. For those who were currently not working, about two-third (65.4 per cent) of them had to rely on their family, and only 17.7 per cent of them depended on social provisions. These figures once again confirm the insufficiency of the old age income protection system to compensate labourers' earnings from commodify sectors after their retirement, and, it is the family, not the social protection system, that support older people when they no longer participate in the labour market.

There was also an association between respondent's income and their major income source. Compared to people with higher income, a higher proportion of respondents in lower income groups relied on their family. In the lowest income group where respondent's total monthly income were less than NT\$5,000 (equivalent to about £100), about four in five (78.4 per cent) of them relied on their family, while only less than one in twenty-five (4.0 per cent) of them depended on social provisions. These figures again confirm the fact that the most disadvantaged groups are more likely to be excluded from the social insurance old age benefits system. The fact that only a very small proportion of respondents in the lowest income group relied on social provisions also indicates that the scope of the social assistance system is rather limited.

Overall speaking, the picture of Taiwanese older people's major income source is very different from those in Western countries. As Whiteford's study finds out, in mid-1980s, compared to those in higher income groups, higher proportions of older people who were in lower quintile income groups received social security benefits and relied social transfers as their major source of income (Whiteford, 1994). As a consequence, social security systems have become a good mechanism for income redistribution. The social insurance system in Taiwan, however, has a reverse effect on income redistribution for older people. The employment-related principle for payments has made it a system extending income inequality in the labour market until after retirement.

7.2 Changes of older people's major income source, 1989-1993

This section is to analyse changes of respondents' major income source from 1989 to 1993 to see the dynamics of their financial resource. Table 7.5 shows changes of respondents' major income source during this period. It reveals that the proportion of respondents relied on family support increased rather than decreased from 1989 (51.9%) to 1993 (55.1%). In other words, overall, respondent's income sources during this period were moving slightly toward familisation rather than de-familisation. There are three possible explanations. First, compared to those who depended on other income sources, respondents who relied on the family in 1989 might have a higher rate of successful interview in 1993. However, the logistic model has rejected this assumption. As shown in Table 7.6, from 1989 to 1993, compared to respondents relying on family support, respondents who depended on market earnings had a higher successful interview rate, and respondents who depended on social provisions had a lower successful interview rate. The issue of successful interview rate is not the interest of this research, but Table 7.6 has clearly shown that respondents relying on family support were not the group who

had the highest successful interview rate.

Table 7.5 Changes of respondent's major income source, 1989-93

Major income source, 1989	Major income source, 1993			Total
	Family (55.1%)	Market (29.8%)	Government (15.1%)	
Family (51.9%)	1,225 79.7%	265 17.2%	47 3.1%	1,537 100.0
Market (35.2%)	355 34.1%	535 51.3%	152 14.6%	1,042 100.0
Government (13.0%)	53 13.8%	83 21.6%	248 64.6%	384 100.0

N=2963

χ^2 test: ***: $p < .001$

Source: Author's calculation from the 1989 and 1993 raw data.

Second, the move towards familisation might be a result of socio-economic change during this period. However, there were no major changes in governmental policies toward the labour market and the old age income protection system during this period. Therefore, this explanation cannot sustain. The third possible reason was the effect of ageing. As discussed above, people in higher age groups are more likely to rely on their family than their younger counterparts. In 1993, all respondents were four years older than when they were in 1989, thus, if all other factors remained equal, the proportion of respondents relying on family support would naturally increased.

Table 7.6 Logistic regression model predicting respondent's successful interview rate,
1989-93

Major income source in 1989	Being successfully interviewed in 1993
Major income was from the family	<i>(omitted)</i>
Major income was from markets	0.376 (.090)
Major income was from social provisions	-.214*** (.108)
Intercept	1.202* (.523)
Log-Likelihood	4074.186
Model χ^2 test	<.0001

N=3,922; Standard errors in brackets.

***:p<.001; **:p<.01; *:p<.05.

Source: Author's calculation.

Table 7.5 also reveals that respondents' major income source was rather stable during the period from 1989 to 1993. About three-quarters of the respondents' major income source remained the same in 1993 as in 1989, and totally only 25.4 per cent of the respondents changed their major income source between these two points of time. Especially, respondents who relied on family support had the highest proportion - 79.7 per cent - remained the same in 1993, and only 17.2 per cent of them changed their major income source to market earnings and only 3.1 per cent of them changed it into social provisions. These figures again indicate that the effect of the social provision system in de-familising older people's income was very limited. They also suggest that, with the insufficiency of the old age income protection system, family is to many people the only resort for later life.

It also can be seen from Table 7.5 that almost half of respondents (48.7 per cent) relying on market earnings in 1989 changed their major income source in 1993. Among this group of respondents, 34.1 per cent of them changed it into family, while only 14.6 per cent of them changed into social provisions. These figures suggest that the effect of de-commodification of the old age income protection system was very limited. For the majority of older people, it was the family, not the old age income protection system, which they could count on when they no longer participated in the labour market.

For those who relied on social provisions in 1989, about two-third of them remained the same in 1993. Among this group, 13.8 per cent of them changed it into family support, and 21.6 per cent of them changed it into market earnings. This is a dramatic picture that such high proportions of respondents shifted their major income source from the social provision into other sectors in such a short period of time. It again confirms the insufficiency of the old age income protection system. It suggests that even if people were fortunate enough to receive retirement payments or old age benefits, many of them could just count on these benefits for a short period of time and had to manage to find other financial resources.

7.3 Types of respondent's major income sources, 1989-1993

By comparing respondents' major income sources between 1989 and 1993, changes of their major income can be categorised into seven models, as illustrated in Table 7.7, namely Family, Market, Government, Familisation, Commodification, De-familisation and De-commodification. As can be seen in the same Table, the model of Family is the biggest group and the model of Market comes second. By contrast, only small proportions of respondents fell into the models of De-familisation and De-commodification. This section is to analyse the connection between respondents'

socio-demographic backgrounds and the models of their major income source.

Table 7.7 Types of respondent's major income source, 1989-93

Major income source, 1989	Major income source, 1993		
	Family	Market	Social provisions
Family	1225 41.3%	265 8.9%	47 1.6%
	Family	Commodification	De-familisation
Market	355 12.0%	535 18.1%	152 5.1%
	Familisation	Market	De-commodification
Government	53 1.8%	83 2.8%	248 8.4%
	Familisation	Commodification	Government

N= 2,963

Table 7.8 shows the results of logistic models comparing respondent's socio-demographic backgrounds and the probability of their falling into different models of major income sources. It can be seen from this Table that several characteristics and social economic factors had a significant impact on respondents' probability of falling into different models. Compared to females, males were more likely to fall into the model of De-commodification and less likely to fall into the models of Family and Familisation. This picture again confirms a male's relatively advantaged position in getting old age benefits from the social security system. Being disadvantaged in the labour market and thus the old age income protection system, females were more likely to take the family as their last resort.

Table 7.8 Logistic regression predicting respondent's model of major income sources, 1989-93

Independent variables	Models of income source						
	Family	Market	Govern-m ent	Familisa- tion	Commodi -fication	De-famili- sation	De-commo- dification
Gender							
Female	(Omitted)						
Male	-.343** (.109)	.439 (.333)	.525 (.275)	-.493*** (.144)	-.076 (.122)	.232 (.366)	2.115*** (.242)
Age (year)	.037*** (.009)	-.014 (.028)	-.081** (.026)	-.011 (.013)	.001 (.010)	-.002 (.031)	-.076*** (.017)
Education (year)	-.101*** (.014)	.116*** (.031)	.094*** (.022)	-.034* (.016)	-.002 (.013)	.020 (.039)	.122*** (.020)
Monthly income							
Less than 5,000	(Omitted)						
5,000-9,999	-.701*** (.132)	1.200* (.535)	.976 (.668)	.263 (.177)	.206 (.153)	.028 (.554)	2.695*** (.481)
10,000-19,999	-.0920*** (.128)	1.303* (.518)	1.773** (.611)	.247 (.170)	.207 (.147)	.938* (.451)	2.765*** (.476)
20000 and above	-1.471*** (0.174)	1.307* (.568)	2.553*** (.618)	-.141 (.220)	.700*** (.174)	.087 (.614)	2.227*** (.505)
Marital status							
89 married, 93 married	(Omitted)						
89 married, 93 not married	.894 (.186)	-1.363 (1.028)	-.005 (.496)	.106 (.226)	-.227 (.211)	-1.263 (1.030)	.710* (.349)
89 not married, 93 not married	.199 (.114)	.304 (.319)	-.312 (.304)	-.522*** (.159)	-.370** (.129)	-.248 (.395)	1.099*** (.202)
Work status							
89 working, 93 working	(Omitted)						
89 working, 93 not working	.686** (.234)	-.099 (.548)	2.064*** (.324)	1.304*** (.186)	-2.114*** (.161)	11.912 (151.1)	1.336* (.575)
89 not working, 93 working	.772** (.282)	2.319*** (.515)	-.691 (1.054)	-.501 (.334)	-.784*** (.209)	11.237 (151.1)	1.942** (.698)
89 not working, 93 not working	2.208*** (.203)	.5867 (.442)	.787* (.343)	-.474* (.193)	-2.586*** (.148)	12.423 (151.1)	3.639*** (.522)
Change of family size (person)	-.022 (.018)	.076 (.051)	.027 (.040)	.036 (.022)	-.022 (.018)	-.018 (.062)	.028 (.039)
Intercept	-3.379*** (.635)	-5.502** (1.904)	-1.252 (1.792)	-.705 (.846)	.785 (.696)	-16.553 (151.1)	-5.292*** (1.230)
Log-Likelihood	3515.042	607.764	1072.786	2126.557	3058.481	429.770	1424.558
Model χ^2 Test	<.0001	<.0001	<.0001	<.0001	<.0001	.0030	<.0001

Note: N=2,597. Standard errors in brackets.

*: p<.05; **: p<.01; ***: p<.001

Source: Author's calculation.

Respondents' age also had an impact on the likelihood of their falling into some of these models. With the increase of age, the probability of respondents' falling into the model of Family also increased significantly, and probability of falling into the models of Government and De-commodification decreased significantly. In other words, compared to the 'young old', the 'old old' are less likely to enjoy social security old age benefits. This picture again suggests that Taiwan's lump-sum social insurance retirement payments were not a good mechanism for older people's long term income security.

Respondents' education level also affected their probability of falling into some of these models. The higher education level they had, the more likely they would fall into the models of Family and Familisation, and the less likely they would fall into the models of Government and De-commodification. Again, this picture suggests that older people were divided into two different worlds where those with low education level were more likely to rely on the family, while those with high education level were more likely to enjoy social security benefits.

Respondents' income also had significant impact on their falling into some of these models. Generally speaking, respondents who were in higher income groups were more likely to fall into the models of Market, Government, and De-commodification, and were less likely to fall into the model of Family. It is also worth noting that, compared to respondents whose monthly income was less than NT\$ 5,000, respondents whose income was more than 20,000 were more likely to fall into the model of Commodification. In other words, older people who re-enter the labour market (i.e. the commodification sector) are likely to be the economically advantaged group rather than disadvantaged group. On the other hand, compared to the lowest income group (less than NT\$5,000), only those who were in the middle income group (NT\$10,000 to

NT\$19,000) had a higher probability of falling into the model of De-familisation. Compared with respondents who were in the lowest income group, those who were in mid-low income group (NT\$5,000 to NT\$9,999) and in the highest income group (NT\$20,000 or above) did not have a significantly higher probability of being de-familised in their major income. This suggests that respondents in middle-low income group were like those who were in the lowest income groups who had little chance to depart from the reliance on the family. As those who were in the highest income group, they would turn to markets (which would fall themselves into the model of Commodification) rather than the state (which would fall themselves into the model of De-familisation) as an alternative for family support.

Compared to those who had a spouse in 1993, respondents who were not married in 1993 were more likely to fall into the model of De-commodification. In addition, those who were not married both in 1989 and in 1993 were less likely to fall into the models of Familisation and Commodification. On the other hand, compared to those who were working both in 1989 and 1993, respondents who had different work status either in 1989 or in 1993 were more likely to fall into the models of Familisation and De-commodification, and were less likely to fall into the model of De-commodification.

7.4 Changes of older people's income source, 1993-1996

Unlike the period between 1989 to 1993 in which the government did not have any significant reform in the old age income protection system, the period between 1993 to 1996 saw significant expansion of the means-tested old age benefit system. As discussed in Chapter Four, the MLIEA and the OFA were introduced in 1993 and 1995 respectively. In addition, since 1993, several local governments also started to provide a universal old age allowance to its citizens. This expansion of the social security system might have

significant effects on models of older people's major income source.

Table 7.9 presents changes of respondents' major income source between 1993 and 1996. It can be seen from this Table that the percentage distributions of different models are very different from those in Table 7.7, which presents changes of respondents' major income source from 1989 to 1993. It shows that, although the respondents were three years older, the percentage of respondents relying on the family declined dramatically, from 54.0 per cent in 1993 to 40.3 per cent in 1996. The proportion of older people relying on social provisions, on the other hand, increased sharply from 14.9 per cent to 38.5 per cent during the same period of time. For respondents whose major income was family in 1993, 57.1 per cent of them remained the same in 1996. On the other hand, 30.4 per cent of respondents relying on family support in 1993 changed it into social provisions in 1996. For respondents relying on market earnings in 1993, 33.8 per cent of them changed it into social provisions in 1996. For respondents relying on social provisions in 1993, more than two-third (77.7 per cent) of them remained the same in 1996, and only 10.7 per cent of them changed it into family and only 11.6 of them changed it into market.

Table 7.9 Changes of respondent's major income source, 1993-96¹

Major income source, 1993	Major income source, 1996			
	Family	Market	Government	Total
	(40.3%)	(21.2%)	(38.5%)	100.0%
Family	697	152	371	1220
(54.0%)	57.1%	12.5%	30.4%	100.0%
	Family	Commodification	De-familisation	
Market	179	288	238	705
(31.2%)	25.4%	40.9%	33.8%	100.0%
	Familisation	Market	De-commodification	
Government	36	39	261	336
(14.9%)	10.7%	11.6%	77.7%	100.0%
	Familisation	Commodification	Government	

χ^2 test: $p < .001$

Source: Author's calculation.

¹: Since respondents who survive in 1993 but not in 1996 are excluded from this table, the frequency and percentage distributions of 1993 in this table are not the same as those in Table 7.5.

This picture clearly suggests that the expansion of the old age income protection system since 1993 had a significant impact on respondents' major income source in the period of 1993-96. Overall, compared with the period of 1989-93, from 1993 to 1996 the proportion of respondents relying on family support declined sharply, the proportion of them relying on social provisions increased dramatically, and large proportions of them departed from the reliance on family support or market earning to become relying on social provisions. These changes together provide strong evidence that the expansion of the old age income protection system had substantially increased the de-familisation and de-commodification of older people's income. It also suggests that, to many respondents, social provisions served as a substitution to family support and market earnings. Once old age benefits were made available, significant proportions of those who relied on

family support or market earnings would change their major income source into these benefits within a very short period of time.

Table 7.10 shows the results of logistic models of respondents' models of major income and their characteristics and social economic background between 1993 and 1996. It clearly demonstrates again that respondents' characteristics and their social economic background had significant impact on the probability of their falling into different models. It also shows that, compared with the period of 1989-93, the impact of independent variables on respondents' probability of falling into the same models changed. In other words, the expansion of old age income security system since 1993 not only changed the percentage distribution of respondents' major income sources, but also altered the path of their major income sources. To avoid repetition, this chapter is not going to discuss the relationship between respondents' income model and each of their socio-demographic backgrounds again, as many of them were explained in section 7.5. In stead, this chapter is going on to compare the similarities and differences of significance of respondent's backgrounds and their likelihood of falling into various models of major income between 1989-93 and 1993-96.

Table 7.10 Logistic regression models predicting types of respondent's major income sources, 1993-96

Independent variables	Models of income source						
	Family	Market	Govern- -ment	Famili- -sation	Commodi- -fication	De-famili- -sation	De-commo- -dification
Gender							
Female	(omitted)						
Male	-.450*** (.110)	-.141 (.178)	1.737*** (.216)	-.144 (.167)	-.453* (.182)	-.029 (.137)	.643*** (.176)
Age (year)	.008 (.010)	-.017 (.017)	-.060*** (.017)	.014 (.015)	.014 (.016)	.027* (.011)	-.050** (.016)
Education (year)	-.064*** (.014)	.016 (.018)	.091*** (.017)	-.010 (.019)	.s018 (.020)	-.065*** (.019)	.044* (.018)
Monthly income							
Less than 5,000	(omitted)						
5,000-9,999	.600*** (.128)	.289 (.233)	1.254*** (.370)	.126 (.211)	-.225 (.215)	-.932*** (.158)	-.045 (.205)
10,000-19,999	.135 (.133)	.641** (.213)	2.499*** (.333)	.494* (.196)	-.444* (.221)	-1.142*** (.168)	-.456* (.211)
20000 and above	-.497** (.174)	.937*** (.224)	2.636*** (.344)	.159 (.239)	-.077 (.229)	-1.862*** (.258)	-.010 (.216)
Marital status							
93 married, 96 married	(omitted)						
93 married, 96 not married	.422* (.190)	-.326 (.318)	.176 (.336)	-.166 (.299)	.076 (.295)	-.284 (.249)	-.323 (.349)
93 not married, 96 not married	.341** (.112)	-.556** (.198)	.603** (.189)	-.395* (.179)	-.396* (.195)	-.290* (.139)	.222 (.171)
Work status							
93 working, 96 working	(omitted)						
93 working, 96 not working	1.773*** (.250)	-2.775*** (.171)	2.877*** (.430)	.538 (.279)	-1.043*** (.020)	1.178*** (.291)	.155 (.230)
93 not working, 96 working	.952** (.307)	-2.155*** (.253)	.645 (.576)	1.280*** (.318)	-1.317*** (.364)	.638 (.370)	1.742*** (.258)
93 not working, 96 not working	-.333 (.349)	-.355** (.134)	.991*** (.205)	-4.526 (201)	.423*** (.128)	.117 (.226)	-4.660 (186.9)
Intercept	-2.666*** (.677)	.853 (1.130)	-4.541*** (1.201)	-3.700*** (1.013)	-2.021 (1.056)	-3.468*** (.791)	.213 (1.077)
Log-Likelihood	2810.070	1736.069	1616.092	1423.421	1335.642	2030.083	1533.307
Model χ^2 Test	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001

Note: N=2275. Standard errors in parentheses.

