

When Work Disappears: The New Poor in Taiwan 1992-2006

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Abstract

Because of economic globalization, many local industries and multi-national companies in Taiwan shift their production centers and employment opportunities to Mainland China and other countries. This resulted in a rapid rise in the unemployment rate, and a sharp increase in the new poor population. Using 1992-2006 Family Income and Expenditure Survey Data, this study aims to investigate the trends of the new poor, the characteristics and the economic status of the new poor, and the transfers they received from the government. It also uses logistic regression analysis to analyze the factors that contributed to the fall into poverty. This study finds that starting from 1998, the new poor in Taiwan have grown rapidly. The characteristics of new poor are quite different from those of the old poor. Over 70 percent of the new poor are middle aged (40 and over) male-breadwinners with dependents at home whose education does not exceed high school. They suffer from income loss due to lose of job or job instability, and the majority of them are not helped by either the Social Assistance Programs or the Employment Insurance Programs. Government transfers only accounted for 11.57 percent of the new poor family's total income. This indicates the social safety nets in Taiwan may fail to provide adequate protection for its growing new poor, as well as point out the new challenge to social security as new poor face the risk of succumbing to a vicious cycle of poverty.

Keywords: poverty, new poor, Taiwan

Introduction

Over the past decade, Taiwan has witnessed the rapid growth of individuals who are newly impoverished. As Taiwanese enterprises relocated their production overseas, especially to Mainland China, a growing number of individuals have drifted into poverty as a result of their inability to find replacement jobs allowing them to maintain a basic standard of living. The author has been commissioned by the Ministry of Interior to investigate and analyze the phenomenon of Taiwan's new poor in 2004. It was found that Taiwan's new poor are disproportionately middle-aged, have lower levels of education, and have had difficulties finding replacement jobs after becoming unemployed. This paper reflects follow-up research to investigate the trend and magnitude of the new poor. Using 1992-2006 Family Income and Expenditure Survey Data, this study aims to estimate the trends and the size of the new poor, the characteristics and the economic status of the new poor, and the transfers they received from the government. In addition, this research will also use logistic regression analysis to analyze the factors that contributed to their falling into poverty. The paper seeks to contribute to comparative scholarship on the new poor and to add to the growing literature on the East Asian welfare model (Aspalter, 2006; Goodman et al., 1998 ; Kwon, 2005; Walker & Wong, 2005). This paper demonstrates that, along certain facets, Taiwan's new poor share similarities with their counterparts elsewhere. However, this paper also argues that Taiwan faces challenges distinct from those of Western nations, but similar to the circumstances facing emerging East Asia's globalized economies. These challenges arise largely from the underdeveloped welfare system and social safety nets in these nations, which are grossly inadequate at addressing the special challenges posed by the new poor. As a result, the families of the new poor are at greater risk of falling into a poverty trap.

The New Poor in Taiwan in the context of Globalization

Globalization not only induces structural changes in labor markets but also leads to the creation of additional unemployment and newly impoverished individuals. This phenomenon has occurred worldwide and is by no means unique to Taiwan (Drover, 2002). Globalization, since its emergence in the eighties, has emphasized the removal of national restrictions and economic liberalization. In response to competitive pressures triggered by globalization, countries have adopted a more flexible labor market. Enterprises shifted production overseas in order to boost their productivity, leading to declining employment opportunities back home. Moreover, accompanying the rapid decline in employment within traditional manufacturing industries was the

rapid growth of technology-based industries, information industries, and service industries. These trends not only caused a structural change in the labor market but also aggravated structural unemployment and widened the poverty gap.

Taiwan was not spared from the effects of globalization. At first, the negative impact on employment and poverty was not obvious. From the 1960s, Taiwan has enjoyed a more or less full employment situation, with unemployment hovering around 2 percent. Throughout the 1980s and early 1990s, Taiwan's manufacturing sector faced the dual challenges of insufficient labor and excess capital. In response, traditional manufacturers and multinational corporations shifted their production centers and corresponding job opportunities to countries with low labor costs, in particular China. At the same time, an influx of capital into the property and stock markets caused property and stock prices to rise rapidly. This fueled a construction boom and stimulated the growth of financial, insurance, and other service sectors. As a result, plenty of replacement jobs in construction and services existed for entry-level workers released from the flagging manufacturing sector.

