

Income Transfers to the Elderly in East Asia: Testing Asian Values

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Editorial Note

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Abstract

This article examines the role of family and the state in relation to the living standards of the elderly in East Asia. It tries to test whether familial arrangement according to Confucian ethics, which are still taken seriously in East Asia, secures the minimum standards of living for the elderly. This article, first, examines the social policy institutions for the elderly in Japan, South Korea and Taiwan. It argues that public policy in the region assumes the family as primarily responsible for elderly people's living standards. Secondly, this article analyses private and public income transfers to elderly households, based on micro-data sets for South Korea and Taiwan. It argues that private transfers do make important contributions to the income of the elderly households, particularly poorer households, while public transfers do not make any significant impact. This suggests that Confucian ethics are still working. Private transfers, however, fail to secure the minimum standards of living of the elderly. The elderly households are far more prone to poverty. The findings of this paper support the case for state action to protect the living standards of the elderly in East Asia.

I. The East Asian Welfare Model and Asian Values

The aim of this article is to examine the role of the family and the state in relation to the living standards of the elderly in East Asia. In this region the Confucian principle, a central contour of Asian values, which contends that the family takes better care of the elderly than the state, is still taken seriously by citizens, and policy makers in particular. This article will try to test the Confucian ethics by analysing the extent to which private and public transfers contribute to the income of elderly households. Through this analysis, it will seek to compare the welfare mix of family and the state for the elderly among the East Asian countries. In the wake of the emergence of ageing societies in East Asia, this article will attempt to suggest the right mix of family and the state in social welfare for the elderly. This article covers Japan, South Korea and Taiwan, although, due to the inaccessibility to the Japanese micro-data, the analysis of income transfers will be confined to South Korea and Taiwan.

Bearing in mind the East Asian economic crisis of the late 1990s, the relationship between East Asian values and economic success in the region seems less of a fascinating question than it used to be. Nevertheless students of comparative social policy have been engaged in the debates as to what extent Asian values, notably Confucian ethics, have influenced welfare regimes in East Asia. This debate has elicited not only academic interest but policy implications since East Asian countries will be facing increasing pressures of welfare demand while due to the economic crisis the state finds it much harder to allocate increasing financial resources to social welfare. In particular, East Asian societies have witnessed a sharp increase in their elderly population, which will increase the strain on welfare provision within the society.

If a social arrangement in accordance with Confucian ethics can secure a minimum level of living standards for the elderly, it would open up a wide range of policy options to the governments in the region. If, on the contrary, Confucian ethics are mere political rhetoric, East Asian societies would be better off facing the hard reality and being prepared for social challenges arising from the increase in the elderly population.

In her pioneering study, Jones argues that societies in East Asia, particularly Japan, South Korea, Taiwan, Hong Kong and Singapore, together make up their own brand of welfare state (Jones 1993: 199). She goes on to say that Confucianism is placed at the heart of their welfare

states with its values of hierarchy, duty, compliance, consensus, order, harmony, stability and staying in power (Jones 1993: 202).

In contrast, a body of literature seems to disagree with Jones' contention. Goodman and White strongly oppose Jones' cultural explanation. They argue that:

'Cultural' explanations in terms of Confucianism and the like, whether indigenous or foreign, are unhelpful in our attempts to understand the evolution of East Asian welfare systems. When measured against strategic impact of basic political, economic and demographic factors, 'culture', as presently portrayed at least, proved to be of residual explanatory value (Goodman and White 1998: 15).

In his comparative and historical analysis of East Asian welfare regimes, Kwon concludes that East Asian societies, notably Japan, South Korea, and Taiwan, form a cluster of welfare regimes, distinctive from their European counterparts.¹ Contrary to Jones' contention, he also argues that Confucian ethics play only a minor part in the structuring of the welfare state (Kwon 1998a). He points out four characteristics which East Asian welfare states share (Kwon 1998a: 66).

First, the role of the state in the financing of social welfare is largely that of regulator rather than provider.² Instead of state agencies, quasi-governmental bodies manage the various funds to which social welfare contributions are made. This financial and institutional arrangement is strongly related to developmentalism, which sees social welfare policy as a subordinate part of economic strategy.

Secondly, this method of financing social welfare has resulted in a fragmented welfare system in which the pooling of risk is narrower than in an integrated system.

Thirdly, the redistributive outcomes of social policy in East Asia differ from those in countries in the West such as Britain. The distribution of market and disposable incomes in Japan and South Korea

1 Kwon's comparative study actually covers Singapore and Hong Kong as well, but his study suggests that the welfare states in Singapore and Hong Kong are further away from the cluster of Japan, South Korea and Taiwan (Kwon 1998).

2 The state is a provider whereby the state itself delivers social policy programmes which are then paid for through government expenditure. In contrast, under the arrangement of the state as a regulator, the delivery of social welfare programmes may be private although not voluntary, and the costs of social welfare programmes are met by quasi-governmental agencies. See Kwon (1997).

is more equal than in Britain. (The Japanese data here represents the income distribution of workers' households only. Therefore, income distribution of the entire households can be more unequal (Kwon 1997: 472).) Social policy intervention in Britain, however, is more redistributive than in Japan and South Korea where the better off get the lion's share of social policy benefits (Kwon 1997: 472-476).