*p<.05; **p<.01; ***<.001

Source: Calculated from the 1993 and 1996 raw data.

7.5 A Comparison of impacts of respondent's backgrounds on income models

Table 7.11 compares the similarities and differences of significance of respondents' backgrounds on their likelihood of falling into different income models during the two periods of 1989-93 and 1993-96. It shows that during these two periods, the impact of some respondents' characteristics and social economic backgrounds on the significance of the probability of respondents' falling into some models of income source had not changed. Males were, compared to females, more likely to fall into the model of De-commodification, and less likely to fall into the model of Family. The probability of falling into the models of Government and De-commodification were both declining with the increase of age, and were increasing with respondents' education level. Respondents with higher education were also less likely to fall into the model of Family. Compared to respondents whose monthly income was less than NT\$5,000, those who with monthly income above NT\$10,000 were more likely to fall into the models of Market and Government. And compared to the same benchmark group, those who with monthly income above NT\$20,000 were less likely to fall into the model of Family. Compared to respondents who were married throughout the periods, those who were not married throughout the periods were less likely to fall into the models of Familisation and Commodification. Respondents who changed work status from working to not working compared to those who were working throughout the periods were more likely to fall into the models of Family and Government, and less likely to fall into the model of Commodification.

Table 7.11 Significance of respondent's backgrounds predicting models of respondent's major income source, 1989-93 & 1993-96

Independent variables	Models of income source						
	Family	Market	Govern- -ment	Famili- sation	Commodi- -fication	De-famili- sation	De-commo- dification
Gender							
Female	(omitted)						
Male	-A			-A			A
	-B		B		-B		B
Age							
	A		-A				-A
			-B			B	-B
Education							
	-A	A	A	-A			A
	-B		B			-B	B
Monthly income							
Less than 5,000	(omitted)						
5,000-9,999	-A	A					A
	B		B			-B	
10,000-19,999	-A	A	A			A	A
		B	B	B	-B	-B	-B
20000 and above	-A	A	A		A		A
	-B	B	B			-B	
Marital status							
89 (93) married, 93 (96) married	(omitted)						
89 (93) married, 93 (96) not married							A
	B						
89 (93) not married, 93 (96) not married				-A	-A		A
	B	-B	B	-B	-B	-B	
Work status							
89 (93) working, 93 (96) working	(omitted)						
89 (93) working, 93 (96) not working	A		A	A	-A		A
	B	-B	B		-B	B	
89 (93) not working, 93 (96) working	A	A			-A		A
	B	-B		B	-B		B
89 (93) not working, 93 (96) not working	A		A	-A	-A		A
		-B	B		B		

Note: 1. The significance level chosen here is $p < .05$

2. 'A' means significant in 1989-93; 'B' means significant in 1993-96

3. '+' means the probability is positive, and '-' means the likelihood is negative.

Source: Author's calculation.

Those who changed work status from not working to working compared to those who were working throughout the periods were more likely to fall into the model of Family and De-commodification and less likely to fall into the model of Commodification. Respondents who were not working throughout the periods were compared to those who were working throughout the periods more likely to fall into the model of Government.

What is more interesting is that the impact of some of respondents' backgrounds on the probability of their falling into some models changed from 1989-93 to 1993-96. The most dramatic change occurred within the model of De-familisation. During the period between 1993-96, respondents who were older, or with lower education level or lower income, were more likely to fall into the model De-familisation. This significance did not exist in 1989-93 and only appeared in 1993-96. In other words, unlike in 1989-93 when the most socio-economically advantaged groups are more likely to enjoy social provisions, in 1993-96, the socio-economically disadvantaged respondents were more likely to change their major income source from family into social provisions. This difference suggests that, in 1989-93, the old age income protection system offered social insurance benefits to the socio-economically advantaged groups, while in 1993-96, means-tested benefits which targeted the relatively worse-off groups took over and became the main part of the system.

7.6 Models of older people's major income, 1989-1996

Table 7.12 sums up models of respondents' major income from 1989 to 1996. It shows clearly that the percentage distributions of different models during these two periods are very different. From the first period (1989-93) to the second period (1993-96), the percentage of respondents fell into the models of Market and Commodification declined significantly, from 19.9 per cent to 12.7 per cent and from 12.9 per cent to 8.4 per cent

respectively. This is not surprising, as respondents became older in the second period were thus less likely to participate in the labour market than they were in the first period. The percentage of respondents who relied on Government increased slightly from 9.2 per cent in the first period to 11.5 per cent in the second period.

Table 7.12 Models of respondent's major income source, 1989-93 & 1993-96

	1989-93	1993-96	1989-96 ¹
Family	45.5%	30.8%	23.9% ²
Market	19.9%	12.7%	9.7%
Government	9.2%	11.5%	7.0%
Familisation	15.2%	9.5%	11.6% ³
Commodification	12.9%	8.4%	7.7%
De-familisation	1.7%	16.4%	12.7%
De-commodification	5.6%	10.5%	9.9%
Total	100.0%	100.0%	82.5%

Note: 1. Throughout 1989 to 1996, 17.3 per cent of valid observations changed their major income source twice with different directions, thus can not be categorised into the above models.

2. The model of Family in this column means that respondent's major income was family in 1989 and did not change through 1996. The same principle applies to the models of Market and Government.

3. Including respondents whose major income through 1989-1993-1996 were (market or government)-family-family, market-market-family, or government-government-family. The same principle applies to the models of Commodification, De-familisation, and De-commodification.

Source: Author's calculation.

The biggest changes, though, were related to the family sector. Respondents who fell into the models of Family and Familisation declined sharply from 45.5 per cent to 30.8 per cent and from 15.2 per cent to 9.5 per cent respectively from the first period to the second period. These changes suggest that there were external factors that had

influenced the trend of respondents' major income source during these two periods, otherwise these percentage should have increased as there were getting older.

On the other hand, unlike the first period in which only 1.7 per cent of the respondents fell into the model of De-familisation, 16.4 per cent of respondents fell into this model in the second period. Respondents who fell into the model of De-commodification also increased from 5.6 per cent in the first period to 10.5 per cent in the second period. These pictures again confirm that the MLIEA and the OFA introduced during the second period had significantly increased the de-familisation and de-commodification of respondents' income. The relatively high percentage changes in the models of Family and De-familisation also suggest that respondents who relied on family in the first period are the group who benefited most by the introduction of these new schemes. In other words, the introduction of the old age benefits does significantly increase the degree of de-familisation of older people's income. However, as discussed in Chapter Four, as these benefits were means-tested and their levels of benefits are low, their impact on de-familising older people's income mainly occurred in the socio-economically disadvantaged groups. It is also due to the same reasons that the impact of benefits on de-commodifying older people's income was not as significant as their effect on de-familisation.

It can also be seen from Table 7.11 that the proportion of respondents who relying on social provisions throughout the whole period from 1989 to 1996 was as low as 7.0 per cent. This figure suggests that there were serious limitations to Taiwan's old age income protection system in terms of its coverage and benefit levels. The shortcomings of this system have also left the family as the key sector to securing respondents' later life. Throughout the whole period from 1989 to 1996, 23.9 per cent of the respondents never

changed their reliance on family support, and totally 11.6 per cent of the respondents changed from other income sources to family support. During the whole period, the proportions of respondents whose income were de-familised or de-commodified by social provisions were as low as 12.7 per cent and 9.9 per cent respectively. This picture again indicates the limitations of Taiwan's old age income protection to older people's financial independence.

7.7 Impacts of income models on older people's living standards

Having identified changes and models of respondent's major income source, the question being asked then is: do these changes and models have significant impact on respondents' financial situation? Table 7.12 shows the results of logistic models examining the impact of changes of respondent's major income source on their economic situation. It should be noted that, in 1993, 53.3 per cent of the respondents said their economic situation was the same as when the last interview was conducted, 34.3 per cent said it was better, and 12.5 per cent said it was worse. In 1996, these figures were 68.7 per cent, 10.8 per cent, and 20.5 per cent respectively. Therefore, it is not an exaggeration to say that generally respondents' financial situation was worsening from 1989-93 to 1993-96. This is not surprising as it was getting more difficult for respondents to get sufficient financial resources as they were getting older.

Statistics results, which are not to be shown here, show that the correlation between changes of respondents' major income source and their socio-demographic backgrounds, such as their sex, age, education level, marriage status and working status are modest. In addition, stepwise regression models also show that the explanatory power of these factors to the changes of respondents' economic situation is very low. Therefore, it is safe to put only one group of independent variables, namely change of respondents'

major income source, in the logistic models and there does not exist the problem of multicollinearity.

It can be seen from Table 7.13 that, generally, changes of respondents' major income source did not have too much impact on their financial situation. Compared to those whose major income source remained being family, respondents whose major income source changed from family to market or to social provisions did not significantly get better or get worse in their financial situation. This result has two indications. First, it suggests that income resources provided by the family were rather stable. Compared to respondents who managed to depart from the reliance on their family and got income from other sectors, those who remained relying on the family did not face a higher risk of getting worse-off. Second, financial resource from the family served as a supplement or a replacement to market income and social provisions. Once respondents managed to get income from other sectors, the role of the family in providing respondents income drew back, and their financial situation remained unchanged.

Table 7.13 Logistic regression models predicting respondent's financial situation

Independent variables (Change of respondent's major income source)	1989-93		1993-96	
	Better than 4 years ago	Worse than 4 years ago	Better than 3 years ago	Worse than 3 years ago
Family at both points of time	<i>(omitted)</i>			
From family to market	-.018 (.157)	.0159 (.229)	.190 (.271)	-.249 (.258)
From family to government	.177 (.329)	-.465 (.606)	.213 (.200)	.087 (.174)
Intercept	-.972*** (.067)	-2.174*** (.098)	-2.022*** (.124)	-1.536*** (.104)
Number of observations	1422	1422	1112	1112
Log-Likelihood	1672.345	931.732	844.389	1040.234
Model χ^2 Test	.8565	.709	.523	.457
Market at both points of time	<i>(omitted)</i>			
From market to family	.122 (.161)	.302* (.183)	-.036 (.360)	.637*** (.239)
From market to government	-.036 (.221)	.497** (.230)	-.071 (.321)	.542** (.217)
Intercept	-1.174*** (.103)	-1.707*** (.122)	-2.355*** (.214)	-1.563*** (.159)
Number of observations	1009	1009	666	666
Log-Likelihood	1117.847	943.841	384.410	710.951
Model χ^2 Test	.692	.062	.976	.0094
Government at both points of time	<i>(omitted)</i>			
From government to family	-.081 (.346)	.466 (.401)	-1.214 (1.038)	.718* (.419)
From government to market	-.089 (.289)	-.079 (.399)	-.274 (.637)	.551 (.393)
Intercept	-.864*** (.143)	-1.852*** (.190)	-2.154*** (.207)	-1.412*** (.159)
Number of observations	365	365	317	317
Log-Likelihood	439.714	297.383	196.484	330.628
Model χ^2 Test	.939	.475	.360	.129

Note: 1. Standard errors in brackets.

2. *: $p < .1$; **: $p < .05$; ***: $p < .01$ (Due to the fact that the number of observations in some of these models are low, so the significant levels chosen here are less strict).

Source: Author's calculation.

On the other hand, compared to those who relied on market earnings throughout this period, respondents who changed their major income source from market to the family, categorised as the model of Familisation, or to social provisions, categorised as the model of De-Commodification, had a higher probability of getting worse in their financial situation. In other words, once respondents retired from the labour market, the financial resources they could get from the family or from social provisions could not fully compensate their income from the labour market. This picture also explains why the labour market participation rates among older age groups in Taiwan have remained relatively high compared to capitalistic advanced countries in North American and Europe, as discussed in Chapter Four. Not being able to enjoy the same standard of living after retirement, many older people in Taiwan have chosen to stay in the labour market instead of retiring early.

Among those whose major income source was from social provisions in 1993, respondents who became dependent on the family in 1996, categorised as the model of Familisation, got significantly worse in their financial situation compared to those who remained relying on the same resort in 1996. This result, again, confirms the point that the family is the last resort for old age income protection. Once older people run out of their retirement payment and have to rely on the family, they fall into a worse financial situation.

To sum up, respondents who retired from the labour market were more likely to become worse-off in their financial situation; and respondents experienced familisation of their major income source were also more likely to find themselves in a worse financial situation. Apart from these two groups of people, respondents experienced other types of change in their major income source did not feel having a significant difference in their

financial situation. Due to the fact that everyone must retire sooner or later, and that family is still the most important income source for later life, older people in Taiwan at large have to be prepared for a downgrading financial situation in their later life. Especially, it seems ironic that respondents who fell into the model of De-familisation did not significantly improve their financial situation, and that respondents who fell into the model of De-commodification felt their financial situation was getting worse.

7.8 Conclusion

Although Taiwan introduced an old age income protection system as early as the 1950s, its effects on the de-familisation and the de-commodification of older people's income were, until the late 1980s, very limited. Empirical data presented in this chapter have confirmed the points that the family was still the most important income source for older people, and only a small proportion of people enjoyed social protections in their later life. In addition, it has proven that the current lump-sum social insurance old age benefit system were not an adequate measure to protect older people's long term income security. On the other hand, the expansion of the old age income protection system since 1993 has had a significant impact on the de-familisation and, to a lesser extent, the de-commodification of older people's income, although the impact was more common among the socio-demographically disadvantageous groups. Therefore, after the expansion of the means-tested old age benefits since the early 1990s, Taiwan's old age income protection system has become a dual-tier system. The half-a-century-old contributory schemes have been serving to de-commodify wealthier older people's income after their retirement, although only for a short period of time, while the non-contributory benefits help the socio-demographically most disadvantaged groups to de-familise their income.

There were substitutions and supplements between older people's different income source. It is common that older people's income came from a mix of different sectors rather than coming from just one sector. Receiving income from either the family, the labour market, or social provisions did not stop them from getting income from the other two sectors. Nevertheless, after the non-contributory old age benefit system was expanded since 1993, many people did change their major income from other sectors into social provisions. This picture suggests that, to a large extent, older people's reliance on family support was not a result of their rational choice, but a consequence of their lack of old age benefits. The big increase in the de-familisation of older people's income within such a short period of time also suggests that the traditional role of the family to support their aged members has not faded away, but was just being substituted by old age benefits. The family was still significant in its role of being the last resort of older people's income protection.

Having increased the degree of the de-familisation and the de-commodification of older people's income, the expansion of the non-contributory benefit system, however, did not significantly improve older people's financial situation. With the fact that older people in Taiwan at large are getting worse in their financial situation, further reform on the old age income protection system is needed. What would be most helpful to alter the shortcomings of the current system and to improve older people's living standards are the changes of the current lump-sum benefits into monthly (or weekly) payment, and the increase of the benefit levels of current non-contributory schemes.

Chapter Eight

A comparison of familisation and de-familisation in old age income protection systems in Taiwan, Hong Kong, and Singapore

The analysis in previous chapters has shown that the three Chinese societies of Taiwan, Hong Kong and Singapore, although sharing many common features, have experienced different paths of social provision in response to older people's financial needs. In Taiwan, a social insurance system was established as early as 1950, covering blue-collar labourers and offering comprehensive cash and medical benefits, including a lump-sum old age benefit. The last half-century saw its expansion of coverage and levels of benefit, as well as the implementation of new social insurance schemes targeting other occupation groups, such as government employees and private school teachers. On the other hand, when the symptoms of an ageing society became clear in the 1980s, as discussed in Chapter Four, two important tax-funded, means-tested benefits, the MLIEA and the OFA were introduced for older people. Although the Taiwanese government has been emphasising and advocating the virtues of filial piety and family obligation, the development of a social provision in the second half of the twentieth century was clearly toward the direction of de-familisation.

In Hong Kong, the first social security provision for older people did not come into force until the early 1970s. As discussed in Chapter Five, the Special Needs Allowance and the Normal Old Age Allowance, both introduced in 1973, are tax-funded and targeted at the most needy, and are doubtlessly de-familisation schemes. The recent implementation of the Mandatory Provident Fund in 1998, a scheme which is similar to the CPF in Singapore apart from its private-managed feature, is certainly also a de-familisation

scheme. The development of the old age income maintenance system in Hong Kong in the second half of the twentieth century has clearly followed the same direction of de-familisation.

