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COLLEGE OF POPULATION STUDIES
Chulalongkorn University

UNFPA
The United Nations Population Fund
กองทุนประชากรแห่งสหประชาชาติ

TECHNICAL NOTE ON:
THAILAND'S THIRD DEMOGRAPHIC DIVIDEND POTENTIAL

Presented by Adhipat Warangkanand, UNFPA Thailand

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Agenda

01. Background and objectives of the report

02. Understanding the third demographic dividend

03. Demographic and socio-economic characteristics and the labor market

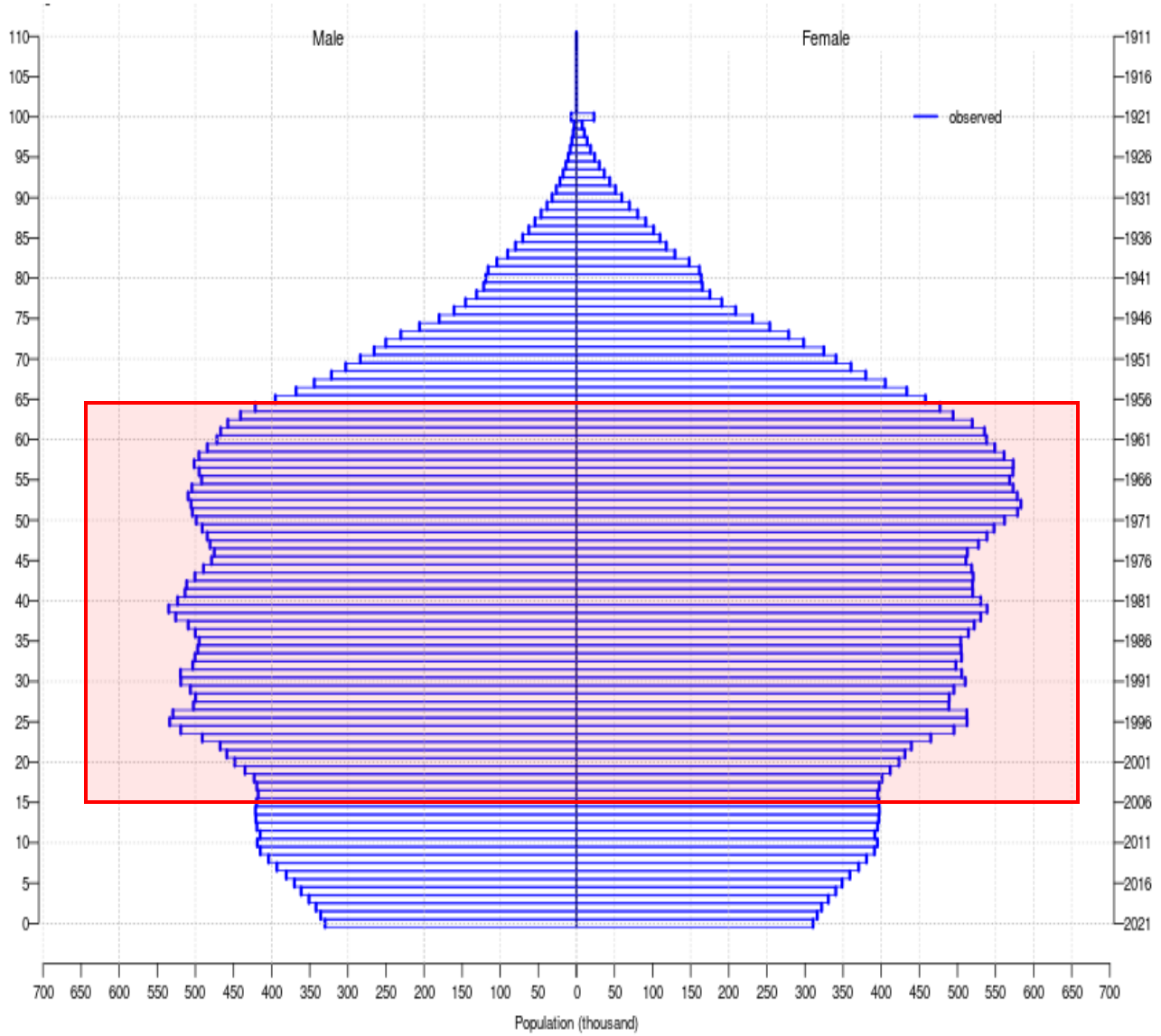
04. Approach for analyzing the third demographic dividends

05. Policy recommendations

Background and objective

- Increase in the working-age population in the past that followed rapid fertility decline served as the key driving force for the so-called first and the second demographic dividend
- Thailand is now faced with persistent low fertility rates, an aging population, and a shrinking working-age population
- Consequences for labour supply and economic prospects

Population in Thailand, 2022

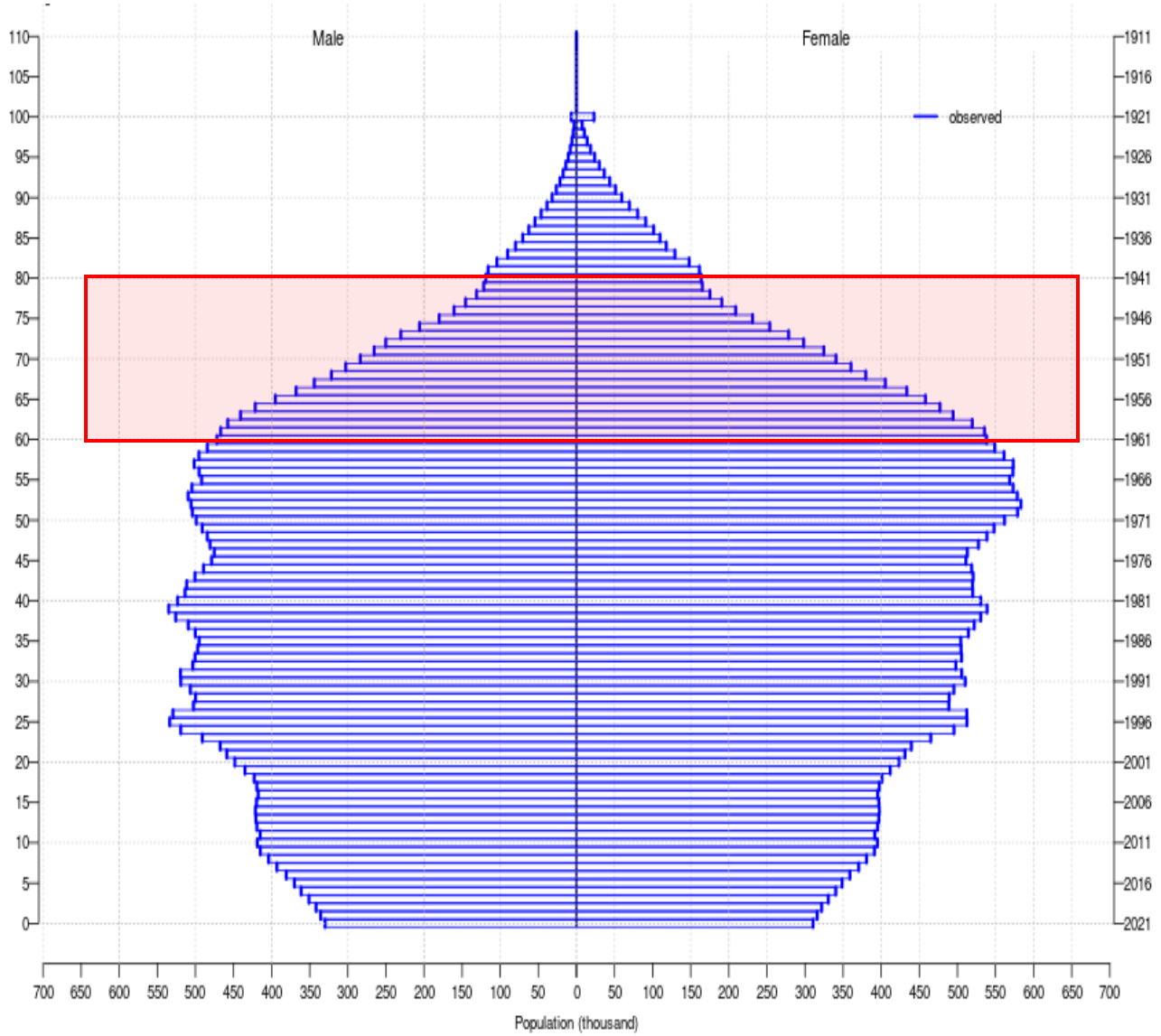


United Nations, DESA, Population Division. *World Population Prospects 2022*. http://population.un.org/wpp/

Background and objective (cont.)