Last, but not least, the political battles behind the welfare systems in East Asia have been largely dominated by conservative political factors. Most of their welfare initiatives were brought about as an effort to legitimise a conservative monopoly of political power.

Other studies, which deal with individual East Asian societies, successfully explained the development of the welfare state without much resort to Confucian ethics. Shinkawa and Pempel (1997) attributed the minimalist Japanese welfare state to the conservative government's political strategy for its grip on power and big business interest in controlling labour. Ku (1997) and Kwon (1998b) also explained the development of the Taiwanese and Korean welfare systems in terms of legitimisation of authoritarian governments and the necessity for economic development.

Do these research outcomes suggest that Confucian ethics have not played any significant role in the forming of the welfare state? The authors of the above mentioned literature paid attention to the institutional development of the welfare state, and they tried to find explanatory variables, which positively influenced the development of welfare institutions. Focusing only on institutional development, however, cannot capture the complete dynamism of the welfare state, in particular with respect to the Confucian influence. Since Confucianism sees state intervention in the area of welfare as negative, if not disturbing, to family duties, and social harmony, Confucian ethics might exercise a retarding influence on the introduction of state-sponsored social welfare programmes. For instance, the underdevelopment of day-care services for children and the elderly in the East Asian welfare states might be due to negative influences from Confucian ethics. According to a strict interpretation of Confucian ethics, childcare and the care of aged parents are regarded as basic responsibilities of the family and women in particular. For this reason, we need to see the condition of social welfare from the perspective of welfare mix, in order to understand the dynamics of the welfare state and the influence of Confucianism.

II. The Welfare Mix for the Elderly

In the area of welfare for the elderly, Confucian ethics teach younger generations to respect and support their elderly parents, which is one of the central tenets of Confucian ethics. If one follows this ethics, one would bring up children, support their education and help them to find jobs, while one is working. After retirement, then, one can rely on the support of one's children for the rest of one's life. If this proposition holds, state sponsored income maintenance programmes in East Asian societies need not be on the same scale as one might expect, since the burden of an ageing population in the East Asian societies would be shared by the state and the family. The question, however, remains open, whether the hypothesis of this Confucian principle is actually verified. In Section III we will test this hypothesis by an analysis of private income transfers to elderly households. If family support for the elderly is substantial to the extent that it alleviates poverty in old age, we can conclude that the Confucian proposition is upheld. Before we proceed to this analysis, it is necessary to look into the existing welfare mix for the elderly.

At the outset, we need to make clear our understanding of Confucian ethics in this paper before we proceed. We do not probe into its richness in philosophical thoughts, but only understand it narrowly in the sense that it teaches people to support their elderly parents. For this reason, this paper does not claim that Confucianism is unique in emphasising filial piety. Rather, it sees Confucianism as an East Asian version of the moral tenet of filial piety, which can be seen in other societies, such as Catholicism and Islam belief.

II.1 Public Pensions for the Elderly

In 1995 the proportion of the elderly population (65 years old and over³) was 11.9% in Japan, 5.9% in South Korea and 7.6% in Taiwan, which was still smaller than in other OECD countries, such as the USA (12.6%) and Sweden (17.4%) (United Nations 1997). In the year 2020, 25.2% of the population of Japan will be elderly, one of the highest proportions of elderly population in the world. With respect to South Korea, the figure will be 7.1% in the year 2000 and 13.2% in 2020. In other words, South Korea will become an 'ageing society' in the year 2000. The situation in Taiwan is not different. In the year 2021, Taiwan's elderly population

3 Readers are advised to notice that this article sometimes refers to the elderly as persons aged 60 or over due to the varying definitions of statistical sources.

will be 14.1% of the whole population (DGBAS 1997a). Despite the varying degrees of ageing, these three societies are facing the social challenges of an ageing society.

JAPAN

Old age pension schemes must be the front line policy to deal with the challenges of an ageing society, as well as social services and health care. The public pension system in Japan is the most developed among the three East Asian countries. It comprises the first-tier National Pension Scheme, which guarantees to all citizens basic pensions, and the second-tier Employees' Pension, Mutual Aid Pension and National Pension Fund schemes (Ministry of Health and Welfare 1995: 286). The second-tier pension schemes provide pensions, which are supplementary to the National Pension. These supplements are earnings-related. For the self-employed, the National Pension Funds were established in 1991 to supplement the basic pension. It also has different sub-programmes (see Table 1). In 1995, 69.5 million that people paid contributions to the National Pension and there were 16.1 million pensioners, which means entitlement to pensions is firmly established in Japan.

