

5 Workfare in Taiwan

From social assistance to unemployment absorber

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Introduction to Taiwan

Located geographically in the Pacific Ocean south of Japan and Korea, Taiwan, officially the Republic of China (ROC), has been known as one of Asia’s four tigers with highly developed economies since the 1980s, with the other three being Hong Kong, Korea and Singapore. Its population was about 23 million in 2009, which was less than half of Korea’s but much greater than Hong Kong’s and Singapore’s, both of which have fewer than 10 million people. Its per capita gross domestic product (GDP) in 2009 was US$17,927, which was less than Korea’s at US$20,265, Hong Kong’s at US$31,407 and Singapore’s at US$40,336. All four countries experienced negative effects from the global financial crisis that began in 2008. Taiwan had the four tigers’ highest unemployment rate in 2009, with 5.9 per cent, followed by Hong Kong’s at 5.1 per cent, Korea’s at 3.7 per cent and Singapore’s at 3.0 per cent. Its unemployment rate, however, had remained mostly less than 4 per cent over the previous few decades as its economy has steadily developed (International Monetary Fund (IMF) 2010).

The Human Development Index is a composite statistic that the United Nations (UN) uses to rank the degree of general social and economic development among its member countries or regions annually. The index’s components include life expectancy, adult literacy, gross enrolment in school and per capita GDP. Taiwan is ranked twenty-fifth, which is in the same cluster as Hong Kong, Singapore and Korea (DGBAS 2007). As Taiwan does not belong to the UN, the Directorate-General of Budget, Accounting and Statistics (DGBAS) of the ROC’s Executive Yuan calculates its ranking according to the UN’s equation. Japan’s ranking is much higher than that of the four tigers, and China’s is considerably lower than that of all of them (DGBAS 2007). Taiwan has therefore achieved notably high human development during the past few decades.

Welfare state: Taiwan’s version

The establishment and general features of Taiwan’s welfare system are related to the political and democratic changes that have occurred there during the
past twenty years. Taiwan had been ruled by the Nationalist Party (NP), also known as the Kuomintang (KMT), since 1945 until it lost its first presidential election to the Democratic Progressive Party (DPP) in 2000. The DPP was then the ruling party for eight years until the NP regained the presidency in 2008. Using the protection of national security as an excuse, the NP ruled under martial law from 1949 to 1987. This prohibited Taiwan’s people from exercising such rights as those to gather freely, organize political parties or go out on strike, among many other restrictions. Criticism against the regime or any political unrest could result in imprisonment or worse. This authoritarian rule, combined with a lack of the imagination and knowledge of a modern state, made its development of a welfare state lag far behind its economic performance (Lin 1991).

Lee and Ku (2007) categorized Taiwan’s welfare regime as conservative and productivist developmental. The backbone of its social security net is various forms of social insurance, which accounted for 47.8 per cent of its social security budget in 1996, increasing to 54.8 per cent in 2004 (Ku 2000; DGBAS 2006). Its largest social insurance programme is national health insurance, followed by labour insurance and insurance for military personnel, public servants and public school teachers. Ordinary citizens and employees make significant contributions to Taiwan’s social security system. Employers also have to pay a significant portion of the premiums for the labour insurance fund. The amount that the state contributes, however, is limited. Most of the social insurance measures are by occupation. It is officially necessary to be employed in order to participate in an insurance programme. According to the Labour Insurance Act (passed in 1958 and revised many times since), workers pay 30–70 per cent of the premiums, depending on their employment status.

Figure 5.1 shows the types of social insurance and assistance Taiwan provides and the government agencies that administer each. National health insurance, administered by the Department of Health, is the only universal measure; all the other programmes are for specific groups. The Ministry of the Interior administers the farmers’ insurance programme, the Council of Labour Affairs (CLA) the labour insurance programme for workers, the Ministry of National Defence insurance for military personnel, and the Ministry of Civil Service insurance for civil servants and teachers. All these programmes include compensation for medical expenditures and pensions. The National Pension, which provides only pensions, is for those not covered by any of these occupation-specific programmes. The Public Assistance Act of 1980 mainly assists low-income families. Some of its recipients have to attend workfare programmes. This chapter will discuss this in detail later. All of Taiwan’s other workfare initiatives have also provided material relief to unemployed people.

This chapter next discusses the economic and political context in which Taiwan’s various workfare measures became established. It then discusses the Public Assistance Act’s citizen-based workfare programme, followed by the workfare programmes provided for unemployed people and the evolution of Taiwan’s unemployment insurance policy. It concludes with a discussion of
temporary workfare programmes for victims of natural disasters and those with the aim of reducing unemployment.

