Faltering national pension reform and old-age security mix in Taiwan

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In Taiwan, different from the prediction of theory of modernization, its public pension system did not completely develop with economic development. It was until the advent of democratization of the early 1990s that Taiwan’s government decided to initiate an ambitious pension expansion plan to catch up with advanced welfare states. This is the so-called national pension reform ever hoped by many Taiwanese to ensure old-age security. But after that Taiwan’s national pension reform gained little progress. Even though the self-professed welfare defender- Democratic Progress Party (DPP) took power in the 2000’s president election, new government also could not find way out of reform impasse. In reality, there have been incompatible ideas and competing political interests amidst national pension reform. But most of existing studies seem to focus much on party competition and give scant attention to this phenomenon (Lee, 1996; Cheng et al, 1999; Lin, 2000; Shih, 2001; Fu, 2000; Chen, 2002 and 2005; Chen 2004; Chang, 2003; Lou and Chen, 2005; Cheng, 2004; Yeh, 2005; Lin, 2005). Moreover, making story complicated, the seemingly no- hope national pension legislation was unexpectedly passed in the Legislative Yuan in 2007. The latter policy development has apparently made many seemingly plausible explanations of pension predicament lose their explanatory power at present time.

In order to answer the above intriguing problems, this article emphasizes the importance of policy legacies in shaping interests and ideas of relevant policy actors. But different from previous studies, I broaden the concept of policy heritage to include functional alternatives to state pensions. In this respect, a specialized term-old-age security mix (OASM) is coined to refer to the configuration of these components. Basically, this article will be organized as follows: The first section discusses the specialties of Taiwan’s national pension reform, whereas the second part develops our argument about why to incorporate OASM in Taiwan’s case study. I then grasp the characteristics of Taiwan’s OASM and track its change since the mid 1980s. The final section sums up how the features of OASM might affect Taiwan’s national pension reform over the past 14 years.
The less-developed public pension system in Taiwan and its national pension reform

Taiwan’s public pension system has been less-developed when compared with those of advanced industrial countries. Even from recent East Asian pension reform studies, Taiwan also shows quite different features from Japan and South Korea whether in pension system design or recent pension reform (Choi, 2007). Based on the World Bank’s three-pillar pension framework, we can identify two major characteristics of Taiwan’s public pension system which lead to national pension reform afterwards.

(1) Incomplete coverage: From Table 1.1, it can be found there existed no non-contributory pension program (basic or social pension) to guarantees a minimum income in old age before Taiwan’s national pension reform. Essentially, all Taiwan’s pension programs were confined to the second pillar programs and constructed along occupational lines. Because of this fragmentary pension system, there had been 31% working age people not covered by these programs (Shih, 2001). Under this condition, what they could rely on in old age were other private means. Therefore, Taiwan’s public pension system was incomplete when government launched national pension reform.

(2) Pension inequality in benefit form: Although from the initial observation, the structure of Taiwan’s pension system seems to bear resemblance to those of continental European countries because its pension system was constructed along occupational lines. But Taiwan’s occupational-based pension programs are more rudimentary in terms of their benefit system design. From Table1.1, we can find if we define Taiwan’s pension programs according to the strict definition of pension benefits offered by ISSA or ILO, two programs for private sector employees cannot be regarded as pension programs because of their lump-sum payments. But as to pension schemes for civil servants, they offer the retirees with choice of receiving the monthly pension benefits or lump-sum payment. Undoubtedly, that implies different protection levels among public pension programs for different occupational groups of older people. Furthermore, once we compute the existing lump-sum payments for the retired of private sector into the value of annuity, its replacement level is found only 7% of last salary (Chen, 2005). Apparently, this benefit level cannot ensure old-age security for most private sector retirees. But for civil servants, they can enjoy as much as a 70% income replacement rate after retirement. Moreover, when we compare the number of civil servants with that of private sector employees, the former group only forms about 12 per cent of Taiwanese labor force (See Table1.1). Thus, we can be certain the fact that most Taiwan’s employees lack effective pension systems to back
up their later economic life. It is in this respect the nature of Taiwan’s public pension inequality is quite different from those of occupation-based pension programs in continental European countries. Basically it is the benefit form rather than benefit level as the root of social stratification of pension system in Taiwan. That is why this kind of pension inequality would inevitably spur latter pension reforms.

Table 1.1: The structure of Taiwan’s pension system in 1993

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Tier</th>
<th>Private sector employees</th>
<th>Government employees, public school teachers and private school teachers</th>
<th>Military servicemen</th>
<th>Agriculture workers</th>
<th>Self-employed and housewife</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Pillar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second</td>
<td>1st</td>
<td>Old age benefit in labor insurance program (Lump-sum payment)</td>
<td>Old-age benefit in Government Employees insurance program (Lump-sum payment or pension benefit)</td>
<td>Old- age benefit in Military Insurance program (Lumps-um payment or pension benefit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd tier</td>
<td></td>
<td>Retirement benefit based on Labor standard Law (Lump-sum payment )</td>
<td>Monthly pension benefit in Government employees Retirement Schemes</td>
<td>Monthly pension benefit in Military retirement scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Pillar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The share</td>
<td>57%</td>
<td>8%</td>
<td>4%</td>
<td>11%</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Note: According to World Bank’s (1994) definition, the first pillar is an anti-poverty program that is non-contributory and guarantees a minimum income in old age. The second pillar is a contributory pension system that provides benefits only to contributors and provides the most benefits to those who contribute most. The third pillar is a voluntary saving pillar, available to anyone who cares to supplement the retirement income provided by the first two pillars. With regard to two tires in Taiwan’s second pillar pension system, the first tier is about public pension programs, and the second tier refers to enterprise pension programs.

After clarifying the above two features of Taiwan’s pension system, it must be noted that these programmatic characteristics have made Taiwan’s national pension reform quite different from advanced industrial countries in the following aspects:

(1) Pension expansion is the aim of Taiwan’s national pension reform: Because of less developed and unequal pension system design, Taiwan’s national pension reform becomes quite different from those of Japan and Western countries. For these countries, their pension systems had been established for most part during last centenary. So most policy issues they have to deal with at present are related to the maturation of their pension systems and the accompanied financial problems. In order to save their pension systems from bankruptcy, these governments may consider cut the generous pension benefits. That is why these countries’ pension reforms have been viewed of as the so-called retrenched politics (Pierson, 1994). But Taiwan’s pension reforms happened under the structural context of incomplete and unequal pension system mentioned before. So the trigger of its pension reforms aroused mainly from political rather than financial considerations. Thus, the goal of Taiwan’s national pension reform is to pursue pension expansion rather than pension retrenchment.

