

Private Transfers and Emerging Welfare States in East Asia: A Comparative Perspective

Empirical studies on income distribution and poverty have indicated that the public transfer system has been successful in terms of poverty and inequality reduction in welfare states. However, very little attention has been paid to private transfers in this analysis. Recently, while there has been an increasing interest in the unique features of East Asian welfare states/regimes, many scholars have begun to have an interest in the role of the family in their welfare mix. This article aims to widen the scope of comparative income studies, firstly by analyzing 12 Western welfare states and two newly emerging East Asian welfare states, i.e. South Korea and Taiwan, and secondly, by comparing the poverty and inequality reduction effects of private transfers with those of public transfers. The Luxembourg Income Study (LIS) dataset is used for the analysis. The empirical results indicate that private transfers are much more effective than public transfers in terms of income inequality and poverty reduction effects in both South Korea and Taiwan, in contrast to western counterparts including three Southern European countries. Finally, based on the results, we propose further research questions.

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Introduction

Empirical studies of income distribution and poverty have played a crucial role in identifying the performances of different western welfare states or regimes. These studies have indicated that the public transfer system has been successful in terms of poverty and inequality reduction in varying degrees. However, there have been very few attempts to empirically unravel this question in East Asia. While there are an increasing number of studies and debates on emerging East Asian welfare states, the actual performance of these welfare states in terms of poverty and inequality has been almost unknown. The main focus of the studies lies mostly in welfare regimes and politics, and also whether East Asian welfare states/regimes are unique or not, not least whether the role of the family including private transfers is a distinctive feature of these states (Jones 1993, Walker and Wong 2005). In this context, this article will empirically examine the role of income transfers in poverty and inequality reduction in a comparative perspective.

This study aims to contribute to comparative income studies in two respects. Firstly we will widen the scope of income research to two newly emerging East Asian welfare states, i.e. South Korea (Korea hereafter) and Taiwan. They will be analysed together with 12 western welfare states representing four different welfare-state regimes. Studies of East Asian welfare regimes normally take into account western countries as a comparative barometer, but there are a highly limited number of comparative studies using recent microdata. Secondly, this study will compare the poverty and inequality reduction effects of private transfers with those of public transfers. Private transfers have been acknowledged as an important income source for elderly households in East Asia, but it is still less known whether they reduce or strengthen poverty and inequality. Also, it is equally unknown whether rapid developments of East Asian welfare programmes in line with socio-politico-economic transformations in recent years have enhanced the role of public transfers over that of private transfers, which will add another interesting dimension to the debates in terms of their effects on these regimes. For the analysis, the recent dataset from the Luxemburg Income Study (LIS) will be used. In the final chapter, based on the results, we will propose further research questions for the debates on the 'East Asian welfare model'.

Emerging welfare states: South Korea and Taiwan

While western welfare states have undergone an era of welfare restructuring or retrenchment over the last two or three decades, only very few countries have managed to expand their welfare system. Clearly, Korea and Taiwan are notable cases among them. After their remarkable economic growth, these two countries have also experienced socio-political transformations since the 1980s. The compressed nature of these transformations has been observed, which has not been found in the western world. Rapid ageing, urbanisation, democratisation, globalisation, and post-industrialisation have occurred concomitantly, and the governments in the two countries have had to cope with a range of needs and demands from their societies. In this period, the development of welfare programmes has been conspicuous along with these changes. Both countries have introduced and developed existing pension schemes, healthcare programmes, social services, labour market programmes including unemployment benefits, and also social assistance programmes. Although the detailed structure of the programmes is far from identical in the two countries, (Choi 2008), this has been a huge development in terms of social rights. In this context, Kim (2008) and Chan and Lin (2003) find that Korea and Taiwan can be classified as a welfare state since around the 1990s.

Welfare programmes are not new inventions to these countries since they had various programmes since the 1950s. Nevertheless, according to C. Pierson (1998), there are three points why they can be seen as in transition to welfare states recently. First of all, they have equipped a comprehensive set of social protection. Some pension and health programmes used to only cover civil servants, military personnel, or employees in large companies, but the eligibility has been expanded to all of the labour force, and even to the non-working population in some programmes. Introducing an unemployment benefit and various social services also show significant development. Secondly, welfare expenditure has also considerably increased during the last decade (e.g. Kim 2005 for the Korean case). This reflects that welfare programmes are not just nominal, which is the case for some developing countries, but they generate a substantial amount of expenditure. Finally, the states take responsibility for a minimum livelihood for their citizens by modernising their public assistance system. Korea introduced and developed the National Basic Livelihood Security Act in 2000 whereas Taiwan has developed various flat-rate assistance

programmes in a more patchy way, including various old-age allowance programmes providing NT\$3000-4000 monthly. Behind the scenes, interestingly enough, the considerable increase in poverty and inequality lies as one of the core drivers for such assistance, despite the development of welfare programmes.

Does this mean a farewell to the family-oriented society and welfare regimes? These two countries have been singled out as Confucian welfare states by western and Asian scholars (Jones 1993, Sung 2003, Rieger and Leifried 2004). The role of family and kinship and the emphasis on filial piety are argued to play important roles in welfare provision. According to them, these characteristics can well explain the low development of state welfare and low social spending in East Asia. This thesis has been heavily criticised (e.g. White and Goodman 1998, Walker and Wong 2005) in that it cannot explain the dynamic changes of these societies and in that Confucianism has been used as political rhetoric by political leaders. Indeed, statistics show that family in the two countries is not what it used to be in terms of decreasing co-residence and increasing divorce rate and single households. Then, can we write off the family in the discussion of these two emerging welfare states? Are public welfare programmes and transfers ready to replace the function of the traditional family in welfare provision and in alleviating poverty and inequality? Have Korea and Taiwan become the likes of western welfare states or do they have any special characteristics? These questions will be the central concern of this paper.