- Thailand needs to find ways to realize the potential of the increasing number and proportion of older persons over the next few decades
- **This report** aims to explore and quantify the future productive potential of older adults in Thailand
- UNFPA's latest country programme for Thailand (2022–2026) emphasizes investing in older persons and preparing the younger and middle-aged population for healthy aging

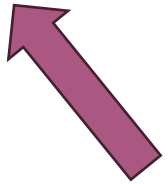
Population in Thailand, 2022



United Nations, DESA, Population Division. *World Population Prospects 2022*. http://population.un.org/wpp/

Understanding the Third Demographic Dividend (3DD)

- This is being done by making use of the concept of the Third Demographic Dividend (3DD)
- There is no consensus of the definition of the 3DD
- Fried (2016a, 2016b) and Matsukura et al. (2018) introduced concepts that emphasize the role of healthy and active aging in societies with increasing shares of their older population
- Matsukura et al. (2018) and Ogawa et al. (2021) introduced the "Silver Demographic Dividend." It focuses on harnessing the untapped work capacity of healthy older persons who are not part of the labor force.

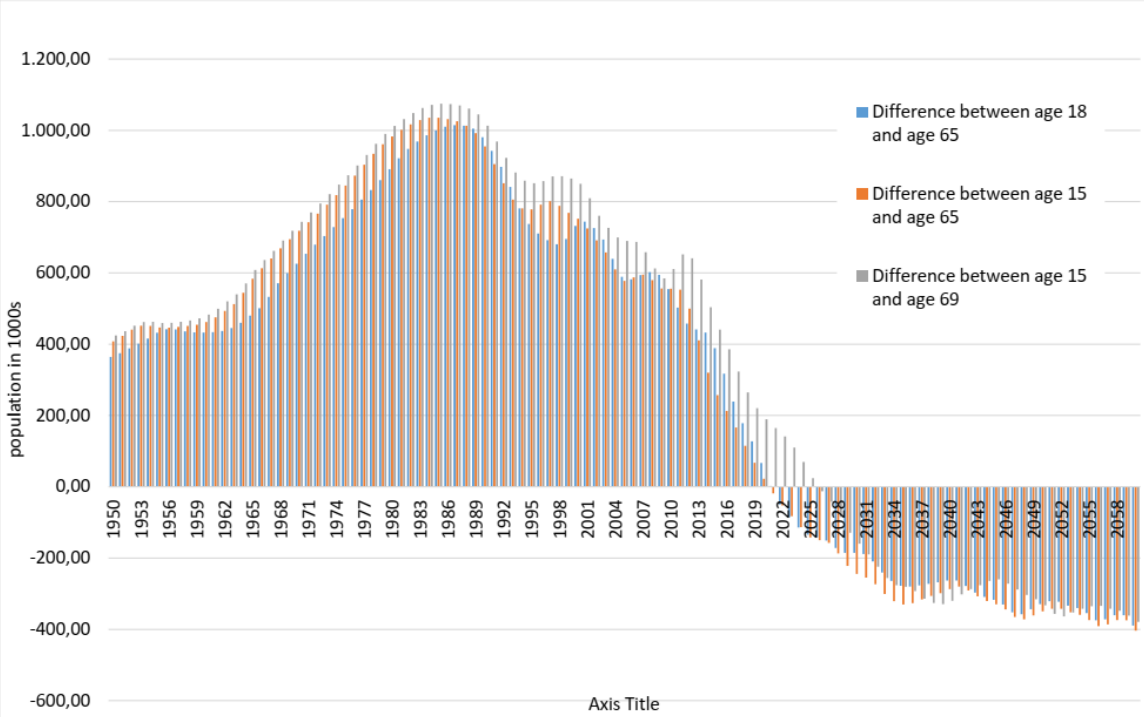


This concept that we applied in the report to estimate the size of the third demographic dividend for Thailand.

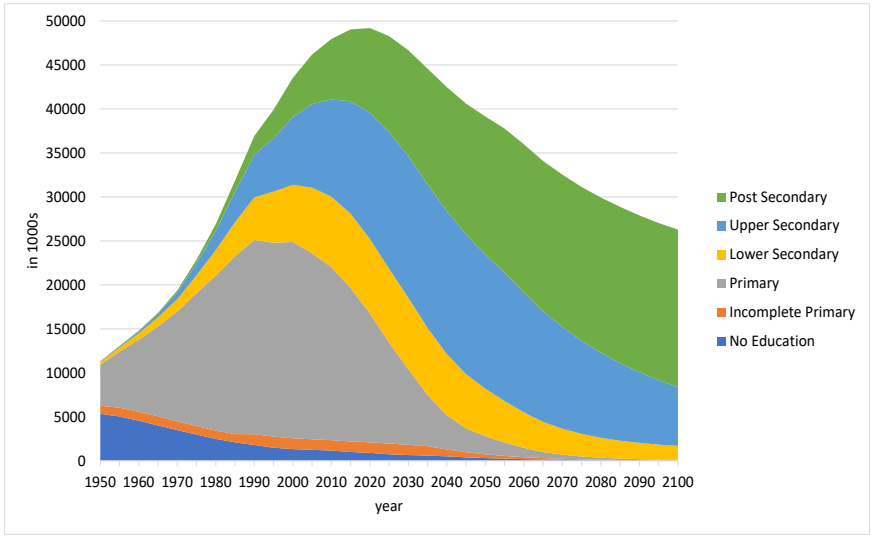
Demographic and Socio-economic Profiles of the Population and the Labour Market

Age structure transition and changes in educational composition, 1950-2100

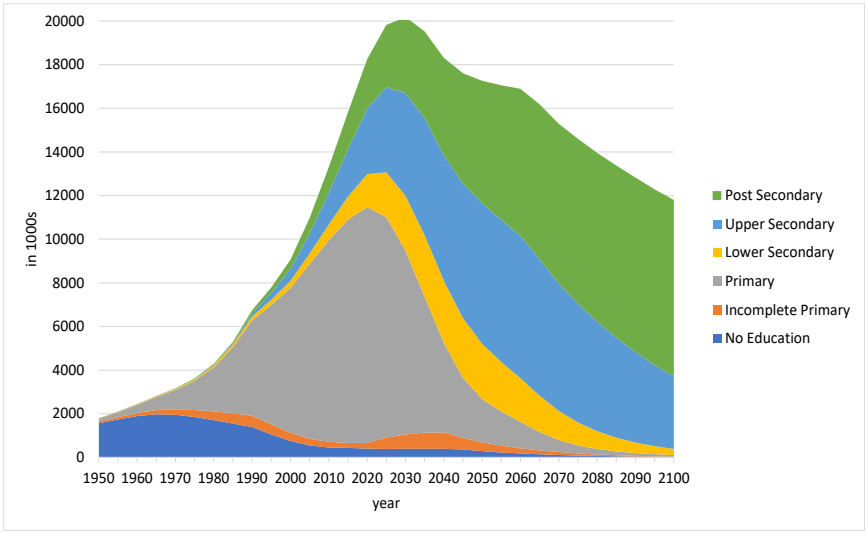
A. Difference in size between entering and exiting cohort