This boom lasted until 1990. Since then, a recession in the construction industry, a decline in public infrastructure projects, and stagnation in the growth of service sectors have led to an overall decline in employment opportunities. The saturated labor market has meant that unemployed workers from the construction, agricultural, and industrial/manufacturing sectors have been left with little prospect of reemployment. As a result, Taiwan has seen a big jump in unemployment starting in 1996 (Lee, 2003; Wu, 2001, 2003; Xin, 2001). This critical point in 1996 not only saw the unemployment rate break through the 2 percent barrier, but the rate has increased to 3.91 percent in 2007, peaking once at 5.17 percent in 2002, and increasing the unemployed population. The number of unemployed has more than tripled over this time period, increasing from 142,000 in 1994 to 419,000 at the end of 2007 (Executive Yuan Statistical Department, 2008).

As a result of Taiwan's growing unemployment, the number of households classified as low income has increased from 43,780 (0.82 percent) in 1992 to a historic high of 90,682 (1.21 percent) in 2007. The number of individuals classified as low income has also nearly doubled from around 115,284 (0.54 percent) in 1992 to more than 220,990 (0.96 percent) in 2007. (Executive Yuan Statistical Department, 2008)

During the late 1970s, globalization also triggered structural changes to Europe's economic industries and labor markets, which also resulted in a new poverty problem in Western Europe. Scholars have commonly attributed the rise of Europe's new poor

to three reasons: changes in labor market structure, family structure and government welfare policies. (Room etc., 1989; Mingione, 1993). Not only did the new poverty affect traditionally-disadvantaged groups (unskilled workers, low educated immigrants, etc), but it also threatened the economic well-being of groups such as skilled workers in the heavy industries and junior white-collar workers. (Cheal, 1996)

Much of the attention in Europe has focused on the impact of government policies on the new poor. Mingione (1993) has pointed out that the new poverty presented a trickier problem politically and economically compared to traditional poverty. The rise of the new poor occurred as Europe embraced privatization and more flexible labor markets. Moreover, many governments undertook welfare reforms. As a result, the new poor could no longer rely as heavily on assistance from social welfare programs, nor count on social and occupational mobility to escape from the cycles of poverty. Some worried that these changes might negatively affect the long-term prospects of the new poor.

In Taiwan, this rapidly growing group of new poor live under very poor conditions, especially those not covered by the unemployment scheme and the public assistance system. (Chou,2005; Li and Li, 2004) To remedy this problem, the government has taken a series of measures. In addition to public assistance system, these measures include the following: Unemployment benefits (1996) to provide cash benefits for the unemployed, Public Work Program (2002-2004) to increase employment opportunities in the public services sector, Multi-employment Development Program (2001-present) to create diverse sources of new jobs, Family Assistance Program FAP (2004-present) to provide consultation to families facing unemployment problems, High Risk Family Emergency Assistance Program (2006-present) to provide social services to high risk families, "Big Warm" Social Welfare Plan (2007-present) also to provide social services to the new poor and near poor¹, and most recently, the Working Income Subsidy Program (or so called "Near poor" Program)² to provide cash-benefits to the near poor. Whether these measures will be effective remains to be seen. It is very difficult to assess their effectiveness because policy makers and scholars have yet to agree on a satisfactory definition of the term "new poor," and hence the scale and the magnitude of the new poor population remains unknown. In view of this shortcoming, this project aims to provide a working definition of new poor and to assess the size and the scale of the

¹ The new poor in the "Big Warm" Social Welfare Plan are defined as individuals and families that need support due to major changes and financial difficulties. The near poor under this program are defined as those who are on the edge of poverty and need support.

² Support from the Working Income Subsidy Program is for families whose main income earner is over 20 years of age under the age of 65 whose annual salary is NTD 300,000 (US\$10000) or less. They will be provided NTD 3000-6000(US\$100-200) per month for a period of six months.

new poor population, with the hope of increasing our understanding of the new poor phenomenon in Taiwan and, based on this understanding, to shape an appropriate policy response.

Data and Methods

SOURCE OF DATA

This research is a secondary data analysis. The primary source of data in this study is the Family Income and Expenditure Survey of 1992-2006. The Family Income and Expenditure Survey is a multi-purpose study of household income and expenditure patterns of all individuals residing in the Taiwan Area. Conducted annually by the Directorate-General of Budget, Accounting and Statistics, and adopting two-level random sampling, this survey has a sampling of about 0.387 percent of the national population and included 13,776 households in 2006.

Among all the national data, the Family Income and Expenditure Survey is the most suitable for my analysis. This survey data includes four major components: family equipment and housing conditions, family composition, income, and expenditures. Because this data has an abundant amount of family composition, income and expenditure information, it is the most suitable survey for studying poverty among individuals or families.