Singapore implemented its first and only old age income security scheme, the CPF, in the early 1950s, as early as Taiwan did. The CPF, like social insurance benefits in Taiwan, is based on individuals' contributions rather than their citizenship. The CPF scheme has gone through several important expansions and has undertaken more functions in addition to providing a source of income in later life. The basic principles of this scheme are by no means any different from other fully-funded, defined-contribution old age benefits operated in European countries, and should therefore also be considered as a scheme of de-familisation. However, as the coming of an ageing society attracts the government's attention, policies aimed at reinforcing family ties are adopted to support people in later life. These policies, as discussed in Chapter Six, include the introduction of a top-up scheme for the CPF, which offers a higher interest rate to encourage individuals to transfer their savings in the CPF to their parents' Retirement Account to supplement their payment for old age; and the enactment of the Maintenance of Parents Act in 1995, which states that children have a lawful obligation to support their parents. These two schemes share the same goal: to encourage family cohesion for looking after their older members. Clearly, to increase the degree of familisation is the government's strategy in response to an ageing society.

Table 8.1 Developments of old age schemes in Taiwan, Hong Kong and Singapore

Year	Taiwan	Singapore	Hong Kong
1950s	<ul style="list-style-type: none"> ● 1950 Labor Insurance; Soldiers Insurance ● 1958 Government Employees Insurance ● 1958 Labor Insurance extended coverage 	<ul style="list-style-type: none"> ● 1953 CPF enactment ● 1955 CPF brought into force 	
1960s	<ul style="list-style-type: none"> ● 1969 Labor Insurance extended coverage 		
1970s	<ul style="list-style-type: none"> ● 1979 Labor Insurance extended coverage 	<ul style="list-style-type: none"> ● 1977 the Special Account 	<ul style="list-style-type: none"> ● 1973 Special Needs Allowance ● 1973 Normal Old Age Allowance
1980s	<ul style="list-style-type: none"> ● 1980 Older People's Welfare Act ● 1980 Private School Staff and Educators Insurance 	<ul style="list-style-type: none"> ● 1987 Retirement Account ● 1989 Top-up scheme 	<ul style="list-style-type: none"> ● 1978 Special Needs Allowance expanded coverage
1990s	<ul style="list-style-type: none"> ● 1993 Low-income Elder Allowance ● 1995 Older Farmer's Allowance 	<ul style="list-style-type: none"> ● 1995 Maintenance of Parents Act 	<ul style="list-style-type: none"> ● 1993 the Comprehensive Social Security Assistance scheme ● 1995 Mandatory Provident Fund Scheme Ordinance ● 1998 Mandatory Provident Fund came into force

Comparing the schemes and Acts introduced in these three societies, as listed in table 8.1, we see that Taiwan and Singapore established a system of de-familisation for older

people's financial support two decades early than Hong Kong. Nevertheless, while Taiwan and Hong Kong's systems have consistently followed the direction of de-familisation until the end of the twentieth century, Singapore has clearly shifted its direction from de-familisation toward familisation since the late 1980s. What are the factors that explain, compared with Taiwan and Singapore, the delayed development of Hong Kong in older people's income protection? What are the reasons that resulted in the divergence of trends toward familisation or de-familisation in these three societies since the late 1980s? Before trying to answer these two questions, this chapter first reviews major social welfare theories and examines their appropriateness in the development of old age income maintenance systems in these three countries.

8.1 A theoretical review on the development of old age provision systems in Taiwan, Hong Kong and Singapore

As discussed in Chapter Two, modern theories that try to explain the emergence and development of the welfare states include the industrialism approach, the social democratic approach, the diffusion approach, and the state-centred approach. The industrialism approach, as discussed in Chapter Two, claims that the emergence and expansion of the social security system is a product of industrialisation. This approach, however, simply does not fit the cases of these three Chinese societies. When Taiwan established its social insurance system in 1950, its per capita GNP was less than US\$ 200 (US\$ 196 in 1952) (Taiwan Government, 2000:46), and more than half (56 per cent in 1952) of the people participating in the labour force were involved in primary industry, and only one-sixth (16.9 per cent in 1952) of them were engaged in secondary industry (Taiwan Government, 2000: 30). The proportion of people aged 65 or over then was also very low (5.6 per cent in 1952) (Taiwan Government, 2000: 23). In other words, the modern social provision system in Taiwan was introduced when the society was

pre-industrial, the economy was under-developed, and the population was very young.

Likewise, Singapore's CPF programme was introduced well before its industrialisation process started in the 1960s. When the CPF scheme was enacted in 1953, its population was still young, with half of the population under the age of 21 (Colonial Singapore Government, 1953: 8) and the proportion of people aged 60 or over was below four per cent (3.8 per cent in 1957) (Saw, 1999: 55). The industrialism approach also can not explain the fact that, in Hong Kong, despite the fact that campaigns advocating a social insurance system have been active since the late 1970s, it was not until as late as the 1990s, when its GDP per capita overtook its colonial master, Britain, that the Mandatory Provident Fund was implemented.

The social democratic conception, as discussed in Chapter Two, emphasises the importance of working-class mobilisation and left-wing government on the development of the social security system, can not explain the initiation of old age provision schemes in these three cases either. In Taiwan, as discussed in Chapter Four, the leftists were liquidated as a consequence of the suppression following the "228 Incident" in 1947, and played no role in the formation of the social insurance system in the 1950s. Likewise, when the first social security programmes were introduced in Singapore in the 1950s and in Hong Kong in the 1970s', they were still at the stage of authoritarian regimes under the governance of British colonial governments. Neither in Taiwan, which was dominated by an authoritarian government of the KMT, nor in Singapore and Hong Kong, which were still under colonial rule, had any significant left-wing power in the political arena. Their social security systems were constructed without any political campaign from the left-wing power. In addition, when these three countries started undertaking the second wave of expansion in old age provision

schemes since the 1980s, non of these countries have ever had a significant left-wing political party. The development of old age income maintenance systems in these countries have come about without any left-wing influence, and thus do not fit the social democratic approach, which is evidenced in many European countries.

The diffusion approach, as discussed in Chapter Two, places emphasis on international policy learning, seems reasonable at explaining these cases. Taiwan's social insurance schemes introduced in the 1950s are clearly based on the Bismarck model. However, the policy learning approach is of no help in explaining the timing of the establishment of the Taiwanese social insurance system. In Singapore, the implementation of the CPF scheme under the British colonial government coincides with the introduction of the provident fund schemes in other former British colonies. As Williamson and Pampel (1993) argued the former British colonial administration tended to introduce provident fund schemes to its colonies. However, there is always a danger that, by looking at the geographical and political relationship and the year in which social security schemes were introduced, this approach overlooks the policy making process. For instance, Singapore's provident fund system is often deemed as being influenced by Malaysia, Singapore's hinterland, who implemented a central provident fund in Malaysia in 1951, two years before the Singaporean system was introduced (for example, Charlton and Mckinnon, 2001:135). However, people who hold this argument overlook the fact that the idea of introducing a provident fund in Singapore was first addressed in Singapore in 1949, well before the same kind of scheme was introduced in Malaysia. As the original proposer stated in his move:

“Of late there has been an erroneous belief in some quarters that I had introduced this Bill for the purpose of following in the footsteps of the Federation Government [of Malaya]. This is entirely untrue. It was in the year 1949 that the

idea of a Central Provident Fund was first suggested by the Progressive Party... In the first place, there was no precedent which could be found in the English Statute Books”.

(Singapore Parliament Debates, 1952: 195)

This statement clearly rejects the argument that the introduction of the Central Fund in Singapore is a case of diffusion. The diffusion approach also can not explain the fact that a British colonial government did not introduce a central provident fund in Hong Kong in the 1950s or the 1960s, like it did to many of its former colonies.

The unsuitability of these approaches has left the state-centred approach alone as the possible theoretical explanation. This study argues that the state is the main factor in both the development of old age social provision systems in these three countries and the divergence of their direction toward familisation and de-familisation since the 1980s. As addressed in Chapter Three, this chapter will employ the Method of Agreement and the Method of Different to compare the development of old age social provisions in these three countries. The analysis will first focus on similar features in these three countries to see if they are significant to explain the convergence and the divergence of this system in the three countries.

8.2 Similar features in Taiwan, Hong Kong and Singapore

Table 8.2 summarises the similar and crucial different features in Taiwan, Hong Kong and Singapore throughout the second half of the twentieth century. As discussed in previous chapters, these three countries have shared a number of common ideological, political, and economic features. Ideologically, all these countries are mainly Chinese societies and thus have been influenced by Confucianism which is rooted in Chinese tradition. Confucianism is a comprehensive teaching that offers guidelines in almost

every aspect of the three societies. Politically, it emphasises harmony rather than conflict, paternalism rather than democracy. In other words, it provides an unfavorable condition for the development of a democratic system, which is generally considered as a precondition to the emergence of welfare states. Economically, it encourages individuals to be thrifty, industrious and hardworking, and has served as one of the main factors that contribute to the successful economical performance in these countries. Socially, it values family obligation and filial piety, the virtues that these governments are glad to be associated with.

The governments' preference for family cohesion in response to people's needs and their emphasis on family obligation and filial piety in these three countries are well documented. As illustrated in previous chapters, until as recently as the 1990s, the emphasis on family obligations were still a common theme in official policy addresses in these countries, especially when referring to social welfare policies. In addition, practical incentives, such as tax incentives and priority housing, which have been commonly adopted in these countries to encourage family cohesion, also provide clear evidence of the government's preference for family obligation. The worries that a modern social security system would undermine traditional family virtues make these governments resistant to follow their western counterparts and establish a generous welfare system.

Table 8.2 Comparison between Taiwan (TWN), Hong Kong (HK), and Singapore (SIG)

	1950S			1970S			1980S			1990S		
	TWN	HK	SIG	TWN	HK	SIG	TWN	HK	SIG	TWN	HK	SIG
SIMILARITIES												
Confucianism ideology	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Government emphasize on filial piety	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Strong family cohesion	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Low proportion of older people	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Economic-first development strategies	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
High older people labour force participation rate	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Export-oriented industrialisation	yes/NO	NO	NO	yes	yes	yes	yes	yes	yes	yes	yes	yes
High economic growth	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
DIFFERENCES												
Imperative for national-building	yes	NO	yes	yes	yes	NO	NO	NO	NO	NO	NO	NO
Free from legitimacy crisis	NO	yes	yes	NO	yes	yes	NO	yes	yes	yes	yes	yes
Government autonomy	yes	yes	yes	yes	yes	yes	NO	NO	yes	NO	NO	yes
Introducing de-familisation schemes*	yes	--	yes	--	yes	--	yes	--	NO	yes	yes	NO

*: 'yes' means introducing de-familisation schemes; 'NO' means introducing familisation schemes.

It might seem understandable that these governments prefer and advocate family virtues, as there has been strong family cohesion in these countries. As illustrated in previous chapters, although the percentages have been steadily declining, it is still common for an older person to live with his or her adult children and to receive financial support from them. A governmental survey in Taiwan conducted in 1996 showed that the more than one half (51.2 per cent) of people aged 65 or over live with their children (Taiwan Government, 1997: 18). Government statistics in Singapore also show that in 1997 the proportion of people aged 60 or above living with children is as high as 78 per cent (Singapore Government, 1999: 31). In Hong Kong, demographic figures show that, in 1996, 67.8 per cent of households containing older persons consisted of three or more persons (Hong Kong Government, 1997: 43). The strong family cohesion makes it tenable that the governments assign heavy responsibilities to the family to look after its older members, although many see it as an excuse for governments' under-commitment or lack of effort in social welfare.

The governments' resistance on providing universal generous old age benefits has also been justified by the relatively low proportions of older people in demographic features in these countries. The proportion of people aged 65 and over in Taiwan has increased from 2.50 per cent in 1952 to 3.49 per cent in 1970, and 8.44 per cent in 1999 (Taiwan Government, 2000: 24-25). In Hong Kong, this proportion has increased from 2.81 per cent in 1961 to 5.51 in 1976, and to 10.13 in 1996 (Hong Kong Government, 1997: 21). In Singapore, this proportion has increased from 2.30 per cent in 1955 (Colonial Singapore Government, 1958: 30-31) to 5.97 per cent in 1989 and 7.31 per cent in 1999 (Singapore Government, 2000: 24). These percentages are much lower than those of European countries. However, since the 1980s, all these governments have noticed that their speed of ageing is much faster than those in Western countries, and issues

concerning ageing societies have become an important political agenda and have attracted serious and intensive debates.

Old people's participation in the labour market is another aspect that has made these countries distinct from Western countries and has eased the pressure on the governments for increasing policy input in old age provision. Unlike European and North American countries where the old age labour participation rate, especially for males, has declined with the affluence of living standards and the improvement of public and private pensions, the proportion of older people remaining economically active in these countries has been kept steady. In Taiwan, the labour force participation rate for the age group of 55-64 year-old males and females is still as high as 66.3 per cent and 22.3 per cent respectively in 2000 (see table 6.2). In Hong Kong in 1998, 77.5 per cent of males fall into this age group between 55-59 and 47.0 per cent between 60-64 are still participating in the labour force, while the percentage for females in these two age groups are 28.4 per cent and 11.1 per cent respectively (Hong Kong Government, 1999: 24). In Singapore in 1998, the labour force participation rates for people aged between 55-59 and 60-64 years old are 76.6 per cent and 48.9 per cent for males, and 30.3 per cent and 13.9 per cent for females respectively (Singapore Government, 2000: 42).

These figures of older people's labour force participation rate reveal some important messages. First, the huge difference between the male and female labour force participation rates in older age groups signals the firmly traditional gender division in wage and non-wage work, and implies the gender inequality within old age benefits if they are based on the individuals' record of employment or contribution. Second, the availability of family support and the maturity of old age social security schemes, especially in Taiwan and Singapore whose systems were introduced as early as the

1950s, seem to have little impact on the older people's labour market participation behaviour. However, further analyses based on micro empirical data are needed before the conclusion can be drawn.

In addition to social and demographic features, the economic aspects certainly need to be emphasised when identifying similarities in these countries. It is well-documented that all these three countries, all lack natural resources and suffered heavily during the Second World War, adopted an economic-first development strategy soon after the War was ended as the only way for survival and development. In fact, the economic-first thinking has become an ideology for nation building in these countries, and explains the subordination of social welfare to economic policies (Goodman and Peng, 1996: 210-211). On the other hand, government departments in charge of economic and financial affairs often have strong a influence in the social security policy-making process, and economists and business groups enjoy disproportionate representation in both the executive and legislative sectors, especially in Taiwan and Hong Kong. These institutional features result in a strong veto power to any initiation or expansions of social welfare schemes.

The economic development strategy that these countries have adopted for the past four decades is export-oriented industrialisation. As discussed in previous chapters, the lack of a domestic market, coupled with the development of international politics, left these countries little choice in the 1950s but to employ an outward-looking strategy. Fortunately, the development of this strategy coincides with an international economic boom. After the end of the Second World War, the demand for labour-intensive products in the prosperous developed countries was expanding, and, before the oil crisis in the mid-1970s, world trade was growing fast (Tan, 1993: 271-276), core capitalistic

countries' trade barriers to the third world were rare and the interest rate was low (Koo, 1987: 169). Under these favourable international economic conditions, these countries' policies to attract foreign investors and accelerate economic development are proven to be effective. This export-oriented industrialisation strategy has brought these countries economic affluence

As discussed in earlier chapters, economic growth in these countries in the past five decades is remarkable. In addition, the economic affluence has come with a relatively egalitarian income distribution (Tan, 1993: 294-6; Barrett and Chin, 1987: 28-31; Deyo, 1987: 242-3). These factors has contributed to a high degree of legitimacy for these governments (Haggard and Cheng, 1987: 102), and, before the 1980s, helped to alleviate the pressure on improving social welfare. This trend has thus contradicted the logic of industrialisation in welfare development, which argues that the emergence of the Welfare State is to a certain extent a result of economic development.

The export-oriented industrialisation in these countries has also had significant implications in industrial relations and labour mobilisation. These outward-looking policies often come with labour legislation to discipline workers, as the governments have to construct a peaceful industrial relationship and a stable political environment to attract foreign investors and maintain their competitiveness for export. This is more evident in Singapore where labour disputes undermined industrial peace when the export-oriented industrialisation was initiated (Deyo, 1987: 183-5). These countries' industrialisation in the early decades after the end of the Second World War concentrated on the expansion of light export industries, such as electronics and clothing, which featured as low wages, low job security and low skills. As a consequence, labour turnover was high and workers' commitment to the jobs was low, thus hindering the

establishment of independent trade unions and the effectiveness of labour mobilisation (Deyo, 1987: 194). As Jang has also found out that workers in the textiles industry are significantly less likely than their counterparts in metal and chemical industries to take a leading role in organising labour unions, and that the employment conditions of export-oriented industries undermine the development of stable proletarian communities, which are important bases for the development of independent unions and organisational development (Jang, 1983, cited in Deyo, 1987: 194).

The features listed above show that there are substantial similarities in these three countries, including aspects in ideology, society, demography, and economic development. Not surprisingly, these common features are all unfavourable for the initiation of a generous social security system, and certainly can not explain the emergence and the presence of the old age provision systems in these countries. The method of agreement, that is, by comparing the similar features in these countries, alone can not answer the question of why these countries have differed from each other in terms of the timing of the emergence of de-familisation schemes and the direction of familisation or de-familisation. To answer this question, the method of difference, that is, comparing the crucial different features in these countries, is essential.

As shown in Table 8.2, there are plenty of crucial differences between these countries. However, it is not difficult to find out that these features are all directly or indirectly related to one actor: the state. As discussed in Chapter Two, the variable of the state has been recognised as one of the key factors contributing to the emergence and development of the welfare state since the 1980s. Before comparing the differences between these three countries, this chapter will first discuss some important concepts related to the state.