(2) Unexpected policy outputs: Although Taiwan’s national pension reform was in a peculiar predicament for the last 14 years, other alternative policy programs were offered by government during the period of time, such as diverse subsidy programs for older people and aged farmer allowance. While these subsidy programs are classified by World Bank as one form of basic pillar pension programs (i.e. means-tested basic pension), many Taiwanese still have different ideas towards this thinking.
No matter how conflicting these ideas seem to be, it cannot be denied that these programs have rapidly expanded since their introductions (Aspalter, 2001; Chen, 2002 and 2005; Chang, 2004). And these expanding programs to some extent have influenced the planned pace of new pension system for government. In my viewpoint, in order to understand why Taiwan’s reform act had reached impasse, it is necessary for us to understand why national pension reform led to unexpected policy developments in other policy areas and whether these unexpected policy outputs had thwarted government’s intention of pension reform afterwards.

(3) Incompatible policy ideas: Although national pension reform aims to provide everyone a minimum level of protection in old-age, Taiwan’s policy actors still have different ideas to possible policy options. For example, some people argue to integrate existing contributory programs with general social safety net. Some prefer government to pursue a universal, noncontributory basic pension program. But there are others supporting a means-tested basic pension program to deal with old-age poverty problem immediately. Basically, there have always been fierce debates about the design of the future first pillar pension system in Taiwan. In this aspect, many researchers have pointed out a fundamental difference in policy positions between two major political parties (Shih, 2001; Chen, 2002 and 2005; Chang, 2004). Besides, Taiwan’s policy actors are often found to have a big change in their policy ideas at different stages of pension reform. These changeable policy preferences have further added complexity to our policy story. Because of diverse and changeable policy ideas, it becomes very difficult for relevant policy actors to decide the content of national pension reform by consensus.

(4) Flourishing informal support systems: Because of the incomplete pension system for people outside public sector for decades, Taiwanese have sought other private means to ensure their later life. That means there exists a specific set of informal institutions to solve the problems left by unworkable pension system (Hermalin, 2000; Hermalin and Yang, 2004). Even though they function according to different logics, all of them share in common is that they can contribute to old-age security. Relevant to my discussion here is that these informal systems had been partly recognized by government and general public. Therefore, I hold the configuration of these systems would to some extent affect people’s preferences of institutional arrangement of old-age security. In some cases, the existing informal systems may

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1 In reality, some policy actors think it is only contributory programs can be counted as pension systems. So they do not regard these subsidy programs as pension system. But for others, they criticize these subsidy programs as an ambiguous policy product of political clientelism because they prefer governments to implement a universal, citizen-based, flat-rate pension program. So in their eyes, the introduction of these subsidy programs would be unhelpful to forge a universal, citizenship-based welfare state. On the contrary, these subsidy programs only enforce welfare stratification within existing pension system.
further offer policymakers inspiration in their reform plans.

**The Literature Review of Taiwan’s pension development studies**

Basically, Taiwan’s policy researchers have undertaken relevant pension studies from the mid-1990s. This research wave had a lot to do with the initiation of national pension reform by government at that time. With borrowing specific theories from political science as well as pension development research, Taiwan’s researchers attempt to explain what causes public pension system less-developed in Taiwan. In the initial stage, the most-often cited explanatory theory may be the theory of authoritarian political system. Based on the theory of authoritarian political system, most researchers argue the maintenance of legitimacy was often thought highly of than pension policy by government before the democratization of political world of the 1990s. In their viewpoint, because Taiwan had been under authoritarian rule for four decades, there existed no substantial opposition groups to challenge KMT’s legitimacy during this period of time. Therefore, KMT’s authoritarian political regime did not have to initiate welfare expansion because of social demand (Lee, 1993; Lin, 1994). But that does not mean there has been no social welfare settlement in Taiwan. Under some conditions, KMT’s authoritarian also undertook necessary welfare action.

At first, because of the lessons of failed civil war with Chinese Communist Party, KMT planned to introduce specific social insurance programs for given occupational groups shortly after being forced to flee to Taiwan. While Taiwan was still an agrarian society with very few industrial workers in the 1950s, labor insurance program for private sector workers was also introduced at that time. In Taiwanese researchers’ view, KMT’s policy consideration stemmed mainly from the prevention of industrial riots might induced by the communists hid in the island (Fu, 2000).

Secondly, shortly after the introduction of labor insurance program, the group insurance schemes for civil servants and military servicemen were also introduced by KMT-led government. Basically, over 90% of civil servants and military servicemen were mainland Chinese at that time. For this reason, the motive of government for welfare expansion was believed to buy off their political support (Fu, 2000).

Thirdly, international factors were also outlined their importance in influencing Taiwan’s pension development before democratization. In particular, there have been some studies pointing out that KMT-led government expanded pension coverage or increased pension benefit levels when Taiwan was forced to withdraw from the United Nation in 1971 and when United States severed diplomatic relationships with Taiwan in 1978. These studies conclude diplomatic crises were often triggers of pension expansion in Taiwan because KMT-led government desperately needed to
maintain his legitimacy in the hard time (Lin, 1994).

In addition to the reason of maintaining legitimacy, economic-oriented policy consideration also had a role to play in Taiwan’s pension development. Basically, this factor has been packaged in the so-called developmental state theory. Because KMT’s authoritarian regime also needed economic development to enhance its political legitimacy over this island, economic development had always been the government’s first priority. Under this condition, pension system was thought of unproductive expenditure. Therefore, unless government had to embrace pension expansion in response to the above political challenges, economic policy would subordinate pension policy (Peng and Wong, 2008). Simply to put, the development-oriented state policy is just used to complement the theory of authoritarian political system in explaining the underdevelopment of pension system in Taiwan before democratization.

But it should be noted that the above two explanatory models seem to be unconvincing for Taiwan’s pension development after the 1990s. Because of democratization, there has a big difference in Taiwan’s political environment, such as multi-party system, free speeches and direct and open election in central legislative organization. In order to explain pension development in new policy environment, new theories are adopted by researchers. Among them, the theory of party competition is the often-cited explanatory model. We can summarize their explanations as follows (Lee, 1993; Zhong, 1993; Fu, 2000; Shih, 2001; Asplalter, 2001; Lin, 2003; Chang, 2004; Chen, 2004; Yeh, 2005, Lin, 2005):

In the early 1990s, DPP first found pension issues seemed to be an effective leverage against KMT in election. In the initial stage, DPP promised to give each older citizen not covered by the existing pension schemes NT3000 dollars every month if they won the elections of county magistrates. As a result, this welfare propaganda campaign against KMT did work for DPP’s ballot. In the face of pressures exerted by DPP, KMT-led government not only increased the coverage of categorical social assistance for older people but also decided to initiate the so-called national pension reform in response. After that, national pension reform entered into the stage of policy planning. It must be noted that many studies classified this reform process into two phases because there occurred the transfer of political power in the 2000’s presidential election. Undoubtedly, the so-called theory of party competition has different explanations to the national pension reforms of the 1990s and the 2000s.