The reason I have selected this time frame is because according to the literature, the high unemployment rate which lead to the new poverty phenomenon in Taiwan started from 1996. (Lee, 2003; Wu, 2001, 2003; Xin, 2001).

CONCEPTS AND DEFINITIONS

Poverty line

In this study, the poverty line is defined as the Taiwanese official poverty line, which is set as below 60 percent of the average family expenses. In 2006, the official poverty line in Taiwan was NT\$ 9,509 dollars (approximately US\$ 300) per person, and NT\$38,036 dollars (approximately US\$ 1200) for a family of four. Other researchers have used 40/ 50/ 60 percent of the medium family income as an alternative measure to study poverty. (Saunders and Smeeding, 1998; Hsueh, 2008; Tai and Pixley, 2008). But because I wanted to conduct a study which can reflect the *de jure* practice in Taiwan, I chose to use the official poverty line instead.

New poor

Although the new poor phenomenon is a very urgent and pressing phenomenon and policy issue in Taiwan, the term “new poor” is not clearly defined. According to Room et. al (1990) The new poor are those affected by persistently high unemployment rates, have no social security protection to extend support for loss of living wages, and therefore fall into the hands of poverty. Cheal (1996) The definition of the new poor are those who have suffered the large-scale and long-term effects of structural unemployment, such population includes not only low-skilled workers, but even white-collar workers may be affected. Generally speaking, Taiwan mixes the new poor and near poor concepts (Wang, 2008) as in the “Big Warm” Social Welfare Plan. The new poor in the “Big Warm” Social Welfare Plan are defined as individuals and families that require support due to major changes and financial difficulties. The near poor under this program are defined as those who are on the edge of poverty and need support. In this study, I use the term “new poor” to describe the new phenomenon that the near poor have increased due to socio-economic restructuring. Therefore, in this study the new poor and near poor are used interchangeably.

In this study, I define new poor in two ways. First, the new poor are defined as those people whose income is between 100 percent and 150 percent of the Taiwanese official poverty threshold. This definition, of course, is an arbitrary one. However, I think it is a reasonable one based on the following reasons. First, the Taiwanese official poverty line is generally regarded as being too restricted (Wang, 2008). In 2008, only 1.22 percent of households were classified as poor in Taiwan. (Ministry of Social Affairs, 2008) Therefore, using 150 percent as a reference might be able to reflect a more reasonable situation. Second, in lieu of the restricted poverty line, many government programs have used 150 percent of the poverty line as the threshold in providing cash benefits to the target population. Examples are the Medium to Low Income Elderly Living Subsidy which provides cash benefits to the elderly, and the Subsidy for Women with Unique Hardships that provides cash benefits to women. Third, given the fact that the Taiwanese official poverty line is too restricted, adopting 150 percent of the official poverty line, which is NT\$57,030 (approximately US\$ 1900) for a family of four, or 62.6 percent of the average family income, and close to the European Union’s definition of working poor which is defined as those whose income is 60 percent of average. I think this is a reasonable estimate of the new poor.

Second, the new poor is defined as those whose income is between 100 percent and 125 percent of the official poverty threshold. This definition follows the general practice of the U.S. According to Saunders and Smeeding (1998), the “near poor” is defined as those between 100 percent and 125 percent of the poverty line in the U.S.

In addition, in Egypt, they use 130 percent of the official poverty line to define the “near poor”(Wikipedia,2008).

Old Poor

In this study, the old poor is defined as those whose household income is below the Taiwanese official poverty line and are receiving a government Low-income Living Subsidy.

Family Income

The family income used in the poverty analysis below is household disposable income. The family disposable income includes all forms of net cash income from direct income.³ It includes earnings from wages and salaries and self-employment, capital or property income in the form of interest, rent and dividends (but not capital gains), private inter-household cash transfers, all forms of occupational pensions (from public or private employers or unions), and all forms of government cash or near-cash transfers, including insurance benefits, means-tested benefits, food stamps, and housing allowances paid in cash. The income measure we use thus excludes non-cash benefits such as health care subsidies and publicly provided housing.

Many scholars, when conducting poverty research, will use equivalent scales to adjust family income for the differences in family size⁴. However, as indicate above, this study is interested in investigating the actual government practice in Taiwan. Therefore, I will follow the government practice, which uses the gross family disposable income without adjusting for the family size.

Results

1. The Size and Trends of New Poor Families, 1992-2006

From Table 1 and Figure 1, one can see that before 1997, the number of people either below the poverty line or between 100 percent and 125 percent, or 100 percent and 150 percent did not constitute a significant amount. However, starting from 1997, the gaps between the three lines began to widen. No matter which definition that we adopted, 125 percent or 150 percent of the poverty threshold, the new poor had increased rapidly. It reached its peak in 2002, while the unemployment rate was the

³ This is the method in Taiwan, unlike the U.S. who deducts payroll tax.