Table 1: Public pension schemes in Japan

Tiers	Schemes	The insured	Insurer
National Pension Scheme (1 st tier)	Basic pension	All citizens	The State
Employees' Pension Scheme (2 nd tier)	Employees' Pension	Private salaried workers	The State
	National Public Service MAA	National Public Service	MAA
	Local Public Service MAA	Local Public Service	MAA
	Private Teachers MAA	Private Teachers	MAA
	Agricultural and forestry MAA	Agricultural and forestry co-operative employees	MAA
National Pension Fund (2 nd tier)	Community type	Self-employed	Community funds
	Occupation type	Self-employed	Occupational funds
	National Pension Fund Association	Self-employed	National Pension Funds

Note: MAA= Mutual Aid Association

Source: Ministry of Health and Welfare (1995)

KOREA

The public pension system in Korea comprises the National Pension Programme for ordinary citizens, the Public Employees' Pension for government employees, the Private School Teachers' Pension for private school teachers and the Veterans' Pension Programme for retired soldiers. Since the Public Employees' Pension, the Private School Teachers' Pension and the Veterans' Pension Programme are for specific groups of people, the number of pensioners within these programmes was small and stable. Of these public pension programmes, the National Pension Programme is the main pension programme for most Korean people. When it was introduced in 1988, it started with those employed in work places with more than ten employees. The National Pension Programme has expanded its coverage over the years and began to cover the entire working population in April 1999 (Kwon 1999).⁴ One should, however, bear in mind that it is a funded pension programme in contrast to a pay-as-you-go scheme. In other words, it does not hand out pensions to those who have not paid contributions beforehand, even if they are already in their old age. It requires a twenty-year contribution to be eligible for full pensions and fifteen years for partial pensions. For those who cannot pay contributions for that length of time before their retirement, there are two options: lump-sum payment and a special pension. The lump-sum payment consists of all the money one has paid plus a certain rate of interest while the special pension is a certain proportion of the full pension according to the number of years of contributions.

In a nutshell, since the National Pension Programme was introduced in 1988, and its coverage gradually expanded over the years, most of those who have already reached or will reach pensionable age in the near future would not be eligible to pensions under the present system. Table 2 shows that only 13.7% of elderly people received pensions from various programmes in 1995. These figures will remain stable until the year 2002 when the first group of people who joined the National Pension Programme in 1988 will be eligible for partial pensions. Even then, the number of people who are entitled to receive pensions will be small. Since in 1995 the whole public pension systems covered only 41.9% of working population, less than half of the elderly will be entitled to public pensions in 2015.

4 Of course, it does not include people within other programmes, *i.e.*, the Public Employees' Pension and the Private School Teachers' Pension

Table 2: Number of pensioners from public pension programmes in Korea (1995)

	Old Age Allowances	National Pension Programme*	Public Employees' Pension	Private School Teachers' Pension	Total
Number (persons)	266,000	38,162	56,343	3,950	364,455
Proportion of people age 65 and over	10%	1.45%	2.1%	0.15%	13.7%

Note: *Number of special old age pensioners

Source: MoHW (1997), *Yearbook of Health and Welfare Statistics*

TAIWAN

Compared to Japan and South Korea, Taiwan has not yet introduced a national pension programme for ordinary citizens, although Labour Insurance, Government Employees' Insurance and Insurance for Private School Teachers and Staff cover 54% of the population aged between 15-64. Despite the lack of a nation-wide public pension programme, Labour Insurance is now fully matured and is paying retirement benefits, and there are also Farmers' Old Age Allowances. The number of persons receiving pensions or allowances from these schemes is 27.5 per cent of the elderly population aged 65 or over. Some city and county governments, including Taipei, Ilan, Hsinchu, Tainan, Chiayi, Kaoshiung and Penghu, provide old-age allowances ranging from NT\$ 3,520 (£54.3) to NT\$ 7,040 (£108.6) per month.⁵

At present, Taiwan is engaged in a political debate on what form of National Pension Programme should be introduced. The debates are becoming intensified as the presidential election in the year 2000 is approaching (Ku 1998). The opposition Democratic Progressive Party has already successfully utilised social policy issues such as National Health Insurance in the previous elections (Kwon 1998a). The National Pension Programme in Taiwan will, according to the Council for Economic Planning Board's planning report (CEPB 1995), be a funded scheme, requiring a forty-year contribution for a full level of pension. People who pay contributions for between 10 to 40 years can claim a reduced pension only, minus 2.5% of the full pension per year.

5 http://www.gio.tw/info/yb97/ch19_5.htm

From the discussion so far, it can be seen that most of the elderly population (86.3%) in Korea and about 70 per cent of the elderly population in Taiwan, do not have access to public pensions, while 65.6% of Japanese elderly people receive pensions.⁶ The Taiwanese government has promised that a benefit of NT\$2,000 (£30.8) monthly will be paid to people aged 65 and over when NPI begins (Ku 1998: 40).

In Korea, the 1989 amendment of the Welfare Law for the Elderly introduced an old-age allowance programme for those elderly over 70 who were officially defined as poor. This programme of allowances was implemented from 1991 and in 1993 began to provide a pension to those over 65 as well. In 1997, elderly people aged 65 to 79 received Won 35,000 (£17.9) and Won 50,000 (£25.6) for those over 80. This allowance programme does not require contributions to be eligible, but it specifically targets the old aged people who are identified as poor by the Public Assistance Programme under the Livelihood Protection Law. The expenditure allocated for the old-age allowance programme was 0.13% of General Government Expenditure, 65% of which was borne by the central government and the rest by the local governments.⁷ In 1997, the number of people who received allowances under this scheme was 266,000, which was about 10% of all the people aged over 65.