Poverty/inequality, welfare states, and private transfers

There have been a series of studies illuminating the role of welfare states in alleviating poverty and inequality. They pay primary attention to public cash transfer programmes, e.g. pensions, unemployment benefit, and social assistance. Some scholars are more interested in which welfare institutions/regimes are more effective or efficient in poverty/inequality reduction (e.g. Korpi and Palme 1998; Mitchell 1991) whereas others take a closer look at the nature and structure of poverty/inequality in welfare states and suggest policy implications (e.g. OECD 1995, OECD 2001). While there is no doubt that public transfer programmes greatly contribute to the reduction of poverty and inequality, studies witness that the extent to which public transfers reduce poverty inequality varies across different

institutions and regimes. Research consistently reveals that the poverty reduction rate is highest in Nordic/social democratic/encompassing regimes, e.g. Sweden and Finland, and also very high in corporatist/conservative regimes, e.g. Germany. However, the reduction rate is relatively lower in liberal/basic security regimes and Mediterranean regimes (e.g. Makinen 1999). Also, Korpi and Palme (1998:661) point out the 'paradox of redistribution' in which 'the more we target benefits at the poor and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality'. In effect, liberal regimes where targeting the poor is one of the most important principles record the highest poverty rates with the lowest antipoverty effect of public transfers.

While the effect of antipoverty/inequality policies in the western world has been well documented, that in East Asia is less well known. Although there seems to be an increasing number of studies of poverty and inequality domestically, few studies have been conducted for illuminating the effect of welfare programmes in reducing poverty/inequality in Korea and Taiwan in a comparative perspective. Kwon (2001:81) is one of the earliest and empirical studies on poverty and the antipoverty effect of income transfers in Korea and Taiwan. Using the Luxembourg Income Studies (LIS) data for Taiwan and the National Survey of Family Income and Expenditure for Korea, he shows that 'private transfers play a bigger role than public transfers'. He specifically investigates the elderly and also reveals that the proportion of earnings from children in total household income decreased time. Finally, he argues that both governments should urgently develop social policy for the elderly. Biddlecom et al (2001) also confirm Kwon's finding. When they examine the dynamics of public and private transfers in elderly households from 1989 to 1996 in Taiwan, they observe that private transfers had been the most important income source for the elderly. Yet, as public transfers, mainly from subsidy programmes, increased, the size of private transfers decreased. However, elderly households without benefits from subsidy programmes still heavily relied on private transfers. This shows that private transfers have the antipoverty effect whereas there is seemingly a crowding-out effect of public transfers.

However, two questions remain. First, since both studies use the early and/or mid-1990s dataset when social policy had just started to expand in these countries, it is possible that a recent dataset could show a different story. Secondly, although it is undeniable that the

proportion of income support from children to elderly households seems to be decreasing, private transfers could be still important in two ways. One possible scenario could be that transfers flow in the reverse direction, from the elderly to children, as young people are struggling to obtain a proper job in the labour market in both countries. The other is that, as Kwon (2001) shows, private transfers could be still crucial in alleviating poverty and inequality, if 'altruistic' behaviours are maintained. Choi and Choi (2006) partly answer our first question. They analyse all Korean households using the Korea Labour Panel Data from 1999 to 2003, and conclude that though the proportion of public transfers and their antipoverty effect increased, it is still very low, one-seventh to one-tenth of those in western counterparts. This demonstrates that there is the development of welfare state programmes, but it is far from mature. However, private transfers were not examined in their study.

Turning back our attention to the western countries, private transfers have not been the main interest in welfare state research and poverty research, mainly because they are not significant income sources compared to public transfers. For example, according to O'Higgins et al (1990), the proportion of private transfers in total household income in major OECD countries was less than one percent. Subsequently, it is difficult to expect any antipoverty/inequality effect of private transfers. Jacobs (2000) who examines income distribution in Korea, Taiwan, Japan and the United Kingdom (UK), finds that the income distribution pattern in the UK is highly different from the other three countries in that private transfers had very little impact and also social security transfers result in a high level of vertical redistribution. A similar result is also found in another OECD study (2001) in that the size of private transfers¹ in total income in elderly households is insignificant. However, it is noticeable that the proportion of private transfers in the top quintile of elderly households is much higher than other income groups in OECD societies. In particular, the size in the top quintile, the richest section, is more than 20 per cent of total income in Canada, the US, and the UK. This implies that the role of private transfers is more likely to strengthen inequality rather than to reduce it, unlike Kwon's finding (2001). This accords more with the 'exchange' hypothesis, not the 'altruism' hypothesis, where

¹ Here private transfers could include family income transfers and private transfers from non-governmental institutions.

there is a positive relation between recipients' resources and transfer amounts (Cox 1987, 1990).

From the limited number of previous studies, it can be seen that the role and effect of private transfers in East Asia is highly different from that in western countries. However, there has not been a comprehensive empirical study aiming to comparatively test the nature of private transfers and also their antipoverty/inequality effect in the two worlds. Also, it has not been unveiled how recent welfare changes result in the existing characteristics of private transfers. This study will try to answer these questions.