For the reform progress of the 1990s, party competition theory argues that two main political parties (i.e. KMT and DPP) were the major policy actors in pension reform. With regard to the theory of party competition, it mainly focuses on the highly political competition between two main political parties (that is, KMT and DPP) since the early 1990s in which there is the beginning of direct election of central legislative members.
politics. But because pension reform belongs to highly technique affair, KMT-led government had assigned policy planning task to the specialized organization. Under this condition, DPP only had veto power when national pension legislation was sent to the Legislative Yuan to be passed. Therefore, these studies focused much on the policy process within government. In this respect, they emphasized that the growth–oriented policy consideration of KMT can be used to explain why the organization in charge of pension planning was transferred from the Ministry of Interior to the Council for Economic Planning and Development (CEPD). Since CEPD took over the task of national pension planning, it is also logical for them to explain why government finally decided to replace the previously ambitious reform plan with a limited one, that is, the introduction of separate pension insurance program for socially disadvantaged not covered by other pension systems. In these studies, if the 921 earthquake did not happen before the planned timing of establishing new system, Taiwan had completed its reform act.

As to pension reform after 2000, although DPP took power and proclaimed its decision to pursue a more comprehensive reform plan, Taiwan’s national pension reform was still in a predicament. In the face of this problem, the party competition theory ascribes the reform impasse to the DPP’S minority government. Although DPP won the president election, it did not have a majority of overall seats in the parliament. Moreover, because of the unhappy experiences with DPP in the presidential election as well as starkly different political ideology, KMT (the original governing party) competed with DPP-led government more fiercely than before. Therefore, any pension reform plan proposed by DPP-led government would be opposed by KMT’s politicians. This explanation seems to be reasonable to account for why Taiwan’s national reform was put off even after DPP began to govern the country. But the same explanation would be problematical to explain the latter policy developments. For example, DPP-led government also finished reforming mandatory enterprise pension system even in the hostile policy environment in 2004. Why KMT did not thwart enterprise pension reform like they did in the national pension reform? Furthermore, why the seemingly no-hope national pension legislation was passed in the legislative Yuan in the face of KMT’s possible disapproval in 2007?3

We can easily find that these policy changes are difficult to be explained by the theory of party competition. In my view, while party competition might be plausibly one of the triggers of Taiwan’s national pension reform, it just gives us a very simplified picture of reform process. That is why there are many dimensions of national pension reform neglected in this explanatory model as follows:

3 In reality, there was still high antagonism between DPP and KMT in 2007 because there would be a presidential election in the next year. Thus, it is apparent that the theory of party competition cannot explain the new policy change.
At first, the theory of party competition pays no attention to the social leaning process concerning national pension reform whether for government or other policy actors. In reality, in the early 1990s, Taiwan’s policy actors had very limited pension knowledge. That indicates how to gain the necessary understandings was time-pressing for most policy actors. In my view, how social learning was undertaken by relevant policy actors would have substantial impacts on their institutional choice of new pension system afterwards.

Secondly, this theory seems to ignore the role of other social groups might play in the reform process. In reality, while there existed no institutional place for other social groups to take part in pension planning, these organized interests still could have their impacts on pension reforms through the coalition with political parties sympathizing with their policy stances (Wang, 2000; Cheng, 2004).

Thirdly, Taiwan’s national pension reform was not all about political power struggle as the theory of party competition suggests, it is also associated with the competition of different policy ideas. In this respect, incompatible policy ideas hold by different policy actors are more complex than we expect. Making the policy story complicated, a given group of policy actors may change his ideas over time. For example, in the 1990s, DPP proclaimed to establish a universal pension system for all older citizens, and this system need to be financed by general taxing. But after DPP took power, DPP ever had a big change in his policy preference and shifted to support a limited individual account as its reform plan. Besides, even within the governing political party, there still existed diverse policy ideas concerning possible policy options. For these reasons, the existence of incompatible policy ideas is also one important cause of the faltering national pension reform in addition to irrational party competition after the 2000’s presidential election.

In conclusion, although the theory of party competition is most often adopted by Taiwan’s pension researchers, this theory exhibits some limits to explain more intriguing problems in Taiwan’s case. The major problem stems from the fact that there exist diverse policy ideas even within the same political party as well as organized interests in Taiwan. In reality, this situation is particularly true to welfare laggard country. As mentioned before, before the initiation of national pension reform, most Taiwan’s policy actors had limited pension knowledge. So the national pension reform can be thought of as the process of learning by doing. However, not all policy actors will get their needed policy information from the same source and they will not evaluate the policy information on the same criteria. That is why we can observe the difficulty in reaching reform consensus among different policy actors amidst the reform course. In my view, if we want to have a deep understanding of Taiwan’s pension reform impasse, we will have to take this situation into consideration.
The difficulties of applying historical institutionalism to studying Taiwan’s reform case

Since the 1990s, with the insight from the path-breaking work of Pierson on the new politics of welfare, historical institutional approach has been applied to many comparative pension politics studies (Bonoli, 2000, 2003; Myles and Pierson, 2001). Different from previous economic-demographic models, this theoretical approach pays particular attention to the following two institutional factors in pension politics.

(a) Political institutions: historical institutional approach emphasizes political institutions provide the ‘rules of the game’ for political bargaining in pension reforms. Although political institutions do not determine reform outcomes, they rather shape the way the pension reform is progressed. Therefore, the stickiest political institutions might block specific pension reform plan pursued by given political actors.

(b) Pension policy structure: the existing pension policy structure is found to have political effect of policy legacy. For example, pension programs are able to produce loyal welfare recipients. That is why policy makers have to adopt the so-called blame avoidance strategies in pursuing pension retrenchment (Pierson, 1994).

Undoubtedly, through bringing back institutional factors for observation, this analytical approach gives us interesting and promising insights for more precise assessments of pension reform of interest. But when trying to apply it to Taiwan’s case study, I immediately face the following problems:

At first, with regard to political institutions, political party system has been the major institution factor emphasized by many Taiwan’s pension studies. But as mentioned before, fierce party competition cannot explain starkly different reform outcomes in 2002 and 2007.

Secondly, when considering the policy feedbacks of existing pension schemes, I have pointed out Taiwan’s pension system for private sector employees has been less-developed for decades. Therefore, these pension programs may not give rise to so loyal recipients constraining latter policy-making like those we have found in the Western countries.

Thirdly, the path dependency argument put forth by institutionalist approach

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4 There are three sets of political institutions emphasized by researchers for their constraining effects on pension policy-making. And they include political decision-making system (Majoritarian vs Consensus system), Veto points in political system and election system.