To what extent does this allowance alleviate poverty among the elderly people? Old age allowance does not secure a minimum level of income, even in absolute terms. According to the Ministry of Health and Welfare, the average minimum living expenses for one person in 1996 were Won 220,000 (£112.6) (MoHW 1996: 192), which is defined as official poverty line. The maximum amount of benefits a 65 year-old person can receive is Won 107,513 (£55.0), which includes old-age allowance Won 35,000 (£17.9) and supplementary benefits (Won 72,513 (£37.1)) from the Public Assistance Programme, and this makes up only 48.9% of the official poverty line, which is defined in absolute terms. If we use the relative concept of poverty, this level of benefit falls further short of alleviating poverty. According to our calculation, which will be discussed in detail in the next section, one half of the median of equivalent disposable income in 1996 is Won 348,676.9 (£178.46). The

6 This figure includes pensioners and survivors within the first-tier and second-tier old-age pension programmes, but does not include those within disability and co-ordinated old-age pension programmes. (Ministry of Health and Welfare 1997)

7 Calculated from *Korea Statistical Yearbook* and Ministry of Health and Welfare (1997), p.13.

maximum amount of benefits of a 65 year-old person is 30.9% of the relative poverty line. Of course, these figures are based on the assumption that one takes up all benefits available, which is not always the case.

Table 3: Level of allowances for the elderly in poverty in Korea*

	Official poverty line 220,000 Won	Relative poverty line 348,676.9 Won
Allowance for age 65-79	48.9%	30.9%
Allowances for age over 80	55.7%	35.1%

Note: * Defined as official poverty line

Source: MoHW (1997 and 1996)

In short, the present public pension system in Korea and one which is being planned in Taiwan do not secure the pension entitlements to the current old generations. Only after a considerable period of time, will pension entitlements be universal in these two countries. The old-age allowances currently in place also fall far short of the minimum level of income, even in absolute terms. The answers from the Korean and Taiwanese governments to this problem are Confucian solutions. The Korean and Taiwanese welfare system places that responsibility to a great extent on the elderly themselves and on society, notably their families. The Korean Welfare Law for the Elderly clearly states that the main responsibility for supporting elderly people falls on their children. It also refers to Confucian ethics as the principle for the welfare policies for the elderly. *The Guiding Principles of Social Welfare Policy* adopted by the KMT in Taiwan also made it clear that the family should be the centre of social policy (Ku 1997: 248). In this area, Japan joins the ranks. ‘The Japanese-style of welfare society’, which was first launched by the Prime Minister Ohira in 1979, places great emphasis on the family. Its main idea is that Japan should not follow the Western style of welfare state which only caused ‘welfare disease’ (Hashimoto 1979). Instead, Japan needed a welfare system in which the family would play a key part.

II.2 Family Structure and the Elderly

To what extent is the Confucian solution actually working? Do the expectations of the East Asian governments reflect the reality? Let us first look into the family structure of these three societies. Indeed family

structure in Japan, Korea and Taiwan appears different from that of other countries such as the US and Denmark. Table 4 indicates that more than half of elderly people in Korea and Taiwan and a little less than half in Japan lived together with their grown-up children while most of the American and Danish elderly lived alone or with only their spouse. To be sure, such a different family structure does not necessarily confirm that people in Japan, Korea and Taiwan observe the Confucian ethics. Grown-up children may live with their old parents due to a whole range of different reasons. Such a family structure also does not necessarily imply that elderly members of the family have equal access to family income. Nevertheless, it seems to be fair to say that the family structure in Japan, Korea and Taiwan is strongly influenced by the Confucian ethics. It can also be assumed that the elderly members have some access to family income, though not necessarily an equal one. It does not, however, suggest that those elderly people who live with grown-up children escape from poverty, since the family itself may live in poverty. In Section III, we will look into how families including elderly members fare compared to families in general.

Table 4: Structure of elderly households* (1988; in per cent)

	One person	With spouse	With grown-up children	Others
Korea	7.7	23.4	65.2	3.7
Japan	6.7	27.2	49.7	16.4
Taiwan**	11.7	14.2	74.1	0.55
US	39.6	40.4	10.4	9.6
Denmark	44.0	46.6	5.1	4.3

Notes: *Households including persons over 60; ** 1986

Source: Korea Survey (Gallup) Polls and Japanese Prime Minister's Office (1990); Jacobs (1998).

One other aspect, through which we can see the Confucian behaviour in terms of supporting elderly people, is the main source of income for the elderly. Table 5 shows that half of Korean and Taiwanese elderly people acquire their main income from their children. In contrast, Japanese elderly people are much less dependent upon their children. This seems to reflect the fact that the Japanese pension system is now in full operation, as we have mentioned. In contrast to East Asian countries, the role of children as main income sources for the elderly in

the US and Denmark is almost negligible. Instead, the elderly mainly live on, *inter alia*, state pensions, earnings and property incomes.