8.3 The concept of the state

As discussed in Chapter Two, the variable of the state has been recognised as one of the key factors contributing to the emergence and development of the welfare state since the 1980s. Scholars have argued the need for “Bringing the state back in” (Evans, Rueschemeyer and Skocpol, 1985) and for “taking the state seriously” (Nordlinger, 1987). The state-centred argument has since the 1980s become one of the mainstream approaches that offer explanations to the development of the welfare states.

8.3.1 The definition of the state

As Pierson stated, we now live on a planet which is almost universally divided into state jurisdictions (Pierson, 1996: 13). However, the difficulty of getting a consensus on the meaning of the state has been well-emphasised by scholars in sociology and political science (e.g. Abrams, 1988: 59; Mitchell, 1991: 77; Pierson, 1996: 5). Hitus, for example, pointed out that, after a cursory examination, he found no fewer than one hundred forty-five different definitions about the state, and, not surprisingly, the majority of them were not in general agreement (Hitus, 1931: 45). In addition, the concept of state varies in different places. As Nettl pointed out, the concept of state in Italy and France is very different from that in England and in the United States (Nettl, 1968: 577-578). The most popularly cited one, though, is Weber’s approach which defined the state as “a human community that claims the monopoly of the legitimate use of physical force within a given territory” (Weber, 1970: 77-8). This definition might have captured the core phenomenon of state, but has also left out other important dimensions. As Pierson argued, even the most violent states of modern time, such as Stalin’s Soviet Union and Hitler’s Germany, did not impose their rule by physical force alone (Pierson, 1996: 9). Rosenthal also argued that, in a modern state, only a minor part

of the administrative agencies and bureaucratic structures is engaged in the enforcement of law and order (Rosenthal, 1983: 281).

In fact, apart from the enforcement of law and order, modern states have expanded its activities in other fields of the society. Hindle pointed out in his study of the British state and society in the sixteenth and seventeenth centuries that, with profound social changes, there was an increasing need for the state not only to preclude violent self-interest, but also to secure the terms on which civil society might best be preserved. As a result, three policies were developed during this period, including the symbolic punishment of behavior, the promotion of social welfare, and the regulation of morality (Hindle, 1999: 34-35). The state continued to expand, and, since the end of the Second World War, states have intervened extensively in social and economic activities, especially in North and Western Europe where the notion of social democratic have well developed (Pierson, 1996: 81). As Castles pointed out, scholars from different schools will agree that it is now a distinctive feature of the state that it assumes a vast range of responsibilities, such as the maintenance of minimum income, public health, and education (Castles, 1982: 22)

Regarding the definition of state, it should be noted that this phenomenon is different from that of government, although it is sometimes difficult to distinguish these two. As Stepan points out, the state “is the continuous administrative, legal, bureaucratic and coercive systems” and “must be considered as more than the “government” (Stepan, 1978: xii). Kimmerling has also made a useful contribution in this regard. He argued that, apart from the traditional Weberian concept of a being a monopolistic legitimate force, there is another essential dimension that make each state cognitively and culturally different from the other, i.e. its collective identity (Kimmerling, 1993). He pointed out

that this identity tends to persist in the event of changes of government, of administration, and even of the state regime. In addition, he used the term “state’s logic” to mean “the basic codes, traditions, rules-of-the-game and practices which are unaffected by changes of government, administration, or even entire regimes” (Kimmerling, 1993: 398). To the state-centred approach, the core focus is this “state’s logic” and constitutional arrangements rather than political parties in power.

8.3.2 The state as an actor

The state-centred approach emerged in the 1980s. It treats state as an independent actor and an independent variable in forming public policies (Skocpol, 1985; Nordlinger, 1981, 1987; Pierson, 1996: 64-93). According to this approach, the state “acts in pursuit of its own interest” (Pierson, 1996: 70), and “is seen to be frequently autonomous in turning its own policy preferences into authoritative actions...” (Nordlinger, 1987: 355). These statements, in fact, contain two important concepts: state preference and state autonomy.

According to the state-centred approach, the state does have its preference and its own interests. In addition to preserving itself, the state seeks to secure its territory and population, and to consolidate a politically and economically advantageous position in the highly competitive world system. It also has a vital interest in maintaining political and social order (Schmitter, 1985: 42; Nordlinger, 1987: 367). These interests sometimes contradict those of dominant social groups, and sometimes even not in line with the interests of officials who occupy the state apparatus. The question to be asked then, is whether the state can carry through its preference when it is not backed by dominant groups in the society. This question is to do with the concepts of state autonomy and state capacity.

8.3.2.1 State autonomy and state capacity

As McLennan and his colleagues argued, the opinion on state autonomy is one of the most important ways of differentiating different theories of the state from one another (McLennan et al., 1984: 23). To the Marxist, the state is controlled by the bourgeois class and serves only the interest of this dominant class. When addressing the origin of the state, Engels stated:

“Because the state arose from the need to hold class antagonisms in check, but because it arose, at the same time, in the midst of the conflict of these classes, it is, as a rule, the state of the most powerful, economically dominant class, which, through the medium of the state, becomes also the politically dominant class, and thus acquires new means of holding down and exploiting the oppressed class.”

(Engels, 1968: 578)

In other words, the state acts in the interest of society's dominant class. It is only “relatively autonomous” and its independence is constrained by the society's class structure. This “relatively autonomy” allows the state to act contrary to the demands of a short-sighted capitalist class when it is necessary to safeguard capitalist relations of production and maintain political stability (Schwarzmantel, 1994; Pierson, 1996).

The pluralist theories, on the other hand, suppose the state to be largely autonomous. The state reflects the diverse interest of the society rather than only one particular social interest. It acts neutrally as an umpire to conflicting social interests. According to this approach, policy outcomes are not shaped by one dominant class, but by the severe competition of diverse interest groups (McLennan et al, 1984; Schwarzmantel, 1994; Pierson, 1996). As Pierson pointed out, “... the making of public policy... is the

end-product of a process of negotiation and accommodation in which citizens organized in groups to represent their interests exert pressure to realize their ambitions” (1996: 72).

On the other hand, there are scholars who address state autonomy in terms of its ‘degree’ rather than arguing the authenticity of its existence. Nordlinger, for example, argued that, no democratic countries are totally autonomous, as all policy proposals need to go through political processes before they become realized, and they could be changed or modified in any of these stages. He classified state autonomy into three different categories. According to his typology, a high level degree of state autonomy is presented in situations in which the preferences of the state and society differ, but the state nevertheless enacts a policy consistent with its preferences (Nordlinger, 1981). Cox, on the other hand, illustrated the differences of state autonomy in different types of countries. He pointed out that the state autonomy is high in a monist country, low in a pluralist country, and varies in corporatist countries (Cox, 1993: 56).

Despite differences from each other in terms of their views on state autonomy, both the Marxist approach and the pluralist approach are society-centred. To the state-centred approach, the state is certainly autonomous and is not simply reflective of the demands or interests of social groups, classes, or society. It is an independent actor of decision making, and “a subjective realm of plans, progress, or ideas” (Timothy, 1991: 82). As Skocpol argued, in the basic needs of dealing with international matters and maintaining control and order, leading state officials would pursue strategies “even in the face of indifference or resistance from politically weighty social force” (1985: 9). In many countries, it is the state that shapes the orientations of public policies, including social security policies.

State capacity is a concept related to the notion of state autonomy. Some researchers treat these two terms as similar concepts. They claimed that a state with high capacity is one that enjoys high autonomy and thus is able to translate their preferences into public policy despite divergent social interests; while states with low capacity fail to do so (Nordlinger, 1987). To a large extent, Migdal's term of 'state capability' links these two aspects together. He pointed out that there are four kinds of state capabilities, including the capacities to penetrate society, regular social relationships, extract resources, and appropriate or use resources in determined ways. And according to the difference in their capability to complete these tasks, there are generally two type of states: strong states and weak states. (Migdal, 1988: 4-5; Hill, 1984: 92-95). In this regard, a state of capability must at the same time be one that has a large degree of autonomy. However, these two concepts are no doubt very different ones, and have different implications in the development of social security.

State capacities, according to Skocpol, are underpinned by not only sheer sovereign integrity and the stable administrative-military control of a given territory, but also by loyal and skilled officials and sufficient financial resources (Skocpol, 1985: 16). In other words, in terms of domestic policies, state capacity refers to its ability to extract and mobile capital and human resources from society. In this regard, state capacities in the West no doubt have expanded sharply in the last century. For OECD countries as a whole, for example, state spending as a proportion of total national income has increased from about ten per cent in the 1870s to about twenty per cent in the 1960s, and to almost fifty per cent in 1995 (World Bank, 1997: 2). This expansion of state capability, especially in recent decades, is a cause as well as a result of the development of the welfare states. It is argued that a welfare state must be a strong one as such a state involves a wide range of state intervention on economic activities and distribution and

redistribution (Nordlinger, 1981: 21).

8.3.2.2 The state taking action

It is popularly argued that it is external and domestic crisis that creates pressure for significant degrees of state action (Skocpol, 1980; Skowronek, 1982; Krasner, 1984). It is well recognised, for example, that the introduction of the New Deal in the United States was a response to the economic crisis of the Great Depression (Skocpol, 1980). Skowronek, on the other hand, addressed how the crisis of the Civil War, the class conflict between capital and labour, and the complexity of social relationship in the United States during 1877 to 1920 stimulate the state's effort to expand its administrative system (Skowronek, 1982).

Another question to be asked, then, is: what is it that actually 'acts' in the name of or on behalf of the state? The clear answer to this question is: it is state officers who formulate and pursue state's goals (Hecl, 1974; Nordlinger, 1981: 7 & 1987: 372; Skowronek, 1982; Skocpol, 1985: 9; Skocpol and Amenta, 1986: 131; Mitchell, 1991: 86). As Nordlinger (1981: 10) argued, the definition of state should include not only the government and the bureaucratic agencies, but also public officials who are involved in the making of public policy. When referring to state actions, Weber also focused on 'individuals'. He stated that "for sociological purposes there is no such thing as a collective personality which 'acts.' When reference is made in a sociological context to a 'state'... what it meant is ... only a certain kind of development of actual or possible social actions of individual persons" (Weber, 1947: 102). Skowronek also pointed out that environmental stimuli do not produce state actions automatically, and it is state officials who respond to these pressures and take actions (1982: 12). Under the pressure of changing environment, with the support of state's capital resources, state officials are

able to stimulate various state actions. This chapter, however, will only focus on two kind of state's activities which are related to the development of social security system in Taiwan, Hong Kong and Singapore: state building and state legitimacy.

8.3.2.3 The imperative for state building

State building, like other state actions, is stimulated by environmental pressure, and often by extreme environmental crisis. Skowronek (1982: 10) pointed out, crisis such as an outbreak of war, or the acceleration of industrialisation, requires the state to undertake national administration development to expand its capacity to deal with a more complex world. The process of state building emerges with extreme environmental stimuli, followed by state officers' response, and ends up with new forms of government (Skowronek, 1982). This point of view, apparently, focused on the expansion of administrative apparatus. Bogdanor, on other hand, takes a broader view on the concept of state building. He argues that state building is the sum of politics designed "to integrate the country and tie the inhabitants together in a national fellowship" (Bogdanor, 1987: 379). It includes the dual development of public authority and control and the extension of civil rights. He pointed out that, in modern political studies, state building has been conceptualised in progressive stages of political development, including not only national and cultural identification, and the participation of wider sections of the population, but also redistribution and welfare policies as mechanisms of national integration (Bogdanor, 1987: 379). The concept of state building is helpful in explaining the development of the social security system in Taiwan, Hong Kong and Singapore in early decades after the Second World War. These countries were all politically and economically damaged during the War and were all under extreme pressure to undertake the process of state building. The introduction of the social security system in these countries thus became a part of this state-building process. This point will be further

addressed in a later section.

8.3.2.4 The legitimacy of the state

The notion of legitimacy, as Migdal (2001: 111) pointed out, is the core concept concerning the state, regardless of different definitions of the state. Although the state surely can maintain its control of the territory and social order by the dispensation of physical coercion, which is emphasised by Weber's definition of the state, a modern state usually expects that their rules be obeyed based on their subjects' voluntary compliance. In other words, the concept of legitimacy now is more about belief or opinion than claim or violence. As Schaar put it, "If a people hold the belief that existing institutions are 'appropriate' or 'morally proper', then those institutions are legitimate" (Schaar, 1981: 20).

Regarding the concept of legitimacy, Weber's typology is of the most importance. He pointed out that there are three types of source for the state's legitimacy. The first justification is the authority of "the 'eternal yesterday,' i.e. of the mores sanctified through the unimaginably ancient recognition and habitual orientation to conform" (Weber, 1970: 78). He called this approach as 'traditional' domination. The second justification is 'charismatic' domination, which means "the authority of the extraordinary and personal gift of grace (charisma), the absolutely personal devotion and personal confidence in revelation, heroism, or other qualities of individual leadership" (Weber, 1970: 79). The third one is domination "by virtue of the belief in the validity of legal statute and functional 'competence' based on rationally created rules. He named this approach as the legitimacy of 'legality' (Weber, 1970: 79). For a modern state, the justification of 'legal' is no doubt the main source of legitimacy. In practice, this approach is normally through competitive and open elections. If the power is gained

through a process of open elections, those subject to the power-holders will obey without the threat of coercion (Schwarzmantel, 1994: 15-16).

In fact, gaining power from open elections only offers procedural legitimacy. It is the improvement of the people's well-being that offers the power-holders essential legitimacy. In this regard, social expenditure is a good way to secure the state's legitimacy. As O'Connor (1973) and Gough (1979) argued, state expenditures on social consumption, such as those on social insurance schemes, and social expense such as income subsidies for the poor, are necessary expenditures that help a capitalist state to fulfill one of its functions: legitimisation. Tracy also argues that the introduction of a government administered national provident fund in third world countries can be explained as an effort to legitimize central government (Tracy, 1991: 101). This argument, to some extent, can also explain the emergence and the early development of de-familisation schemes in Taiwan, Hong Kong and Singapore. This point will be addressed in a later section.

Having addressed the key concepts about the state, this chapter goes on to use these concepts to analyse the development of Taiwan, Hong Kong and Singapore in the second half of the twentieth century. These concepts help to identify crucial differences in these countries, and thus offer strong explanations to the convergence and divergence of their strategies in response to the emerging of an ageing society.

8.4 Crucial differences between Taiwan, Hong Kong and Singapore

8.4.1 Imperative for state building in Taiwan, Hong Kong and Singapore

Taiwan, Hong Kong and Singapore all experienced important political changes after the

Second World War. However, these countries faced different situations and challenges in nation building. Goodman and Peng (1996) have correctly emphasised the link between state building and the development of welfare regimes in East Asia countries. However, by “state building”, they refer only to the economic-first development strategy adopted by these countries and ignore other aspects which are also important to explain the models of the social security systems. In addition, identifying ‘state building’ as a factor that has contributed to the similarity of these welfare regimes, they also fail to explore the connection between the development of state building and the divergence of the social security systems in these countries.

In Taiwan, the retreat of the KMT government in 1949 brought with them one million people, including the military, government officers, and refugees, from Mainland China. They brought a huge political and societal change to the small island. Especially, Taiwan then had just departed from Japanese colonisation, and gone through the “228 Accident” of 1947 that had created a hostile atmosphere between the native Taiwanese and the mainlanders. Although sharing the same ethnic and cultural background as Chinese, there were a wide range of differences between these two groups of people, including political attitudes and societal customs. The KMT government, while claiming to be the sole legal government for the whole China, was now seeking to build Taiwan as a ‘fort for counterattack’. Its first task was to promote the loyalty of the native Taiwanese, to integrate them into the new regime, and to channel them into the national goal of recovering the mainland.

The most important objective of the government at that time, as Chiang Kai-shek, former President, emphasised, was “to put our national interests above everything else”, while the common aim was “to fight communism” (Chiang, 1951: 75). Chen Cheng,

former Premier, also addressed that the government was to “do everything in its power to defend the base... and to prepare in due course for the counterattack against the mainland” (Chen, 1954: 2). Under such circumstances, the social security system was introduced, as a tool to generate national strength for the counterattack. Therefore, there is no coincidence that soldiers, labourers, and government employees are the three groups first covered by the social insurance system, as they were the most important groups for defending Taiwan and developing this island as a base for counterattack.

There is no doubt that military force was the more crucial measure for counterattack. As Houg Jin-Chou, former Deputy Secretary for Defence, pointed out that the basic objective was to “resist the Communists and the Soviet Russia” and to “defend Taiwan and to prepare for the counterattack” (Houg, 1954: 8). To achieve this national task, the government in the 1950s spent more than seven-tenths of its expenditure on defense¹. Under such circumstances, many measures were also adopted to strengthen military force, including the introduction of the Soldiers’ Insurance. As Houg admitted, “expanding the Soldiers’ Insurance” was one of the many measures to “improve our military force” to achieve the national objective (Houg, 1954: 9). In a public speech, Chiang Kai-shek also emphasised that improving soldiers’ living standard should be on the priority for the government as they “protecting our national security”².