**Economic and political background of workfare measures**

**Economic background**

The ROC has created many different workfare programmes over the years. Most of these have had similar content, with only minor changes with regard to who has qualified for them. Some of them have even shared similar titles. Increases in unemployment have generally been the most important factor influencing the establishment of most of them, as the state has tended to respond to rising unemployment by enacting new measures to show its determination to combat unemployment and help the unemployed.

Figure 5.2 illustrates Taiwan's economic trends from 1978 to 2009. Although not free from turmoil, the economy grew rapidly until 1990. The economic growth rate has remained below 8 per cent since then, and below 6 per cent during the twenty-first century, and real earnings generally increased steadily until 2000. The most volatile indicator, however, has clearly been the unemployment rate (DGBAS 2010a).

Globalization has played an important role in the development of Taiwan's economy since the 1970s, as it is particularly vulnerable to global trends because of its heavy reliance on exports. Advances in production, communication and transportation technology have made adapting the international division of labour to suit market demand easier. New information technology has also made
it easier for investors to make complex transactions across national borders in seconds. All of these closer production, marketing and financial relationships have also meant that all of the countries and regions involved in global markets have shared risks when major investors or markets have had problems.

The two oil crises in 1972 and 1979 struck the first blows to Taiwan's economy, as it depends heavily on imported oil. When China opened its doors to foreign investors in the 1980s, Taiwanese businesses quickly moved there to build their factories. Part of this migration was in response to the demands of major Western buyers to reduce the costs, and part was to gain a foothold in China's consumer market. This capital flight took jobs with it, as many factories on Taiwan closed or significantly reduced production, and thousands of manufacturing workers rapidly lost their jobs (DBGAS 2010a).

Such events in the United States (US) as the bursting of the dot-com bubble in 2000, the 9/11 incident in 2001 and the 2008 financial crisis all had immediate effects on the global economy. The recession that followed the 2008 crisis caused many factories and shops to close in both the US and countries such as Taiwan that rely on it as a major export market.

The ROC government has proposed many of its economic recovery and welfare plans, including workfare measures, in order to alleviate the economic hardship of business failures and record high unemployment resulting from the external economic turmoil of the first decade of the twenty-first century. The unemployment rate began increasing in 1996 and reached more than 4 per cent in 2001. It then rose to more than 5 per cent in 2008 and remained there until late 2010. The recession has hurt manufacturing more than the
service sector and has resulted in higher unemployment rates among men than among women (DGBAS 2010a).

Changes in macroeconomic conditions have played a crucial role in forcing the state to revise previous programmes and to propose new temporary relief measures. Ku and Finer (2007) pointed out that Taiwan’s government, as with those in many other developed economies, has been facing a dilemma as a result of globalization. It has to avoid taxing businesses so heavily that it affects their competitiveness in world markets and also respond to pressure from an increasing social welfare budget sensitive to the effects of global economic instability on job opportunities. Both trends create fiscal difficulties for it. As most welfare measures are either temporary or only for those on low incomes, however, expenditures on them take up but a small share of its social welfare budget.

**Political background**

Still determined to retake the mainland, in the early decades of its rule, the NP spent a large proportion of its budgets on defence at the expense of such other needs as welfare programmes (Goodman & Peng 1996). Tsai and Chang (1985) argued that, as the NP is basically conservative with regard to welfare provision, it enacted all early legislation such as that addressing labour insurance and public assistance reluctantly as a way to respond to such external political conditions as pressure from the UN or the 1980 diplomatic crisis resulting from the US’s normalization of relations with China.

Lin (1991) noted that, even though the NP enacted the labour insurance system in the 1950s, it was more of a political gesture than a result of welfare-oriented thinking. Since the 1960s, the ROC has devoted most of its initiatives and budget to infrastructure for economic development and defence. Furthermore, NP politicians delayed recognition of the need for welfare reform due to their conservative ideology. Lin (2005) reported that Hau Pei-tsun, a former NP premier, remarked in 1992 that Taiwan would never become a welfare state and that everyone should be responsible for their own lives. That the Commission on Human Security (2003) praised Taiwan for simultaneously achieving both economic growth and security for poor people seems to imply that market success automatically improves the economic welfare of most people.

Taiwan’s welfare system has focused on social insurance and, more recently, social assistance. The labour insurance scheme, for instance, has the three main purposes of providing workers with medical insurance, maintaining victims’ minimum living standards and providing workers with retirement pensions. The DPP became the country’s main advocate of welfare policies when it was the opposition party before 2000. It had originally advocated many of the welfare policies and measures that the NP regime eventually enacted, including raising pensions for farmers and the national health plan (Ku 2000). Taiwan is the only one of the four tigers to offer universal health insurance for both citizens and migrant workers, which is the result of a DPP proposal (Ku & Finer 2007).
Taiwan’s Legislative Yuan has passed most of the workfare measures with little objection from either party. In 2002, the then ruling DPP party proposed an employment promotion programme including workfare to the Legislative Yuan with the objective of reducing unemployment. The implementation of the Plan for Expanding Employment through Public Service, usually called the Public Service Employment Programme, however, resulted in a serious conflict between the legislature and the administration. The employment promotion budget was about 6.4 billion NTD, out of a total social welfare budget of 287.6 billion NTD. As the majority party in the Legislative Yuan, the NP created obstacles to its being passed. The DPP government responded by announcing the plan publicly to bring public pressure to bear on the NP legislators, and it passed (The Epoch Times 5 January 2003).