5 In 2002, the national pension legislation proposed by DPP was blocked in legislative Yuan because of DPP as a minority government at that time. But even though DPP was still a minority government in 2007, the stalled pension legislation was passed. For this reason, political party competition does not give us a consistent explanation here.
also cannot explain why blocked national pension reform has a breakthrough development in 2007.

Because of the above problems, it becomes difficult to apply historical institutionalist approach directly to study Taiwan’s case. But that does not mean this theoretical approach is totally irrelevant to my research. In reality, historical institutionalism is able to shed new light on our case study if we add new elements and reformulate its traditional analytical way. In the following sections, I will discuss how we can gain insight from the welfare mix studies in developing countries to this modification task.

The incorporation of old-age security mix in Taiwan’s case study

From existing welfare studies in developing countries, Midgley (2004) points out the inadequacies in applying the mainstream welfare development theories to explain the welfare evolution in different parts of world. For example, the Western explanatory theories have a preoccupation with state welfare and institutional welfarist thinking. So they pay little attention to informal support systems sustained by household or community. In the meantime, culture and other indigenous factors also cannot find a place in these theoretical frameworks. In order to solve these problems, Midgley and Hall (2004) have put forward the so-called holistic social policy perspective. In their analytical framework, Hall and Midgley involve more actors in addition to the state for observation. Besides, the range of policies implemented in developing countries is also beyond the traditional terrain of social security system. Essentially this innovative analytical perspective, in my view, is infused with the welfare mix thinking way because they have taken into consideration the fact that there exist different institutional mechanisms in different social sectors to protect families from a series of economic risks.

In facing the same problem, Wood and Gough (2006) deal with it from a methodological consideration. They first question the suitability of Esping-Anderson’s welfare state regime approach in studying the welfare developments in developing countries. In their observation, the governments in developing countries do not monopolize the welfare provision with full-fledged state welfare systems like those in the Western countries. On the contrary, there are various sectors taking part in welfare provision. Moreover, they find the features of political economy of these countries have to some extent influenced the nature of welfare provision. That is why they reform the previous welfare state regime approach to become the comparative welfare regimes framework fit for comparative policy research around the world.

Relevant to my research concern is an important theoretical component -institutional
responsibility matrix (IRM) emphasized in their analytical framework. For the institutional responsibility matrix, Wood and Gough maintain that there exist various need satisfiers among different social sectors in a given society. In reality, this concept also has the same meaning of the welfare mix.

Finally, in recent pension studies, welfare mix approach has also been mentioned by World Bank’s researchers. For example, the Bank’s renowned pension reform proposal- Averting the old age crises emphasizes informal support systems are still the main stay in most developing countries. Moreover, Bank suggests policymakers in developing countries need to take into account these informal systems when undertaking pension reforms. In Bank’s idea, public pension reform should not crowd out these institutions. On the contrary, the best reform plan is to pursue the so- called “crowding in” effect, that is, the public and private transfers should collaborate and complement with each other (Holzman et al, 2005).

Inspired by the above innovative thinking way, I think it is fruitful to incorporate welfare mix in Taiwan’s case study. In reality, Taiwan’s prevalent informal support system also justifies us to broaden the conceptual range of policy feedback here (Lee, William and Wills, 1993; Ofstedal, Knodel and Chayovan, 1999; Hermalin and Yang, 2004). Therefore, different from existing pension politics research, I place welfare mix rather than public pension system alone as the important explanatory factor, and try to study its feedback impacts on Taiwan’s national pension reform. In order to stand for welfare mix in old- age security provision, this article has coined a specialized term- old –age security mix (OASM). But before discussing its feedback impacts, I need to clarify the conceptual structure of OASM adopted in my study. In this respect, I have adopted Goertz’s (2006) suggestion to construct OASM as the three-level concept\(^6\) as follows (see Table 1.2):

\(^6\) In Goertz’s (2006) viewpoint, we cannot define concepts in too simple form because of the complexity of social phenomenon. That is why he holds that many important social concepts are multidimensional and multilevel in nature. Basically, any social concept can comprise the following three levels:

(1) Basic level: It is considered as the basic because this concept is cognitively central in theoretically propositions. For example, one of basic concepts in social policy research may be welfare state. And we often come up with different theoretical propositions associated with welfare state (ex welfare state leads to class peace). But in most cases, the basic level of concept is too abstract to tell us further information of it. That is why we need to turn to the second level of concept.

(2) Second level: The next level down from the basic level is the secondary level which consists of constitutive dimensions of the basic level concept. It is when we move down to this level that the multidimensional character of concepts appears. Take the concept of welfare state for example, after reviewing comparative welfare state studies, Hicks (1999) concludes there are four major social programs that constitute the so- called welfare state: (1) Worker’s compensation, (2) health insurance, (3) old age pensions, and (4) unemployment compensation. In his definition, if any three of these four present we can consider that welfare state exists.

(3) Indicator level: The last level of concept can be called the indicator/data level. Basically, it is about numeric measures and can be seen the operationalization of the second-level dimensions. At this level,
The basic level: OASM mainly refers to the welfare responsibility for old-age security provision among different social sectors, such as state, market, family and enterprise. Basically, the sectors and how to balance each sector’s welfare cost are the main concern of the basic level concept.

The second level: OASM stands for diverse income support systems established by different sectors to ensure old-age security. From relevant studies, we can conclude the dimensions of OASM include older employment, public or enterprise pension system, co-residence, household saving, intra-family transfers and home-ownership. In reality, different societies would have different means other than public pension schemes to support older people’s economic life. Thus, the constituents of OASM I considered here have taken into account historical and cultural diversity into the concept-building.

The indicator level: The indicator/data level refers to the indicators which are chosen to represent the dimensions at the second level. Even though there are different choices of indicators even within a given dimension, we also need to make the chosen indicators can be computed and compared in the same measurement scale. For this reason, I choose the income packages of older people’s families as the indicators to reflect well the structure of old-age security mix.

Through the above conceptual construction, we can identify multi-level nature of the concept of OASM adopted in this study. Moreover, the three-level conceptual design can help us observe OASM from macro to micro levels. But it must noted that the above three levels do not work independent with each other. In reality, they are close linked by a specific casual mechanism. For example, OASM in sector level will decide which kind of institutions possibly become the major income support systems for the elderly. And then different income support system prevailing in a given society will decide specific income compositions for older people. For these reasons, in order to answer some more complex problems, we often have to rely on at least two levels of concept of OASM for analysis.