One should, however, notice the change in the trend of the main income sources over the years in Korea and Taiwan, despite the fact that public pension systems are not in full operation. (No full pensions are yet provided except for public employees and teachers.). While income from earnings has become a main income source for the growing proportion of elderly people, the role of children has been decreasing without a strong presence of public pensions. Of course, this must be related to a whole range of social factors. Nevertheless, Confucian ethics are weakened, though they remain as a familial arrangement for elderly people's welfare in Korea and Taiwan and to a lesser extent in Japan.

Back to our main question, does this familial arrangement secure the living standards of the elderly? It seems that neither the Confucian family structure nor such a familial arrangement in themselves guarantee that elderly people would be free from poverty. What is the role of the state in securing income for the elderly population? Given Confucian characteristics among the three East Asian countries in varying degrees, whether the elderly can escape from poverty is primarily dependent upon the level of income available to their households. In other words, we need to analyse the level of income, and of public and private transfer by different income groups. This will be addressed issue in the next section

Table 5: Main income sources of the elderly *

	Korea			Taiwan		Japan		U.S.	Denmark
	1981	1988	1994	1986	1993	1981	1988	1988	1988
Earnings	16.2	26.3	37.6	29.8	42.8	31.3	24.5	14.1	10.9
Property	5.5	6.8	6.9	-	1.9	7.4	7.8	19.2	7.3
Private Pension	-	-	3.9	-	-	3.8	1.9	10.4	8.4
Children	72.4	63.7	44.3	67.8	53.2	15.6	9.0	0.2	0.1
State Pension	0.8	1.2	3.5	1.2	1.6	34.9	53.4	53.0	61.2
State Assistance	1.2	1.8		-	-	1.2	1.1	0.4	3.0
Others	3.2	0.2	3.8	1.2	0.5	3.1	1.9	2.4	5.7
No answer	0.6	-	-	-	-	2.7	0.4	0.3	3.5

Note: *People over 60

Source: 1981 and 1988: Korea Survey (Gallup Poll) (1990); 1994: Lee *et al* (1994); for Taiwan, Director General of Budget (1997b).

III. Public and Private Income Transfers to Elderly Households

III.1 Assumptions and Data

Examining empirically the working of Confucian ethics is no easy task, not only because Confucianism is very complex philosophically, but also because it is difficult to capture Confucian behaviour in measurable terms. Because of such difficulties, this article has to make certain assumptions. It assumes, first, that private income transfers to elderly households are related to Confucian ethics. Of course, underlying rationales for private transfers between households are diverse. Sources of private transfers are also various - not only households but also many other social institutions, including religious institutions, which may have no relation to Confucian ethics such as churches. What essentially matters, however, is that private transfers are income support by society not by the state. This is the underlying theme that we are interested in, and that Confucian ethics emphasises.

By elderly households, we mean households, which include at least one person aged sixty-five or over (in the Korean case, sixty or over). Such definition requires even stronger assumptions about private income transfers and Confucian ethics. Can we realistically assume that private income transfers to households with both young and old members are related to Confucian values? For example, income transfers from other households may be earmarked, implicitly or explicitly, for certain purposes such as education for young members of households. To loosen the assumption, we will divide elderly households into three types: first, households including at least one person aged sixty-five or over; second, couple-only elderly households (where the heads of households are sixty-five or over); third, single-elderly households (age sixty-five or over). While the analysis of the first type of households will give a general picture of private transfers to elderly households, the second and third type of households will provide test cases regarding Confucian ethics.

The data sets in this article come from two different sources. The data set regarding the Korean case is one provided by '*The National Survey of Family Income and Expenditure*', which was carried out in 1996 by the National Statistical Office in South Korea. The survey has the sample of 24,290 households, which represents the whole population. The analysis of this article is based on micro-data set rather than the published outcomes. With respect to Taiwan, we used the 1995 data set

from the archives in the Luxembourg Income Studies. The Taiwanese data set includes 14,706 households, which represent the whole population. Because raw data were recorded differently in the micro-data sets, we have to define a person aged sixty or over for South Korea and sixty-five or over for Taiwan as an elderly person.

III.2 Private and Public Income Transfers

Table 6 shows the level of private and public transfers to the whole households in South Korea and Taiwan. Compared to the UK, private transfers in South Korea and Taiwan are at a higher level, while their proportion of public transfers is significantly smaller. The level of taxes in South Korea and Taiwan is also lower than in the UK. Between South Korea and Taiwan, however, a noticeable difference appears in the level of public transfers. This must reflect the fact that social expenditure in Taiwan has increased sharply since 1993 when the Democratic Progressive Party pressed the government hard on social welfare issues. In a nutshell, private transfers in South Korea and Taiwan play a significant role although they do not match the level of public transfers in the UK with respect to the general population. Back to our main question, does this level of private transfers secure the standard living of the elderly?