Methodology

The Luxembourg Income Study (LIS) Database

The LIS has provided the most reliable, comprehensive, and consistent micro income datasets suitable for international comparative studies for the last twenty years. This study also employs the latest LIS datasets for its cross-sectional international comparison. Primarily the 6th wave datasets (around 2004) are utilised when available from the LIS database but the half of the datasets (Austria, France, Germany, Greece, Italy, Spain, and Norway) were driven from the 5th wave (around 2000). Among the more than 30 member states of the LIS, on the other hand, our empirical work covers 14 countries – 12 Western welfare states and two newly emerging welfare states in East Asia, i.e. Korea and Taiwan. The 12 Western welfare states are selected according to the four major welfare state regimes (Liberal – Australia, UK, US; Continental – Austria, France, Germany; Nordic – Sweden, Norway, Finland; Southern Europe – Greece, Italy, Spain). In East Asia, we choose only two countries because of the data availability². Taiwan has provided her micro income dataset to the LIS from its initial stage and, in the meantime, Korea has joined the LIS from the 6th wave. However, since the Korean dataset is not currently available from the LIS database, instead, our analyses are based on the micro dataset that the Korean government has provided to the LIS – the 2006 Household Income and Expenditure Survey conducted by the National Statistical Office in Korea.

² Japan is excluded from the analysis since the comparable data is not available.

Issues in Income Studies

There are plenty of debatable points in income research, especially when one conducts an international comparison (see Mitchell, 1991 and Atkinson et al. 1995). Although this study does not intend to introduce all the points and explain which methods are applied to the article, it is necessary to clarify the definition of different income aggregates including the components of private transfers, the issue of the equivalence scale, and the bottom and top coding procedures.

First of all, it is important to define various income concepts used in this empirical work. Basically our study follows the guidelines suggested by the work of Atkinson et al (1995:14), which divides income aggregates by adding additional components of household income; by stage, wage and salary income, primary income, market income (MI), gross income (GI), and disposable income (DPI). As seen in Figure 1, our definition adopted here is similar to this, but there is one critical difference. Whilst most of the empirical studies conducted by the Western scholars define market income as the sum of factor income (FI), occupational pensions, and private transfers, our study separates the private transfers from the category of market income to find the income inequality and poverty reduction effects of private transfers and to compare them with those of public transfers. So, market income is defined as the sum of factor income and occupational pensions in our study. Except for this, the definition of gross income and net disposable income is the same as the typical definition of income suggested so far.

Another issue related to income definition is the scope of private transfers, and their components in the national datasets of the LIS. The LIS divides private transfer into two major categories; one is alimony/child support, and the other is regular private transfers³. The latter has two sub-items; regular private transfers from relatives and those from charity organisations. As seen in Table 1, nevertheless, all the national datasets do not include all the components of private transfers. Although the national datasets of 12 Western welfare states include the alimony/child support item, there is no information about regular private transfers in Norway and Sweden. In Korea and Taiwan, the alimony/child support variable

³ Any lump-sum income is excluded from any category of income aggregates of the LIS.

has not been included in their income surveys as an independent item, nor have the two items of regular private transfers been included separately. But, we can assume that most private transfers come from family or other relatives in Korea⁴ and Taiwan, as in all the national datasets regular private transfer from charity is separately surveyed.

Similarly, the deduction of personal income tax and social security contributions from gross income is not possible in some national datasets. In Austria, Greece, Italy, and Spain, both payroll and income taxes are not separated from factor income variables (wages and salaries, self-employment incomes). In France, only income taxes were surveyed separately. Therefore, all types of income aggregates are provided with the form of 'net' income such as FInet, MInet and GInet by deducting payroll and income taxes in these countries.

Finally, it is necessary to discuss the issue of the equivalence scale. Equivalence scales have been designed to adjust household income to account for different needs of different types of households. One of the most popular and simplest ways to equalise household income in comparative studies is to divide it by the value square root of the number of household members (Atkinson et al., 1995). We also adopt this method in the analysis.

Measurement of Income Inequality and Poverty Reduction Effects

Our empirical work to measure the effects of private and public transfers is two-fold; we look at income inequality and poverty. First of all, there are many methods to summarise the overall income distribution such as the percentiles of distribution as the percentages of the median, the Gini coefficient, the Atkinson inequality index, and so on. In this article, however, we only employ the Gini coefficient in measuring income inequality. Since the Gini coefficient tends to be fragile to very high and very low scores, the LIS recommends applying the method of the 'bottom and top coding'. By adopting the 'bottom and top coding', zero and minus income is replaced into 1 per cent of median equivalised disposable income and very high income is recoded as 10 times of the median equivalised income. In the case of poverty measures, we employ both a head-count poverty rate and the poverty gap. Whilst the poverty rate is the concept to find the extent of poverty, the

⁴ According to a recent panel survey of Korea, the portion of regular income transfer from charity remains very low in overall private transfers (Kim et al, 2007).

poverty gap provides information on the depth of poverty. The poverty line is set at 50 per cent of median equivalised income for the purpose of international comparisons⁵.

The effects of private and public transfers are computed as the notion of ‘reduction effects’ by comparing the figures pre- and post-transfer. In our study, three reduction effects are computed as follows:

$$\text{Inequality reduction effect} = [(\text{pre-transfer Gini} - \text{post-transfer Gini}) / \text{pre-transfer Gini}] * 100 \quad (\text{per cent of Gini changes})$$

$$\text{Poverty rate reduction effect} = [(\text{pre-transfer poverty rate} - \text{post-transfer poverty rate}) / \text{pre-transfer poverty rate}] * 100 \quad (\text{per cent of poverty rate changes})$$

$$\text{Poverty gap reduction effect} = [(\text{pre-transfer poverty gap} - \text{post-transfer poverty gap}) / \text{pre-transfer poverty gap}] * 100 \quad (\text{per cent of poverty gap changes})$$

Findings from the LIS: Public Transfer vs. Private Transfer

As the first step of the empirical analysis, the differences in the income package of different countries are examined (see Table 2). At first glance, the relative importance of private transfers seems marginal (on average 0.8%) in western welfare states regardless of the types of welfare regimes. Except in Austria, the ratio of private transfers to DPI is less than 1 per cent. Instead, transfer income from the public sector is an essential part of household income. On average, one-fourth of DPI comes from the public sector though there are considerable differences among different welfare regimes – i.e., the importance of public transfers is much higher among those countries in Nordic and Continental Europe but is relatively low in liberal welfare states. On the other hand, private transfers in Korea and Taiwan have a greater importance than in their Western counterparts. The ratio of private transfers to DPI is 5.8 per cent in Taiwan and 6.5 per cent in Korea respectively – seven or eight times higher than the average of western welfare states (0.8 per cent). In contrast, the

⁵ We have applied 40 and 60 per cent standards at the same time, but the results are not significantly different.

importance of public transfers in the two East Asian countries, however, is much lower, around 5 per cent of DPI.

