Inclusive Asset-building Policy in Korea, Singapore, and Taiwan: Trends and Policy Implications

Chang-Keun Han, PhD
Assistant Professor
Department of Social Work
National University of Singapore

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Abstract

Objectives Asset-building policy aims to help overcome the poverty trap through the empowerment of the poor by holding financial assets which can be invested for education, microenterprise, and housing (Sherraden, 1991). Asset-building policy targeting low-income families by providing matching was initiated in the United States in the middle of 1990s. The policy has expanded in many other countries (OECD, 2003). In Asia, asset-building policy has been adopted in Korea, Singapore, and Taiwan. A new policy initiative cannot begin automatically. Based on institutional perspective, contextual forces such as political, economic, and social institutions provide opportune chances for policy innovation to take place. The study aims to highlight similarities and differences of asset-building policy and its contexts in Asian countries of Korea, Singapore, and Taiwan. Development of asset-building policy in Asia Korea The Korean government implemented Child Development Accounts (CDAs) in April 2007. In the first year, CDAs targets children on welfare, children without parents and children with disability. By 2010, the government intends to encompass all children born into low- and middle-income households, approximately 50% of all Korean newborns. At age 18, children will be allowed to withdraw their CDA funds for postsecondary education, housing, or small business. Parents and/or sponsors can make the maximum monthly deposit (approximately US$30) into a CDA, matched 1:1 by the Korean government. In particular, for institutionalized children and children without parents, $30 will be from organizational sponsors and $30 matched by the government (Nam et al., 2007). In collaboration with the Seoul City government and private funding companies, Seoul Welfare Foundation initiated Individual Development Accounts (IDAs) in 2007. The IDAs program aims to provide opportunities of asset accumulation for poverty alleviation with financial education to increase behaviors for saving and self-support. In a pilot project, 100 working poor families save for three areas: home buying, education, and microenterprise. Each IDA participant is to deposit a maximum of 200,000 Korean Won (US$200) per month for three consecutive years, matched 1.5:1 by private funding companies (Nam et al., 2007). Singapore Singapore is characterized as “probably the most innovative nation on the planet” because most Singaporean social policy is asset-based in one way or another (OECD, 2003). For example, Central Provident Fund (CPF) is used for a host of purposes such as homeownership, insurance, retirement, and investment in real property and financial assets. Edusave accounts, which began in 1989, provide school children with annual deposits used for supplemental education expenses. “Baby Bonus” provides entitlements for a family’s second and third children to asset accounts endowed with cash gifts from the government. The second child receives S$5000 at birth and an equivalent amount each year for five years, up to a total of S$3,000. The third child gets twice as much in each payment, for a total of S$6,000 (Loke & Sherraden, 2006). Children’s Development Accounts (CDAs) provides 1:1 matches of parents’ savings deposits by the government, up to S$1,000 for the second child and S$2,000 for the third (Loke & Sherraden, 2006). Taiwan In 2000, the Taipei city Government launched Taipei Family Development Accounts (TFDAs), which provides 1:1 matching for low-income families in Taipei. TFDAs demonstration program began with 100 account holders who are working poor. TFDAs aims to not only remove disincentives to save among low-income households but also to help them achieve

economic self-sufficiency by accumulating assets. TFDAs is more innovative in terms of institutional perspective in that it was funded through a collaborative partnership between the public and the private sector (Cheng, 2003). This study will discuss similarities and differences among the three saving programs in terms of institutional features such as target population, matching rates, match caps, financial educations, saving purpose, and mentoring or network program. Discussion and conclusion Since asset-building policy is expected to contribute economic and social development, it is believed that asset-building policy can fit well into East Asian welfare systems. In addition, since East Asian countries have relatively high saving rates, asset-building programs may have higher chances to bring about successful stories. However, a challenging issue should be inclusion of poor people into asset-building policy and programs. In terms of universality of asset-building policy, Singapore is much ahead compared to Korea and Taiwan. Asset-building programs in Seoul and Taipei also shows piecemeal increment in expanding the programs. In this regard, it is a challenging issue how to expand the existing asset-building policy to include more low-income people. In addition, it should be considered how to develop asset-building policy at a national level. National development strategies in Asian countries rely on top-down approach where government initiates and regulates welfare systems and provisions. The development of asset-building policy in the three countries is common in that government has pivotal roles in initiating the implementation of the policy and programs. However, it should be noted that TFDAs and Seoul IDAs have collaborations between public and private sectors. The collaboration can happen in terms of administration, funding, and monitoring. Asset-building policy has been introduced to tackle many issues such as asset inequality, polarization in the labor market, and plummeting birth rates (e.g., Korea and Taiwan). Policy evaluation should be developed to examine how asset-building policy has achieved the policy objectives in the different social, economic, and political contexts. The study has a key implication for policy development in other countries in Asia. In particular, the comparative study will provide information and guidance of how to implement and develop asset-building policy in their social, economic, and political contexts.