As for labourers, as Chiang Kai-shek emphasised, their “contribution to the war effort is just as important as that of the soldiers at the front...” (Chiang, 1950: 30). They “made great contributions for the purpose of safeguarding Taiwan and making preparations for a counter-offensive against the mainland” (Chiang, 1951: 84). Chiang appealed to

¹ In 1950, for example, 90.0 per cent of the central government’s expenditure was spent on defense. Until 1960, the figure was still as high as 74.7 per cent. See Taiwan Directorate-General of Budget, Accounting and Statistics, 2000:138-141.

labourers to dedicate themselves to the national cause by improving productivity, as “only through the increase of production can we strengthen ourselves in our struggle against aggression” (Chiang, 1951: 85). Under such circumstances, labourers must “... further increase production, and respond to my [Chiang’s] call for working contests and increased production”, and in return, “it is the responsibility of the Government to promote better labor welfare, enlarge the scope of labor insurance...” (Chiang, 1951: 85). Wong De-fu, former Secretary for Interior Affairs who was in charge of labour affairs, also admitted that the introduction of the Labour Insurance was one of the main measures “to stable social order and to improve productivity” (Wong, 1954: 5).

Apart from soldiers and industrial workers, government employees are also an important group for the preparation of counterattack, as they are the keys to an efficient bureaucracy which was vital to the national goal. As Yan Jia-gan, former Premier pointed out, “The accomplishment of the object of counterattack and recovering the nation lies on the hardworking and mettle of the staff of the Government.”³ Therefore, Premiers in the 1950s and the 1960s often emphasised in their policy address the importance of improving the living standard of government employee, as it directly linked to the efficiency of the bureaucracy⁴. An obvious evidence of the government’s attention to government employee’s living standard was that, despite facing difficulties in achieving balance of finance, the government in the 1950s spent significant amount of its expenditure to subsidise them⁵. The government also sought to strengthen the retirement system for government employees. The goal, as former President Chen Cheng pointed

² Quoted from a Speech delivered by Chiang Kei-shek on November 12, 1962, see Chiang, 1998: 1356.

³ See Premier Yan Jia-gan’s policy address to the Legislative Yuan, 1964.

⁴ See, for example, Premier Yan Jia-gan’s policy address to the 33 and 34 Section of the Legislative Yuan in 1964.

⁵ In 1950, for example, the government spent NT\$11.5 million to provide in kind benefit to government employees, and NT\$12.5 million on government employee’s annual bonus. See Taiwan Directorate-General of Budget, Accounting & Statistics, 1956: 140.

out in his policy address in the Legislative Yuan, is to “improve metabolism and administrative vitality” (Taiwan Parliament Debates, 1954: 176). Under such circumstance, the Government Employee’s Insurance was introduced to offer a comprehensive protection, including retirement payments, to government employees.

The introduction of the social insurance system in the 1950s also served as a political appeal, to both the Taiwanese people and people in mainland China. It demonstrated that, compared to the Communist government who imposed brutal policies toward its people in the mainland, the KMT government continued the traditional Chinese political philosophy of benevolent, which was emphasised by Confucianism and Dr. Sun Yat-sen’s doctrine of Three Principles of the People. By doing so, the KMT government attempted to create a clear comparison with the Communist regime and hoped that people in the world “will be able to distinguish between a government which is for the welfare of the people and a regime bent on persecuting them”⁶. They tried to show that that they were superior to their Communist counterpart and that the government was able to build a state which was going to be a better one than the Communists could offer. As the Prime Minister Gia-Gan Yan stated in his policy address in the Legislative Yuan in 1965:

“The task of counterattack needs both military and political actions... We need to use political measures to improve social welfare so that our people, especially those who have encountered difficulties, receive direct support from the government and the society. We are going to use practical action to demonstrate to our fellow nationals who are in the mainland and are in deep distress the right way to build a benevolent government, and how cruel the Communist government is. If we demonstrate the truth in front of our fellow mainlanders, they will deeply hate the Communist regime and look forward to our return.”

⁶ Quoted from “ROC President Chiang Kai-sec’s Interview”, May 23, 1970, see Chiu ed. 1973: 339.

(Taiwan Legislative Yuan Debates, Vol.36-1: 203, translated from Chinese)

As Chiang Kei-sek pointed out in a public speech, the challenge for the KMT government was not only to recover the mainland, but also to demonstrate its ability for nation building. He stated that “[i]f we could not further accomplish the task of nation building or carry through the objective of the Three Principles of the People after we recover the mainland, even if we succeed in the first place we would eventually fail” (Cited in Chiang, 1998: 1337). Therefore, to win the battle against the Communists, the KMT government not only needed to strengthen its military force, but also needed to demonstrate its ability to build a benevolent nation. It was under such circumstances that KMT government in the 1950s and the 1960s emphasised that they wanted to build Taiwan a “model province” example to other provinces on the mainland in the future. As Chiang Kai-sek stated, “[o]nly by rebuilding Taiwan as a model province in according with the Three People’s Principles can we attain final victory against aggression and ultimate success in national reconstruction” (Chiang, 1950: 68). In his address at the opening of the second session of the First National Assembly in 1954, he emphasised again that

“... In the case of the laboring class we have raised their wages and enforced the system of labor insurance. We have been gradually carrying out the stipulations in the two chapters on National Economy and Social Security in the Constitution to the end that Taiwan may become a community based on the Principle of the People’s Livelihood and serve as a model for economic and social reconstruction after the recovery of the mainland”

(Chiang, 1954: 10).

On the other hand, the introduction of the social insurance system also helped the KMT government to bring hope and a bright future to the people, which was also vital to the

war against the Communists. As Chen Cheng pointed out, the reason why the KMT government lost the mainland “was due to the loss of hope and confidence in the government on the part of the people”, therefore, to recover the mainland, “we should revive the people’s hopes and confidence” (Chen, 1954: 19). To bring a sense of hope to the people was crucial, as people at large felt hopeless about their future and did not want to stay in Taiwan⁷. Apparently, the KMT government, who sought to integrate the country into its national goal of re-conquest, must do something immediately to offer hope to their people and to win support from them. Under such situations, the social security system is a perfect tool to serve this object. As Chiang Kai-sek pointed out in his Double Tenth (the National Day) Message in 1950 that, following the introduction of social legislation and other policies, “Taiwan has given bright hopes to our countrymen on the mainland. These hopes will serve as a severe blow to the Russian aggressor” (Chiang, 1950: 61). In other words, just like the Beveridge Report offered a picture of a better nation for the British to look forward to and to fight for during the Second War, the KMT government introduced the social security system to demonstrate its determination and ability to build a nation that was better than the Communist’s.

Singapore in the 1950s also faced the imperative for state building. It is argued that Britain’s liberal colonial doctrine had concentrated on political issues and so that social welfare had been neglected⁸. Having experienced the shock of defeat and loss in the Far East during the Second World War, Britain eventually realised the necessary to reform its imperial rule and to undertake political re-construction in its colonies. Under such circumstances, Britain needed to enter a new phase of constructive imperialism – to

⁷ For example, some letters written by Taiwanese people to George H. Kerr, an American Formosa Specialist who resided in Taiwan between 1937-1940, in 1950 clearly showed that they felt no hope and did not want to stay in Taiwan. See Kerr, 1965: 388-421.

⁸ The analysis in this paragraph is based on Joanna Lewis, 2000, *Empire State-Building: War & Welfare in Kenya, 1925-52*, Oxford: James Currey.

improve social provisions and living standards in its colonies so that colonial people may take their place as free peoples in the commonwealth of free nations. Therefore, the state building process was undertaken in many of Britain's colonies. The main goals of the British Government were to create a modern state structure in its colonies, and, thanks to the influence of the Left in British politics, to bring to their people a more egalitarian social welfare.

In 1951, the Colonial Office in London clearly declared that “colonial territories have not yet developed to the state when a scheme of social insurance, as understood in the United Kingdom, is feasible” (British Colonial Office, 1951: 8). Had it not been for the necessity of state building for the colony, the CPF scheme would not have been enacted in 1953 in Singapore, only two years after this statement was made by the Colonial Office. Especially, as discussed in Chapter Six, Singapore during this period faced the threat of the Communists just as Taiwan did. Therefore, to some extent, the introduction of its CPF system in the mid 1950s served as a symbol that the government was to build a state for the Singaporean better than the Communist could offer. As the Governor stated in his policy address in 1952:

“ [The CPF] is one of considerable importance, as it provides an element of security which is necessary where workers are engaged in commercial and industrial activity. This is the most important step towards the establishment of a Welfare State which is what the British way of life desires to offer as opposed to the promises of the Communists which they can never hope to fulfil. I have on many occasions referred to the menace of Communism, and I hope that the manner in which Singapore is conducting its affairs will provide the best answer that can be made to this menace... Deeds and not words, in my opinion, are the best appeal that can be made... This measure for providing an element of security to the workers of this Colony, to my mind, will be the best form of propaganda that anyone can hope to provide.”

(Singapore Parliament Debates, 1952: 100)

Although very few would believe that Britain was really intending to create a Welfare State in Singapore, the introduction of a social security system was no doubt a good demonstration to assure the Singaporeans that the Colonial government was working on building a better nation than a Communist regime. On the other hand, as many other former British colonies were experiencing a process of de-colonisation after the Second World War, Singapore in the 1950s departed from being a colony and became a self-governing state. However, the fact that the majority of the population being Chinese but the politics and economy dominated by Malaya brought this city-state serious political unrest related to ethnic mobilisation. This is an important background that Singapore implemented a central provident fund in the 1950s.

As Bogdanor points out, the task of nation building is particularly crucial in states with different ethnic groups (1987: 379). This is very much the case in Singapore, which is a multiracial society and whose population mainly made up of Chinese, Malays and Indians. Especially, in the 1950s, the major ethnic communities had strong affectual ties with their motherland: the Chinese identified strongly with China and the Malays with Malaya and the Indians with India (Hill and Lian, 1995: 19). This situation made the provident fund approach attractive. As Williamson and Pampel argue, this approach is particularly well suited to a nation that is faced with deep ethnic cleavages and whose population identifies more strongly with regional and local ethnic groupings than with the nation as a whole (Williamson and Pampel, 1991: 35-36). This programme helped to reinforce the connection between people in different ethnic groups with a national government, thus serving as a mechanism to promote national integration. As Lewis pointed out, the implementation of social security schemes in Britain's colonies served to create "a much more intimate relationship between state and subject". In addition, she

argued, if people were made aware of social security issues and their provision, then they might be more inclined to pay national tax (Lewis, 2000: 87-121). By doing so, the social security system not only strengthened the connection between the state and its people, but also improved the financial capacity of the new-born state. Tracy (1991: 101) also argued that the introduction of a government administered national provident fund in third world countries can be explained as an effort to strengthen the status of the central government.

On the other hand, the CPF, which is a mandatory saving scheme drawing a significant proportion of employees' wages to a fund which members can not withdraw from until they reach the age of 55, also bind the Singaporeans' well-being closer to their state. This fund, whose long-term value heavily depends on the nation's interest rate and inflation rate, has created a situation in which the Singaporean's financial protection actually relies on the nation's prosperity. Therefore, it increases the sense of belonging and identification among the Singaporeans, which were crucial for Singapore in the 1950s when the nation was under the threat of communists and experienced serious unrest caused by political and ethnic conflicts. As Thio Chen Bee, then a member of the Parliament, stated in the debates of the Central Provident Fund Bill:

“It is quite obvious that when people have nothing to lose or little to lose by violent change in the existing social order, it is quite easy to tempt them to favour and support plans for a quick and violent upheaval. On the other hand, if the stability and security of the Colony are linked up with their own savings, they will be very reluctant to give their ear to any suggestions that the system should be violently overthrown.

So a provident fund scheme such as this for the general public will help to produce a greater degree of stability and a greater sense of responsibility among our workers.”

(Singapore Parliament Debates, 1952: 197)

In other words, the savings that people put into the CPF on a compulsory basis become not only a financial asset but also a political stake. To secure their savings, the Singaporeans now need to work together beyond their ethnic difference to maintain national stability and pursue economic development.

When the CPF regulation was changed in 1968 to allow member to use the savings to purchase public housing, the government's intention to use this institution to promote nationals' loyalty and national integration became more obvious. When explaining the rationale of increasing the rate of the CPF saving to allow members to purchase public housing, the former Prime Minister Lee Kuan Yew stated:

“After Singapore became independent in 1965, I worried about the situation that almost all Singaporean lived in urban areas. I noticed that generally people living in urban areas tend to vote against the government. So I decided to help the Singaporean to have their own house, otherwise the political situation would not be stable. My other attention was to let parents, whose sons must fulfil the responsibility of national service, understand that they own a stake in Singapore which is worth their sons' defending.”

(Memoir of Lee Kuan Yew, Vol. II: 109, translated from Chinese)

In fact, the CPF not merely helps the Singaporeans to purchase houses, but also helps to improve Singapore's public infrastructure, which was of great importance for the nation in the 1950s and the 1960s. Jayakumar, one of Singapore's first-generation leaders, explained this point in his public speech entitled “The CPF is a significant factor in nation-building”:

“The CPF, therefore, invests savings in Singapore government bonds... The money is used to finance investments in public the infrastructure such as roads,

airports, industrial estates, telecommunications facilities, water reservoirs, power stations, schools and other education institutions. Some of the money is loaned to new and desirable commercial and industrial enterprises that create jobs and enhance our economic development... Because of the CPF institution, Singapore has one of the highest savings rates in the world. We, therefore, do not need to borrow from international banks or other foreign countries... We are thus spared the debt burdens faced by many developing countries today. We are also free from the strings attached to foreign aid programmes that would have restricted the ways we conduct our political and trade relations with the rest of the world.”

(Singapore Ministry of Communications and Information, 1984: 69)

As discussed in Chapter Six, good public infrastructure is an important factor that has made Singapore an attractive place for foreign investment which is vital to Singapore's economic growth. In this regard, the CPF system has served as a financial source that directly and indirectly contributes to the nation's prosperity. In turn, economic growth helps to increase the value of the Singaporean's CPF savings and wages, and promotes people's loyalty toward their country.

In Hong Kong, the fact of being an immigrant society and facing political uncertainty created situations that were unfavourable to the introduction of a social security scheme. After the Second World War, Hong Kong became a 'life boat' for refugees who escaped political unrest from China. The population increased sharply from 1.6 million in 1946 to 2.4 million in 1950 (Jones, 1990a: 18). The 1961 census shows that more than one half of the populations (52.3 per cent) were not born in Hong Kong. These non-native people came for political or economic reasons and had little sense of belongingness to the country of Hong Kong. Normally, a government facing this situation would try to introduce policies that are conducive to state building. On the contrary, this immigration feature, coupled with the uncertainty of its political future in the 1950s, hindered its

efforts toward state building.

Chinese refugees, among whom many were illegal immigrants, arrived in the late 1940s and the 1950s, saw Hong Kong only as a place for temporary shelter. In addition, many of the early phase immigrants came alone for economic reasons and left their family in the mainland. They also had little interest in making Hong Kong their permanent home⁹. On the other hand, the colonial government, facing the possibility that the Communist regime that just won the civil war against the KMT government might proceed to fight for the sovereignty of Hong Kong¹⁰, had no intention of exercising state building in the 1950s¹¹. This is why the British colonial government introduced workmen's compensation laws in most of its colonies in the late 1940s and the early 1950s but did not do so in Hong Kong. The British government's passive attitude toward Hong Kong's domestic affairs also explains why the British government, while helped to introduce a central provident fund in many of its former colonies including Singapore, failed to implement any old age income maintenance schemes in Hong Kong during this period.

These differences in terms of the imperative for nation building discussed above resulted in the fact that Taiwan and Singapore in the 1950s developed a social provision system for old age, while Hong Kong at this stage still relied on family cohesion to support the

⁹ As Bai-li Lin, a successful businessman and billionaire in Taiwan who grew up in Hong Kong after the Second World War, stated, "in Hong Kong your identity was an inhabitant, not a citizen, as Hong Kong was not a nation". See *Business Weekly*, No.784, December 5, 2001 issued (internet version).

¹⁰ Minutes of British Colonial Office clearly showed that, in the late 1940s and the early 1950s, the British government was preparing for the military attack from the Communist China, and considered the possibility of handing over Hong Kong back to China or placing it under an international regime. It was perfectly aware that Hong Kong must be returned to China sooner or later. See British official documents CO 537/3702; CAB 128/15, CM 33(49)2; DO 121/23; CAB 128/15, CM 38(49)3; CAB 128/16, CM 54(49)2; CO 537/4805, no 86B; CO 537/6046, nos 11 & 28; CAB 134/1555 CPC (57)27; DO35/8095, no 1, M213/59. These documents are in the collections of British official documents ed. by Ronald Hyam, 1992, Part II and ed. by Ronald Hyam, 2000, Part I.

¹¹ Due to uncertainty of Hong Kong's future, the British government's adopted a passive attitude toward Hong Kong's domestic affairs. As the Secretary for Colonial Office stated at a internal meeting of the Office hold on July, 4, 1950, "[t]he real reason [for not implemented constitutional reform in Hong Kong] appeared to be that we did not want to do anything in Hong Kong". See British Official Document

needy and failed to introduced any de-familisation schemes for older people. The situation in these three countries in the 1960s was similar to those of the 1950s. In the 1960s, Taiwan was still committed to the national goal of re-uniting with the mainland; while Singapore had gained its political status as an independent state. Both countries went on exercising policies for nation building, and social security schemes introduced in the 1950s were expanded to act as a tool to promote national integration. In Taiwan, the Labour Insurance Act was lifted from provincial level to national level. In Singapore the development of the public housing policy and granting official status to four languages –Malay, Chinese, Tamil, and English, were important policies to promote national integration. Hong Kong, on the other hand, had not changed its feature of an immigrant society, and the colonial government still had not been prepared to integrate the huge amount of refugees into the main society and was not willing to introduce any modern social provision for older people.