With regards to the overall income distribution, as seen in Table 3, the primary distribution through the market is much more equal in Korea and Taiwan (less than 0.4) than in western welfare states. As easily anticipated, the UK (0.4967) and US (0.4859) show the highest inequality of market income. Even in Norway, the Gini coefficient is over 0.4 even though her income inequality is recorded at the lowest level among twelve western welfare states. If we move to the income distribution of DPI, however, the picture of inequality is dramatically changed. The level of inequality is markedly reduced through the income transfer system in all western welfare states even though the differences among them seem outstanding, as some previous studies have indicated (Mitchell, 1991; Atkinson et al, 1995). Nordic welfare states reduce the inequality of market income by 44 per cent on average, followed by 42 per cent in Continental Europe and 29 per cent in Southern Europe and liberal welfare states. In particular, it is noteworthy to emphasise that the vast majority of the inequality reduction effects have been caused by the public transfer system through both paying-in (public transfer income) and paying-out (payroll and income taxes) whereas the effect of private transfers is highly insignificant. By contrast, the importance of private transfers is clearly conspicuous in Korea and Taiwan. When comparing the Gini coefficient of the market income to the one after private transfers only, income inequality is reduced by 7.8 per cent on average. Evidently it is higher than the effect of public transfers in both countries (5 per cent on average).

Our analyses of the poverty reduction effect also tell a similar story. As Table 4 indicates, the head-count poverty rates based on the market income vary from 26.6 per cent (US) to as much as 37.2 per cent (France), but these rates are greatly reduced when public income transfers are included. In spite of significant variability, public transfers reduce poverty rate by at least 40 per cent even in the most laggard welfare state (US), or up to 88 per cent in one of the most advanced welfare states (Sweden). However, the poverty reduction effect of private transfers remains trivial, if any, in those countries. On the other hand, the importance of private transfers can be found again in Korea and Taiwan. Private transfers reduce the poverty rate by 19 percent in Korea and by 25 per cent in Taiwan. Compared with the figures for their western counterparts, the poverty reduction rates of private

transfers for Korea and Taiwan are approximately ten times higher on average. But the effect of public transfers in both countries remains 16.5 per cent on average, i.e. one-third to one-fifth of their Western counterparts (55 per cent in liberal welfare states and 84 per cent in Nordic welfare states). Furthermore, as seen in Table 5, the dominant effects of private transfers over public transfers in Korea and Taiwan are also found in the analysis of the poverty gap reduction effect. The depth of poverty is greatly reduced by public income transfers in western welfare states whilst the poverty gap reduction effects of private transfers are greater than those of public transfers in Korea and Taiwan. These results are not different when applying a different poverty line (see Appendix Tables).

Finally, it needs to be mentioned that, in Korea and Taiwan, the overall level of income distribution and poverty based on DPI is not much worse than the average of Western counterparts (except for the poverty gap in Korea). The average Gini coefficient (DPI) of the two East Asian countries is 0.3188, which is better than that of liberal and Southern European welfare regimes. Similarly, the head-count poverty rate is better than (Taiwan) or close to (Korea) the average level of those two regimes. This is interesting, not least when we remember the marginal role of public transfers in the two countries. The reasons are twofold; one is the relatively equal primary distribution of market income, and the other is the role of the family (or private transfers) in complimenting their weak public transfer system.

To sum up, the empirical analyses discussed so far have provided consistent results; private transfers are much more effective than public transfers in terms of income inequality and poverty reduction effects in Korea and Taiwan, whereas there is almost a 'zero effect' of private transfers in the western counterparts. The findings suggest that the difference between western welfare states and newly emerging East Asian welfare states is more outstanding than the differences found between different welfare regimes in the western world.

Discussion and further research questions

This research illuminates the relatively unknown aspects of the newly emerging welfare states, i.e. the effects of public and private transfers in poverty and inequality reduction, by

directly comparing them to existing welfare states. In so doing, we also reveal the performance of their welfare programmes. Our empirical analyses have shown that the income inequality and the poverty reduction effects of private transfers outperform those of public transfers both in Korea and Taiwan, which is clearly opposite to what is found in western welfare states. Also, contrary to the findings in some western countries (OECD 2001, Cox 1989), the poorest section of society in both countries benefits from private transfers. This verdict accords with the results of Jacobs (2000) and Kwon (2001), and also in Choi and Choi's analysis (2006). In other words, the analyses demonstrate that in spite of seemingly fundamental socio-economic changes together with the development of welfare programmes in the last two decades the role of private transfers has not changed much, compared to the result from the early and mid 1990s (Jacobs 2000, Kwon 2001), which also implies that family still matters in these countries. However, before we reach any conclusion with these findings and apply them to the debates on the East Asian welfare model, there are some critical issues to be discussed. These are beyond our research scope and will be further research questions.

