

**Asia's Dependency Transition:
Intergenerational Equity, Poverty
Alleviation and Public Policy**

**The Changing Support System
In Thailand**

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Topics

- National Transfer Flow Accounts: Thailand 2004
- Comparing NTA 1981 and 2004
- National Child and Youth Development Plans and existing support system for the elderly
- Anticipated future directly

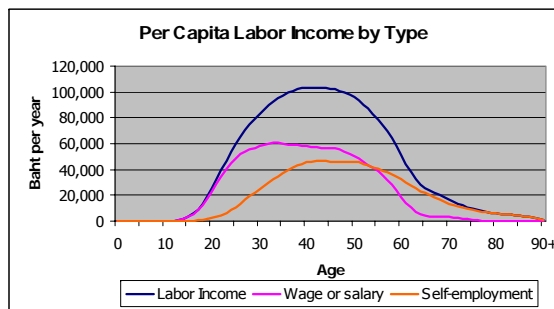


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NTA Thailand 2004



Per capita labor income

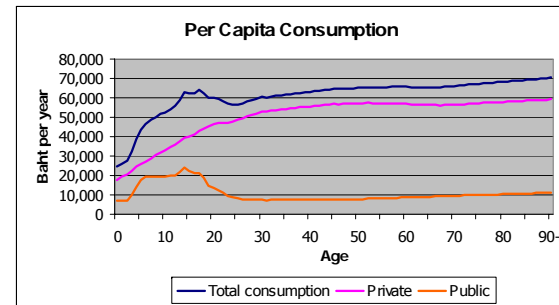


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NTA Thailand 2004



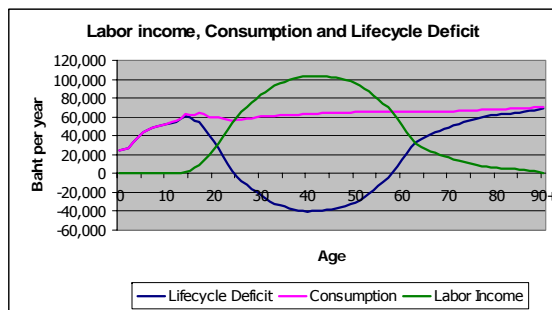
• Per capita consumption



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NTA Thailand 2004

- Lifecycle deficit



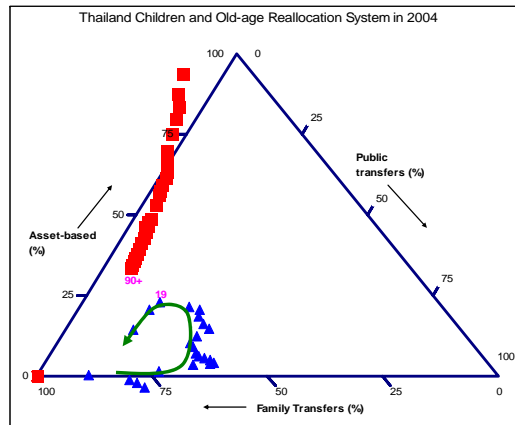
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NTA Thailand 2004

- Classification of population by 3 broad age groups, roughly coincides with their economic dependent status
 - Children and youths aged 0-24
 - Adults aged 25-59
 - Elderly aged 60+

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Age Reallocation in Children-Youth and The Elderly

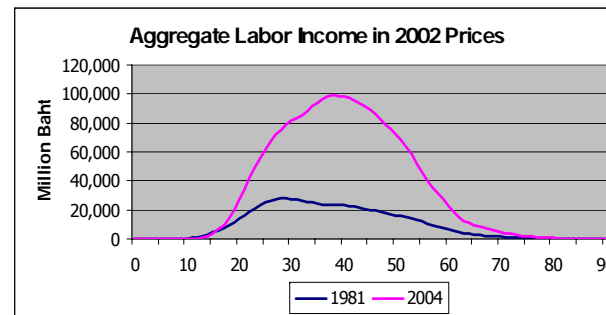


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Changes between 1981-2004

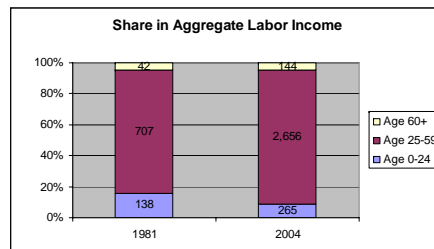


Aggregate labor income



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Changes in the share of aggregate labor income by age



| | 1981 | 2004 |
|---------|-------|-------|
| Youth | 15.65 | 8.64 |
| Adults | 79.71 | 86.68 |
| Elderly | 4.65 | 4.68 |

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Factors causing changes in the share