The situation in these countries in the 1970s changed dramatically. In Taiwan, with eviction from the United Nations and the breaking off of diplomatic relations from all of the major countries, the KMT Government's claim to be the sole legal government representing the whole of China was no longer persuasive. Both the KMT regime and the Taiwanese people were now facing a crisis of political identity. The government thus had to pay more attention to domestic affairs rather than devoting all the resources to the goal of counterattack and re-union with the mainland, which had proved to be unrealistic. It is under these situations that the KMT government, to a very limited extent, carefully started exercising the change from a totally 'China-oriented' nation building to a 'Taiwan-oriented' nation building. Some limited political reform was initiated, which will be discussed in the latter part of this section, to increase the political participation of

local Taiwanese people. On the other hand, the government expanded the social insurance system and enacted new social welfare legislation to extend citizenship in the 1970s and 1980s, as strategies to progress nation building.

Meanwhile in Singapore, which had gone through de-colonisation in the 1950s and the separation from Malaysia in the 1960s, had gained a totally independent status. Its national identity was now clear, and the people, although they still had strong affectual ties with their motherland, had no choice but to accept the fact that they are citizens of Singapore. The government, which has been committed itself to develop a multi-ethnic society, continued to stick by its multilingualism and public housing policies for national integration (Chew and Lee, 1991: 158). On the other hand, the loss of its hinterland of Malaya and the military and economic support from Britain means that Singapore urgently needed to develop its economy as the only way to survive (Chua, 1995:4). As to the social security system, apart from the expansion of the CPF coverage, no new old age provision schemes were introduced at this stage.

The picture of Hong Kong society in the 1970s was also different from its earlier features. The 'Cultural Revolution' in China and the economic flourishing in Hong Kong made more and more people whose identity were with China started taking Hong Kong as their permanent home (Scott, 1989: 132). The extensive student movements in the 1970s that were asking for the granting of Chinese as the official language clearly signaled the inhabitants' increasing concerns about their identity. On the other hand, the lack of social legislation and employment protection had resulted in a situation where many people had to live in poor housing and worked under deprived conditions, which led to riots and violence in the late 1960s and the 1970s. This means that the government had to start exercising policies for nation building. Under such pressure, the government

introduced the Public Assistance Scheme in 1971 and the Special Needs Allowance in 1973, which targets the disabled and older people. These schemes, although limited both in coverage and benefit levels, were important symbols to demonstrate that the colonial government had started taking its responsibility seriously to build a better Hong Kong for its inhabitants.

Since the 1980s, Hong Kong and Singapore have solved the problems of national identity. Singapore rarely has had any problems in national identity since its independence in 1965. In Hong Kong, a poll conducted in 1982 shows that an overwhelming majority do not wish to see Hong Kong being taken over by China (Scott, 1989: 168), a clear signal that the inhabitants have developed a strong local identity. As to Taiwan, although there are a certain proportion of people still holding a strong affection toward China, a 'Taiwan-oriented' identity has clearly replaced 'China-oriented' identity for both the government and the majority of the population. Although national identity is still an unsolved problem, the government has not been able to continue to use social security measures as a mechanism to promote national integration since the 1980s, as, with a series of political reforms and severe party competition, the government has lost its autonomy and its dominance in policy making. Hong Kong faced the same problem when it went through the process of departing from being a British colony to become a special region of China. The issue of state autonomy and its connection with the development of familisation and de-familisation in these countries will be discussed in later sections.

8.4.2 Legitimacy and old age provision in Taiwan, Hong Kong and Singapore

The imperative for state building in these three countries has been highly related to the necessity for the governments to secure their legitimacy. In Taiwan, the two periods

during which the KMT Government faced the most severe challenges of crisis in legitimacy were the 1950s and the 1970s. The 1950s saw the KMT Government's defeat in the civil war in the mainland and retreat to Taiwan. It was in this period that the Taiwanese insurance system was established. One of the most important reasons that the government implemented a comprehensive social security system in such a harsh time, as discussed in Chapter Four, was to demonstrate that the KMT government cared for its people's well-being more than the Communists. Since the early 1970s, Taiwan was gradually evicted from all major international organisations and broke off diplomatic relations with core countries in the world. Having lost the support of the international community and external legitimacy, the KMT government needed to promote its internal legitimacy to secure the regime. This was the main reason why the three most important pieces of social welfare legislation, including the Older People Welfare Act, were introduced in 1980 (Fu, 1994; Hsu, 1999). After the 1980s, the promotion of legitimacy is no longer a driving force for these expansions as the government has secured its legitimacy through democratisation. The connection between the state and democratisation and its impact on the development of familisation or de-familisation in the social security system will be discussed in later sections.

In Hong Kong, the colonial government's rule before 1997 was originally based on the Sino-British agreement rather than the acceptance of native people. In other words, its legitimacy came from external rather than internal. As discussed above, most of the Chinese before the 1960s saw Hong Kong as temporary shelter and did not challenge the legitimacy of the colonial government. However, this situation changed when a series of protests against the colonial government and resulted in some serious the riots in the late 1960s. This was the first time since the end of the Second World War that the colonial government faced a legitimacy crisis (Chan, 1996: 86). The government's response to

these challenges was to accelerate social reforms, including the introduction of the first de-familisation social security schemes in the early 1970s.

In Singapore, the government's legitimacy has never faced any significant challenges since the nation's independence in 1965. The ruling party, the PAP, has won every general election overwhelmingly since the late 1960s and has been free of the legitimacy crisis. Consequently, there have been no new significant de-familisation social security schemes introduced after the 1960s. All major progress in the social security system has been the expansion and reforms within the CPF, which was first introduced in 1955.

However, the state's function of pursuing legitimacy can only explain a part of the development of the social security systems in these countries. In addition, these countries' experiences do not really fit O'Connor and Gough's arguments. It is crucial to note that their theory is based on 'the capitalistic state', and Taiwan, Hong Kong and Singapore were, at least until the 1970s, regarded as Third World countries or 'developing countries'. Therefore, the nature and functions of the states in these countries were different from those of the Western countries, which have developed an advanced capitalistic society and a mature democratic system. To develop from an 'under-developed' country to a 'developing' or a 'developed' country, there are many fields other than social policies in which the state may place its efforts to promote its legitimacy.

To O'Connor and Gough, the state's need for legitimacy is contradictory to its other function of accumulation. As O'Connor states:

“The capitalistic state must try to fulfill two basic and often mutually contradictory functions – accumulation and legitimation. This means that the

state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony.”

(O'Connor, 1973: 6)

However, in Taiwan, Hong Kong and Singapore, it seems that the state's need for capital accumulation supports rather than contradicts state legitimisation. The economy-first strategy adopted by these countries in the early decades after the Second World War brought about rapid economic growth. In addition, the economic prosperity in these countries in this period came with a relative equal income distribution (Barrett and Chin, 1987: 31; Tan, 1993: 294-296). These developments result in firm support from the people for the governments. In other words, economic policies that were initiated for the purpose of accumulation have also helped the state to achieve legitimisation. As the economies in these countries started flourishing in the 1980s, the states have been using democratisation, not social policies, as a strategy to promote their legitimacy.

8.4.3 State capabilities and old age provision in Taiwan, Hong Kong and Singapore

The two aspects of state building and legitimacy discussed in previous sections are important tasks or functions that the state must fulfill. However, the state's effort in achieving these goals is constrained by two factors, i.e. state capacity and state autonomy.

In fact, the importance of the state capacity and state autonomy, for the development of the country has been well emphasized, especially in the case of Asian countries. Many studies concerning the experience of Asian countries' development have emphasized the role of the state (for example, Evans, 1995; Brodsgaard and Young, 2000). However, most of this sort of study focused on their experience of economic development rather

than on the development of the social security system. In many Asian countries, state capacity and state autonomy, indeed, also have a strong connection with their action and inaction in social security.

8.4.3.1 State capacity and old age provision in Taiwan, Hong Kong and Singapore

The capacities or strength of the state is vital to explain the difference in social security development in Taiwan, Hong Kong and Singapore, especially in the early period after the end of the Second World War. In Taiwan, the KMT government's retreat from the mainland in 1949 brought and allocated a huge bureaucracy designed to administer the whole of China and an enormous amount of skilled administrators into Taiwan. In the small island of Taiwan, whose population was only about six million at that time, a regime with four levels of government was established, i.e. the central government, the provincial government, the municipal and county governments, and town governments. At the central level, there were five branches, including the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Examination Yuan, and the Control Yuan, and numerous organisations and bureaucrats. In 1958, for example, apart from 600,000 standing armed force, there were 194,000 persons working in government services, accounted for 6.2 per cent of total employment (Taiwan Industrial Development Commission, 1958: 27-28). In addition, government enterprises in 1949 accounted for 72.4 per cent of total industrial productions (Yin, 1962: 16), and in 1952 they employed 35.7 per cent of total industrial workers (Li, 1959: 34). This super state apparatus enabled the KMT government to enjoy a high degree of capacity in Taiwan to execute its power.

State revenue also increased dramatically from the 1950s. The total state revenue increased from NT\$3.6 billion in 1952 to NT\$6.7 billion in 1955, and to NT\$12.1 billion

in 1960. In other words, it increased about 240% in eight years. In 1999, it reached as high as NT\$2,218.6 billion (Taiwan Council for Economic Planning and Development, 2000: 167). In addition, in the 1950s and the 1960s US aid helped Taiwan to go through its difficulties in the state treasury and thus balanced public finance. The huge state apparatus and healthy state finance made Taiwan a strong state in the early decades after the Civil War, and enabled it to implement complicated policies, including the Labour Insurance, Soldier's Insurance, and Government Employee's Insurance, which were all introduced in the 1950s.

In Singapore, the state had also enjoyed a high degree of capacity since the early years after the end of the Second World War. The total government revenue increased from \$76.6 million in 1947 to \$230.9 million in 1956, an increase of more than twofold in ten years (Colonial Singapore Government, 1947-1957). During the same period, total government expenditure increased from \$62.7 million to \$222.5 million, an increase of more than two-and-a-half-fold (Colonial Singapore Government, 1947-1957). At the same time, the government also paid much attention to promoting both the quality and quantity of personnel in the civil service. The Public Service Commission and the Permanent Examination Board were established for the recruitment of civil service staff. Candidates needed to go through an intensive competition, including examination and interview, prior to appointment. The Higher Scheme of Service was also introduced for the interim appointment to these services for suitable candidates. In 1950, out of 316 applications received, only 11 appointments were made, a clear indication of the severe competition and careful selection (Colonial Singapore Government, 1950: 189). In addition, to further promote the quality of government personnel, the opportunity for study courses both at the University of Malay and overseas were expanded, and scholarships were awarded (Colonial Singapore Government, 1950: 189). In 1955, the

government and official authorities together employed 48,000 people (Colonial Singapore Government, 1955: 252), which was equivalent to about 4 per cent of the population of 1.2 million (Colonial Singapore Government, 1955: 11). Since Singapore's independence in 1965, the PAP government continued paying much attention to recruiting new talents to the government. With the incentive of very high income and benefits, the authorities have been able to carefully select and recruit ministers and civil servants by their ability (Vasil, 1988: 134-156; Sachenroder, 1998: 22). The high quality of civil servants, coupled with the substantial increase in public finance, offered Singapore a high degree of capacity. This was an important condition that the government after the end of the Second World War was able to implement policies based on its plan and preference, including the introduction of the CPF in 1955.

In Hong Kong, however, the colonial government faced serious difficulties in its capacity in the early years after the end of the Second World War. First, the public finance became a worry and the government found it difficult to maintain a balanced budget. In 1946, for example, the Governor pointed out in his policy address that "the annual ordinary expenditure for which we must provide cannot possibly be covered by the revenue which we can reasonably expect to collect" (Hong Kong Hansard, 1946: 20). In that year, the total expenditure other than expenditure on rehabilitation was about HK\$75 million, while the revenue was only about HK\$ 40 million (Hong Kong Hansard, 1946: 21).

The necessity for the government to help the enormous number of refugees had further limited the government's capacity to expand public policies in other areas. In the 1950s, one-third of the Hong Kong population were refugees (Cheong-Leen, 1962: 71). These groups of people, as mentioned in Chapter Five, brought serious social problems and

welfare needs. Therefore, the government, under its limited financial capacity, needed to distribute a significant proportion of its revenue in these matters. As a former Chairman of the Urban Council, Hilton Cheong-Leen, recalled in a public address, during the 1950s, directly and indirectly, about one-third of the Government's annual expenditure was being spent annually by the Hong Kong Government on the refugees (Cheong-Leen, 1962: 69). Even so, the government's effort was hardly sufficient to meet the challenges of huge social needs. As the Governor summed up in his policy address in 1971:

“For many years, since the war, we have had to concern ourselves primarily with meeting needs of an urgent, basic nature: mass problems, which had to be met with massive solutions, and which left few resources available for anything else...”

(Hong Kong Hansard 1971/72: 3)

Therefore, although the government did not hesitate to take the responsibility to care for the refugees and other citizens in need, related social provisions needed to be provided, as the Governor indicated, “within the limits of what we can afford” (Hong Kong Hansard, 1960: 44). In addition, the shortage of skilled officials was also a major problem that worried the government, and it even limited the government's effort in social provision. The government, as indicated by the Governor, “has its problems in finding men and women with experience or qualifications required for the tasks in hand or in mind” (Hong Kong Hansard, 1969: 12). In 1965, the Governor clearly indicated that the lack of administrative capacity was the key factor that had resulted in the limitation of the development of social provision. He stated in his policy address:

“Indeed, at this present time, the ability to organize new projects, construct the necessary buildings and so on, and to find the staff are quite as much a limiting

factor on the more rapid extension of our social welfare services as is any immediate lack of money. The Financial Secretary has assured me that he has never in recent years had to turn down any worthwhile social welfare development within the terms of the approved policy, purely for lack of money; it has been the lack of capacity to spend money any faster, and lack of trained staff, which have limited the rate at which we have been able to progress; and thereby governed the rate at which money needed to be provided.”

(Hong Kong Hansard 1965: 53)

The problems of state capacity made it difficult for Hong Kong to have a rapid expansion in social provision in the 1950s and the 1960s apart from the relief on the refugee problems. It was not until the 1970s when the capacity of the state strengthened that the government was able to introduced the major social security schemes. In fact, Hong Kong’s public revenue had grown steadily with the high rates of economic growth since the 1950s. As the Governor pointed out in his policy address in 1971, from the mid 1950s to the early 1970s, the annual economic growth was kept at a high rate of nine or ten per cent. In addition, in the ten years from 1961 to 1970, public revenue had grown by an average of 11 per cent annually (Hong Kong Hansard, 1971: 4). It was under these advantaged development that he declared in the same address that “we are... coming out of an era of emergency action to ameliorate massive and immediate problems, and onto an era in which we can hope to think in terms of refining and sophisticating over a wide field the quality of the various services we try to make available to the public” (Hong Kong Hansard, 1971: 3). Two years later, in 1973, Hong Kong’s first social security schemes, Special Needs Allowance and the Normal Old Age Allowance, were introduced.

The state capacity of Hong Kong kept expanding through out the 1970s. As the Financial Secretary pointed out in his Budget Speech in 1980, over the ten years from

1970-71 to 1979-80, the average annual growth of expenditure on the Consolidated Account in real terms was as high as 11.2 per cent (Hong Kong Hansard, 1980: 511). In addition, the relative size of the public sector, defined as the ratio of expenditure on the Consolidated Account to the GDP, increased from 13.0% in 1970-71 to 23.7% in 1982-83 (Hong Kong Hansard, 1979: 350; 1981: 457). The bureaucratic system was also widely expanded. The total establishment of the public service had grown from 98,000 posts in 1972 to nearly 170,000 post in early 1982 (Hong Kong Hansard, 1982: 32). In other words, the size of the governmental administration increased 74 per cent in ten years. Thanks to the growth in public revenue and bureaucratic personnel, when the expansion of the old age income security system attracted serious debates since the mid 1980s, the state capacity was no longer regarded as a disadvantaged factor for future development.

8.4.3.2 State autonomy and old age provision in Taiwan, Hong Kong and Singapore

As discussed in previous sections, the states in Taiwan, Hong Kong, and Singapore all have the same preference in family cohesion as solutions to the ageing societies, and all have a centralised powerful administrative systems to put policies into effect. It is the difference in state autonomy that has brought about the divergence in these countries in terms of the development of familisation or de-familisation after the 1980s.

Before the end of the 1970s, the states in all these countries were able to dominate social sectors and enjoyed a high degree of autonomy. This is attributed to a couple of reasons, including the lack of a fully elected legislature and significant opposition parties, political apathy of the public, and the lack of working class mobilisation. In Taiwan, the Temporary Provisions froze the re-elections for members of the Legislation Yuan and National Assembly, and, until the senior legislators retired and the all-round re-election

took place in 1991, the KMT government was able to pass all acts it proposed in the legislature. The legislature was actually only a rubber stamp and did not have any real power to challenge or veto the executive sectors' policies. On the other hand, the martial law eliminated the possibility for the opposition to form a political party and restricted political protest activities. The organisation of trade unions and the measures they could use for protest were restricted. The martial law also froze the number of newspaper licenses. The mass media was therefore controlled by the KMT and could not function to collect and broadcast dissentient views. These high-handed measures, coupled with the shadow of the slaughter in the "228 Incident" in 1947, resulted in a distant and apathetic political attitude. Until the end of the 1970s, the KMT had totally controlled the state and the society, including governmental executive bodies, the legislature, the press, and trade unions. The single-party and high-handed rule of the KMT was justified by the threat of the Communists and the need to maintain stability on the island (Johnson, 1987: 144). During this period, there was only a pro-democracy opposition movement in the late 1950s that challenged the KMT government's dominance, and soon ended in failure (Rigger, 1999: 109). All these factors contributed to a high degree of state autonomy in Taiwan between the 1950s and the 1970s.