B. Education composition of working-age population (15-64)



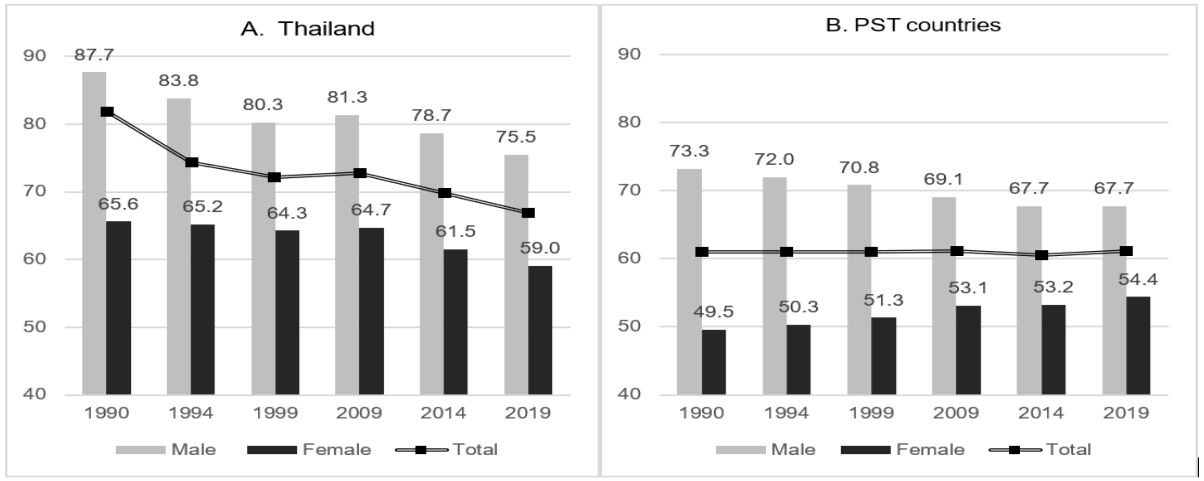
C. Education composition of older population (50-69)



Source: Authors' calculations based on data from Wittgenstein Centre for Demography and Global Human Capital (2018), medium scenario (SSP2).

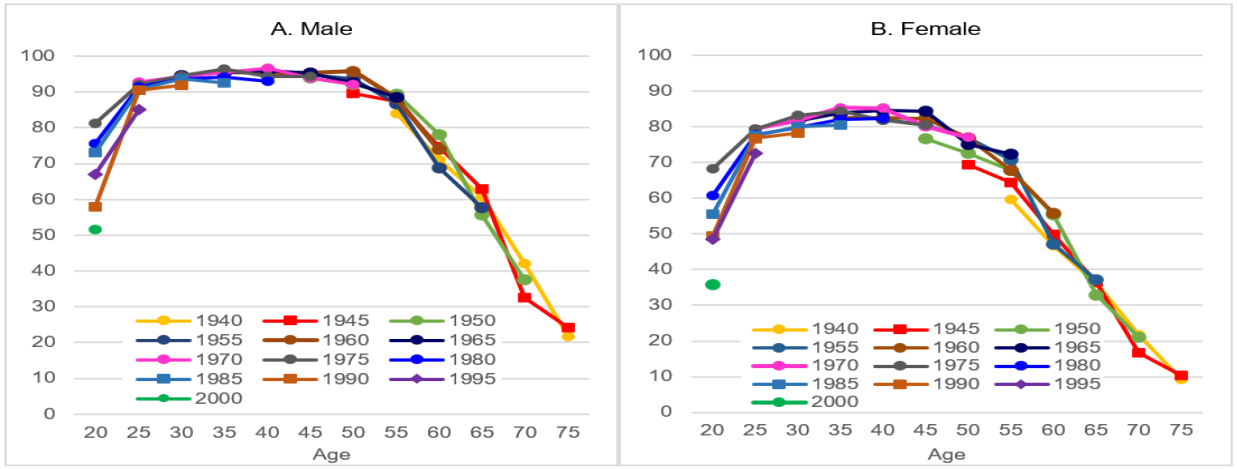
Socio-demographic Profiles of the Thai Labour force (1)

A. Labor force participation rates (as % of population, age 15+), 1990–2019

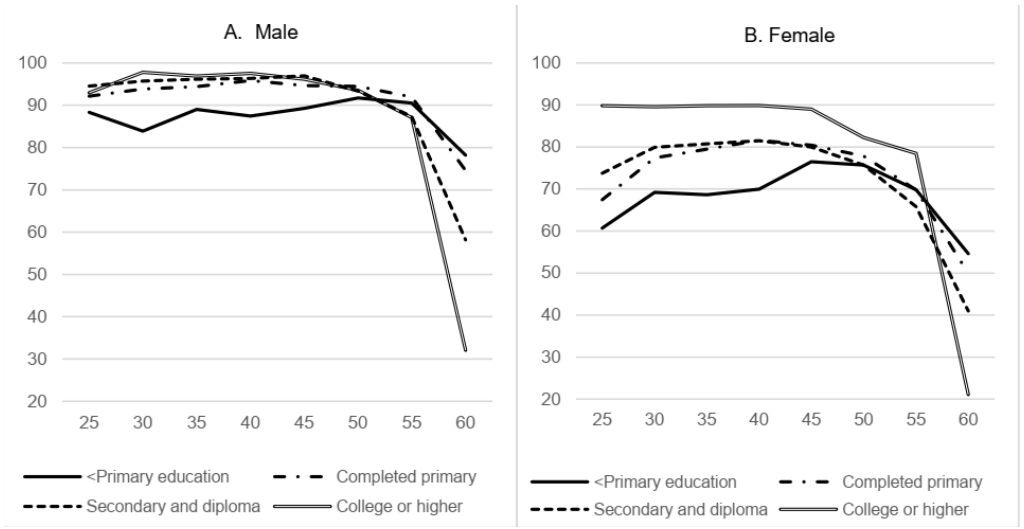


Source: Authors' calculations based on data from ILOSTAT database, retrieved November 2022.

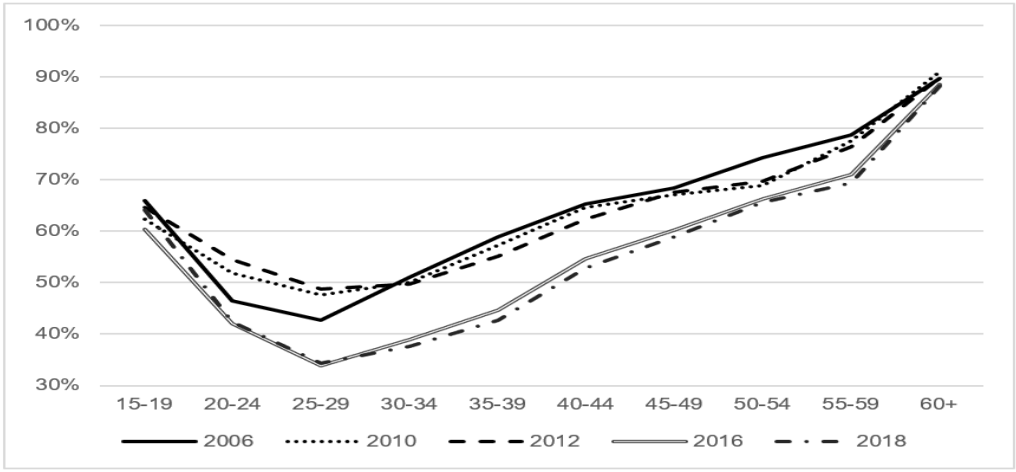
B. Labor force participation rates by birth cohort and age group