The 2008 financial crisis severely affected Taiwan’s export economy and raised unemployment to another record high. The then NP administration responded quickly by proposing measures to create job opportunities for the unemployed and new university graduates. The budget for the workfare and vocational training plan was about 7.1 billion NTD for the first year (2009). As the NP was also the majority in the Legislative Yuan, the administration faced little resistance to the bill being passed (Taiwan Think Tank 2010).

**Workfare policies and programmes in Taiwan**

This section divides workfare programmes into the two categories of regular and emergency, based on the state’s objectives. Regular workfare programmes represent those proposed as ordinary ones for those who need them. The government has also proposed several ad hoc ones to provide allowances for people affected by such natural disasters as earthquakes and typhoons or in severe economic recessions. The state has generally been more concerned with the outcomes of these emergency programmes than with the regular ones, as the public can examine their effectiveness easily. The difference also concerns the eligibility of the applicants. For the emergency workfare measures, only the local victims of the natural disasters are eligible to apply.

**Regular workfare measures**

*Workfare on the basis of residential status*

This was the first type of workfare programme introduced in Taiwan to assist low-income households regardless of the applicants’ employment status. The local Taipei City Government instigated it by passing the Measure of Residents’ Temporary Job Assistance in 1968. This has provided workfare to low-income households or poor individuals who have lived in the city for at least six months. The job duties include cleaning the streets, parks, schools and graveyards, as well as performing social services. It is still effective in 2010.
Taiwan's first national workfare policy was the Public Assistance Act (PAA) (1980). It stipulates that low-income households with at least one member able to work can apply for an allowance if their able-bodied member or members accepts arrangements for vocational training, employment assistance, aid in starting a small business or assigned work. Its purpose is to 'help them to depend on themselves' (Article 15). In order to be accepted to take part in this programme, the average monthly income per person in a household has to be below the minimum cost of living, and total family assets cannot exceed a certain amount (Article 4). The standards for minimum cost of living and total family assets vary with the economic conditions of each locality and are determined by the local government.

Unlike the workfare measures monitored by the CLA, which this chapter will discuss later, the PAA's (1980) work-and-relief programme did not require a specific employment status. People withdrawing from the labour market or who had no paid employment experience could also apply for the relief. Local government agencies decide the nature of the work, which includes planting, street cleaning, collecting recycled materials or being assigned to work for a non-governmental organization (NGO). Unlike the practices in other countries such as the US, therefore, Taiwan's workfare recipients did not work as cheap labour for profit-oriented businesses, and their work schedules were light. They could do most jobs within half a day and could look for other ways to increase their earnings during the remaining part of the day. This situation changed in the late 2000s, which this chapter will discuss later.

Workfare based on employment status

Taiwan's first social security measure for the unemployed was the 1958 Labour Insurance Act, which stipulated that eligible applicants could continue to pay their labour insurance premiums when unemployed in order to prevent their insurance tenure from being affected. They were, however, unable to receive any allowances or other assistance. The assistance it provided was therefore obviously limited.

The Ministry of the Interior governed labour affairs until the establishment of the CLA in 1987, which began a new era in the central government's approach to addressing labour policies. The CLA instituted the Programme on Promotion of Employment Stability (1989) to demonstrate its determination and capacity to execute employment policies successfully. It is a comprehensive measure covering almost all dimensions of employment security, including establishing a job training system and providing unemployed people with loans and workfare possibilities.

The Employment Services Act (1992) is an important law designed mainly to legalize and institutionalize the employment of foreign labour. Anticipating criticism that the importing of foreign workers compromises local workers' job opportunities and lowers wage standards, it also includes measures to promote the employment of Taiwanese by stipulating that public employment
institutions should help laid-off workers get re-employment according to their orientations and work abilities. It mandates further that the CLA provide other measures to help unemployed workers actively and requires employers hiring foreign workers, whether businesses or households, to pay monthly fees into an employment security fund that has become the source of most employment promotion and unemployment relief programmes and activities. The fund had accumulated about 10 billion NTD by 2010, or about US$310 million at the current exchange rate (DGBAS 2009).