⁴ For example, Smeeding (1998) uses an equivalence scale equal to the square root of household size. Specifically, Adjusted Income (AI) = Disposable Income (DPI)/ SE. Duncan et al. (1995) used the equivalence scale, where the first adult in the household counted as 1, every other adult counted as 0.7, and every child counted as 0.5.

highest. The three lines then dropped slightly and remained steady to constitute a very large population. In the year 2006, the three lines started to move upward again. In line with current literature, beginning in 1996 the poverty line began to curve up, with more and more of the population falling into poverty or near poverty. This could be due to a 1997 newly amended law, but the impact was not very great. On the contrary, changes in industrial restructuring made many people lose their jobs, and the depletion of their economic resources resulted in people falling into poverty. (Wang, 2005)

TABLE 1 ABOUT HERE

FIGURE 1 ABOUT HERE

2. The demographic and Socioeconomic Characteristics of the new poor family

Demographic Characteristics

In this section, I use the first definition of the new poor, between 100 and 150 percent of the official poverty threshold, to investigate the characteristics of the new poor. In 2006, the majority of the new poor families were led by males. As shown in Table 2, male headed households accounted for 73.8 percent of the new poor families, while female headed households only accounting for 26.2 percent.

The majority of the new poor families are led by heads of households who are aged 40 and over. 72.1 percent of the new poor heads of households were 40 years and older as shown in the Table 2. This indicates households headed by middle to old age persons were more vulnerable to become new poor than by younger people. Those heads of households who are aged 41-50 seem to be the hardest hit, which accounted for the largest group, at 29.4 percent. Those 65 and over come in second, accounting for 26.5 percent. High new poor rates among households headed by older persons might be reflecting lower earnings and higher rates of unemployment.

TABLE 2 ABOUT HERE

Educational attainment

Of all the households in 2006, those with high school degrees or less had a greater chance of becoming new poor, accounting for 71.8 percent of the new poor. The risk of being new poor declines rapidly as individuals attains higher educational levels. Household heads with an associate degree or a 4-year college degree recorded

the lowest new-poor rate. This finding shows that education matters, those who are less educated are more likely to become new poor. Though this finding is no different from most of the findings of poverty research, we do see more highly-educated people getting caught and becoming new poor as compared to the old poor. The percent of those who were college educated (undergraduate) and above becoming new poor compared to the old poor, were 12.2 percent and 6.7 percent respectively.

Occupation

The likelihood of being among the new poor varies widely by occupation. During 2006, 71.7 percent of those classified as new poor were employed in the service or technical occupational and natural resources sectors. 27.5 percent were unemployed. Workers in occupations that require higher education and are characterized by higher earnings were least likely to be among the new poor. For instance, only 0.9 percent of people employed in managerial, professional, and related occupations were classified as new poor. From the analysis of occupation, one can see that individuals employed in occupations that typically do not require high levels of education and are characterized by lower earnings were more likely to become new poor.

Families

Married-couple families had a higher likelihood of being among the new poor than did families maintained by a single person. Among the new poor families in 2006, 72.1 percent of heads of households were married, as shown in Table 3. In terms of the family type, the majority of new poor families were two-parent families, which account for 32.0 percent, and three-generation families, which account for 25.7 percent. Contradictory to the author's hypotheses, single parent families only accounted for 9.8 percent of new poor families. While single-families accounted for almost one third of the old poor families, it only accounted for 9.8 percent of the new poor families.

TABLE 3 ABOUT HERE

Comparing new poor vs. old poor

Comparing the characteristics of new poor to those of the old poor, one finds that Low education and low skills were characteristics of the new and old poor. However, they differ in gender, marital status and family type. New poor households were mainly two-parent families or three generation families led by men (73.8 percent) who were married (70.1percent). By comparison, nearly one third of the old poor

were single parent families, with two parent families coming in second. They were led evenly by men and women (51.3 percent vs. 48.7 percent). The heads of households were mainly non-married (54.6 percent divorced, separated or widowed).

In terms of occupation, there were more new poor working in technical occupations like mechanical equipment operators and assembly line occupations.

In conclusion, those heads of households who were male, married, middle-to-old aged with less than a high school education had a higher likelihood of being among the new poor.