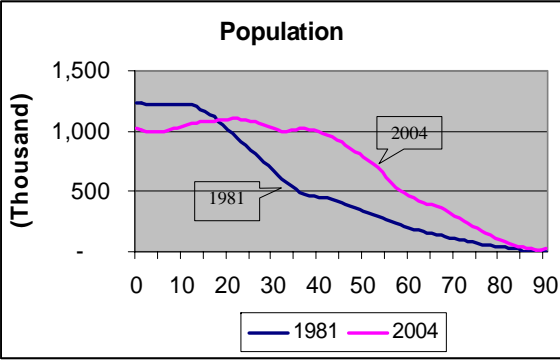


Changes in

- the age distribution of the population
- the age specific labor force participation rates
- the relative labor productivity of workers by age

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Changed in the age distribution of population



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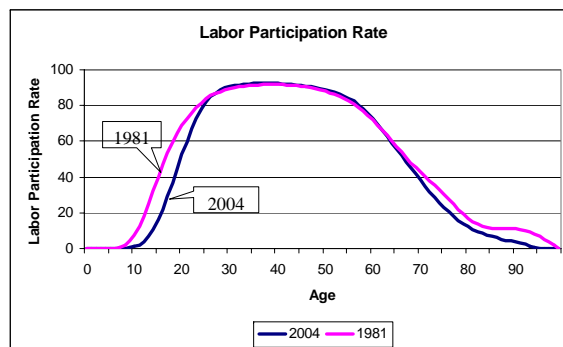
Change in the age distribution of population



| Population | 1981 | 2004 |
|---------------|------|------|
| <25 | 60.4 | 41.3 |
| 25-59 | 34.3 | 48.5 |
| 60+ | 5.3 | 10.2 |

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Change in labor force participation rate



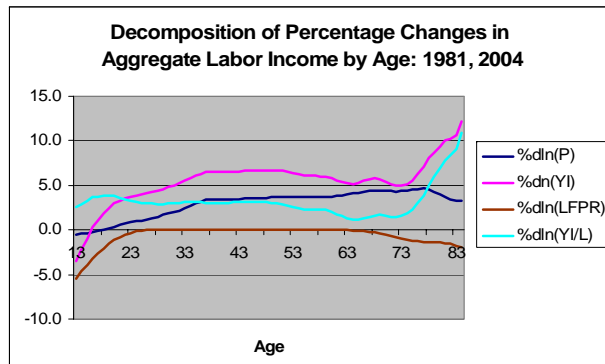
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Decomposition method

- $YI_i = (YI/L)_i \times (L/P)_i \times P_i$
 - $\ln(YI_i) = \ln((YI/L)_i) + \ln((L/P)_i) + \ln(P_i)$
 - $\%d \ln(YI_i) = \%d \ln((YI/L)_i) + \%d \ln((L/P)_i) + \%d \ln(P_i)$
- YI_i = aggregate labor income earned by population age i ,
- $(YI/L)_i$ = labor income per worker (or labor productivity) specific to age i
- $(L/P)_i$ = labor force participation rate of population age i
- P_i = population age i

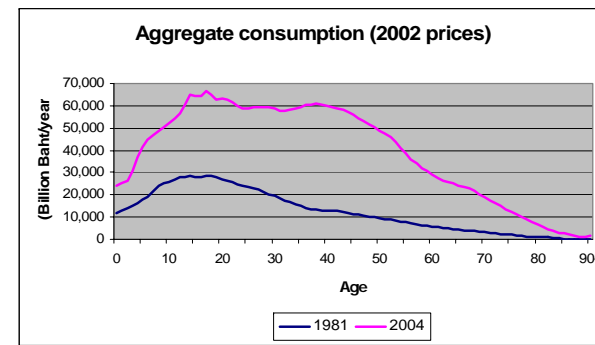
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Decomposition of percentage change in aggregate labor income



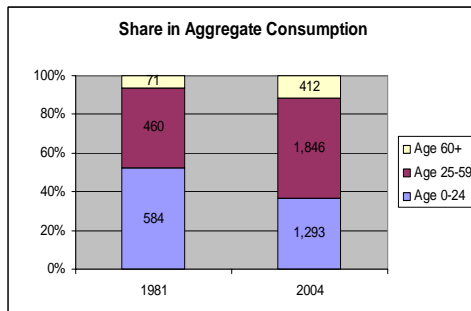
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Change in aggregate consumption