The 1993 enactment of the Employment Promotion Measure of Unemployed Workers Due to Plant Closure or Shutdown, also called the Employment Promotion Measure (EPM), was a response to that of the Employment Services Act and its related stipulations (Guo 1994). The promotion measure provided workers laid off because of plant shutdowns or closures with a monthly allowance of 6,000 NTD, or about US$188 at the current exchange rate, provided they receive job training and meet other requirements. In order to receive a higher allowance, they have to accept work duties assigned by government agencies (EPM). This was the beginning of workfare or work-for-welfare programmes for the unemployed in Taiwan. Subsequent revisions or new programmes have generally been based on this measure.

The EPM derived its revenue from the Employment Security Fund. The CLA estimated that it would help 1,700 people (Economic Daily News 6 September 1995), but was initially afraid that a huge crowd of workers would apply and the programme’s budget would be unable to meet the demand. They turned out to be overly pessimistic, however, as no one applied to participate in it, even though hundreds enquired about it. In order to save face, the CLA revised the measure several times between 1993 and 1995, but attracted only one applicant (Economic Daily News 6 September 1995), apparently due to the rigid eligibility conditions.

For one thing, only previous manufacturing workers were eligible for the EPM, and the unemployment rate was below 2 per cent in the early 1990s. As most of the news about labour management disputes and employment security was about layoffs due to plant shutdowns or closures in the manufacturing industry, the CLA had designed the programme for production workers only, and they constituted less than one-third of the total workforce at that time (DGBAS 2010a).

The EPM’s applicants, furthermore, had to have worked in a plant that had officially admitted being closed or shut down. It required them to show proof of the plant closing, which could be difficult to obtain as many manufacturers closed plants without advance notice, leaving the workers with no way of finding their former bosses and therefore of obtaining proof. The measure also disqualified from eligible workers who had received more than three months of severance pay, required them to have worked for the same employer for at least one year before filing their application and to prove that they were their families’ breadwinners. They also had to wait for two weeks after filing their applications to be accepted (EPM).
After going through all the trouble of getting approval, they could receive an allowance, which was inadequate, for a maximum of only four months. The Labour Standards Act stipulates the minimum working conditions for the employed in Taiwan. Its Article 21 requires employers to pay no less than a basic monthly wage to their employees, the level of which is decided by a committee. The basic monthly wage in 1993 was 13,350 NTD, or about US$417 at the current exchange rate, and the average monthly income for manufacturing workers in 1993 was about 29,000 NTD, but the EPM's monthly allowance was only 11,125 NTD. Workers could probably have easily earned that much or more doing temporary jobs, as the job market was promising at the time (DGBAS 2010b). Figure 5.2 illustrates this.

The CLA's director explained that the eligibility requirements were so high and the allowance was so low by asserting publicly that there is no such thing as a free lunch. He explained further that the EPM would not encourage workers to become lazy and stop looking for jobs, but that they should consider the assistance to be a temporary subsidy rather than unemployment relief. The director concluded by saying that workers should count on themselves to provide the means to support themselves and their families eventually (United Daily News 10 September 1993).

The CLA, however, was still embarrassed that almost no one had applied for the programme, so it modified the conditions several times. Most of these changes were insignificant and attracted few additional applicants. For instance, one of the modifications increased the upper age limit from 60 to 70 years. Another extended eligibility to those who had received severance pay if it had been a designated amount less than their wages would have been. As the other requirements remained the same, however, fewer than ten people applied for the programme before the last revision in 1995 (Economic Daily News 6 September 1995).

Workfare became a formal policy with the CLA's 1995 implementation of the Unemployment Assistance Measure (UAM), usually called the Assistance Measure. Its purpose was also to help laid-off workers earn an allowance through workfare. Unlike the EPM, however, the Assistance Measure had no limitation on the industry in which its applicants had worked, and it retained only three of the previous scheme's conditions. These were the requirements of a two-week waiting period after filing the application, of having worked for the same employer for at least a year and of being aged between 16 and 60 (UAM).

Although applicants had to accept whatever work the government agencies assigned to them while receiving their allowances, they could have two days off each week to search for real jobs. They could refuse their job assignments or assigned job-training programmes only if they had such acceptable reasons as their new job's earnings being less than two-thirds of what they had earned in their previous jobs, the new jobs being incompatible with their educational backgrounds or skills and the commuting distance to the new jobs or training places being more than 30 kilometres (UAM).
Those participating in the programme could receive a 600 NTD daily allowance for as many as twenty-five days a month, making their maximum monthly income initially 15,000 NTD, more than the EPM had offered and closer to the official basic wage, which had increased to 15,840 NTD by 1995. They could still only obtain the assistance for a maximum of four months, and had to go to their local public employment agencies to confirm their unemployment status in order to receive their monthly allowance (UAM).