C. Labor force participation rates by age and educational attainment, 2021



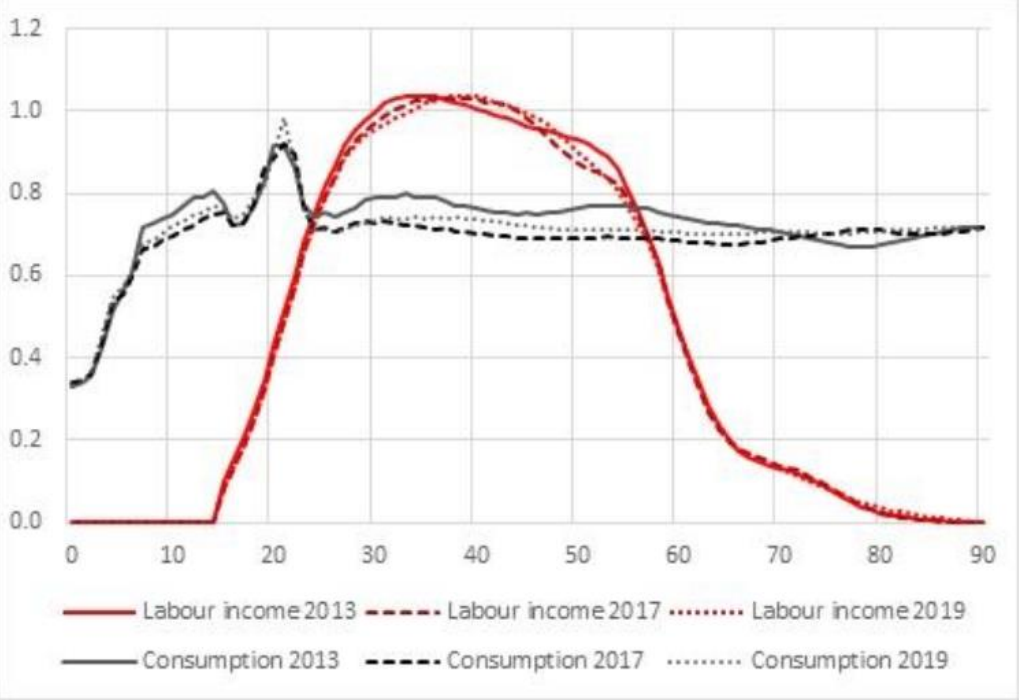
D. Share of informal sector employment by age, Thailand, 2006–2018



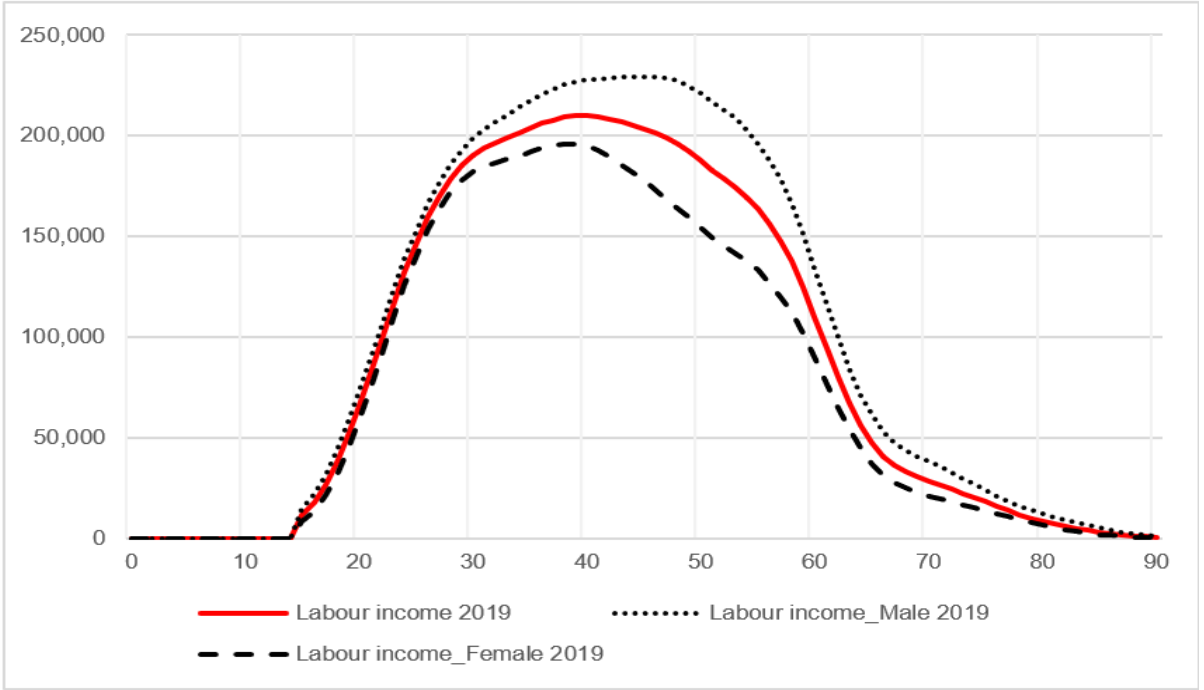
 Data sources for Figures B, C & D: Authors' calculations based on Thai Labour Force Surveys, 2001–2021 (Q3).

Socio-demographic Profiles of the Thai Labour force (2)

A. Per-capita age-specific consumption and labour income (relative to mean labor income of population aged 30-49 years



B. Per-capita age-specific labour income, overall and by gender, 2019



Source: Authors' calculations based on NESDC's Labour Force database, retrieved November 2022.

Approach for analyzing the 3DD

Approach for analyzing the 3DD

Step 1: Estimate the probability of employment among people aged 50-59 yrs.

Based on the 2011, 2014, and 2017 Surveys of Older Persons in Thailand (SOPTs) using multivariate logistic regression controlling for education, marital status, region, self-rated health, functional limitations, sensory organs, and year of survey.

Step 2: Estimate the predicted probability of employment for individuals aged 60-79 yrs.

The results from step 1 were utilized to simulate the number of workers aged 60-79 years under the assumption that individuals aged 50-59 years would persist unless their health was compromised.

Step 3: Calculate the additional number of potential older workers

The ‘untapped work capacity’ is defined as the difference between the actual number of older workers and the estimated potential number of older workers.