First of all, some would argue that those effects of private transfers in Korea and Taiwan could be temporary ones because their welfare states have not been crystallised yet. In other words, the effect of private transfers could disappear or be reduced greatly once their welfare states mature. One clear fact is that in spite of significant visible welfare efforts by the two governments the dynamics of private and public transfers have not been changed much. However, two counter-arguments can be discussed. Firstly, although social expenditure has increased and welfare programmes have been expanded, the recent spending of the public welfare system has reflected the characteristics of their previous welfare regimes rather than the newly reformed welfare regimes. In effect, previous welfare programmes were designed to provide benefits mainly for civil servants and employees in large enterprises, which appear to have less anti-poverty effects. Secondly, related to the first point, their welfare states are still immature. The National Pension in Korea is a typical example. Although it was introduced in 1988 and expanded to almost all of the labour force in 1999, since this is a contributory system, it takes at least 20 years to start to provide a full old-age benefit. Similarly, newly designed public assistance schemes and unemployment benefits could take some time to be mature and to benefit all sections of

society. Therefore, it could be naïve to jump into any conclusion on the East Asian welfare model.

Secondly, it should be born in mind that this result is based on the 'cash' side of welfare states and family rather than on the 'care' side. It seems apparent that the ratio of elderly people living with their children, i.e. the co-residence rate, has significantly decreased in recent years. For example, in Korea, the co-residence rate of elderly people aged 60 and more has fallen down from 54.5% in 1998 to 42.7% in 2002 in Korea (NSO 2004), though the rate is still high compared to that of western counterparts. By contrast, the almost invisible role of cash private transfers should not be interpreted as 'no welfare function of family' in the western world. The 'care' side still remains important in the western world, particularly in Southern Europe. Also, Motel-Klingebiel et al (2005) argue that welfare states have not crowded out help from families and support the 'mixed responsibility' hypothesis in the western world. It will be an interesting research question how the 'cash' and the 'care' aspects of family have interacted with each other, which is beyond the scope of our research.

Finally, however, it is equally naïve to presume that private transfers would simply disappear as these welfare states become mature. There are three possible reasons for this. Firstly, undeniably, a family-centred culture, seemingly declining but still strongly prevalent, exists in these societies. Secondly, in line with the rapid socio-economic changes, poverty and inequality have been significantly increasing. For example, in Taiwan, the ratio of the highest fifth's income to the lowest fifth's income has increased from 4.21 in 1981 to 6.04 in 2005 (CEPD 2007). In particular, the increasing inequality of market income is noticeable. In this context, it is highly questionable whether recent developments of social policy in these countries could solely cope with these changes and crowd out private transfers. Last but not least, the family component in welfare provision could be maintained and strengthened by governments' efforts. It is highly possible that both governments, reluctant to increase public expenditure, fully take advantage of private transfers as part of welfare provision by way either of institutionalising family responsibility or of intentionally leaving a gap for family to fill in. Therefore, depending on welfare politics in these countries, it is more than possible that private transfers settle as one of the important parts of East Asian welfare states.

Together with these future research agenda, research targeting a specific section of population, e.g. elderly households or single households, will be required in order to reveal who are the beneficiaries from private transfers. Further empirical studies will greatly enhance the understanding of the nature and the dynamics of East Asian welfare states.

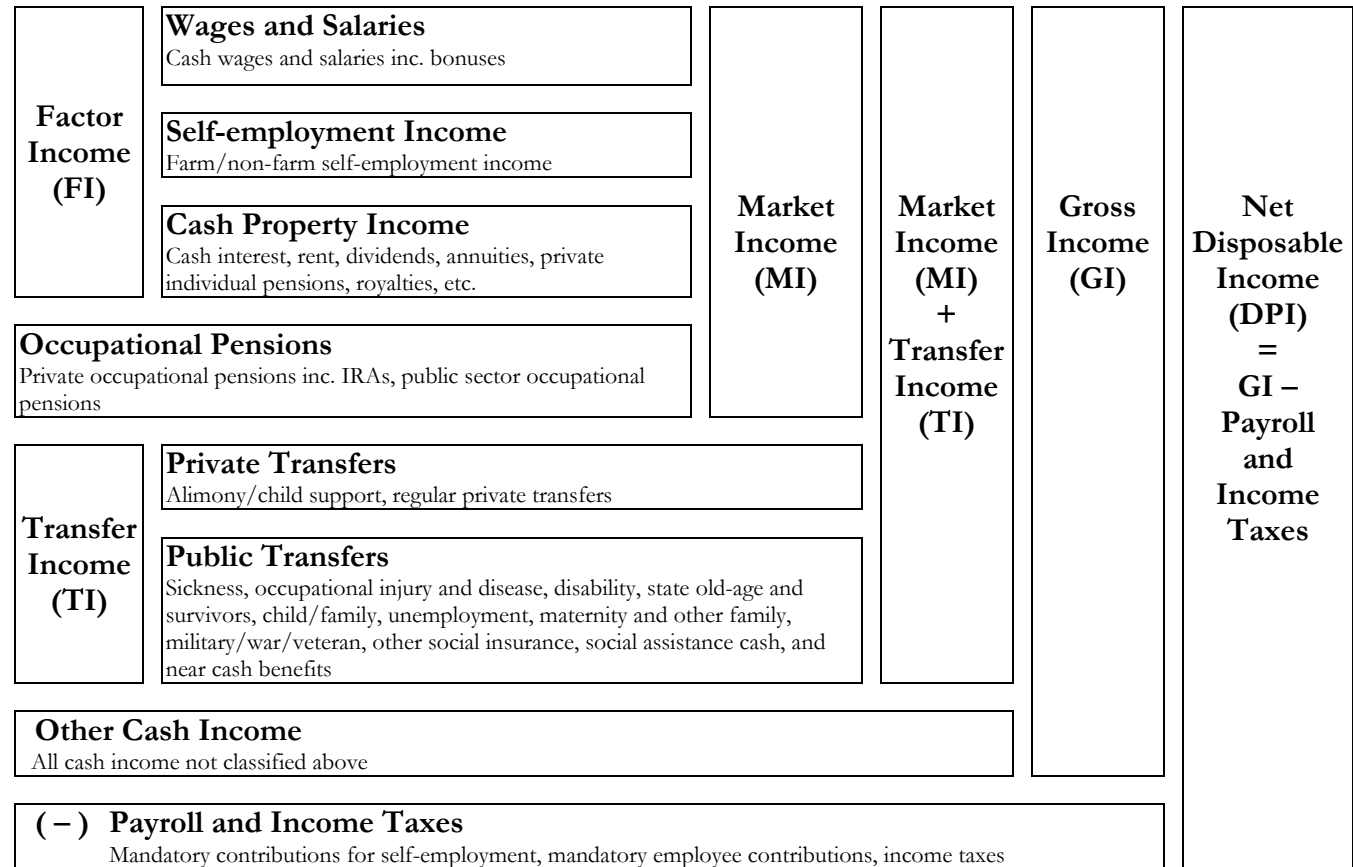
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Figure 1. Definition of Income Aggregates: Classification and Components