Taiwan’s economy began to experience change in 1996. The unemployment rate increased to 2.6 per cent, which is not high by Western standards but was a record high for Taiwan. The CLA responded to public pressure by proposing the Measure for the Implementation of the Employment Promotion Allowance, generally called the Measure of Employment Promotion (MEP) in 1998, which was introduced into the Legislative Yuan in 1999 and passed in 2002. It opened the era of legislated workfare for the unemployed in Taiwan.

The MEP had more differences from than similarities to the previous programmes. It did not restrict eligibility for workfare, training or transportation allowances to laid-off workers, but also included family breadwinners, physically disabled people, aboriginal people and those earning low incomes. It also included no age limitations, excluding only retired people receiving pensions (MEP). The most important difference was that it allowed the state to provide workfare and other forms of allowances to those who needed it depending on economic conditions, the unemployment rate and the budget.

The MEP therefore went beyond the Public Assistance Act and previous measures based on employment status by expanding the pool of eligible applicants and providing flexibility for the state to act in response to changes in external conditions. It became an instrument for the state to use to reduce the number of unemployed people and thereby improve its statistics, and therefore no longer required previous employment experience and included such minority groups as people with physical disabilities and aboriginal people. It did, however, retain a time limit, albeit extended to six months. The highest amount participants could receive was 17,600 NTD monthly (MEP).

Special workfare measures

In addition to the Public Assistance Act and various workfare-related measures for assisting the poor and the unemployed, the state enacted some temporary measures to meet the urgent needs of people affected by natural disasters and severe economic recessions. The recipients still needed to work to obtain the allowance, but the requirements were less rigorous than for the existing measures.

Restoration programmes after the 921 Earthquake in 1999

Taiwan experienced a 7.6 magnitude earthquake on 21 September 1999 that particularly affected the central part of the island. It killed more than 2,000 people and destroyed or seriously damaged 100,000 houses or apartments.
Many affected families and individuals experienced immediate economic hardship because of losing their jobs or having to leave their jobs in order to help their families or repair their homes (Shieh 2008).

The state appropriated part of the Employment Security Fund to provide allowances for those affected and others living in the affected areas based on a temporary programme called the Measure of 921 Earthquake Restoration Employment Services, Vocational Training and Temporary Work Allowance (ERES). Applicants for this allowance had to meet certain conditions such as the damage to their residences had to be more than a specified amount and one of the members of their families had to have participated in labour insurance previously. Those who qualified had to help with the restoration work in the affected areas and to work at least three days weekly to receive the weekly allowance (ERES). Some of those affected complained about this, but a local official defended the measure by pointing out that it was intended as workfare and not a social allowance (Huang 2000). The CLA also instructed this programme specifically to provide re-employment opportunities for the unemployed in the affected areas during 2004 and 2005 (ERES).

*Employment promotion programmes in response to global recessions since 2001*

The DPP’s victory in the 2000 presidential election marked the beginning of a new era in Taiwan’s politics. However, it took office as economic conditions were deteriorating, with the unemployment rate soon reaching close to 3 per cent. The 11 September 2001 attacks on the World Trade Center seriously affected the American economy and therefore the global one as well, including Taiwan’s. Its unemployment rate reached 4.6 per cent in 2001 and more than 5 per cent in 2002 (DGBAS 2010a). Figure 5.2 illustrates this.

The CLA implemented two workfare measures to provide material relief to the unemployed, the Sustainable Employment Plan in 2001 and the Multi-Employment Promotion Programme in 2002. As unemployment remained high, in 2003, the DPP enacted the Plan for Expanding Employment through Public Service, called the Plan for Expanding Employment (PEE), which lasted until 2004. Unlike the earlier two programmes, the Council of Economic Planning and Development mainly organized the 2003–04 plan (Lin 2006).

As this chapter has indicated earlier, the jobs that the various workfare programmes provided had been mainly in the social service sector, the employers being either government agencies or non-profit organizations. The government expanded the pool of possible workfare jobs after 2000 to include ones in other government departments and agencies, as the job opportunities in the social service sector could only absorb a small proportion of the increasing number of unemployed people. The PEE, for example, required various government agencies to create specific numbers of jobs. Nine ministries and departments participated, the CLA providing about 22,000 jobs and the Environmental Protection Administration 1,300 (Executive Yuan 2004). The
plan received funding from various sources, mainly such government-sponsored funds as the Employment Security Fund and the Recycling Fund, and partly from the government budget (PEE).

The criteria for benefiting from the Plan for Expanding Employment were less rigid than those for previous workfare programmes, as its participants did not have to come from low-income households or be family breadwinners, but they did have to be between the ages of 35 and 65 and to have worked for at least six months during the previous three years (PEE). It was, therefore, clearly targeted at unemployed people in the active, middle-aged workforce.