3. The economic status, and the transfers received by the new poor.

As indicated in Table 4, the average annual income for a new poor family in 2006 is NT\$590,407 (approximately US\$18166) which is only 63.90percent of the Taiwanese average family income (NT\$ 924, 000 approximately US\$ 28650)

As shown in Table 4, earned income accounted for 41.44 percent, property income accounted for 3.02 percent, and transfer income accounted for 33.2 percent. Among the transfer income, those from individuals accounted for 10.2 percent, those from the government accounted for 11.57 percent.

The average income transfers that the new poor families received from the government was NT\$68,291 (approximately US\$2100), which only accounted for 11.57 percent of the total income for new poor families. The government income transfers include the Low-income Living Subsidy, Middle to Low Income Elderly Allowance, Elderly Farmer Allowance, Disabled Living Subsidies, Disaster Relief Subsidies and Health Insurance Contribution Subsidies.

TABLE 4 ABOUT HERE

The problem regarding government transfers is, first, the amount of the government transfer is meager, which is unable to provide much financial assistance. Second, these transfers were mainly given through the old age allowance, health insurance contribution subsidies, as well as the disaster relief. As we can see from Table 4, among the government transfers, 37.13 percent were for the Middle to Low Income Elderly Allowance and Elderly Farmer Allowance, 30.13 percent were for Health Insurance Contribution Subsidies, and 30 percent were for Disaster Relief. This being the case, many households may not be able to receive benefits.

TABLE 5 ABOUT HERE

In addition, it is worth noting that from table 5 we can see that during the decade 1996-2006, despite the introduction of many government welfare measures, the amount of new poor receiving government income transfers did not change very much. Government income transfers accounted for 11.36 percent of the new poor's family income in 1996, and it accounted for 11.57 percent of the new poor family income in 2006.

4. Factors Contributing To the Creation of New Poor Families

According to the literature review, this study selects the following variables to conduct logistic regression analysis: (1) area, (2) family composition, (3) numbers of family members, (4) numbers of unemployed in the household, (5) numbers of children in the household, (6) numbers of elderly in the household, and (7) attributes/ characteristics of the household-head, which include gender, age, educational level, occupation and marital status. The results of the logistic regression analysis are shown in Table 5.

TABLE 6 ABOUT HERE

From the above analysis of the variance table and parameter estimates in the appendix, it can be found that the following variables are significant: (1) number of unemployed: if all the conditions remain the same, and if a family increases by one unemployed person, the probability for it to fall into poverty will increase $\exp(0.8402) = 2.3168$ times, (2) number of children: if all the conditions remain the same, and if a family increases by one child, the probability for it to fall into poverty will increase $\exp(0.8654) = 2.376$ times, (3) number of elderly: if all the conditions remain the same, and if a family increases by one elderly person, the probability for it to fall into poverty will increase $\exp(0.4239) = 1.5279$ times, (4) area: only the Northern area of Taiwan is significant. People living in the North are less likely to become new poor. If all the conditions remain the same, the probability that people who lived in the North will fall into poverty is $\exp(-0.3021) = 0.7393$ times greater than those who live in the South.

(5) Gender: When discussing gender's impact on poverty, there are three factors that come into play, namely, family type, the interaction of education and occupation, and the number of persons in the household.

Female-headed households of different family type are less likely to become new poor than male-headed households. The probability of different types of female-headed households to fall into poverty, such as single, couple, single-parent families, two-parent families, and three-generations families was 0.2472, 0.2329, 0.1869, 0.2476, 0.1649 times respectively as compared to male-headed households.

For the same educational level and the same occupation, female-headed households are more likely to fall into poverty than male-headed households. Female-headed households that hold a clerical job and have high school educational level were $\exp(0.2608) = 1.298$ times more likely than his male counterpart to fall into poverty.

Increasing a person in the household will increase the male-headed household's chance of falling into poverty compared to a female-headed household. For a female-headed household, if there is an increase of one person, the probability for it of falling into poverty was 0.6429 times that of male-headed household.

(6) Family Type: In analyzing a family type's impact on poverty, one also has to consider the interaction of age and marital status.

Single-parent families, especially never-married single families, are significant. never-married single families are less likely to become new poor than divorced or widowed single parent families. The probability of unmarried cohabitating single parent families to fall into poverty is $\exp(-0.2723) = 0.7616$ times that of the divorced or widowed single-parent families.

Age and Family type are also significant in contributing to the chances of being new poor. 1) In the age group of 61-64, all family types have a greater chance of falling into poverty than those aged 65 and over, except for two-parent families and three-generation families. 2) In single-parent families, when household-heads are aged 21-30, 41-50, and 61-64, they are more likely to fall into poverty than those household heads who are 65 and over.