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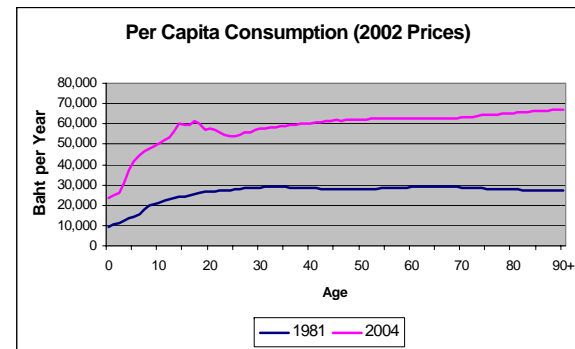
Change in the share of aggregate consumption



| | 1981 | 2004 |
|---------------------|-------|-------|
| Children and Youths | 52.33 | 36.42 |
| Adults | 41.25 | 51.96 |
| Elderly | 6.42 | 11.60 |

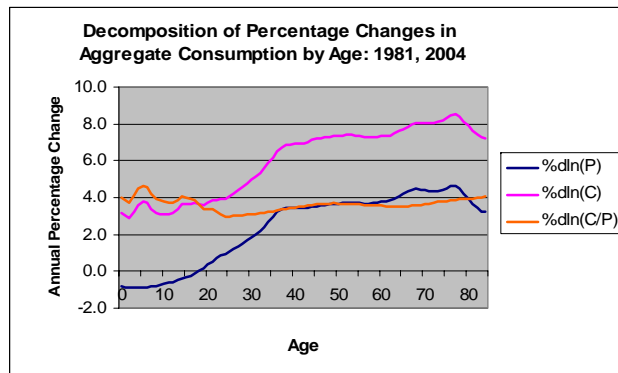
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Change in per capita consumption



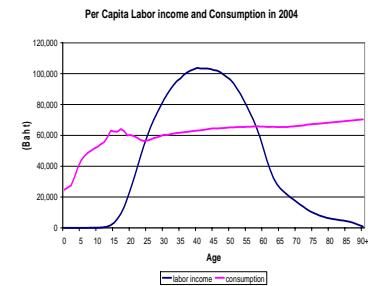
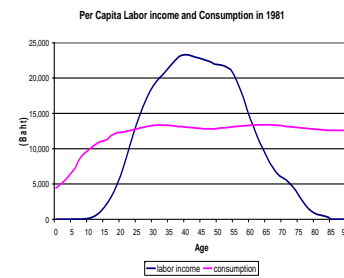
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Decomposition of percentage change in aggregate consumption



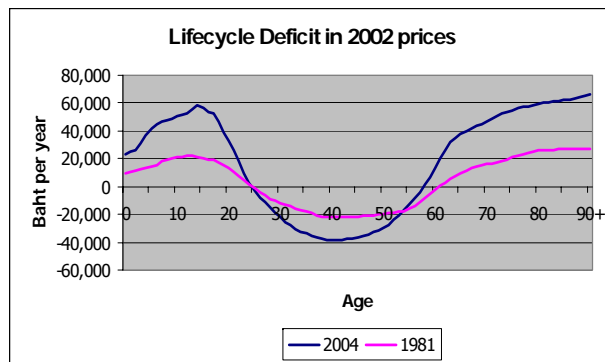
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Lifecycle deficit



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Per capita lifecycle deficit



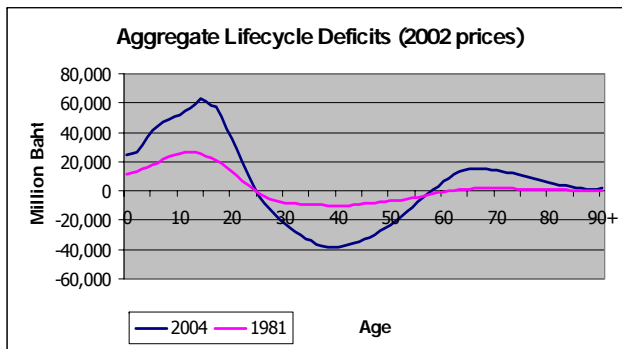
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Lifecycle deficit

- Per capita deficits in the elderly occurred sooner and increased in amount relative to adults consumption.
- Per capita deficits in children and youths also increased in amount relative to adults consumption.
- But the increase in per capita surplus generated by adults did not match the increase in deficits.