Sources: Authors' reconstruction from 'Definition of Summary Income Variables' and LIS Variable Definition List (<http://www.lisproject.org/techdoc.htm>, 27/8/2008)

Table 1. Features of National Datasets of the LIS

Regime Group	Country	Year	wave	Private Transfer			Payroll and Income Taxes		
				Alimony/ child support	Regular Private Transfer:		Payroll	Income Taxes	
					Total	From relatives			From charity
Liberal	Australia	2003	6	✓	✓		--	✓	✓
	United Kingdom	2004	6	✓	✓	✓	✓	✓	✓
	United States	2004	6	✓	✓	✓	--	✓	✓
Continental	Austria	2000	5	✓	✓	✓	✓	--	--
Europe	France	2000	5	✓	✓	✓	--	--	✓
	Germany	2000	5	✓	✓	✓	--	✓	✓
Southern	Greece	2000	5	✓	✓	✓	✓	--	--
Europe	Italy	2000	5	✓	✓	✓	✓	--	--
	Spain	2000	5	✓	✓	✓	✓	--	--
Nordic	Finland	2004	6	✓	✓	✓	--	✓	✓
	Norway	2000	5	✓	--	--	--	✓	✓
	Sweden	2005	6	✓	--	--	--	✓	✓
East Asia	Taiwan	2005	6	--	✓	--	--	✓	✓
	South Korea	2006	6	--	✓	--	--	✓	✓

✓ surveyed and included in the dataset

-- not available

Table 2 Income Composition (Non-equivalised Income)

Regime Group	Country	Year (LIS Wave)	Market Income (MI or MInet)	(Per Cent of Net Disposable Income)			Gross Income (GI or GInet)	Net Disposable Income (DPI)
				Transfer Income		Sub-total		
				Private	Public			
Liberal	Australia	2003 (6)	109.1	0.7	14.7	15.4	124.7	100.0
	United Kingdom	2004 (6)	105.8	0.9	19.0	19.9	125.8	100.0
	United States	2004 (6)	110.4	0.8	13.5	14.3	124.9	100.0
Continental	Austria ¹	2000 (5)	68.9	1.4	29.7	31.1	100.0	100.0
Europe	France ¹	2000 (5)	73.3	0.8	32.2	32.9	106.6	100.0
	Germany	2000 (5)	105.9	0.9	29.5	30.3	136.2	100.0
Southern	Greece ¹	2000 (5)	77.1	0.8	23.6	24.5	100.0	100.0
Europe	Italy ¹	2000 (5)	72.0	0.5	27.4	27.9	100.0	100.0
	Spain ¹	2000 (5)	76.3	0.4	22.4	22.8	100.0	100.0
Nordic	Finland	2004 (6)	102.0	0.9	33.6	34.6	134.3	100.0
	Norway	2000 (5)	109.3	0.7	22.7	23.4	132.8	100.0
	Sweden	2005 (6)	101.2	0.6	36.6	37.2	138.8	100.0
Type 1 Mean	(MI, GI)		106.2	0.8	24.2	25.0	131.1	100.0
Type 2 Mean	(MInet, GInet) ¹		80.0	0.8	26.5	27.3	107.2	100.0
East Asia	Taiwan	2005 (6)	92.6	5.8	6.4	12.2	104.9	100.0
	South Korea ²	2006 (6)	96.7	6.5	3.6	10.1	106.8	100.0
	Group Mean		94.7	6.2	5.0	11.2	105.9	100.0

Note 1. In Austria, Greece, Italy, and Spain, payroll and income taxes were not separated from factor income variables (wages and salaries, self-employment incomes). In France, only income taxes were surveyed separately. Therefore, MInet and GInet are provided, instead of MI and GI, in these five countries (Type 2).

2. South Korea has joined the LIS from 6th wave, but the dataset (2006) has not been available in the LISSY system yet. So we gained and utilized the '2006 Household Survey Data' (the original dataset that Korea has provided to the LIS) for our empirical analyses through reclassifying the data into the LIS standard.