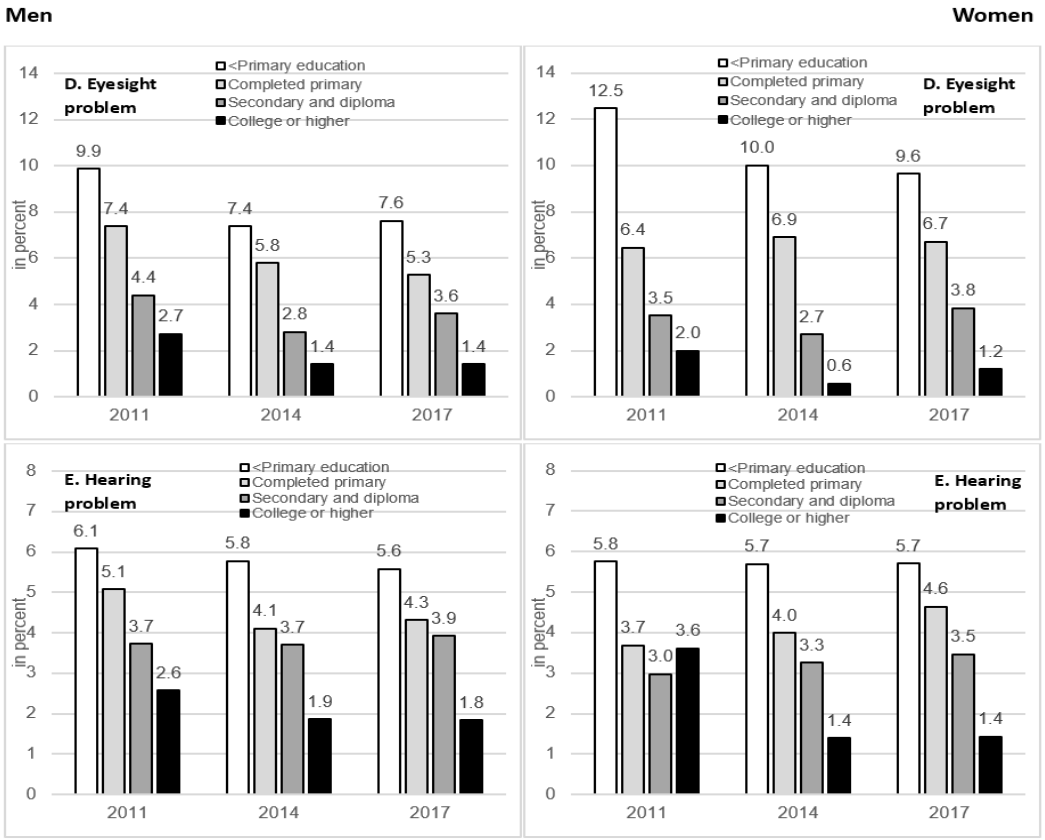
Step 4: Estimate the economic impact of additional older workers

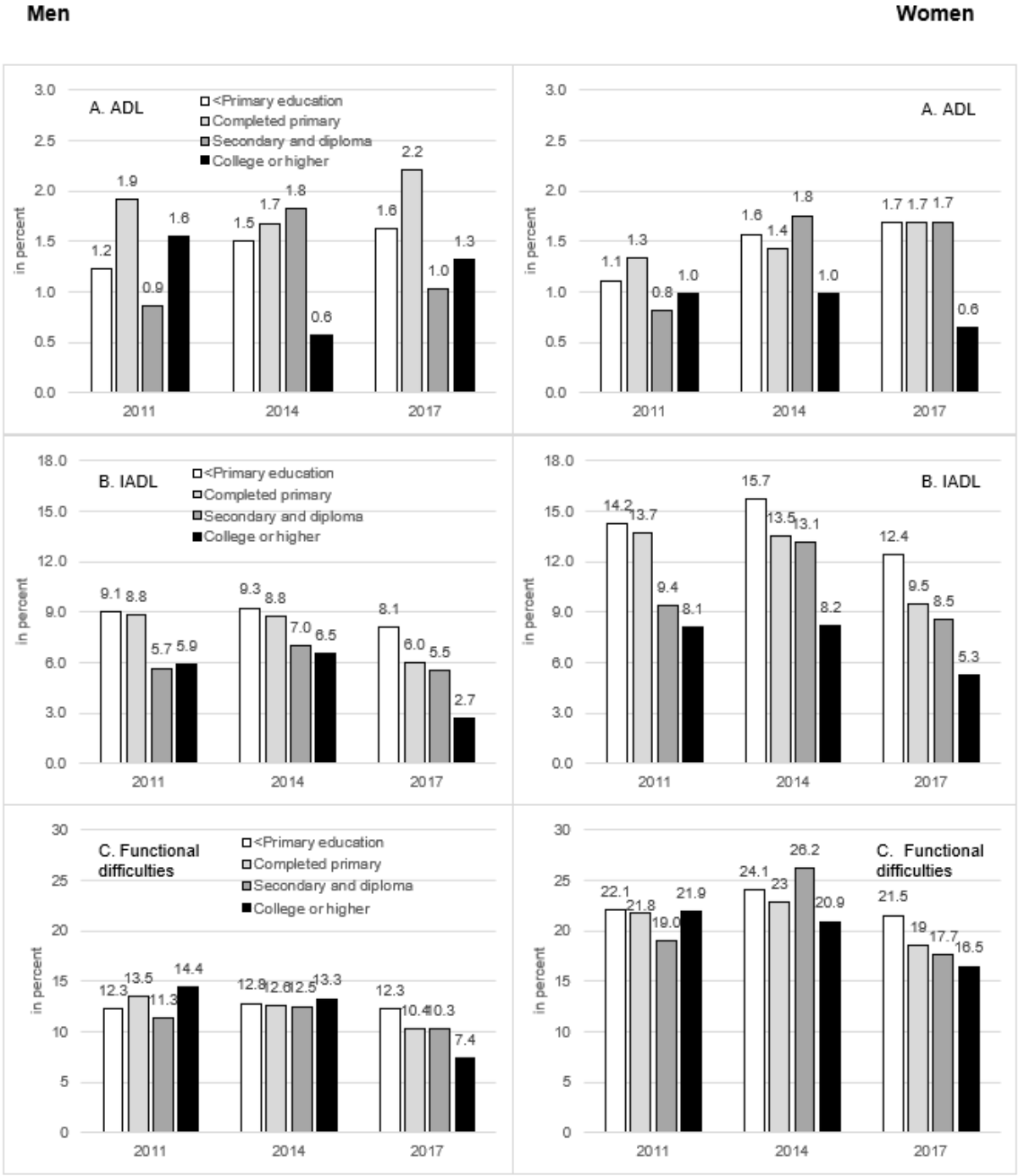
Baseline scenario: The results from step 3 is combined with labour income profile from the NTA data for 2019.

Case II accounts for minimum wage of 45 Bath per hour. Cases III, IV, and V account for education composition and different wages.

Results

Prevalence of ADL disability, IADL disability and functional difficulties for persons 50+, by sex and education, standardised for age, from 2011–2017.