*Employment promotion programmes in response to the 2008 financial crisis*

The administration of former president Chen Shui-bian faced severe economic conditions after the DPP took power in 2000. To stimulate the economy and reduce unemployment, the state introduced such workfare programmes for the unemployed as a Sustainable Employment Plan, a Multi-Employment Promotion Programme and a Plan for Expanding Employment. The NP was forced to react even more quickly to the consequences of the 2008 global financial crisis, which affected Taiwan in the same year that the NP's Ma Ying-jeou won the presidential election. The decrease in export orders forced many factories and companies to shut down or even go out of business, resulting in several hundred thousand workers being laid off or forced to take unpaid leave. When the unemployment rate exceeded 5 per cent, the state reacted by providing another workfare measure, similar to the earlier ones, which is called the Employment Promotion Programme (EPP) in 2009 (Executive Yuan 2010).

Among its various efforts to promote employment, the EPP offers three types of workfare allowances. One provides an allowance for doing temporary work. It is similar to previous measures in which the applicants had to do jobs assigned by government agencies to obtain assistance. The highest monthly earnings are 17,600 NTD and these jobs last for up to six months. Another initiative provides employers with a stipend of 10,000 NTD for each unemployed worker they hire full time and employ for at least one month and 100 NTD per hour for each new part-time worker. It also continues the previous administration's Multi-Employment Promotion Programme (EPP).

The EPP has therefore extended the workfare policy further to include the private sector. While helping unemployed people to get jobs and maintain reasonable economic conditions, it also helps to reduce the participating private businesses' labour costs with state funds. The government plans for it to last from 2009 to 2012 with a total budget of 33 billion NTD, and has estimated that it will reduce unemployment by 0.3 per cent over that period by helping more than 200,000 people to find jobs (Executive Yuan 2010).

Although the government encountered little objection to enacting this programme, it received severe public criticism for another workfare measure. People aged 15 to 24 have always had higher unemployment than other age
groups. Although Taiwan's unemployment rate was 4.1 per cent in 2008, 5.9 per cent in 2009 and 5.2 per cent in July 2010, the unemployment rate for young people in this age group has exceeded 10 per cent during that time (DGBAS 2010a). Concerned that upcoming graduations would flood the job market with young people and therefore increase the unemployment figures and make the government look incapable of handling the economy, the Executive Yuan instructed the Ministry of Education to devise a programme to subsidize fully the hiring of university graduates by private businesses (Executive Yuan 2010).

Working with the CLA and other ministries, the Ministry of Education matched applicants with available employers and subsidized their employment by 22,000 NTD monthly for up to a year. The media later ridiculed the programme as the 22K plan, and the graduates receiving the subsidy came to be called 22K receivers (Apple Daily 19 July 2010). The private sector has hired more than 30,000 college graduates through this programme, which the government extended to 2011, the unemployment rate still being more than 5 per cent in mid-2010. It did, however, reduce the monthly subsidy to 10,000 NTD and the time limit to six months (Central News Agency 5 July 2010).

Restoration programmes after Typhoon Morakot in 2009

On 8 August 2009, Typhoon Morakot struck the mountainous areas of southern Taiwan causing mudslides and flooding that killed more than 600 people and damaged more than 1,700 homes. The government provided some help to the affected families and individuals after a slow start, a cabinet reshuffle under tremendous public pressure. The CLA implemented a temporary work relief programme that has been in effect since 30 August 2010 (CLA 2009).

The work involved is related to the restoration of the affected areas. Those applying for this relief have had to prove that they were victims of the typhoon or living in affected areas at the time and demonstrate that they have the ability and intention to work. They have not, however, had to prove that they cannot find work, as unemployed people and those who have temporarily withdrawn from the labour market are both eligible. Recipients receive 100 NTD per hour up to 17,600 NTD monthly, which is somewhat more than the basic wage of 17,280 NTD. This programme therefore has fewer rigid requirements for participation than other workfare measures and relief through the Employment Services Act (CLA 2009).

Review of the effectiveness of the workfare system

The importance of political and economic factors

Taiwan's workfare-related policies and acts have tended to be passive, ad hoc and overlapping. The government initially used them as social welfare
measures limited to poor people, then began to de-emphasize the requirement to work for welfare, but retained it as a signal that the state was not encouraging poor people to rely on government benefits. It did not become a way to help unemployed people survive temporary periods of hardship until the 1990s.