Table 6: Level of income transfers for all households (%)

Income and Transfers	South Korea	Taiwan	UK
Earnings	95.02	90.72	84.00
Private transfers	4.20	4.00	0.3
Market income	99.20	94.72	84.30
Public transfers	0.78	5.28	15.70
Gross income	100.00	100.00	100.00
Tax ¹ and Soc. Contributions	4.34	3.63	21.80
Disposable income	95.66	96.37	78.20

Notes: Market income = private transfers + earnings; Gross income = Disposable income + tax¹ and social security contributions; 1: Direct Tax

Source: South Korea (1996): National Survey of Family Income and Expenditure; Taiwan and UK (1995): Luxembourg Income Studies.

In Tables 7-9, private and public transfers in South Korea (1996) and Taiwan (1995) are shown according to the decile income groups based on the whole households. We introduce three measures for the analysis. First, income level means the proportion of equivalised income to the half median of the whole households' equivalised income.⁸ It means that one lives in relative poverty if one's income level is less than 1.00 (income level ≥ 0). Second, by dependency ratio we mean benefits (equivalised) as a proportion of equivalised income. In other words, a dependency ratio of 1.00 means that all income of a household comes from the benefits in question ($1 \geq \text{dependency ratio} \geq 0$). Third, relief ratio, which is benefits in relation divided by the half median of the whole households' equivalised income, shows the extent to which the benefits in relation help a household to escape from relative poverty (relief ratio ≥ 0). For instance, a relief ratio of more than 1.0 means those particular benefits alone can help the household escape from the relative poverty. A relief ratio less than 1.0, therefore, means that one's household would be in poverty, if there were no other source of income. Relief ratio also enables us to compare the level of benefits between different households.

Table 7 shows private and public transfers to the elderly households, which include, according to our definition, at least one elderly person. While public transfers do not play any significant role in this type of household, private transfers are an important income source, particularly to the poorest households. However, private transfers fail to raise the level of income to beyond half the relative poverty line. In this type of households, 25.6% in Korea and 19.9% in Taiwan live in poverty in relative terms, while the whole population rates are about ten per cent (Korea 10.3% and Taiwan 10.1% in relative terms). Since in this type of households other people as well as elderly persons can live together, we cannot say much about the nature of private and public transfers. One thing worth mentioning is that households belonging to the richest decile have the highest level of social insurance.

8 Equivalised according to the OECD scale, which is $\text{income} / (1 + (\text{adult}-1) * 0.7 + \text{children} * 0.5)$.

Table 7: Private and public transfers to households including at least one elderly person

South Korea

Decile group	1	2	3	4	5	6	7	8	9	10
No of households	1383	849	583	500	441	394	345	331	245	325
Percent*	25.6	15.7	10.8	9.3	8.2	7.3	6.4	6.1	4.5	6.0
Income level	0.62	1.13	1.41	1.64	1.87	2.12	2.40	2.80	3.37	5.90
Private transfer										
Dependency ratio	0.53	0.22	0.16	0.12	0.08	0.04	0.05	0.04	0.04	0.05
Relief ratio	0.33	0.25	0.22	0.19	0.13	0.08	0.11	0.11	0.13	0.28
Social insurance										
Dependency ratio	0.01	0.02	0.02	0.02	0.02	0.03	0.07	0.04	0.04	0.03
Relief ratio	0.01	0.02	0.03	0.03	0.04	0.06	0.16	0.10	0.15	0.19
Means test benefits										
Dependency ratio	0.06	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Relief ratio	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Notes: (An elderly person = age sixty or over); * Percentage of elderly households within a decile income group

Source: the National Survey of Family Income and Expenditure

Taiwan

Decile group	1	2	3	4	5	6	7	8	9	10
No of households	773	541	461	395	382	324	312	272	244	190
Percent*	19.9	13.9	11.8	10.1	9.8	8.3	8.0	7.0	6.3	4.9
Income level	0.84	1.19	1.43	1.65	1.87	2.13	2.44	2.84	3.49	6.01
Private transfer										
Dependency ratio	0.30	0.18	0.11	0.12	0.09	0.08	0.07	0.07	0.08	0.05
Relief ratio	0.25	0.21	0.16	0.19	0.16	0.18	0.16	0.19	0.28	0.29
Social insurance										
Dependency ratio	0.10	0.07	0.05	0.04	0.04	0.04	0.03	0.03	0.02	0.03
Relief ratio	0.08	0.09	0.08	0.07	0.07	0.08	0.07	0.07	0.10	0.21
Means test benefits										
Dependency ratio	0.19	0.11	0.07	0.06	0.04	0.05	0.04	0.03	0.02	0.02
Relief ratio	0.16	0.13	0.10	0.10	0.09	0.09	0.08	0.07	0.08	0.10

Notes: (An elderly person = age sixty-five or over); * Percentage of elderly households within a decile income group

Source: Luxembourg Income Studies

Income level = Equivalised income/half median of equivalised income

Dependency ratio=benefits/equivalised income

Relief ratio= benefits/half median of equivalised income

Table 8 shows private and public transfers to the elderly households, which comprise only an elderly couple. With respect to the Korean case, 61% of the income of the poorest groups comes from private transfers. In terms of relief ratio, the bottom half of these households score between 0.30 and 0.39. Public transfers, in contrast, do not play a significant role. Regarding Taiwan, the dependency ratio on private transfers is lower than in South Korea, while the relief ratios are at a higher level. In other words, the amount of private transfers is bigger in Taiwan and at the same time these elderly couple households have other sources of income. In Taiwan, means-tested public transfers do contribute to the income of poorer households, although they are at a lower level than private transfers are.