Table 1.2: The structure of concept of old-age security mix

<table>
<thead>
<tr>
<th>Level</th>
<th>Conceptual content</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic level</td>
<td>Old-age security mix refers</td>
<td>State, Market, Enterprise and Family</td>
</tr>
</tbody>
</table>

we start to acquire enough empirical data which permits us to categorize either dichotomously or on a more-fine-grained scale—whether or not a specific phenomenon, individual, or events falls under the concept. Thus, they are the indicators which provide us the empirical information to the second-level dimensions. Take the former concept of welfare state for example, at this stage, we may need to check if those four programs exist or not. Furthermore, we have to look into their programmatic contents so that we can compare the level of generosity among different welfare states.
The Second level: Old-age security mix refers to institutional arrangements for old-age security

Older employment; Public and enterprise pension; Coresidence; Intra-family transfers; Savings; Home ownership

The indicator level: Old-age security mix refers to income package of older people or family

Market earnings; Public and enterprise pension benefits; Intra-family transfers; Property income; Self-imputed housing rent

The characteristics of Old age security mix in Taiwan

In this section, I try to grasp the characteristics of Taiwan’s OASM and track its change since the mid-1980s. Therefore, relevant institutions and income packages of older households will be studied in different stages of national pension reform.

(A) The institutional arrangement for old-age security mix since the 1980s

When adopting the second level concept of OASM for analysis, I need to first examine each institutional component in Taiwan since the 1980s, and then concluding the possible institutional evolution of Taiwan’s OASM during this period of time.

(1) Older employment

From relevant surveys, it can be easily found the labor participation rate of older people in Taiwan had been relatively low in history especially when compared to its neighboring countries. As Figure 1.1 shows, the labor participation rate of older people in Taiwan was about 25% in 1989. Since then, there is a rapid drop from 24% in 1993 to 15% in 2003. Thus, for most of Taiwanese older people, they do not work longer at present time. Furthermore, some researchers have predicted that this fall will continue to an even low level in the near future unless government adopts proactive measures to reverse this situation (Ru, 2003). Basically, the extremely low labor

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7 In 2005, the labor participation rate of older people is 35.4% in South Korea and 30.1% in Japan. In reality, the figures of these two countries are the first and third highest around the world (Williamson and Higo, 2007). On the contrary, we find there were only 15% of Taiwanese older people economic active in 2003.
supply from older people reflects older employment have not been the major income
source for aged people. So there must be other financial means to give them the
needed income support.

Figure 1.1 The labor participation rate of older people (Age 60+) in Taiwan in 1989,

Source: The periodical surveys of health and living situations of older in Taiwan in

(2). Public pension programs

As mentioned before, Taiwan’s pension programs differ in benefit form and
benefit level. In particular, when compared with old-age benefit for public civil
servicemen, old-age benefits for private sector employees took lump-sum payments.
Furthermore, its replacement level is very meager once we transfer its average
lump-sum payment into annuity. Therefore, labor insurance had been criticized for the
fact that it gave no substantial financial support to Taiwan’s employed population
after retirement. It was until in the early 1990s, KMT-led government decided to
reform this pillar of pension system in response to social demand. Since then Taiwan
entered into a long process of pension planning. It must be noted that Taiwan’s
government did not fulfill its reform promise before 2007. In the 1990s, the most
policy change took place in other policy sectors, such as the “mid lower-income old
age living subsidy” and aged farmer allowance program. In government’s initial idea,
these categorical benefit programs were introduced as the transitory policy measures
before the establishment of new pension system. But they had become swollen since
their introductions. From Figure 1.2, we can see that there was a continuing increase
in the recipients of these two categorical subsidy programs especially when aged farmer allowance had few restrictions on accessing to these benefits for given group of older people. In addition to these programs, in order to fulfill electoral promise, DPP-led government also introduced another new social allowance program – Old-Age Citizen’s Welfare Living Allowance (OACWLA) in 2002. Basically, this new welfare measure was designed to function as the last resort for older people who had not been covered by existing pension schemes and the former two subsidy programs. Because of the continuously expanding subsidy programs, it had been found that there were 72% of older people receiving these subsidy schemes in 2004.

Figure 1.2 The share of Taiwanese older population receiving different subsidy programs since 1994

(%)  

Source: Annual report of Interior Bureau 2006, Taiwan.

(3) Enterprise Pension program

For private employees, it was until 1984 that government required enterprises to provide their retired employees with lump-sum benefit. Thus, Taiwan’s enterprise
pension system for private employees has been mandatory in nature since its introduction. However, it must be noted that this enterprise pension system was not portable in system design because its pension entitlement required employees to have the service in the same firm for at least 20 years. As a result, this service time requirement had been incompatible to short life cycle of SMEs and high labor mobility in Taiwan. Therefore, there has been obstacle for people’s eligibility for pension entitlement.

To make thing worse, there existed serious pension evasion of Taiwan’s employers. From Figure 1.3, it can be found only about 10% of businesses abided by law to periodically pay premium to retirement fund for their employees while this figure varied with time change8. That is why there were only 40% of private sector employees covered by this pillar pension system. Moreover, the coverage rate of this mandatory occupational pension scheme did not have a big growth since its establishment while this system is mandatory in nature. For these reasons, we can conclude Taiwan’s enterprise pension system only existed in name rather in function.

Undoubtedly, this problem ultimately attracted the attention from labor organizations and oppositional party, and they also put lots of pressure on government throughout the 1990s. That is why KMT-led government decided to launch reform act in the end of last decade. But it was until 2002 in which Taiwan completed its enterprise pension reform. Since then, the previous enterprise pension insurance program was transformed into individual account for new entrants of labor market. But for older workers, they also have to rely on old system to receive enterprise pension benefit. Because the old enterprise pension system do very poor in income support function. For most retired or incoming retirees, they nonetheless cannot receive any substantial financial help from existing enterprise scheme.

Figure 1.3 The situation of funding of Taiwan’s enterprise pension system for private employees from 1989 to 2002

8 The lawful firm’s share of all businesses had increased to 19% in 1998. But after that, this figure had a big slump. It has lot to do with the government’s application of Labor Standard Law to small sized firms in other industrial sectors at that time. Basically, small sized firms showed their uncooperative attitude in not paying premiums to retirement fund. That is why we see a radical reduction in the percentage of businesses paying premiums to retirement fund for their employees in 1998.

Note: The share of lawful businesses = (The number of firms contributing to retirement fund / All private businesses) x 100

The coverage rate of enterprise pension scheme for private sector employees = (The number of employees of lawful businesses / All private sector employees) x 100

(4) Coresidence

Basically, there were still extremely high proportions of aged parents living with their children in Taiwan in late 1980s. But after that, this figure has been found in steady decline. As Figure 1.4 shows, the percentage of older people living with their children reduced from 66% in 1996 to 55% in 2002. But it must be noted that at present coresident family is nonetheless the major living arrangement for older people.

With the decreasing proportion of older people living with their children, there were more older people living on one’s own or living with their spouse only. In particular, there is a steady increase in the share of older couple-only families during this period of time.

Figure 1.4 Living arrangements of the Elderly in Taiwan from 1986 to 2004
Source: Department of Social Affairs, Ministry of Interior, Taiwan (2004).