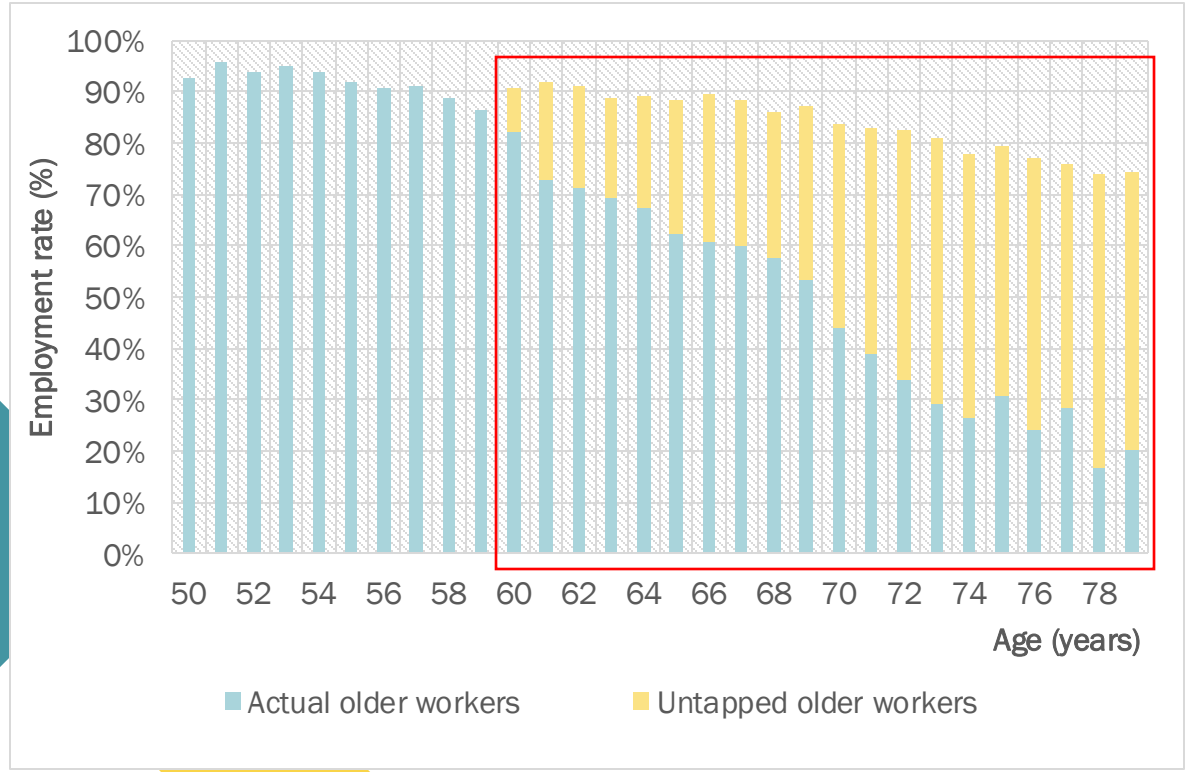




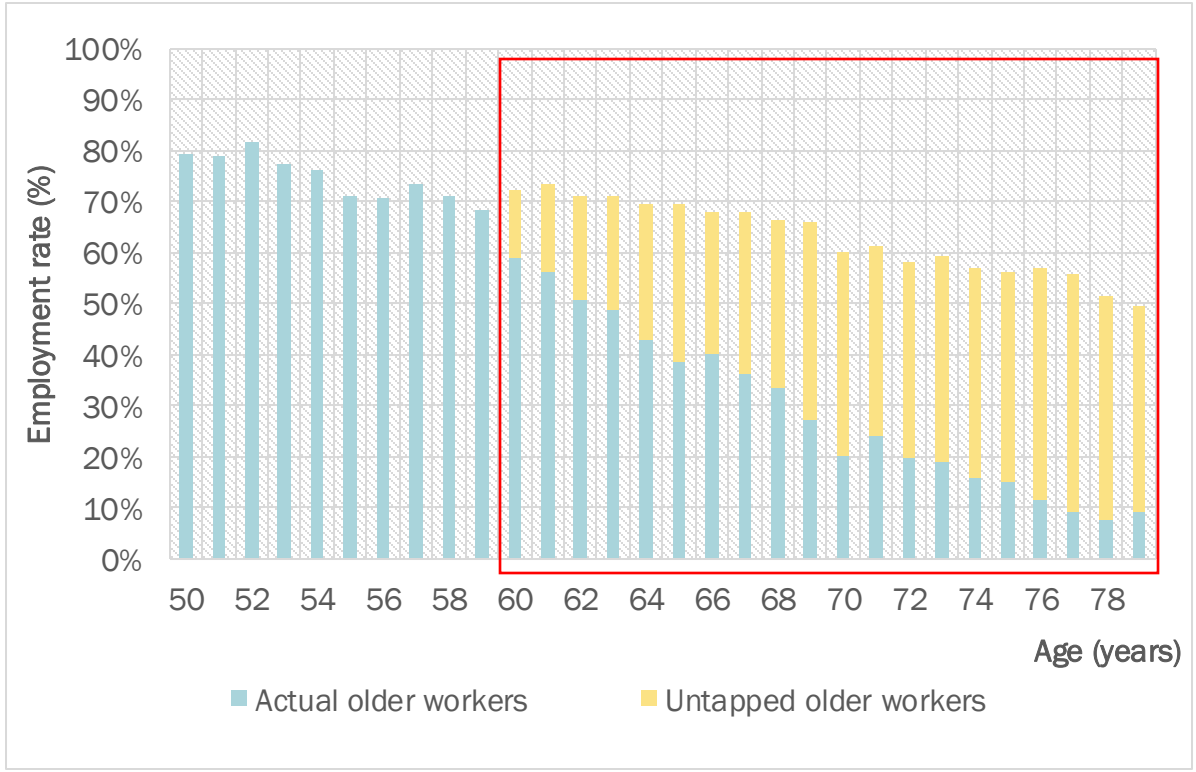
Source: Authors' calculation based on SOPT from 2011, 2014, and 2017.