Table 9 is concerned with the single-elderly households, which have only one elderly person. In South Korea, 56 per cent of single-elderly households live in poverty in relative terms, while 36 per cent of the same type of households in Taiwan live in poverty. With respect to the elderly households consisting of a couple only, 31.2 per cent (South Korea) and 31.1 per cent (Taiwan) live in poverty (Table 8), while households including at least one elderly person fare better. Among such households, 25.6 per cent in South Korea and 19.9 in Taiwan live in poverty (Table 7). This suggests that households with elderly persons, and single-elderly households in particular, are more prone to poverty than general households, of which about ten per cent live in relative poverty.

Since the numbers of households in the upper deciles are small, it is necessary to be cautious in speaking about them. Nevertheless, we can say more about the poorest groups. In South Korea, the poorest group of single-elderly households depends mostly on private transfers for their income, while their Taiwanese neighbours depend equally on private and public transfers. The relief ratio of private transfers to the poorest households in South Korea is less than 0.5, which falls far short of the relative poverty line. This is also the case in Taiwan. However, Taiwanese elderly people receive public transfers, which makes the poorest group's income level 0.83 of the relative poverty line, compared to South Korea where public transfers to the poorest single-elderly households receive are almost negligible.

Given such subtle differences between South Korea and Taiwan, private transfers do make an important contribution to the income of single- and couple-only elderly households, particularly poorer households, but they are not substantial enough for poor single- and couple-only-elderly households to escape poverty. In other words, the

Confucian proposition, if we assume private transfers are related to that, is working in the sense that single- and couple-only-elderly households still get their main income from their families. It does not work in the sense that it fails to reach the level of the poverty line. In other words, family help alone cannot maintain the welfare of elderly households. In this respect, the Taiwanese case suggests an important policy implication. Although the level of public transfers is still lower than in the European countries, it makes the income level of poorer single-elderly and couple-only-elderly household higher than those in South Korea, where public transfers are almost negligible. Here we should notice that the Korean old-age allowance seems to have failed to make an impact although it was extended to people aged 65 or over in 1993. This failure seems to be due partly to the low level of old-age allowances, limited eligibility and partly to the low take-up rate of allowances.

**Table 8: Private and public transfers to elderly households
(couple only)**

South Korea

Decile group	1	2	3	4	5	6	7	8	9	10
No of households	285	141	83	85	60	45	44	33	35	103
Percent*	31.18	15.43	9.08	9.30	6.56	4.92	4.81	3.61	3.83	11.27
Income level	0.61	1.12	1.40	1.64	1.87	2.12	2.42	2.79	3.37	7.05
Private transfer										
Dependency ratio	0.61	0.35	0.26	0.18	0.17	0.07	0.08	0.09	0.08	0.02
Relief ratio	0.37	0.39	0.37	0.29	0.32	0.15	0.20	0.25	0.27	0.15
Social insurance										
Dependency ratio	0.01	0.03	0.04	0.07	0.09	0.15	0.20	0.09	0.23	0.06
Relief ratio	0.01	0.03	0.06	0.11	0.16	0.33	0.48	0.26	0.79	0.41
Means test benefits										
Dependency ratio	0.03	0.00	0.01	0.00	0.01	0.01	0.07	0.00	0.00	0.00
Relief ratio	0.02	0.00	0.02	0.01	0.02	0.02	0.17	0.00	0.00	0.02

Note: *Percentage of elderly households within a decile income group

Taiwan

Decile group	1	2	3	4	5	6	7	8	9	10
No of households	222	118	76	63	46	54	44	30	25	35
Percent*	31.1	16.5	10.7	8.8	6.5	7.6	6.2	4.2	3.5	4.9
Income level	0.83	1.18	1.43	1.66	1.87	2.11	2.42	2.87	3.50	6.71
Private transfer										
Dependency ratio	0.45	0.39	0.31	0.30	0.25	0.16	0.14	0.15	0.27	0.06
Relief ratio	0.37	0.47	0.45	0.50	0.46	0.33	0.35	0.43	0.93	0.43
Social insurance										
Dependency ratio	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02
Relief ratio	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.15
Means test benefits										
Dependency ratio	0.35	0.22	0.22	0.16	0.10	0.13	0.08	0.04	0.05	0.02
Relief ratio	0.29	0.26	0.32	0.26	0.18	0.28	0.20	0.11	0.17	0.17

Note: *Percentage of elderly households within a decile income group.