The situations in state autonomy in Hong Kong before the 1980s were very much similar to those in Taiwan. The fact that the majority of the Hong Kong people were refugees from the mainland and did not have a strong sense of commitment and belongingness to this place provided a favourable foundation for political stability (Chan, 1996: 84). In deference to China's wishes, the colonial government had no intention to introduce a democracy and election system in Hong Kong (Scott, 1989: 82; Miner, 1995: 22; Lo, 1999: 15). The widespread politically apathetic attitude, coupled with the support of the society and business elite who dominated executive and legislative sectors and feared

that a democracy system would damage their privileged status, delayed the progress to democratisation in Hong Kong (Lo, 1997: 20). Political power was monopolised in the hand of the Governor and the Executive Council, and all members of the Legislative Council were appointed by the government. Although there were some unofficials appointed to the Legislative Council, they only facilitated the smooth passage of government legislation and played no role in checking the powers of the executive (Lo, 1997: 38). There was no significant political opposition power that could challenge the government's policy directions. In addition, ordinary workers tended to be uninterested in organizing or joining trade unions. The percentage of workers who were affiliated with trade unions was low. By 1966, the number of workers who joined trade unions was only 172,623, and most unions were fairly small and the main federations of trade unions were split into pro-China and pro-Taiwan and were not able to unite the developing working class (Butenhoff, 1999: 53). The average annual lost of working days between 1971 and 1990 was as little as 15,830 days, and trade unions were concentrated on mutual help, and social and leisure activities rather than fighting for improving wages and working conditions (Miner, 1995: 32). All pressure groups were required to register, and the consolidation of trade unions was restrained by governmental legislation. Although pressure groups existed in Hong Kong's relative liberal society, they were suppressed by the colonial government. These social and political features together provide a high autonomy to the state in Hong Kong before the 1980s.

Like the Taiwanese and the Hongkongese, the Singaporeans before the 1980s were generally apolitical, due to lack of a significant opposition party and low trade union affiliations. Therefore, the Singaporean State enjoyed a high degree of autonomy in policy making. Before Singapore's independence in 1965, although some of the

legislators were elected, they were just the minority in the parliament and did not have real power in policy making. As a result, the public did not bother to vote and turnouts in elections were low (Lee, 2000: 166-167). Since Singapore separated from Malaysia and became an independent country, the government had continually reminded the populace that a shift of emphasis from politics to economics was crucial for economic development and survival. Depoliticisation and the de-emphasis on competitive politics have become a conscious explicit philosophy (Chan, 1975: 295-6). The high economic growth and the rapid improvement in living standards also alleviated people's desire to participate in political activities. On the other hand, the high support from the populace resulted from economic success, and from the grassroots consolidated by widespread community centres operated by the ruling PAP party and worked closely with its MPs, had left little room for the development of any opposition power (Vasil, 1988: 150-154). In addition, the housing policies that, in the name of ethnic blend, scattered non-Chinese ethnic minorities who are more likely to vote against the PAP in elections helped to alleviate the concentration of an opposition cluster (Clammer, 1998: 219-220). Therefore, the government was able to monopolize political power.

Between 1968 and 1980, the PAP won every single seat in the parliament in every general election, and had no difficulties in passing legislation of its preference in the parliament. Furthermore, trade unions were also powerless in terms of challenging the government's policies. The political unrest and dispute in industrial relations in the 1950s and the 1960s resulted in a close relationship between the state and trade unions (Vasil, 1988: 143-4; Lee, 1988: 177). This tight relationship was later institutionalised, and, by the 1960s, the PAP-backed National Trade Unions Congress had successfully brought trade unions under control. The 1966 Trade Union (Amendment) Bill and the 1968 Industrial Relation (Amendments) Act further restricted strikes and lock-outs (Lee,

1988: 176; Chua, 1995: 61). Trade unions henceforth became an instrument for mobilising labour to coordinate the PAP's political aims, rather than an opposition power to challenge the authorities (Haggard and Cheng, 1987: 105). Moreover, having learned lessons from other Third World countries where ethnic conflicts and political unrest came after independence, the PAP government carefully avoided the emergence of any independent power centres in Singapore, and successfully integrated the civil, trade unions and society organisations under the subordination of the government (Vasil, 1988: 120-4). This allowed the PAP government to exercise policy making without being challenged by other power from societal or industrial sectors.

The high degree of state autonomy before the end of the 1970s allows Taiwan, Hong Kong and Singapore to channel their social security systems as a mechanism for nation building. The social insurance system in Taiwan, the limited means-tested and demogrant schemes in Hong Kong, and the CPF system in Singapore introduced during this period all reflected the states' preference. Although they all provided financial resources to older people other than their family, as discussed above, it is the effect of national integration rather than de-familisation that the states introduced these schemes for. The effect of de-familisation is an unintended result rather than a designed outcome. It is not unusual that the expansion of a welfare state comes about as an unexpected product. As Cox (1993) pointed out based on his analysis about the Dutch welfare state, this generous welfare state is an unexpected result of a series of expansions of welfare benefits which came without careful consideration about the consequence of expense. This rationale also explains the fact that, while placing a lot of emphasis on family cohesion, the states in Taiwan, Hong Kong and Singapore before the end of the 1970s had all introduced western style de-familisation schemes for older people.

The situation in Taiwan and Hong Kong changed dramatically since the 1980s, and the states have lost their autonomy in policy making. This is mainly as a result of democratisation, which was an inevitable process for these countries. In Taiwan, with the loss of its international identity and support since the 1970s, the commitment to recovering the mainland had eventually proven unrealistic and the KMT Government had no choice but to launch political reform to secure its legitimacy (Rigger, 1999: 16-19). On the other hand, the opposition that started concentrating since the 1970s had successfully formed a unified movement and cast significant votes in supplementary legislative elections since the early 1980s (Rigger, 1999: 29). A series of substantial political reforms mark the coming of an open and democratic society. These reforms include the KMT's tolerance of the establishment of the first significant opposition party in 1986, the lifting of martial law in 1987, the lifting of the ban on new newspaper licenses in 1988, the cancellation of the Period of Mobilisation for the Suppression of Communist Rebellion in 1991, the first full scale re-election for members of the National Assembly in 1991 and of the Legislative Yuan in 1992, and the first direct presidential election in 1996.

As authoritative control had loosened, since the early 1980s, political and social organisations were formed, and large-scale demonstrations repeatedly appeared. By 1989, more than 50 parties had registered with the government, and by 1996, 360 papers had at least a nominal presence in the market (Rigger, 1999: 129-132). Social movements aiming at improving the rights and interests of consumers, labourers, aborigines, farmers, the disabled, and women emerged (Lin, 2000). Taiwan soon shifted from an authoritarian one-party state to a nation with a plural political system.

On the other hand, the KMT has faced severe competition especially from the main

opposition party, the DPP, in every election since the 1980s, and gradually lost its dominance in the making of public policies. Its number of votes in the Legislative Yuan has declined sharply since it first became a fully elected body in 1991. As Table 8.3 shows that since the mid 1990s the KMT could no longer capture the majority of the vote in the elections.

For the KMT, to win an election has become a more important goal than to implement a policy in accord with its ideology. This explains the contradiction that, in the 1990s, while its Prime Minister still insisted on emphasizing family cohesion, the KMT government introduced and expanded de-familisation schemes for older people and launched a campaign to establish a national pension system at the same time.

Table 8.3 Percentage of the Vote Captured in Elections for the Parliaments (%)

	KMT	DPP	New Party	Independent
1980 (Legislative Yuan)	82.4	1.3	-	16.3
1983 (Legislative Yuan)	87.5	3.1	-	9.4
1986 (Legislative Yuan)	84.7	6.9	-	8.4
1989 (Legislative Yuan)	65.5	19.9	-	14.6
1991 (National Assembly)	71.2	24.0	-	4.9
1992 (Legislative Yuan)	53.0	31.0	-	16.0
1995 (Legislative Yuan)	46.1	33.2	13.0	8.4
1998 (Legislative Yuan)	46.6	29.6	7.1	9.4

Source: Lin, 2000: 110; Gigger, 1996: 303.

Hong Kong's political system has also experienced large scale reforms since the 1980s. With the proceeding of the Sino-Britain negotiation about its future and the British desire to protect its political autonomy vis-a-vis China after 1997, democratisation in Hong Kong triggered since the early 1980s (Lo, 1997: 20). The first election for the local

advisory body, the District Boards, in 1982 and the first indirectly election of some members of the Legislative Council in 1985 marked the beginning of a democratic era. The “Tiananmen Incident” in 1989 further woke up Hongkongers’ political awareness. Numerous political groups emerged in the mid-1980s and a civil society has exploded. In the 1990, the first party, the United Democrats of Hong Kong was established, and by 1994, there were eight political parties in Hong Kong, which signaled the coming of a plural political competition (Lo, 1997: 152). In addition, democratisation has also brought Hong Kong a more pluralist policy-making process and the government has been aware of balancing the conflicting interests of the business elite and the working class when implementing policies (Lo, 1997: 22). The public’s participation in politics has also increased dramatically. In the 1985 election for District Boards, only 16 per cent of the eligible voters voted (Miner, 1995: 37), while a survey of 672 respondents shows that 59.7% of them voted in the 1995 Legislative Council election (Lo, 1997: 196). In addition, frequency of political demonstrations also increased sharply in the 1990s. For example, police records of the number of marches showed a jump from 285 in 1993 to 405 in 1995 (Chiu and Lui, 2000: 15). The increasing awareness and participation among the populace made it no longer possible for the government to implement policies without consulting or considering the Hong Kong people’s point of view.

Another clear sign that indicates the government’s loss of total control in politics was the change of the result of the parliamentary motion to thank the Governor since the mid 1990s. Conventionally, a member of the Parliament would move to thank the Governor immediately after he finishes his policy addresses to the Parliament, and this move would pass without any opposition. However, in 1996, this motion was rejected by a vote of 22 to 23 (Chai and Chai, 1998: 13-15; 186-188). Through this unprecedented vote, the Parliament had clearly demonstrated that it was not no longer a rubber stamp,

but had the real power to check the government's policies.

All these developments were evidence that the executive-led Hong Kong state has been getting weaker, and a plural society has emerged. Therefore, the state could no longer always stick to its policy preferences and had to balance conflicting interests between different society groups. This explains the Hong Kong government's vacillation between a social insurance scheme and a central provident fund scheme since the late 1980s. Eventually, it can no longer resist pressures from different social groups and had to implement a de-familisation scheme for old age in the late 1990s.

In Singapore, by contrast, the state still enjoys a high degree of autonomy in policy making after the 1980s. Trade unions are still subordinate to the state and operate in coordination with rather than against the government. Between 1978 and 1999, it has been strike-free except for two days in 1986 (Singapore Government 2000: 243). On the other hand, the proliferation of state-sponsored associations and organisations signals that the civil society is also mainly dominated by the state. These associations and organisations have functioned to strengthen the support of the legitimacy of the PAP and to facilitate feedback from the grassroots to the government (Hill and Lian, 1995: 163). The most important grassroots organisations, Community centres, Citizens' Consultative Committees, and Residents' Committees, all come under the political control of the Prime Minister's Office. The PAP government has used these institutions to disseminate its ideology for nation building and to strengthen its monopoly in political space (Hill and Lian, 1995: 175-7). Under such circumstances, neither an autonomous civil society nor a powerful opposition party can thrive. The PAP has also enjoyed overwhelming control over the Parliament. It won all the seats in the 1980 general election. In 1984, 1988, 1991, 1997 and 2001 general elections, non-PAP

candidates only won 2, 2, 4, 2 and 2 seats for the Parliament respectively. However, the percentage of votes cast in general elections fell significantly from 77.66 per cent in 1980 to 64.83 in 1984, and to 60.96 in 1991, which is a clear signal that voters want a more open and less paternalistic government (Chong, 1991: 35; Chua, 1995: 76). In spite of losing popular votes in general elections, the PAP government still believes that a controlled democracy is necessary for this politically and economically small and vulnerable country, and a pluralist democracy with competitive politics is neither viable nor desirable (Vasil, 1988: 120; Chong, 1991: 109; Clammer, 1998: 218). The PAP continues to exercise all available legal and organisational means to hinder the mobilisation of any opposition, and makes it very difficult for an opposition to recruit promising new blood. Although there are as many as 23 registered parties active in Singapore, they hardly play the role of an opposition, and have practically no opportunity to make a serious impact on policy making (Sachsenroder, 1998: 11). It is in this climate that the state has secured its autonomy and has been able to implement familisation schemes that reflect the states' preference since the 1980s.

8.5 Conclusion

Taiwan, Hong Kong and Singapore all have valued family cohesion as a fundamental element of their society and have put a lot of effort into advocating and strengthening family obligations. Especially, when the symptoms of an ageing society became clear and definite since the 1980s, these countries have been stuck with their preference for family cohesion as a prime measure for older people's income security. Although sharing the same familial cultural backgrounds, Taiwan, Hong Kong and Singapore have gone through different processes and paths in their old age provision systems. Taiwan and Singapore introduced de-familisation schemes for old age in the 1950s, while Hong Kong still used family cohesion as an excuse for not implementing any

social security schemes for old people. On the other hand, Taiwan and Hong Kong's old age provision systems has clearly developed in a way to increase the degree of de-familisation in older people's income protection, while Singapore has used its social security and legal systems to strengthen its orientation of familisation. The main factor that has contributed to these differences is the state. The autonomy of the state, and the need for nation building and legitimacy together explain the divergence of old age income provision systems in these three countries in terms of timing and direction of familisation and de-familisation.

The early establishment in Taiwan and Singapore and the laggard in Hong Kong in terms of introducing the first old age income security schemes are attributed to the different timing in their imperative for nation building. In the 1950s, the KMT's defeat in the civil war caused an urgent need for nation building in Taiwan, while the nature of a multiethnic society in Singapore also called for measures for national integration during a period of decolonisation. On the other hand, the feature of an immigration society results in a lack of commitment and a delay in nation building in Hong Kong in the early decades after the Second World War. Since the 1980s, democratisation has resulted in the loss of state autonomy in Taiwan and Hong Kong. The governments in Taiwan and Hog Kong thus have to implement de-familisation schemes, which are against their preference of family cohesion. As to Singapore, the continuous high degree of state autonomy has allowed the government to enact legislation and to implement schemes that strengthen family ties in response to the ageing society.

Chapter Nine

Concluding Discussion

9.1 Key findings of this research

This research analyses the development of social provisions for older people in three Chinese societies, Taiwan, Hong Kong and Singapore, especially focusing on comparing their policy orientation toward familisation and de-familisation. This research reveals that governments in these countries, although sharing the same preference in family obligation, adopted different policy approaches in response to population ageing. This research also finds out that mainstream welfare state theories, including the approaches of industrialism, social democracy and diffusion, cannot explain the emergence and expansion of the social security systems in these three countries. It is the state centred approach that helps to offer explanations in these regards. The imperative for state-building and nation-building in Taiwan and Singapore in the 1950s explains the introduction of their old age income protection system during this period. The expansion of old age benefits programmes in Taiwan and Hong Kong in the 1970s, on the other hand, is driven by the need for the states to improve their legitimacy. Since the 1980s, the difference of state autonomy in these countries has resulted in different directions of their policy orientations toward familisation or de-familisation. The connection of the state and the introduction of main schemes in these countries is illustrated in Figure 9.1.