Discussion

The rapid increase of new poor in Taiwan

From this project, one can clearly see that from 1998 the poor in Taiwan started to grow rapidly. New poor either defined as 125 percent or 150 percent of the official poverty line had grown rapidly and have represented a larger population of society.

The fact that the new poor population is growing is in line with the literature which points out the high unemployment rate and industrial restructuring that occurred in the beginning of 1996 (Lee, 2003; Wu, 2001, 2003; Xin, 2001). The development trend of the new poor demonstrates that industrial restructuring in Taiwan have indeed led to the formation of a class of newly-impooverished individuals. This is also consistent with research that indicates poverty is gradually spreading from traditionally disadvantaged groups to members originally in society's middle class. (Hsueh, 2003; Huang et al., 2003; Ku, 2004; Mingione, 1993; Room et al., 1989; Wang, 2002; Wang, 2003; Wu, 2002; Zhang, 2001)

In 1997, the Taiwanese government revised the Public Assistance law to raise the poverty line and to allow more impoverished individuals or families to receive public assistance from the government. However, the effect was negligible compared to the industrial restructuring that happened at the same time, which had a greater effect on the increase of the new poor.

The characteristics of new poor are distinct from those of the old poor.

The majority (over 70percent) of the new poor families were headed by males, who were married, aged 40 and over, with less than a high school degree. Clearly, these characteristics are distinct from what has been traditionally associated with poverty in Taiwan. As indicated in other studies, the characteristics of the new poor are quite different from those of the old poor. (Cheal, 1996; Huang et al., 2003; Mingione 1993).

This is the group that was regarded by society as able-bodied. Their becoming poor or falling into poverty was not a result of reasons specific to individuals and households. Rather, as identified in other research (Rees, 1998), it is largely due to systemic changes in the economy resulting from industrial restructuring. Therefore the programs which were designed with the traditional poor in mind can not adequately help the new poor. We will discuss this further in the following section.

Inadequate protection by current policy measures

An important finding of this research is the inadequate protection that the new poor receive under the government's current policy measures.

From my previous research (2004), I found that the majority of the new poor were not supported by the Public Assistance system or the Unemployment Insurance. The stringent threshold for social assistance adopted with only the existence of

traditional forms of poverty in mind excludes the majority of these new poor. A majority of the new poor do not qualify for unemployment benefits under the existing requirements. The unemployment benefits require that an individual hold prior stable employment before qualifying for assistance, but many of the new poor held unstable or temporary jobs before becoming fully unemployed.

The study found that Government income transfers only accounted for 11.57percent of the total income for new poor families. This amount is very meager. These transfers were mainly given through the old age allowance, health insurance contribution subsidies as well as the disaster relief. The actual financial assistance they can receive may be very limited.

So what is the resulting effect of the recently introduced government policy measures? The new government programs are either employment oriented, such as the Public Work Program (2002-2004), the Multi-employment Development Program (2001-present) and the "Big Warm" Social Welfare Plan (2007-present) or are providing in-kind (social services) such as the Family Assistance Program FAP (2004-present) the High Risk Family Emergency Assistance Program (2006-present), and only most recently, the Working Income Subsidy Program (or so called "Near poor" Program) that only provides six months of support. Xin (2003) pointed out that a low level of education and a lack of learning ability are some of the common features that make workers vulnerable to unemployment. He also pointed out that limited effective employment-oriented measures, policies that favor over-reliance on active labor policy and neglecting cash benefits may all contribute to the phenomenon of poverty. Government subsidies are low, and new poor access to government subsidies the past 10 years has not changed much, this means that new poor families are at a great risk of falling into a poverty trap.

Conclusion

Economic restructuring from globalization is a deep-rooted trigger for the new poverty phenomenon. Divergence from traditional poverty also means that existing welfare systems are both inadequate and inappropriate for the new poor.

However, this project has also highlighted differences in the new poverty problem in Taiwan as compared to Western nations. Policy debates in the West have centered on the impact of the curtailment of the government's ability to respond, in light of privatization and welfare reform, on long-term prospects for the new poor. (Room, 1999) Unlike most Western nations and like many other East Asian societies, however, Taiwan has yet to establish a comprehensive social security network. Instead, there is a clear preference traditionally for using the family and the market as the main

providers of welfare provisions at the same time limiting the welfare function of the state. Furthermore, any welfare programs that exist tend to focus on providing additional education, and developing programs for employment, health insurance and pensions, reflecting the traditional East Asian emphasis on these areas, large-scale redistribution is almost absent from the scene (Walker & Wong, 2005; Aspalter, 2006). This type of welfare system often excludes the most vulnerable poor outside of the scope of social protection (Goodman et al., 1998).