Estimated employment rate for males and females aged 50-79 years, 2017, Thailand

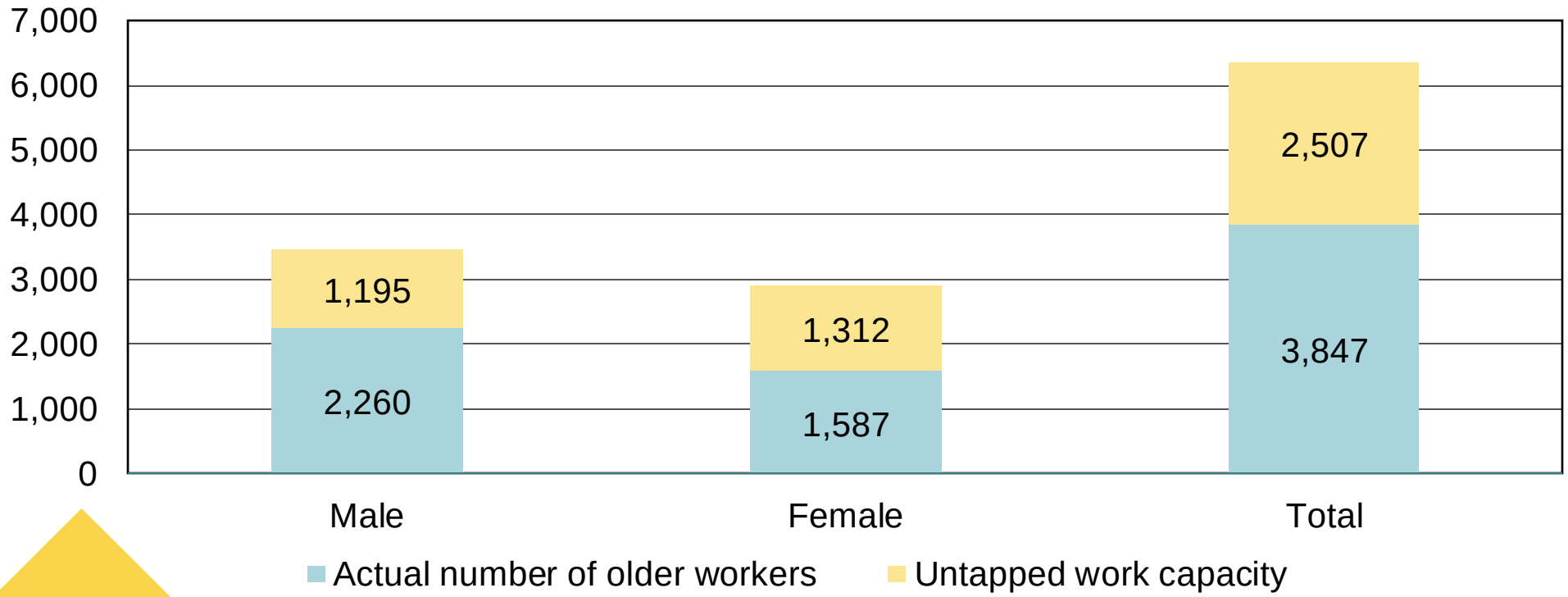
Males



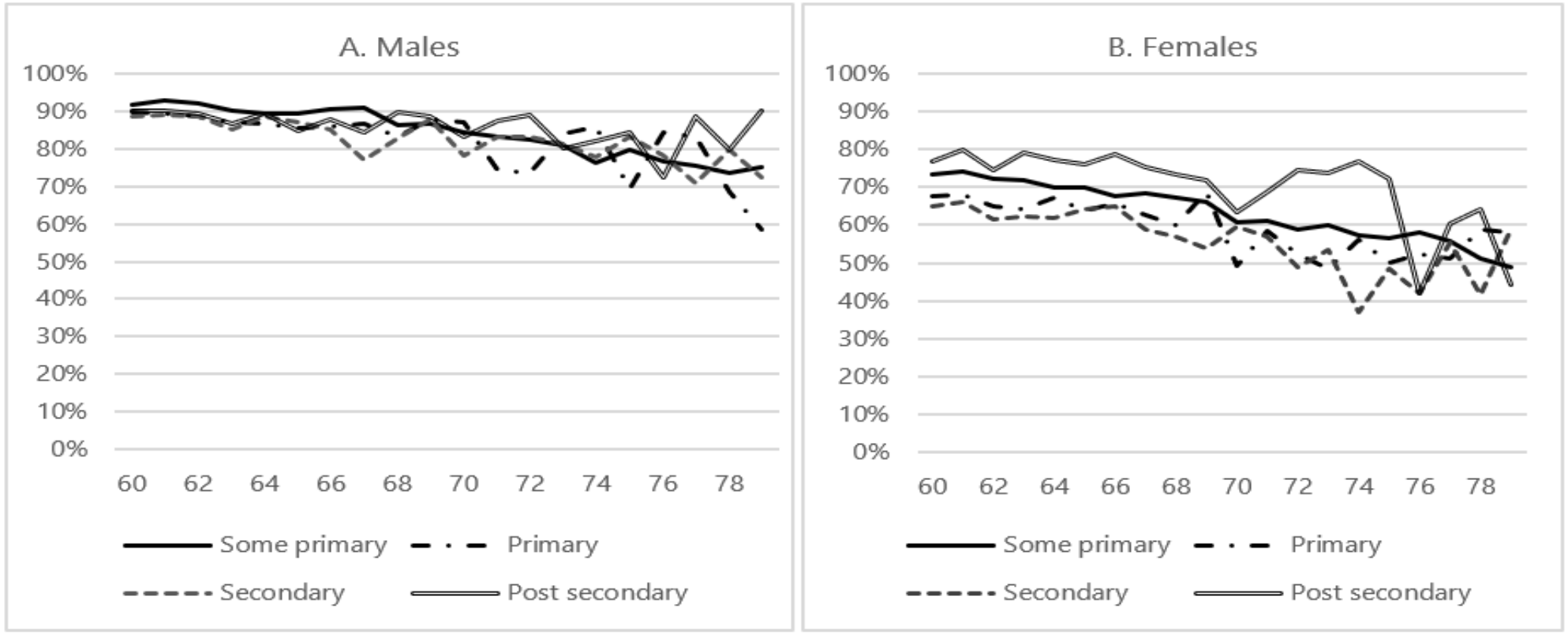
Females



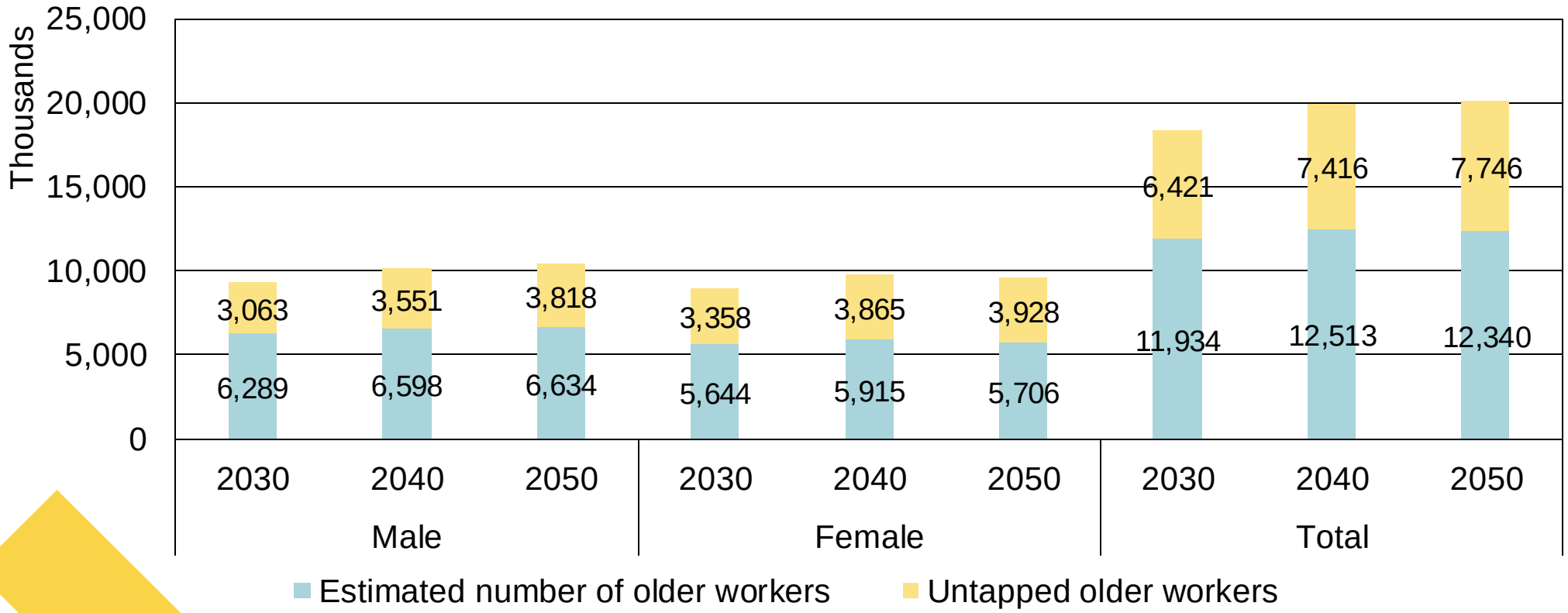
Actual number of workers and untapped work capacity in 2017, 60-79 years, Thailand (Unit: in thousands)



Estimated employment rate for males and females aged 60-79 years by education, 2017, Thailand



Estimated number of older workers and untapped capacity, overall and by sex, 2030-2050, Thailand



Potential economic impact

Case 1: The 2019 NTA income profile

Case 2: A minimum wage of 45 Baht per hour

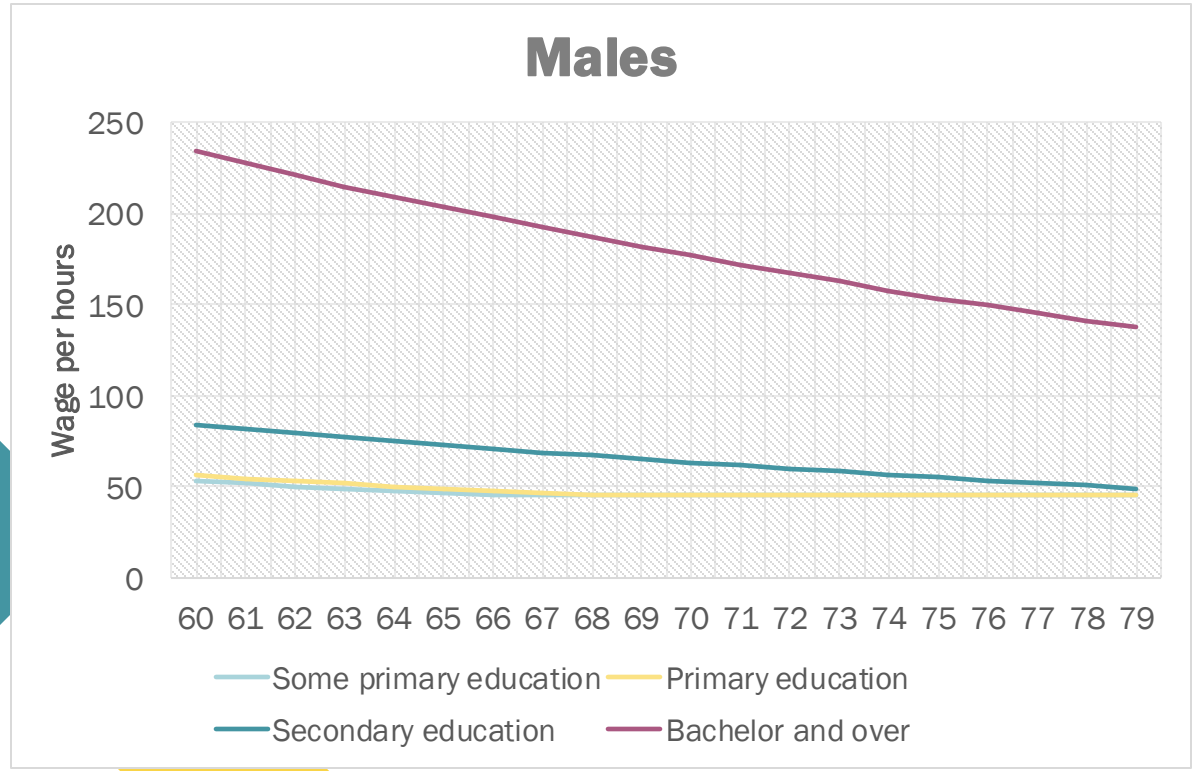
Case 3: Education compositions + The 2019 NTA income profile