Table 3. Income Inequality Before and After Transfers: GINI Coefficients, OECD scale

(GINI Coefficients, Per Cent of GINI changes)

Regime Group	Country	Year (wave)	Market Income (MI)	(+ Transfer Income						Gross Income (GI)	Net Disposable Income (DPI)		
				MI + Private		MI + Public		MI + Total Transfer					
Liberal	Australia	2003 (6)	0.4653	0.4606	(-1.0)	0.3639	(-21.8)	0.3597	(-22.7)	0.3593	(-22.8)	0.3121	(-32.9)
	U.K.	2004 (6)	0.4967	0.4908	(-1.2)	0.3732	(-24.9)	0.3680	(-25.9)	0.3679	(-25.9)	0.3448	(-30.6)
	U.S.	2004 (6)	0.4859	0.4818	(-0.8)	0.4205	(-13.5)	0.4168	(-14.2)	0.4159	(-14.4)	0.3724	(-23.4)
	Group Mean		0.4826	0.4777	(-1.0)	0.3859	(-20.1)	0.3815	(-20.9)	0.3810	(-21.0)	0.3431	(-29.0)
Cont.	Austria	2000 (5)	0.4280	0.4244	(-0.8)	0.2608	(-39.1)	0.2581	(-39.7)	0.2574	(-39.9)	0.2574	(-39.9)
Europe	France	2000 (5)	0.4873	0.4823	(-1.0)	0.3037	(-37.7)	0.2997	(-38.5)	0.2989	(-38.7)	0.2775	(-43.1)
	Germany	2000 (5)	0.4783	0.4735	(-1.0)	0.3295	(-31.1)	0.3252	(-32.0)	0.3252	(-32.0)	0.2747	(-42.6)
	Group Mean		0.4645	0.4601	(-0.9)	0.2980	(-36.0)	0.2943	(-36.7)	0.2938	(-36.9)	0.2699	(-41.9)
South.	Greece	2000 (5)	0.4626	0.4575	(-1.1)	0.3421	(-26.0)	0.3379	(-27.0)	0.3335	(-27.9)	0.3335	(-27.9)
Europe	Italy	2000 (5)	0.4766	0.4761	(-0.1)	0.3339	(-29.9)	0.3335	(-30.0)	0.3335	(-30.0)	0.3335	(-30.0)
	Spain	2000 (5)	0.4769	0.4752	(-0.4)	0.3403	(-28.6)	0.3391	(-28.9)	0.3358	(-29.6)	0.3358	(-29.6)
	Group Mean		0.4720	0.4696	(-0.5)	0.3388	(-28.2)	0.3368	(-28.6)	0.3343	(-29.2)	0.3343	(-29.2)
Nordic	Finland	2004 (6)	0.4675	0.4634	(-0.9)	0.3005	(-35.7)	0.2976	(-36.3)	0.2976	(-36.3)	0.2521	(-46.1)
	Norway	2000 (5)	0.4073	0.4034	(-1.0)	0.2935	(-27.9)	0.2906	(-28.7)	0.2905	(-28.7)	0.2508	(-38.4)
	Sweden	2005 (6)	0.4453	0.4403	(-1.1)	0.2774	(-37.7)	0.2735	(-38.6)	0.2735	(-38.6)	0.2367	(-46.8)
	Group Mean		0.4400	0.4357	(-1.0)	0.2905	(-33.8)	0.2872	(-34.5)	0.2872	(-34.5)	0.2465	(-43.8)
East Asia	Taiwan	2005 (6)	0.3542	0.3247	(-8.3)	0.3361	(-5.1)	0.3091	(-12.7)	0.3086	(-12.9)	0.3053	(-13.8)
	S. Korea	2006 (6)	0.3825	0.3550	(-7.2)	0.3635	(-5.0)	0.3372	(-11.8)	0.3372	(-11.8)	0.3323	(-13.1)
	Group Mean		0.3684	0.3399	(-7.8)	0.3498	(-5.0)	0.3232	(-12.3)	0.3229	(-12.4)	0.3188	(-13.5)

Note. Bottom and top coding applied (1 per cent and 10 times of median equivalised income respectively).

Table 4. Poverty Rate Before and After Transfers: 50% Median DPI, OECD scale

(Head-counts, Per Cent of Poverty Rate Changes)

Regime Group	Country	Year (wave)	Market Income (MI)	(+ Transfer Income			Gross Income (GI)	Net Disposable Income (DPI)
				MI + Private	MI + Public	MI + Total Transfer		
Liberal	Australia	2003 (6)	27.5	26.9 (-2.2)	12.3 (-55.3)	11.4 (-58.5)	11.3 (-58.9)	12.2 (-55.6)
	U.K.	2004 (6)	30.3	29.4 (-3.0)	8.9 (-70.6)	8.1 (-73.3)	8.0 (-73.6)	11.6 (-61.7)
	U.S.	2004 (6)	26.6	26.0 (-2.3)	16.1 (-39.5)	15.6 (-41.4)	15.4 (-42.1)	17.3 (-35.0)
	Group Mean		28.1	27.4 (-2.5)	12.4 (-55.1)	11.7 (-57.7)	11.6 (-58.2)	13.7 (-50.8)
Cont.	Austria	2000 (5)	32.9	32.0 (-2.7)	8.4 (-74.5)	7.7 (-76.6)	7.7 (-76.6)	7.7 (-76.6)
Europe	France	2000 (5)	37.2	36.7 (-1.3)	7.9 (-78.8)	7.2 (-80.6)	7.0 (-81.2)	7.3 (-80.4)
	Germany	2000 (5)	30.0	29.4 (-2.0)	7.7 (-74.3)	6.8 (-77.3)	6.8 (-77.3)	8.4 (-72.0)
	Group Mean		33.4	32.7 (-2.0)	8.0 (-75.9)	7.2 (-78.2)	7.2 (-78.4)	7.8 (-76.3)
South.	Greece	2000 (5)	31.8	31.4 (-1.3)	14.6 (-54.1)	14.1 (-55.7)	14.3 (-55.0)	14.3 (-55.0)
Europe	Italy	2000 (5)	33.8	33.6 (-0.6)	13.0 (-61.5)	12.8 (-62.1)	12.8 (-62.1)	12.8 (-62.1)
	Spain	2000 (5)	32.8	32.5 (-0.9)	14.8 (-54.9)	14.5 (-55.8)	14.2 (-56.7)	14.2 (-56.7)
	Group Mean		32.8	32.5 (-0.9)	14.1 (-56.8)	13.8 (-57.9)	13.8 (-57.9)	13.8 (-57.9)
Nordic	Finland	2004 (6)	30.6	30.1 (-1.6)	5.0 (-83.7)	4.4 (-85.6)	4.4 (-85.6)	6.5 (-78.8)
	Norway	2000 (5)	23.4	22.7 (-3.0)	5.4 (-76.9)	5.0 (-78.6)	5.0 (-78.6)	6.4 (-72.6)
	Sweden	2005 (6)	29.5	29.2 (-1.0)	4.0 (-86.4)	3.5 (-88.1)	3.4 (-88.5)	5.6 (-81.0)
	Group Mean		27.8	27.3 (-1.9)	4.8 (-82.3)	4.3 (-84.1)	4.3 (-84.2)	6.2 (-77.5)
East Asia	Taiwan	2005 (6)	16.0	12.0 (-25.0)	12.7 (-20.6)	8.6 (-46.3)	8.4 (-47.5)	9.5 (-40.6)
	S. Korea	2006 (6)	20.2	16.4 (-18.8)	17.7 (-12.4)	13.8 (-31.7)	13.8 (-31.7)	14.8 (-26.7)
	Group Mean		18.1	14.2 (-21.9)	15.2 (-16.5)	11.2 (-39.0)	11.1 (-39.6)	12.2 (-33.7)