Therefore, a major problem facing Taiwan is that its nascent welfare system and inadequate social safety net may fail to provide adequate protection for its growing population of newly-impooverished individuals (Lee, 2002). This is especially true for those that fall outside the employment security and social assistance protection framework. In Taiwan and other emerging East Asian economies, the amount of assistance and protection received by the new poor is minimal (Kwon, 2005; Aspalter, 2006), when compared to the levels enjoyed by their Western counterparts. Hence, newly-impooverished individuals in Taiwan, as well as the rest of East Asia's emerging economies, are at greater risk of succumbing to a vicious cycle of poverty. This risk is accentuated by the fact that social policy programs to respond to poverty in Taiwan and East Asia appear worse-equipped to cope with the novel and un-tested challenges by globalization. (Kwon, 2005)

This suggests the need for a more concerted and focused effort by the governments of these nations in tackling the new poverty phenomenon. Simply attempting to extend the existing limited social safety net to cover the new poor is plainly inadequate in light of the grave situation. Instead, special attention and resources need to be allocated to the problem. This includes more research on the phenomenon and the creation of specialized welfare schemes that address the peculiar characteristics/circumstances of these new poor. Nevertheless, at the end of the day, Taiwan and other East Asian economies face a daunting challenge on how to delicately balance providing adequate protection against this emerging form of new poverty without relegating itself to a welfare state.

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Table 1
New Poor Under Different Measures: 1992-2006

	100% of poverty line	125% of poverty line	150% of poverty line	50% of medium family income
1992	0.51	1.64	3.84	7.17
1993	0.41	1.42	3.52	7.51
1994	0.36	1.00	2.76	6.31
1995	0.18	0.62	1.88	5.98
1996	0.23	0.90	2.24	6.60
1997	0.37	1.12	2.74	6.30
1998	0.51	1.84	4.40	6.60
1999	0.69	2.30	5.69	6.46
2000	0.87	3.01	7.17	7.02
2001	2.08	6.18	12.01	7.64
2002	2.74	7.32	14.60	8.06
2003	2.36	6.40	12.93	8.25
2004	1.99	5.75	12.46	8.53
2005	1.86	5.61	12.29	8.50
2006	2.05	6.29	13.56	8.81

Table 2
The Demographic Characteristic of New Poor vs. Old Poor: 2006

	<u>New poor</u>		<u>Old poor</u>	
	Numbers	Percentage	Numbers	Percentage
SEX				
Male	1159	73.8	73	48.7
Female	412	26.2	77	51.3
AGE				
15-20	5	0.3	3	2.0
21-30	97	6.2	10	6.7
31-40	335	2.13	33	22.0
41-50	462	29.4	46	30.7
51-60	181	11.5	25	16.7
61-64	74	4.7	13	8.7
65 and over	417	26.5	20	13.3
EDUCATION				
Illiterate	150	9.5	17	11.3
Elementary	435	27.7	49	32.6
Junior high	383	24.4	35	23.3
Senior High	160	10.2	16	10.7
Vocational	283	18.0	23	15.3
Undergraduate	157	10.0	9	6.0
Graduate	3	0.2	0	0.7

Table 3
The Characteristic of New Poor vs. Old Poor: 2006

	<u>New poor</u>		<u>Old Poor</u>	
	Numbers	Percentage	Numbers	Percentage
MARITAL STATUS				
Married	1101	72.1	63	42
Never-married	133	8.5	24	16
Cohabiting	7	0.4	1	0.7
Divorced	116	7.4	29	19.3
Separated	32	2	4	2.7
Widowed	151	9.6	29	19.3
FAMILY TYPE				
Single	99	6.3	18	12
Couple only	291	18.5	15	10
Single parent	154	9.8	44	29.3
Two parent	505	32.0	40	26.7
Grandparent-children		3.2	8	5.3
Three generation	404	25.7	15	10
Others	68	4.3	10	6.7
OCCUPATION				
Unemployed	432	27.5	51	34
Managerial	6	0.4	0	0
Professional	8	0.5	1	0.7
Technician	61	3.9	3	2
Service	304	19.4	28	18.6
Mechanic	217	13.8	12	8
Assembly	226	14.4	13	8.7
Laborer	116	7.4	23	15.3
Farming	181	11.5	18	12
Forestry	3	0.2	1	0.7
Fishing	17	1.1	0	0

Table 4
Income Sources of New Poor vs. Old Poor (2006)