The state at that time had a primarily neoliberal perspective and treated unemployment as an individual problem. It asserted that even workers who had been laid off because of plant closures could find new jobs if they were willing to do so and justified this confidence by noting the low unemployment rate. Even when the state began implementing workfare programmes for laid-off workers in the 1990s, therefore, it made the qualifications for receiving benefits rigorous and the assistance period short. Unemployment rose and remained high after 1996, however, so the state began to accept the reality that it is a structural, enduring problem and to evaluate the effectiveness of workfare measures more seriously. This led to it gradually relaxing the requirements for participating in workfare programmes.

Table 5.1 summarizes the major past and still existing programmes and laws with regard to workfare, their main content and the unemployment rates in the corresponding years. It clearly shows that most of the programmes and their revisions came into effect after the late 1990s, when unemployment rates reached a then record high of 2.6 per cent and kept increasing during the new century. The state continued to enact more workfare programmes and unemployment benefits as the aggregate economic situation deteriorated and the unemployment rate remained high.

Political factors also influenced the enactment of various programmes to stimulate the economy, employment or both. For example, as Taiwan's elections usually take place at the end of the year, the state has tended to roll out new packages of programmes or policies to stimulate the economy, increase expenditure on social welfare or both during election years. Table 5.1 shows how workfare programmes with new titles came into effect in years that had legislative elections such as 1995, 1998 and 2001.

The substance of these programmes has not differed significantly. Even their titles have tended to use the same words, such as implementation, promotion and assistance. Changes in the ruling parties, premiers of the Executive Yuan, which is the ROC's cabinet, and even the ministers of the CLA apparently justified changing the programmes' titles. The new incumbents tried to avoid being perceived as imitating their predecessors or letting them take too much credit for initiating the programmes, but the basic tenets, requirements and benefits remained similar.

Workfare's effectiveness

Figure 5.3 shows the number of people receiving workfare assistance or instances of this and the total amount distributed. As government statistics do not provide earlier data, its data relate to the period between 1999 and 2009.
<table>
<thead>
<tr>
<th>Year</th>
<th>Measure or act</th>
<th>Description</th>
<th>Election</th>
<th>Unemployment rate (%)</th>
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<td>1968</td>
<td>Measure of Residents' Temporary Job Assistance by Taipei City Government</td>
<td>Workfare for low-income households registered in Taipei City</td>
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<td>Workfare for low-income households</td>
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<td>1989</td>
<td>Programme on Promotion of Employment Stability (annulled)</td>
<td>Workfare for the unemployed</td>
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<td>Workfare for laid-off manufacturing workers</td>
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<td>2000–06</td>
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<td>Workfare for those affected by the 921 Earthquake or residents of the affected areas</td>
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<td>Sustainable Employment Plan</td>
<td>Government agencies hiring unemployed</td>
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<td>Year</td>
<td>Measure or act</td>
<td>Description</td>
<td>Election</td>
<td>Unemployment rate (%)</td>
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<td>-------------------------------------------------------------------------------</td>
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<td>Employment Insurance Act</td>
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<td>Promote local workfare projects</td>
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<td>Employment Promotion Programme</td>
<td>Workforce for the unemployed, including working in private business</td>
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Notes:
- Measures or programmes not specified as annulled or for a specified time frame are still in effect.
- The author has translated the titles of the measures and acts from Mandarin Chinese.
- * These measures are not targeted to the unemployment rate.
Figure 5.3 Scale of Taiwan workfare, 1993–2009
Source: Ministry of the Interior (2010)

The trend generally corresponds to that of the unemployment rate. When the unemployment rate dropped from 1998 to 2000 and from 2004 to 2007, the number of cases also decreased in the same years or with a one-year time lag. Although no evidence is available that shows whether workfare significantly relieves the financial needs of unemployed people and their families, the comparisons in Figures 5.2 and 5.3 show a strong correlation between job losses and the demand for workfare assistance (Ministry of the Interior 2009).

Lee (2007) characterized Taiwan's workfare and unemployment insurance programmes as rigid, ungenerous and individualistically oriented. In comparison with similar measures in Nordic and Western European countries, Taiwan's workfare has had strict requirements and low benefits. Lee noted further that Taiwan's waiting period between accepting applications and paying benefits is fourteen days, whereas in most European countries, it is three to seven days. Taiwanese workers therefore need to have more savings to help them endure hardship after losing their regular earnings, as their workfare benefits can be only 60 per cent of their previous earnings for no more than six months at most. In Europe, however, unemployment compensation beneficiaries may receive from 70 to 80 per cent of their previous earnings for up to one year to indefinitely. Taiwan extended the length of the compensation period only when the government could not lower the unemployment rate at the end of 2010.

Hsu (2001) found a mismatch between jobs and job-seekers in the 921 earthquake restoration programme. Most people in the affected areas had worked as farmers or service workers for restaurants, hotels or recreational
enterprises before the earthquake. The restoration plan, however, required mostly people with construction and manufacturing skills. The programme was able to help the affected people make it through their temporary economic difficulties but not enhance their long-term job prospects.