Note. Poverty rate defined as number of persons in households below the poverty line (50% of median adjusted disposable income) in per cent of the total population

Table 5. Poverty Gap Before and After Transfers: 50% Median DPI, OECD scale

(Income Gap Ratio, Per Cent of IGR Changes)

Regime Group	Country	Year (wave)	Market Income (MI)	(+ Transfer Income			Gross Income (GI)	Net Disposable Income (DPI)
				MI + Private	MI + Public	MI + Total Transfer		
Liberal	Australia	2003 (6)	73.7	72.6 (-1.6)	30.2 (-59.1)	28.6 (-61.2)	28.4 (-61.5)	27.7 (-62.4)
	U.K.	2004 (6)	70.5	69.9 (-0.9)	29.4 (-58.3)	26.2 (-62.8)	25.5 (-63.8)	26.5 (-62.4)
	U.S.	2004 (6)	60.6	59.7 (-1.4)	37.9 (-37.4)	36.6 (-39.6)	36.3 (-40.1)	35.3 (-41.8)
	Group Mean		68.3	67.4 (-1.3)	32.5 (-51.6)	30.5 (-54.5)	30.1 (-55.1)	29.8 (-55.5)
Cont.	Austria	2000 (5)	68.8	68.4 (-0.6)	30.8 (-55.3)	27.7 (-59.7)	27.7 (-59.7)	27.7 (-59.7)
Europe	France	2000 (5)	67.9	66.9 (-1.4)	24.2 (-64.4)	20.7 (-69.6)	20.7 (-69.4)	21.9 (-67.8)
	Germany	2000 (5)	76.1	74.8 (-1.8)	33.1 (-56.6)	28.4 (-62.8)	28.4 (-62.8)	26.9 (-64.6)
	Group Mean		70.9	70.0 (-1.3)	29.4 (-58.8)	25.6 (-64.0)	25.6 (-64.0)	25.5 (-64.0)
South.	Greece	2000 (5)	67.8	66.5 (-1.9)	33.2 (-51.0)	30.6 (-54.9)	30.7 (-54.7)	30.7 (-54.7)
Europe	Italy	2000 (5)	70.4	70.0 (-0.5)	33.1 (-53.0)	31.8 (-54.8)	31.7 (-54.9)	31.7 (-54.9)
	Spain	2000 (5)	69.5	69.2 (-0.4)	28.2 (-59.5)	27.4 (-60.6)	27.6 (-60.3)	27.6 (-60.3)
	Group Mean		69.2	68.6 (-0.9)	31.5 (-54.5)	29.9 (-56.8)	30.0 (-56.6)	30.0 (-56.6)
Nordic	Finland	2004 (6)	73.8	73.3 (-0.7)	23.7 (-68.0)	22.7 (-69.2)	22.7 (-69.2)	20.7 (-71.9)
	Norway	2000 (5)	64.6	64.4 (-0.2)	29.4 (-54.4)	30.0 (-53.6)	30.0 (-53.6)	28.7 (-55.5)
	Sweden	2005 (6)	67.4	65.9 (-2.2)	32.1 (-52.4)	32.7 (-51.5)	32.1 (-52.4)	27.0 (-60.0)
	Group Mean		68.6	67.9 (-1.0)	28.4 (-58.3)	28.5 (-58.1)	28.3 (-58.4)	25.5 (-62.5)
East Asia	Taiwan	2005 (6)	51.9	36.3 (-30.0)	43.6 (-16.0)	25.3 (-51.2)	25.0 (-51.8)	25.3 (-51.3)
	S. Korea	2006 (6)	63.8	52.1 (-18.3)	56.6 (-11.2)	44.2 (-30.7)	44.2 (-30.7)	45.0 (-29.5)
	Group Mean		57.9	44.2 (-24.2)	50.1 (-13.6)	34.8 (-40.9)	34.6 (-41.2)	35.2 (-40.4)

Note. Poverty gap (Income Gap Ratio, IGR) defined as average income gap for poor persons from the poverty line as a percentage of poverty line. Also, bottom coding is adopted.