Table 9: Private and public transfers to single-elderly households**South Korea**

Decile group	1	2	3	4	5	6	7	8	9	10	
No of households	549	146	78	35	31	24	22	18	13	17	
Percent*	59	16	8	4	3	3	2	21	1	2	
Income level	0.56	1.14	1.42	1.67	1.85	2.11	2.42	2.83	3.31	6.30	
Private transfer	Dependency ratio	0.72	0.56	0.32	0.58	0.18	0.21	0.19	0.17	0.17	0.45
	Relief ratio	0.40	0.64	0.45	0.96	0.34	0.45	0.47	0.48	0.56	2.84
Social insurance	Dependency ratio	0.00	0.02	0.04	0.02	0.00	0.05	0.13	0.04	0.05	0.01
	Relief ratio	0.00	0.02	0.05	0.03	0.00	0.10	0.31	0.13	0.16	0.08
Means test	Dependency ratio	0.11	0.01	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
benefits	Relief ratio	0.06	0.01	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Notes: (An elderly person = age sixty or over); *Percentage of elderly households within a decile income group

Source: The National Survey of Family Income and Expenditure

Taiwan

Decile group	1	2	3	4	5	6	7	8	9	10	
No of households	185	74	39	51	45	34	28	20	21	14	
Percent*	36	14	8	10	9	7	5	4	4	3	
Income level	0.83	1.18	1.42	1.66	1.87	2.11	2.47	2.81	3.43	6.68	
Private transfer	Dependency ratio	0.41	0.32	0.25	0.28	0.18	0.18	0.18	0.19	0.28	0.16
	Relief ratio	0.34	0.39	0.35	0.47	0.34	0.38	0.43	0.54	0.97	1.06
Social insurance	Dependency ratio	0.08	0.05	0.29	0.03	0.01	0.02	0.00	0.01	0.02	0.05
	Relief ratio	0.07	0.06	0.04	0.06	0.02	0.03	0.15	0.04	0.08	0.36
Means test	Dependency ratio	0.39	0.36	0.27	0.13	0.11	0.11	0.12	0.05	0.07	0.09
benefits	Relief ratio	0.32	0.42	0.37	0.21	0.20	0.23	0.30	0.15	0.22	0.45

Notes: (An elderly person = age sixty-five or over); *Percentage of elderly households within a decile income group

Source: Luxembourg Income Studies

Income level=Equivalised income/half median of equivalised income

Dependency ratio=benefits/equivalised income

Relief ratio= benefits/half median of equivalised income

IV. Concluding Remarks

In this article we have attempted to see to what extent Confucian ethics are working in terms of income maintenance for the elderly population. This article divided the elderly households into three types of households and also decomposed them into decile income groups. Through such decomposition, it was possible to analyse the level of private and public transfers in the age- and household-specific sense. It focused particularly on single- and couple-only-elderly households, assuming those private transfers to these types of elderly households are related to Confucian ethics.

Our findings suggest that Confucian ethics is working in the sense that private transfers contribute to the income of elderly households, and particularly the poorest single-elderly households, whose income depends heavily on private transfers. Confucian ethics, however, failed to secure the living standards of the elderly households in the sense that the levels of private transfers in most income groups failed to reach the half of the relative poverty line. It is also worth noting that the importance of children as the main income source for the elderly has been weakened.

Compared to private transfers, public transfers in South Korea do not make any substantial contribution to the income of the elderly households, while Taiwanese public policy seemed to work better. In Taiwan, the Democratic Progressive Party has pressed hard on social welfare issues, especially pension issues as well as national health insurance. In the local areas where the DPP took control of local government, old-age allowances were introduced in 1993, and this forced the KMT government to make a plan for a national pension programme. In the South Korean case, although some public policies are in place, they failed to make any impact on the living standards of the elderly. Despite some differences between South Korea and Taiwan, the elderly populations in both countries are more prone to poverty.

This study is not complete in the sense that it was not able to include the Japanese case in the analysis of income transfers. The Japanese government does carry out a national income survey every year but it does not participate in the Luxembourg Income Studies, nor does it allow researchers access to its micro data set. Since public pension systems, which have been instituted for a long time in Japan, are fully matured, the picture would be somewhat different from what we drew for South Korea and Taiwan, where, in particular, most single-

elderly households live in poverty (one in two in South Korea and one in three in Taiwan), and the number of this type of households are rising.

In the wake of an ageing society, East Asian countries are engaged in social debates on how to deal with such challenges. In South Korea and Taiwan, there have been social debates on national pension programmes. In Japan, a couple of ambitious plans for social services for the elderly (the Gold Plan and the New Gold Plan) have been discussed for a while in the public arena. These debates are mainly focused on the long-term projects for the future, in which the current working generations have their interest at stake. By contrast, what is happening to the living standards of the current elderly population has attracted only scant attention from policy makers, and the governments in this region place emphasis only on Confucian ethics, despite the fact that the elderly people are far more prone to living in poverty. What should now urgently be called for is not Confucian ethics but state action for the elderly. Confucian ethics are still working but it alone cannot work, while the rapid ageing process in East Asia has put increasing strain on the family. Of course, in the last decade or so, many welfare institutions have been introduced in East Asian countries such as a national pension, old-age allowance and national health insurance. However, they have not had a great impact as we have seen through this study and there also seems to be a great deal of room for improvements in efficiency as well as the need of new public policy.

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