Fu (2006) found the Public Service Employment Programme's effects to be mixed. About two-thirds of its participants were still jobless after it ended, as most of them were from the labour market's more disadvantaged demographics and the workfare failed to increase their chances of finding employment. The 32 per cent who did find regular jobs after participating in the programme, however, received mostly higher incomes than the programme's benefits, and the programme did provide them with a buffer after losing their previous jobs.

However, Fu's survey (2006: 135) also showed that 67 per cent of workfare recipients could not find jobs after their eligibility expired. Among them, over two-thirds tried but failed in their job search. Besides, close to 29 per cent of the respondents never worked before receiving workfare subsidy. Thus, the Public Service Employment Programme is better treated as an absorber of the unemployed and the most disadvantaged working class rather than as a buffer. For most recipients, workfare did not serve as a transitory plan between unemployment and re-employment. Their chances of being re-employed are not high.

Conclusions

Taiwan's workfare was more welfare oriented than work oriented before the start of the twenty-first century. Its recipients had to work only half days in order to receive their benefits, and they could use the remaining time to earn money by doing some other paid work or looking for full-time employment. This approach of more welfare than work, however, did not mean that Taiwan's authorities adhered to a Nordic-style welfare ideology or approach. They were instead acutely concerned about the possible abuse of its workfare programmes and enforced rigid eligibility standards while paying small benefits for limited periods. The subsequent relaxation of some of the qualifications involved only technical modifications, and Taiwan's workfare has still excluded many people in need of assistance from either the citizen-based or the unemployment-based programmes.

Although Taiwan's establishment of workfare policies has resulted in debate about whether they discourage workers from seeking real jobs and if they increase the government's deficit unnecessarily, their strict eligibility requirements and limited benefits have resulted in fewer participants than expected, so their impact on the fiscal budget has been limited. They have also not become a burden on the government's budget because most of the unemployment-based workfare programmes, such as the assistance and promotion measures, rely on the Employment Security Fund to supply their revenue.

Furthermore, the Employment Security Fund's role in providing assistance to laid-off workers has become a minor one since the passage of the
Employment Insurance Act (2002), the purpose of which is 'to improve the ability of workers to find employment, to promote employment, and to guarantee workers job training and basic living requirements for specified periods of unemployment' (Article 1: translated by the author). The act enables the state to provide unemployed people with subsidies such as unemployment benefits, early re-employment incentives, vocational training, living allowances and National Health Insurance premium subsidies. It does not, furthermore, require them to work in exchange for their benefits any more if they have participated in the labour insurance programme for a certain period of time.

Even though workfare has become gradually disconnected from providing unemployed people with assistance and work since the institutionalization of unemployment insurance, events in global markets have frequently pushed the state to institute temporary workfare programmes to alleviate unemployment problems. Overseas economic disturbances hurt Taiwan severely and immediately because of its great reliance on foreign markets for economic growth and being embedded in the global financial and trading network, so high unemployment has become a constant problem for it during the past decade.

Ku (2002) concluded that politics has been the most important force behind the development of Taiwan's welfare institutions, with both the DPP and the NP advocating various ways of reducing unemployment. Workfare has been an important political gesture to show the state's concern for people's difficulties and an instrument for stabilizing social uncertainty. It has been a more effective method than others for reducing unemployment when the politicians needed to produce a rapid policy result. The cost of workfare has become a political issue as the increasingly unstable global economy has brought Taiwan consistently high unemployment.

Such studies as that by Sun (2009) have noted that workfare had not been essential to the operations of capitalism in Taiwan until the 2008 financial crisis. Sun also pointed out that its looseness has resulted from the lack of coordination between the CLA and the Ministry of the Interior. However, it is commendable for the workfare measures as workfare participants did only public service work for state agencies and NGOs but not for any private firms, and most of their duties did not require long hours or high labour intensity.

Even though the continuation of workfare measures to the less advantaged groups should continue in Taiwan to alleviate the commoditization of labour, providing the subsidy to highly educated job-seekers to lower the unemployment rate seems to lack legitimacy. Needing to curb the high unemployment rate over the past few years, however, the NP government has adopted a new workfare plan and has subsidized private businesses to hire new graduates or the unemployed. The state claimed that the workfare plan was effective during its first stages in 2009 and 2010, during which time businesses hired approximately 40,000 university graduates through the programme and about 62 per cent found their own jobs later (Central News Agency 5 July 2010). Whether tax money should be used to subsidize private businesses does, however, remain an issue, and as people with higher education tend to experience less
unemployment than those with high school or only junior high school educations, assistance for the more advantaged demographic seems to miss the target and make conditions for disadvantaged people even more unfavourable during the economic recession.

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