(5) Intra-family Transfers

Taiwan families functioned like the mutual aid system in the 1980s. From relevant qualitative studies, the implicit insurance and loan principles dominated the extended family at that time. By polling and redistributing resources, many Taiwan’s family significantly equalized income among its members and reduced their economic risks. Relevant to my research concern here is that from Taiwan Family and Women Survey there were 79% children reporting to offer regular financial support to their aged parents in the surveys of 1989 while the amount might be medium (Lee, Parish and Wills, 1994). But the same figure in 1996 has been found to reduce to 67%. From recent official survey report in 2001, there were 57% of children giving their financial support to their parents at that time (Ru, 2003). Thus, there has been a decrease in the proportion of adult children giving regular alimony to their parents over time.

Figure 1.5 The proportion of adult Child giving regular financial support to their
parents in 1989, 1996 and 2001 (%)

Source: Lee, Parish and Wills (1994); Department of Social Affairs, Ministry of Interior, Taiwan (2001).

(6) Household Saving

Basically, Taiwan’s gross national saving rate continues to decline during this time period. But central to our concern is its household saving rate. From Fig 1.6, we can find in the late 1980s, Taiwan’s household saving rate had reached over 30%. In particular, the figure in 1987 was only secondary to that of Singapore (38.8%) in Asian region (Chen and Liang, 1999). But since then, there had been a rapid drop in its household saving rate (Tyan, 2003). As Fig 5.6 shows, Taiwan’s household saving rate had declined from 38.5% in 1987 to 24.4% in 2003. When compared with household saving rates in other Asian countries, Taiwan’s figure has become the lowest one among them. From existing studies, we can conclude this fall has lot to do with the liberation of other investment tools, the change in people’s consumption behavior and the low interest policy of bank saving since the 1990s (Tyan, 2003).

Figure 1.6 Household saving rate and gross nationin saving rate in Taiwan since 1987

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9 In 2003, the household saving rates in Singapore, China, South Korea and Japan are 42.6%, 40.9%, 30.1% and 27.7% respectively (Tyan, 2003).
(7) Home Ownership

When paying attention to housing sector- another institutional component of old-age security mix, we can easily find that Taiwan society has enjoyed extremely high self-homeownership rate. In western countries, their self-home ownership rates are roughly distributed between the fifty to seventy per cents. But for Taiwan, its self-home ownership rate had been over 80% since 1980s (Chen, 2002). From Figure 1.7, we can discover this figure has maintained an extremely high level from 1986. In 2005, we even find its home ownerships rate had reached up to 87%. But in the prediction of governmental officials, this rise has reached a plateau. Thus, there will be no further change in the near future (DGBAS, 2005).

Central to our concern, some researchers point out there exist prevalent intergenerational housing transfers behind Taiwan’s high home ownership rate, and they include housing gift from parents and down payment help from parents (Yip et al, 2006)\(^{10}\). In their explanations, these housing transfers are believed to have lot to do

\(^{10}\) It is very prevalent among Taiwan’s parents buying house for their young children. In 1992 social trend survey, we can also find there were about 5% nuclear families living in their parent’s house but not living with their parents. Basically, this situation often took place when parents gave housing gift to parents.
with rising housing price in 1990s and aged parent’s exchange motive for living with or near their adult children. Furthermore, these prevalent housing transfers from parents to their children partly explain why Taiwan had so relative high home ownership rate during this period of time.

Figure 1.7 The proportional distribution of house ownership since 1980


(B) The changing income packages of older people’s families in 1986, 1996 and 2004

their children.

11 The database for my income package analysis is from “The Survey of Family Income and expenditure in Taiwan”. It has been annually conducted by the Directorate General of Budget, Accounting and Statistics (DGBAS) since the 1970s. In this part of study, three cross- sectional data set will be utilized for analysis (i.e. 1986, 1996 and 2004 dataset). I choose 1986 data for analysis to understand the income package of older households before national pension reform. And then the 1996 data is chosen for further study because two subsidy programs were introduced by KMT-led government in 1994. I think it necessary to know if these new anti-poverty benefits had brought about income package change for older households. By the same token, I analyze 2004 data because DDP-led government established another new subsidy program (i.e. OCWLA) for older people in 2002.
Before reporting my empirical finding in Taiwan’s income package analysis, I need to mention Taiwan’s older families do not fall into a homogenous group because of their different social characteristics (e.g. living arrangement, income status, and gender of older people). Therefore, after having a review of income composition of all older families, I will consider how these factors might affect their income packages. Moreover, since there will be three waves of survey data for analysis, it is possible for me to track the effect of these factors over time.

At first, for all older people families, Fig 1.8 has showed us market earnings is the most important income source in 1985 (which accounting nearly 74 per cent of total household income). But it must be noted that a large portion of employment income might be earned by other family members because there was a relative low level of older employment in the 1980s. After that, the intra-family transfer can be counted as the second important income source for older families. However, its mean share of total household income is merely of 13 per cent. With regard to self-imputed housing rent, it just occupies 6 % of total household income. After adding the percentages of the former two income elements together, we can discover that the household sector contributed to about 20 per cent of total household income at that time, but this figure is nonetheless lower than that from the market sector. It is also worthwhile to mention that market and family sectors both accounted for nearly 98 per cent of household income in 1985. That indicates the importance of public transfers can be totally neglected here.

But with time change, although property income maintains stable contribution to household economy, market earnings has radically reduced its contribution to household economy. That implies market sector has decreased its importance in people’s later life. In the meantime, we also locate there was a large scale of income offered from the state sector in 1996. In this respect, it has lot do with the introduction of two subsidy programs for older people and the establishment of universal healthy insurance system at that time. By 2004, the public subsidy programs and other public transfers ever constituted over 15% of household income. Government contributory subsidy in health insurance also accounted for 10 % household income in 2004. Therefore, different from before, the state has started to contribute a great share to older people’s economic life at present time.

Figure 1.8 Income packages of household containing at least one person age 65 and over in Taiwan in 1986, 1996 and 2004 (%)
After understanding the situation of total cases, I enter into discussing the changing income package of elderly families with different living arrangements in 1986, 1996 and 2004 as follows:

(1) Single elder families: From Figure 1.9, we can find market earnings and intra-family transfers are two major income sources for single elderly families in 1986. Both of them account for about 80% of total household income. Under this condition, other components only play supplementary roles in their economic life. In particular, the public programs provide very limited help here (i.e. 8% of total household income.)