	<u>New poor</u>		<u>Old Poor</u>	
	Numbers	Percentage	Numbers	Percentage
Earned Income	244656	41.44	125478	33.13
Property Income	17848	3.02	11767	3.11
Transfer Income	196015	33.20	177552	46.88
From individual	60210	10.20	54432	14.37
From government	68291	11.57	77381	20.43
Elderly Allowance	12068	2.04	8021	2.12
Elderly Farmer Allowance	13292	2.25	5858	1.55
Health Insurance Subsidies	17791	3.01	19023	5.02
Disaster Relief	17722	3.00	6028	1.59
Other Income	372	0.06	472	0.12
Total Income	590407	100	378726	100

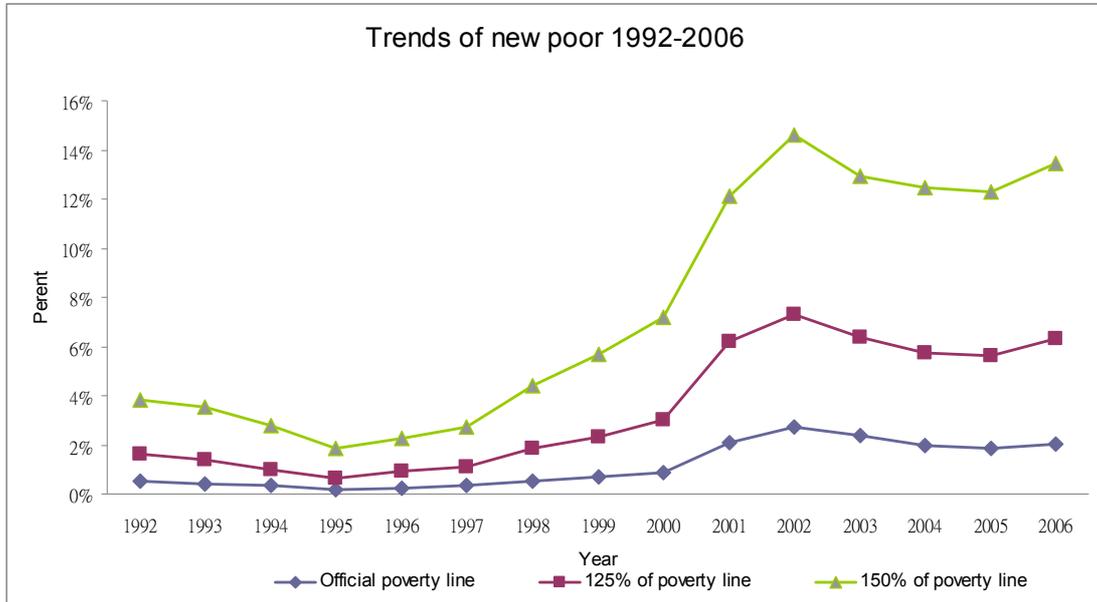
Table 5
Income Sources of New Poor (2006 vs. 1996)

	<u>2006</u>		<u>1996</u>	
	numbers	percentage	numbers	percentage
Earned Income	244656	41.44	148321	37.85
Property Income	17848	3.02	10039	2.56
Transfer Income	196015	33.2	134641	34.36
From individual	60210	10.2	41016	10.47
From government	68291	11.57	44524	11.36
Other Income	372	0.06	294	0.08
Total Income	590407	100	391901	100

Table 6
Analysis of variance of logistic regression

Effect	NUM DF	DEN DF	F Value	Pr>F
Numbers of Unemployed	1	11865	74.71	<.0001
Numbers of Children	1	11865	223.53	<.0001
Numbers of Elderly	1	11865	34.57	<.0001
Area	4	11865	4.4	0.0015
Family Type	6	11865	0	1
Gender	1	11865	0	0.9728
Family Type×Gender	6	11865	2.15	0.0452
Marital Status	2	11865	35.32	<.0001
Family Type×Marital Status	9	11865	2.44	0.009
Education	5	11865	2.85	0.0141
Gender×Education	5	11865	0.24	0.9457
Occupation	4	11865	0.02	0.9993
Gender×Occupation	4	11865	0.68	0.6042
Education×Occupation	20	11865	24.48	<.0001
Gender×Education×Occupation	15	11865	11.79	<.0001
Numbers of Household	1	11865	2.02	0.1554
Numbers of Household×Gender	1	11865	3.89	0.0485
Age	6	11865	2.13	0.0464
Family Type×Age	32	11865	1.9	0.0017

Figure 1
Trend of New Poor Families vs. Old Poor Families, Taiwan, 1992-2006



Source: Family Income and Expenditure Survey, 1992-2006