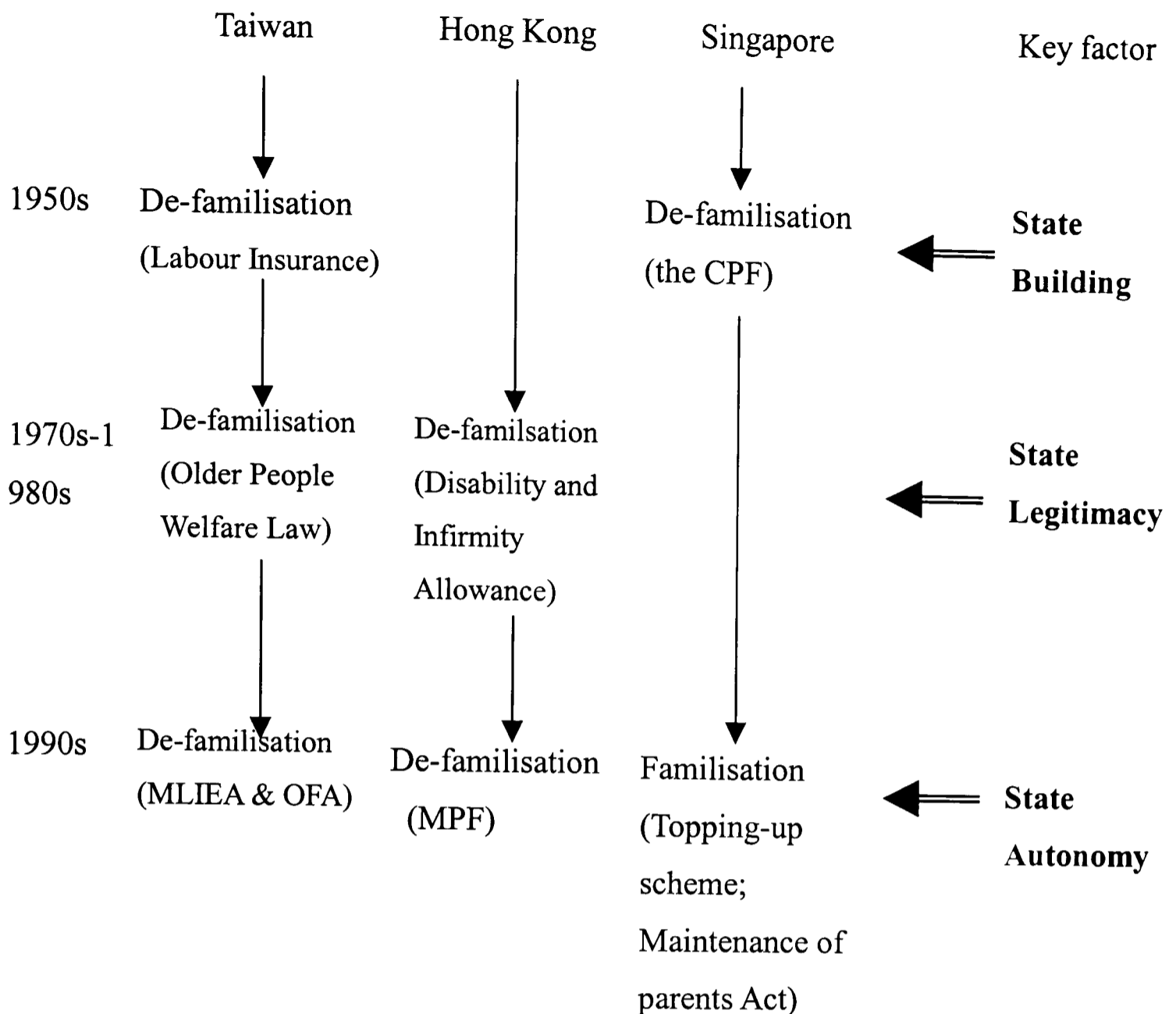


Figure 9.1 Factors contributing to the convergence and divergence of the old age income protection system in Taiwan, Hong Kong and Singapore

In micro level, this research analyses a panel data collected in Taiwan and finds out that the expansion of social security benefits can de-familise older people's income in a very short period of time. However, this expansion would not improve older people's living standards unless benefits are provided on a sufficient level. Relationship of supplements and substitution between state benefits and family support has also been found in the empirical analysis. In terms of older people's major income source, a clear stratification between socio-demographically advantaged and disadvantaged groups has also been identified, in which the former are more likely to enjoy social provisions and the latter are more likely to rely on the family in later life.

9.2 The significance of this research

This research challenges existing understanding of so-called 'East Asia welfare model' in several ways. Firstly, the appropriateness of distinguishing it from Western models is doubtful. Welfare states in East Asian countries, especially in Japan and the four 'little Tigers' (South Korea, Taiwan, Hong Kong, and Singapore) are often been categorised as the same cluster. New terms have emerged to refer to this group and to distinguish it from Western models, including 'Oikonomic Welfare State' (Jones, 1990b), 'Confucian welfare state' (Jones, 1993), 'Welfare Orientalism' (White and Goodman, 1998).

By these terms, the authors all emphasise the importance of family in welfare provision. This feature, however, is not unique to these East Asian countries. The emphasis on and the significance of family in supporting older people are not unusual in the Western history. The commandment of honouring parents is repeated in the New Testament (Shabar, 1997); and Catholic social teachings also value traditional familial function (Esping-Andersen: 1999: 51). In the era of ancient Greece, the care for older people was the legal responsibility of male members of the family. Also in the era of ancient Rome, children were expected to honour and care for their parents (Thane, 2000). Scherer (2003: 178) also points out that in European countries with a civil law tradition, the obligation to provide support to parents and grandparents has long been a feature of the civil law. Razi's (1981) research also shows clear evidence that in the thirteenth and the fourteenth century there was a common understanding in England that children should provide for older parents for their later life. The norm of family obligation for the young generation to look after their aged parents is also seen in social legislation in modern history. The most well-documented one which confirmed the obligation of family to look after their aged members is the English Poor Law of 1601. Also in Italy, some

communes made it a punishable offence to neglect an aged parent in the Middle Ages (Shabar, 1997). More recently, the incorporation of family obligation to support its older members in the law was also seen in New Zealand, where The familial obligations to support parents were not dropped until 1968 when it was repealed by the Domestic Proceedings Act (Thomson, 1998). In present days, the family is still vivid in welfare provision in Mediterranean countries (Leibfried, 1992).

On the other hand, if including family into the 'welfare mix', resources available to individuals when they encounter social risks are not necessarily less in East Asian countries than in Western countries. The difference between these East Asian countries and Western countries in terms of individuals' need satisfaction is not the quantity of resource available, but the main mechanism that provides it.

Even if we concentrate on state benefit system alone, discussions in early chapters have shown that social security programmes in Taiwan, Hong Kong and Singapore are similar to those in many Western countries. Taiwan's social insurance system before the 1990s was a typical case of Bismarck model; defined contribution retirement protection programmes in Hong Kong and Singapore are identical to those in Latin American and East European countries. In addition, defined contribution plans are increasing in number in Belgium, Canada, Germany, Ireland, the UK and the US, as occupational or personal pension plans (Turner, 2000). The design of social insurance pension programmes in other Asian countries, such as Japan, South Korea, and China are also similar to those in Western countries. In this regard, it is doubtful that social security in these countries deserves to be clustered as a distinctive model.

Second, content analysis in this research provides clear evidence that, at least for the old

age protection system, there is no homogenous model among East Asian countries. If we look at their welfare mix, Taiwan and Hong Kong's old age protection system have recently followed a clear trend of de-familisation approach, while Singapore has reinforced its familisation strategies. The expansion of old age benefits in Taiwan in the 1990s substantially increases the role of the state for old age protection. The establishment of a private-managed provident plan in Hong Kong links older people's retirement protection closer to their labour market participation and the performance of the financial market. In Singapore, the government reinforces older people's reliance on the family by introducing the Topping-up scheme and the Maintenance of Parents Act. In other words, Taiwan, Hong Kong and Singapore have increased the role of the state, markets, and the family, respectively, as their strategy in response to population ageing.

If only focusing on public programmes, main old age income security programmes in Taiwan, Hong Kong and Singapore are also far from similar. According to the typology categorised by US DSSA (Department of Social Security Administration) (US DSSA, 1997), they fall into different types. Taiwan's main old age social security programme is an earnings-related social insurance one, Singapore's is a public-managed provident programme, while Hong Kong's is a private-managed provident programme. These types of programme differ from each other not only by their design, such as principles of financing, conditions of entitlement, but also by their implications on redistribution and economy. The state plays a role as a provider in Taiwan, an operator in Singapore, and a regulator in Hong Kong. All these points indicate that we should rethink the appropriateness of clustering these countries into the same category of welfare regime.

Third, this research adopted the notion of 'de-familisation', which had not been systematically addressed before, into the analysis and finds out that relationship between

state benefits and family support in Asian countries is similar to what has been observed in the West, i.e. state benefits substantially defamilise individuals' income. It is argued that Western countries use state benefits to defamilise people's income (Esping-Andersen, 1999), while Asian countries use them to reinforce individuals' reliance on their family (Chow, 1987). Analysis in this research, however, indicates that, in these East Asian countries, family support for older people withdraws when state benefits are available. In Singapore, the proportion of older people receiving family financial support is much lower among those who have CPF savings than those who have not. In Taiwan, the expansion of old age benefits in the 1990s resulted in a substantial proportion of older people shifting their major income source from the family to state benefits. The rapid de-familisation of older people's income after the expansion of the old age income protection system has also been observed in South Korea, where the proportion of older people reporting children's support as their major income source declined sharply from 63.7 per cent in 1988, the year when the National Pension Programme was introduced, to 44.3 per cent in 1994 (Yoon, et al, cited in Lee, 2002: 28). In other words, the importance of the family in supporting older people in East Asian countries is not a result of states' reinforcement, but of lack of state provision. Once state benefits are provided, they replace family support as older people's major income source.

Fourth, this research challenges existing arguments regarding relationship between the de-familisation and the de-commodification of people's income. Established Western scholars argue that individuals have to be de-familised before they can be de-commodified (for example, Orloff, 1993; Esping-Andersen, 1999). They point out that, in the West, the gap between male and female in their social security rights is mainly due to females' low labour market participation. Therefore, they argue, for

females, de-familisation is generally a precondition for their capacity to commodify themselves. This research has provided clear evidence to reject these arguments. It is true that in a welfare regime where social security entitlements are strictly linked to individuals' employment records, people cannot enjoy decent state benefits unless they have a continuous labour market participation. However, in countries where pension rights are based on citizenship rather than contributions, state benefits can quickly de-familise people's income regardless of their experience in the household economy and in the labour market.

9.3 Challenges to East Asian countries' old age protection system

Social security systems in East Asian countries are now facing severe external pressure and domestic challenges. Externally, globalisation has brought enormous pressure to their economy, and influence their social security development. East Asian countries have been heavily depended on the world economy, and are vulnerable to acute changes of the international politics and economy. Taiwan, Hong Kong and Singapore all suffered heavily from the financial crisis in 1997 and the international economic recession in 2001. More recently, the outbreak of SARS (Severe Acute Respiratory Syndrome) has brought another disaster to these countries, with an estimated drop of 1.4, 1.2, and 0.5 percentage points of GDP in Hong Kong, Singapore, and Taiwan, respectively, for 2003 (Global Insight Inc., 2003).

Despite all emphasising the importance of global competitiveness, Taiwan, Hong Kong and Singapore have made different adjustment for public policies after the financial crisis. In Taiwan, the effects of financial crisis, international recession, and the move of many enterprises to China for cheaper labour have caused an increase in unemployment. As a consequence, tackling unemployment has become the government's top priority for

public policy. The Employment Insurance Scheme was introduced in 2002, which detached the Unemployment Benefit from the Labour Insurance Scheme and offered it an independent status. A total sum of NT\$ 70 billion (about £1.4 billion) is made to temporarily accommodate the unemployed into public sector. On the other hand, due to tight government finance, the planning for the National Pension System has been suspended. Public concern about social security also seems to have changed from the establishment of a national pension system to the reduction of unemployment.

In Hong Kong, due to the drop of government revenue caused by the economic downturn and deflation, government finance has faced a deficit since 1998/99. Based on Government's projection, the deficit will amount to 5.5 per cent of GDP by 2004 (Hong Kong Government, 2003). In response to this situation, the Government has announced a comprehensive tax increase plan, which are unprecedented in Hong Kong where the government has been proud of their low tax tradition. According to the Government's 2003-04 Budget plans, standard rates of salaries tax, corporate profits tax rate and property tax rate will increase, and tax allowances will decrease (Hong Kong Government, 2003). On the other hand, the Government also announces in this Budget that they expect to see a reduction in social security payments for HK\$1.7 billion a year. With respect to the Mandatory Provident Fund Scheme, its operation will not be directly influenced by changes of government financial situation, as the government does not share the contribution. However, the government will soon face a dilemma between improving retirement protection and maintaining global economic competitiveness. The current contribution rate of 5 per cent for both employees and employers is low. An increase in contribution rate, however, will directly increase the cost for enterprises and is considered a disincentive for foreign investors and a disadvantage to global competitiveness.

In Singapore, CPF contribution rate for employers was reduced from 20 per cent to 10 per cent after the financial crisis, and has yet reverted to its pre 1997 level. Facing economic downturn, the Government has chosen to sacrifice retirement protection for economic development. Thanks to its nature of funding, a temporary cut in CPF contribution will not substantially decrease members' savings for retirement. However, the government must deal with the situation where most of CPF members withdraw big proportions of their funds for housing and do not leave sufficient savings for old age. Radical measures are needed to force members to put more savings aside for later life.

Domestic development in Taiwan, Hong Kong and Singapore has also pressed severe challenges to their old age protection systems. Pierson (1999) has identified several domestic factors that challenge all kinds of welfare regimes, including population ageing, the transformation of the household, and the maturity of social security programmes. Pressures generated by these factors in these countries are no less than those in the West. In Taiwan, Hong Kong and Singapore, changes of household structure and population ageing come together as a result of declining fertility rates. Proportion of households consisting of only older people and old age dependency ratio increase faster than the West. In Taiwan, the maturity of the social insurance system has resulted in enormous financial problems.

Although measures have been adopted by these countries in response to these domestic pressures, they do not seem to be good solutions. In Taiwan, the MLIEA and the OFA were introduced as transitional arrangements before the establishment of the National Pension System. However, these tax-funded benefits will cause enormous financial burden to the government. The suspension of pension reforms also means that problems

facing current social insurance programmes will become worse before they are dealt with. In Singapore, the familisation schemes of Topping-up Scheme and the establishment of the Tribunal for maintenance of parents are not popular. Between October to December 2002, among the three million CPF members, only 250 of them used Topping-up, and the amount involved was only \$5.4 million (CPF Board, 2003). With respect to the Tribunal, from June 1996 to October 2000, there were only 641 cases asking for maintenance order, and the number of cases is declining each year (Scherer, 2003: 176). In other words, these familisation schemes do not have much practical effect on protecting older people's income. More reforms on retirement protection system are needed for the long run, including increasing retirement age, and increasing minimum sum retirement savings.

Apart from economic and demographic factors, changes of domestic politics also press severe challenges to these countries, especially in Taiwan and Hong Kong. In the former, the opposition and the ruling parties compete viciously almost in every major policy area. In the latter, party politics has emerged since the 1990s and the public has showed increasing concerns toward public affairs. For these countries, a rational institutional arrangement is needed for social policy making. In this regard, South Korea offers a good example, where a tripartite corporatism was introduced for social policy making after the financial crisis, and has brought substantial reforms on social security (Shin, 2000).

Another urgent task for these countries is to expand their safety net. Taiwan, Hong Kong and Singapore's main old age income protection schemes are all designed based on male breadwinner assumptions. With increasing number of unemployed and rising employment in informal sector, an increasing number of people will be excluded from

these schemes. Traditionally, the family played a role as a buffer, which support people during economic hardship. However, the family now is less capable of doing so due to the transformation of households, especially when the unemployed is the breadwinner of the household. Government statistics in South Korea shows that the proportion of heads of household among the unemployed rose sharply after the financial crisis, from 34.5 per cent in 1997 to 43.6 per cent in 1998 (Shin, 2000: 91). In response to this situation, the Government expanded its unemployment benefit and social assistance system in 1998 (Shin, 2000; Lee, 2002), which could be a good example for Taiwan, Hong Kong and Singapore.

9.4 Limitations of this research and directions for future research

There are several limitations of this research, which leads to directions for future research. Firstly, this research adopts a small-N approach for comparison, and includes only three Chinese societies, Taiwan, Hong Kong and Singapore, into the analysis. There are some other countries sharing similar social and economic backgrounds and facing similar challenges with respect to population ageing, including China, Japan, South Korea, Malaysia, and Thailand. Among them, Japan's pension system has defamilised older people's income. The 1989 National Survey of Family Income and Expenditure shows that social security pension benefits consisted of 78 per cent of older people's income (Takayama, 2002: 16). On the other hand, its pension scheme would face a deficit in 2003 if reforms were not proceeded (Takayama, 2002: 16). Potential financial insolvency of public pension scheme will also appear in South Korea by 2020 (Lee, 2002: 38). In China, due to its one-child policy and increasing early retirement, the old age dependency ratio for the basic pension system (number of pensioners to number of active contributors) has increased from 1:30 in 1987 to 1:3.5 in 2001 (Zhu, 2002: 42). Radical pension reforms are urgent for these countries. More research focusing on these

countries will be valuable for the understanding of their system, and for the management of their future. In addition, research focus should extend from state benefit system to 'welfare mix', and bring the labour market and family into analysis to examine their interactions and the impact of these interactions on older people's living standards.

Second, this research focuses on state benefits and family support and does not pay much attention to occupational and personal pensions. In fact, Singapore's CPF scheme and Hong Kong's MPF scheme are both public and occupational schemes. There are public schemes as they are mandatory and are managed or regulated by the state. They can also be treated as occupational schemes as they only cover those who participate in the labour market, and employees and their employers together share 100 per cent of the contribution. However, there are substantial proportions of employed population exempted from provident funds in Hong Kong (23 per cent in Hong Kong in December 2001) and Singapore as their employers are providing better retirement protection plans. This exemption no doubt has enormous impact on the stratification of older people's income. On the other hand, future research should also pay more attention to incomes from personal pension plans to see their impact on older people's financial situation.

Third, in this research, analysis on de-familisation focuses only on older people's income source and does not include the respect of expenditure and the household economy. The majority of older people in Taiwan, Hong Kong and Singapore still live and share financial resources with their children. For older people in these countries, changing their major income source from family support to state benefit does not necessarily mean they no longer rely on their children to pay living expenses. Therefore, it is important for future research to bring the household economy into analysis for further understanding of the impact of social security on de-familisation.

Fourth, due to the availability of empirical data, micro analysis in this research only focuses on Taiwan. As Hong Kong and Singapore all adopted different type of schemes, the situation in Taiwan cannot simply be generalised. In Singapore, the government has conducted several nation-wide surveys on older people since the 1980s. However, these data offer little help to understand trends and changes of older people's financial situation on micro level, as they are not collected as panel data. In Taiwan, the government has conducted a series of surveys on older people's situation since the 1980s. However, longitudinal comparability of these data is doubtful, as methods of these surveys are not consistent. As population ageing has become the most severe challenge to social security in these countries, it is important for them to build up longitudinal data sets based on strict and consistent methods to support more empirical research and accumulate more knowledge in this field.

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