But since then, market earnings have become the supplementary income source for this type of families. As to income elements offered by the family sector, they more or less accounted about half of household income till the 1990s. But after the 2000s, we observe its percentage has a little bit reduction, but it still comes close to 50 percent of total household income. Therefore, the gap left by earnings is chiefly covered by the transfers from the state sector. Among them, the public subsidy programs and other public transfers gradually account for nearly one third of their household income. Besides, government’s contributory subsidy in health insurance program is also responsible for about one-tenth of total household income. Therefore,
the content of income package of single elderly families has transformed from the family-market coordinated model in the 1980s to the family-state coordinated one in the 2000s.

Figure 1.9 Income packages of single elderly families in Taiwan in 1986, 1996 and 2004 (%)

(2) Older couple-only families: As Figure 1.10 shows, in 1986, the most important income source for older couple-only families came from alimony from their children. It accounted for 42 per cent of their total household income. That is why market earnings became the second important income source which occupied for 34 % of their total household income. Basically, these two income sources were responsible for three fourth of their received income at that time. With regard to public transfers, they were still of trivial importance in their economic life.

But with time change, we also observe the same reducing importance of market earnings in their income packages (from 34% in 1986 to 12% in 2004). In addition, the decreasing share in their household income can be located in the intra-family transfers. Because another income elements offered by the family sector did not change too much during this period of time, the income from family sector had reduced by 17 per cent from 1986 to 2004. Owing to the fact that the enterprise sector has always played supplementary role in income support, we can infer that the
reducing shares in household income from market and family sectors have to be made up for by the increasing income from the state. That is why the Fig. 1.10 shows us that the income package of older couple only families has changed from the family-market dominated form to the family-state coordinated one like what we have observed in the single elderly families.

Figure 1.10 Income packages of old couple only families in Taiwan in 1986, 1996 and 2004 (%)

(3) Coresident families: From Fig 1.11, it can be found market earnings nearly accounts for 83 per cent of total household income of coresident families in 1986. As suggested before, this situation had lot do with more employed household members at that time. Under this condition, the intra-family transfer became less important in household economy (6 % of total household income). In the same way, the self-imputed housing rent and the property income just play their supplementary roles in people’s later life. Simply to put, when older people live with their children, their households mainly rely on adult children’s regular income from market. Therefore, the other income sources only give additional income support.

But since 1996, there has also been a significant decline in the importance of market earnings for coresident families. In 2004, market earnings fells to 60 % of total household income. In the meantime, family and enterprise sector both keep stable contributions to the household income. That implies the reducing contribution from market earnings has been partly covered by the increasing public income from the
state. Therefore, we can conclude the income package of coresident families has changed from the market-dominated income package to the market-state cooperated one.

Figure 1.11 Income packages of coresidence families in Taiwan in 1986, 1996 and 2004 (%)

(4) Skipped-generation families: For skipped-generation families, we also discover the big reduction of income share from earnings had been covered by the increasing income support from the state and family sectors. In particular, the state has increased its share in the total household income from 2% in 1986 to 28% in 2004. And the increasing importance of family can also be found in accounting for 41% of the total household income in 2004 from 27% in 1985. Therefore, the income package of older people living with their grandchildren have transformed from the market-dominated form to the welfare-triangle one (includes family, state and market).

Figure 1.12 Income packages of skipped-generation families in Taiwan in 1986, 1996 and 2004
In addition to living arrangement, we also need to take into account the income and age effects here. In order to make income effect on the income package change over time discernable, I only compare the content of income package of bottom quintile with that of top quintile. With regard to the consideration of age effect, I divide the older people families into two groups. One is younger old families, that is, headed by the household head aged 60-74. Another one is about the older old families whose household head age 75 and over.

As Figure 1.13 shows, we can find for the bottom quintile within the younger old families, they relied much of their income from market and family in 1985. But with the proceeding of time, the earnings become less important in their income packages. The reduction of the share in total household income can also be discovered in income from the family sector while the extent is not so considerable like the situation of market earnings. On the contrary, the state has gradually given more income support to these families. At present, the income from the state has roughly the same share in total household income like that from family. Thus for households situating in bottom quintile, their income package has changed from the market-family coordinated form to the family-state coordinated one.

But for households of Top quintile, they gain 65 per cent of their income form...
earnings in 1985. And then through family sector, they get the supplementary income support. At that time, the enterprise sector and the state sector did not give any help for rich older people. However, in 2004, their income sources become more diverse. With the reducing share of earnings, the enterprise and the state sectors had started to give some extent of contribution to their household economy.

When comparing the above income effect for the bottom and top quintiles during this period of time, we uncover the top quintile becomes rely on three main income pillars—market, family and enterprise, at present. But the bottom quintile depends on family and state to get the needed economic resources.

When adopting the same analytical steps in older old families, because there are few suitable sampling cases in 1986 dataset, I only compare the change from 1996 to 2004 here and reach the following conclusion:

At first, for the households of the bottom quintile in 1996, their income seems to mainly come from family and state. From Fig 1.14, we discover this arrangement does not have any big change in 2004. But income from the state gradually increases its share in the total household income while family decreases its contribution to household economy a little bit.

For the older old families of top quintile, they relied much of their income from family and enterprise. In addition, market earnings also give significant economic support to them. But with time change, market earnings and enterprise pension has reduced their shares in total household income in 2004. And this gap seems to be covered by the increasing contribution from the family sector. Thus for the older old families of top quintile, there seems to exist the situation of familization of their income package.

At last, when considering the age effect here, we can conclude that there are less older old families getting their income from earnings when compared with the younger older families.

Figure 1.13 Income packages of old families of bottom and top quintile in Taiwan in 1986, 1996 and 2004 (%)
Finally, With regard to gender effect, I just pick up single older families for observation because it can isolate the possible influences from other family members.
From Figure 1.15, we can easily find older females relied more on intra-family transfers as their major income source than males did in the 1986. On the contrary, the males depended more on market earnings in their later life. Basically, our analytical outcome is consistent with the previous research findings. But since the mid-1980s, we can notice there have been the following big changes in the OASM for older females and males respectively:

At first, although intra-family transfers still constitute one of important income sources for older women, its share in total household income has decreases from 68% in 1986 to 37% in 2004. In addition, the previously low share of market earnings is also found to be in decline. That indicates public transfers have filled the gap of reducing intra-family transfers. But it must be noted that the public transfers did not function in the form of public pension benefits. In reality, the national health insurance and diverse subsidiary programs introduced by government gradually become important income pillars for older women during this period of time. At present, these public transfers have accounted for one third of total household income for single older women families.

Secondly, different from their counterpart, older males have become depend more on intra-family transfers since the 1980s. In reality, it has lot do with a sharp reduction in the importance of market earnings in their later life. But like what we have observed in the case of older females, older males also increase their reliance on different public transfers while they are able to receive more from government than women do.