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Aggregate Deficit



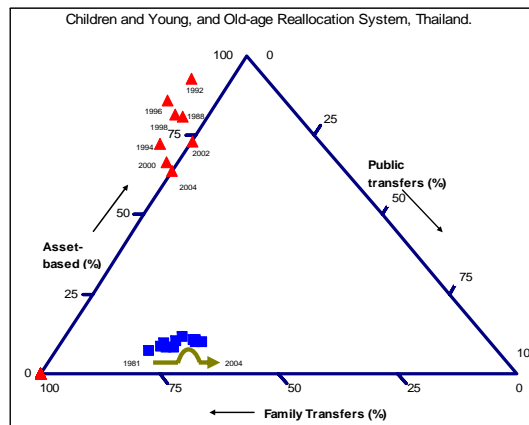
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Aggregate Deficit

- Increase in the aggregate surplus generated by adults matched better with increase in the deficits occurred in children, youths and the elderly.
- Some observations
 - Aggregate deficits of children and youths increased despite declining in their number
 - Aggregate deficit of the elderly increased faster than is simply indicated by the increase in their number
 - Aggregate surplus from earnings could cover a higher percentage of all deficits in 2004 than in 1981
 - In 1981, surplus could cover 52% of all deficits
 - In 2004, surplus could cover 62.5% of all deficit

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Change in the age reallocation in Thailand:- 1981-2004



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Change in the age reallocation in Thailand:- 1981-2004

- The support of children moved away from private toward public burden.
- The importance of asset-based reallocation in closing the deficit among the elderly declined over time.
- Nowadays, the elderly are more dependent on private transfer than previously.
- There are more public programs targeted the elderly nowadays than in the past

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The National Child and Youth Development Plans



- Emphasis in the first 3 plans (1973, 1977 and 1979)
 - Education, health and preparation of youth for work
- Emphasis in the last two plans (1994 and 2002)
 - Solving regional disparity
 - Solving more specific problems of children and youths in difficult situation

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Government Budget by Programs for Children in 2002-2005



| | 2002 | 2003 | 2004 | 2005 |
|--|----------------|----------------|----------------|----------------|
| Education | 180,776 | 191,866 | 209,167 | 215,162 |
| Health | 439 | 59,877 | 92,550 | 70,053 |
| Children with disabilities | 683 | 888 | 955 | 1,179 |
| Support for families below absolute poverty line | 107 | 155 | 155 | 155 |
| Support for children who need alternative care | 13 | 13 | 13 | 13 |
| Subsidies of children through families | 30 | 30 | 56 | 82 |
| Prevention and protection for children from child abused, child trafficking, sexual and economic exploitation | - | - | 4 | 439 |
| Programs for children of minority groups | 28 | 25 | 28 | 27 |
| Protection and services for children in unrest areas | - | - | - | 1,287 |
| Programs and services for children who are neglected | 128 | 128 | 199 | 207 |
| Administration of juvenile justice and rehabilitation for juvenile offenders | 616 | 714 | 916 | 981 |
| Total | 182,820 | 253,696 | 304,023 | 289,585 |

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Old Age Security System in Thailand



| Mutual fund specially designed for old age security with tax incentive | | |
|--|---|-------------------------|
| Government officials | Private employee | Uncover by any programs |
| Central Provident Fund (defined contribution, fully funded) | Provident fund (defined contribution, fully funded) | |
| Pension, (defined benefit, no contribution, PAYG) | Pension (defined benefit, contribution, partially funded) | |
| Living allowance for poor elderly | | |

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Old Age Security



Programs for government officials

- Before 1996: A defined benefit scheme with no contribution from the government officials, pension is financed entirely from general tax on PAYG basis.
- The reform in 1996:
 - Reduced the benefits of the existing PAYG scheme and
 - Add another fully funded, defined contribution

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Old Age Security



Programs for private employee in formal sector (since 1999)

- Define benefits and partially funded (contributions from employer and employee, each pay 3% of monthly wage/salary)
- Voluntary Provident Fund:- Defined contribution and fully funded, contribution from employer and employee)

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Living allowance for the poor elderly



Living allowance for the poor elderly by means tested (since 1993)

- Monthly cash benefit of 500 Baht
- Number of recipients:-
 - Before 2003 it was capped at 400,000 persons
 - Increased continuously after 2003, in present year, the number is 1.755 millions

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The coverage of old age security



| | |
|------------------------|-----------------------|
| Total work force | 35.7 million |
| Civil servants | |
| Beneficiary | 0.8 |
| Present G personnel | 1.5 |
| Insured persons in SSF | |
| Compulsory | 7.8 |
| Voluntary | 0.2 |
| Coverage: | ≈ 26.8% of work force |

How to cover the rest?

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Alternative paths



- Change the means tested scheme into PAYG for everyone age 60 and above.
- Set up another fully or partially funded contributory scheme to cover the presently uncovered population.

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Present political sentiment



- Under the new constitution
 - government must provide 12 years of basic education for free to all
 - any person aged above 60 and does not have sufficient income for living has the right to receive assistance from the government
- Every party follows the success of popularistic policies set by the last administration

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Anticipated future direction



- It is likely that the share of public transfer in closing up the deficits in children will be higher.
- Age reallocation for the elderly is less definite, depending on how to achieve old age security for all.

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Thank you