All in all, the Figure 1.15 has showed us the fact that the previous differences in income packages for older males and females gradually disappeared during this period of time. At present, whether for older men or older women, they have to rely on household sector and state sector to ensure old-age security. On the contrary, market and enterprise played insignificant roles in their economic life. Besides, while state start to undertake redistributive task for the elderly, the majority of public transfers come from diverse subsidiary programs or the contributory subsidy of national health insurance because of unfinished national pension plan. Therefore, whether for older males or females, public pension system nonetheless give no financial assistance in their later life.

Figure 1.15 Income packages of single male and female elderly in 1986, 1996 and 2004
Through the above two stages of research work, I can conclude Taiwan’s old-age security mix have underwent the following changes since the mid-1980s.

Before the initiation of national pension reform, prevalent coresident families and less-developed pension system are two major characteristics of Taiwan’s OASM. Although our empirical analysis shows income packages of older household varies with their different living arrangements, most of Taiwanese elderly relied much of their income from household sector in 1986. Above all, the market earnings (from younger generation) ensured their old-age security.

But with time change, there have been numerous older people living in alternative ways, such as, couple-only family, solitary family, skipped generation family… and so on. That indicates there would be a change in the previous configuration of OASM. Besides, in the mid-1990s, Taiwan’s government introduced two anti-poverty benefits for older people. Central to our concern, these two subsidiary programs have loomed large since their introductions. Thus, they did not function as transitory policy measures as expected before. In reality, my income package analysis also proves these new subsidy programs gradually become important income sources for older families especially when there is a drop of market earnings’ share in their household income. That is why income packages of different types of older families have transformed from market-dominated or family-dominated form to family-state coordinated one.

In addition, my income package analysis supports the fact that Taiwanese older people are not homogenous group especially in terms of their living arrangements.
That indicates they would face different structural context of OASM at different stages of pension reform because of their different living situations. Relevant to my research concern here is that this fact is not only directly related to the perceived political interests of possible recipients of pension expansion but also partly recognized by relevant policy actors. For this reason, in the final section, I will briefly discuss how the features of OASM discussed so far might have feedback effects on the progress of Taiwan’s national pension reform.

**Conclusion: The possible feedback effects of OASM on Taiwan’s national pension reform**

In this article, OASM can be defined as an institutional arrangement for old-age security (the 2nd level) or as income packages of older people (or families) (the indicator level). Thus, I assume relevant policy actors would perceive OASM in two different ways. In the first place, I hypothesize general public and some policy actors will perceive OASM in terms of income composition of older people or families. In my view, this is the most direct way for them to comprehend the implication of OASM for the well-being of older people. But for policy experts and policy makers, they will perceive OASM in terms of an institutional arrangement for old-age security because they are expected to adopt effective measures to solve policy problems. Basically, it is through these different interpretations that I try to demonstrate how OASM might affect Taiwan’s national pension reform in the following ways:

At first, public sentiments might be shaped by existing OASM. In Taiwan’s context, once people find meager public pension accounts relative low share in their disposable income, they would expect to rely on private means in their later life. Under this condition, some of them might have less trust in government or indifferent attitude towards state intervention in pension policy sector.

Secondly, existing OASM will also lead to specific political interests for possible recipients of pension expansion. Different from existing pension politics research, this article holds possible recipients will not have the same political interest because of their different income packages after retirement. For example, for high-income families, their retirement income package may rely much on private income sources. Moreover, this income mix can ensure their old-age security. So in their eyes, they may not be so interested in supporting pension expansion. But for low-income families, their policy support may not be as straightforward as existing pension politics research assumes. In reality, these vulnerable families are often recipients of different anti-poverty benefits (i.e. subsidy programs). Undoubtedly these benefits would comprise a significant part of their income package. For this reason, when
knowing government’s pension expansion plan, they would reassess their political interests on the basis of the received benefits. They will compare new pension scheme with the existing subsidy programs in various aspects, such as value, predictability, reliability, duration and conditions for entitlement. It is only when new pension program is believed to be superior to existing subsidy programs that low income groups of older people will show their support to government’s reform act. Otherwise, government’s pension expansion may not win the hearts of vulnerable older people.

Thirdly, for politicians embracing traditional family value, they may feel satisfied with the situation that most of older people rely much of their income on household sector. Furthermore, if they find no serious old-age poverty problem, they will assert that traditional family system can function well for old-age security provision without state intervention. Therefore, this group of politicians often has no interest for supporting ambitious pension expansion. But once state engages in large scale pension expansion, they may disapprove it because of the fear of crowding out effect brought about by government’s reform act.

Fourthly for politicians with welfarist thoughts, they may interpret the same situation differently. In Taiwan, we often locate they pay attention to the income package of vulnerable older people and advocate state pension expansion to improve these people’s economic life.

Fifthly, Taiwan’s national pension reform plans are offered by government to cater to the unmet needs left by existing OASM. For example, the forecast of withering of informal support systems has led many policy experts to advocate some versions of pension expansion to meet social demands of new vulnerable elderly. This is the most often-seen feedback effect of OASM on Taiwan’s pension reform. But based on their understanding of status quo of OASM, policy makers often try to renegotiate the institutional configuration of OASM to find most saving way to fulfill their promise of pension expansion for most of older people.

From the above discussion, I have pointed out the possible impacts of OASM on people ideas and interests concerning national pension reform. In addition to this feedback effects, OASM also plays important mediating role in Taiwan’s pension politics as follows:

First, although some social structure changes have been emphasized as the triggers of pension reform, they do not directly decide policy content. In reality, their influences have to be mediated by specific political economy of a given country. In this article, I pick up OASM as the intervening variable of interest. Therefore, I hold Taiwan’s policy experts and policy makers would assess these structural challenges to existing OASM rather than pension system alone. And then they decided if it would be imperative to adopt pension expansion in response.
Secondly, the existing policy convergence studies has showed us that international experience is one of important factors leading to regional diffusion of given pension reform model (Weyland, 2005). But we also need to bear in mind that many international reform experiences cannot be directly applied to other countries because of imported countries’ specific institutional legacies. That is why international reform model has to adjust itself to be fit for the new policy environment (World Bank, 1994; Holzman et al, 2005). In this article, I want to mention the feasibility of international reform experiences has to take the status quo of OASM of imported country into consideration no matter how insightful policy lessons the international reform experiences may send.

All in all, this article tries to point out some casual mechanisms through witch OASM might have impacts on Taiwan’s national pension reform. In reality, with relevant studies gradually lose their explanatory power in recent pension policy change, incorporation of OASM in institutional analysis may provide us with a promising avenue to approach these unresolved research problems. In particular, Taiwan’s less-developed public pension system justifies our theoretical claim of importance of OASM amidst its national pension reform. With benefit from this theoretical innovation, what we need to do afterwards is to find effective ways to identify if these feedback effects of OASM really existed in the past reform process. Through this inquiry, we can have more deep understanding about the complex relationship among OASM, ideas, interests amidst national pension reform over the past 14 years.

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