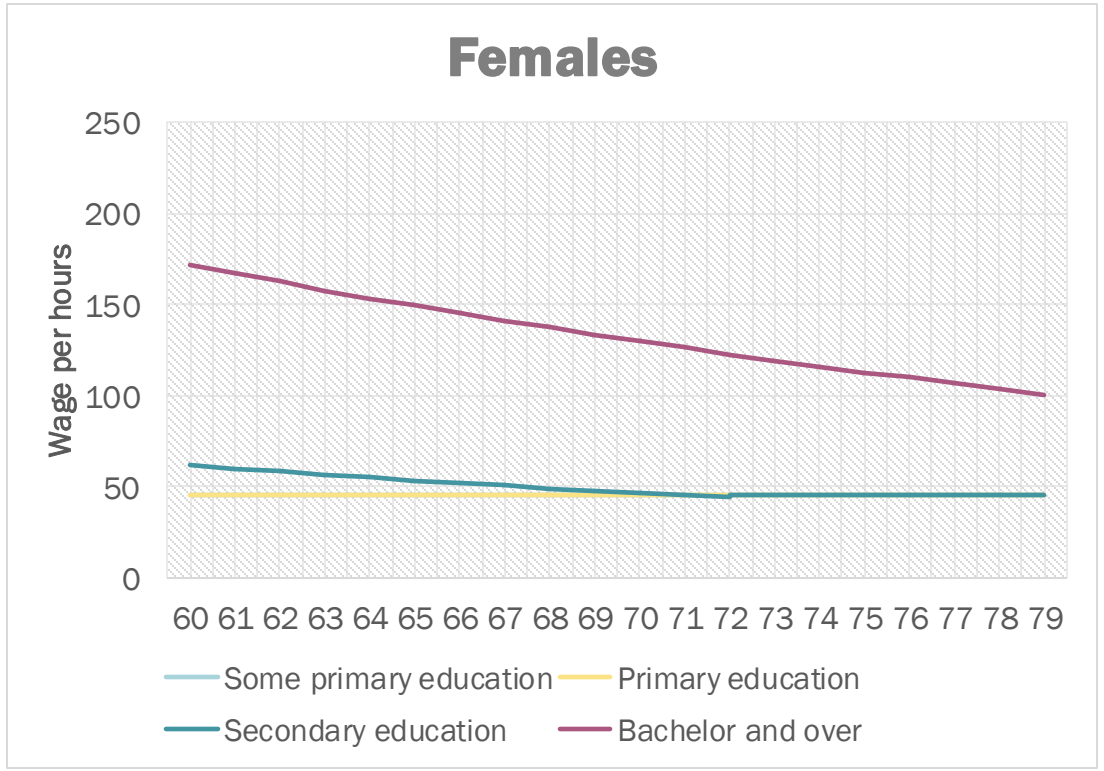
Case 4: Education compositions + The minimum wage of 45 Baht per hour

Case 5: Education compositions + Estimated wage per hour by education

All results are presented in relative to the GDP for Thailand 2019

Estimated wage per hour for males and females aged 60-79 years by education, Thailand





Additional GDP gains as a percentage of the 2019 GDP

	2017	2030	2040	2050
Case 1: Baseline	0.61	1.14	1.16	1.14

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Case 2: Minimum wage	1.26	2.76	3.06	2.97

Additional GDP gains as a percentage of the 2019 GDP

	2017	2030	2040	2050
Case 1: Baseline	0.61	1.14	1.16	1.14
Case 2: Minimum wage	1.26	2.76	3.06	2.97
Case 3: Education & NTA income 2019		1.46	1.60	1.73

Additional GDP gains as a percentage of the 2019 GDP

	2017	2030	2040	2050
Case 1: Baseline	0.61	1.14	1.16	1.14
Case 2: Minimum wage	1.26	2.76	3.06	2.97
Case 3: Education & NTA income 2019		1.46	1.60	1.73
Case 4: Education & Minimum wage		3.23	3.73	3.90

Additional GDP gains as a percentage of the 2019 GDP

	2017	2030	2040	2050
Case 1: Baseline	0.61	1.14	1.16	1.14
Case 2: Minimum wage	1.26	2.76	3.06	2.97
Case 3: Education & NTA income 2019		1.46	1.60	1.73
Case 4: Education & Minimum wage		3.23	3.73	3.90
Case 5: Education & Estimated wage*		5.92	6.94	9.16

Caveats

- Estimated number of untapped workers depends on the supply, which may not accurately reflect the market demand.
- The projected number of untapped older workers is derived from the demographic characteristics of 50-59-year-old working adults in 2011, 2012, and 2017. This estimate may be underestimated given the overall improvement in health observed within this demographic.
- Further into the future, uncertainty increases.
- There are additional aspects that can be considered besides economic aspect.

Policy Recommendation

Policy areas related to the 3DD

- Policy areas connected to the 3DD overlap with policy areas that generally come into play with population ageing, for example health, education, labour market, economic/fiscal and social policy.
- The "Madrid International Plan of Action on Ageing" (MIPAA) offers recommendations in multiple policy areas to help countries prepare for population aging, focusing on older persons' development, health, and supportive environments.
- Healthy aging is a vital component of the 3DD. The "UN Decade of Healthy Ageing" and its four areas of action are significant policy areas for productive population aging and older persons' well-being.
- Various policies are interconnected: labour force participation at older ages is influenced by lifelong factors such as education, health care, and labor market attachment.
- Thailand has taken actions with mainly two objectives: to extend working lives, and to promote lifelong learning skills and training

Existing policies related to the 3DD

- Thailand has taken **actions to extend working lives**, including financial incentives for hiring older workers and raising the retirement age for public sector employees.
- Diverse employment services are developed to assist senior workers, including needs surveys, senior expert registration databases, and financial support for entrepreneurial endeavors.
- **Lifelong learning** is promoted as a crucial measure to enhance productivity. Initiatives include elderly schools, flexible pathways to education and training, and digital literacy programs.
- **Broader policy initiatives** enhance social protection and income security for workers of all ages, including childcare allowances, universal education access, social assistance, and social insurance programs.
- Laws safeguard women's rights and prevent discrimination in employment, while minimum wage and working hour guidelines protect older worker.

Policy recommendations

- **Strengthen Social Protection and Public Health Throughout the Life Cycle**: Decrease the share of workers in informal employment by transitioning towards decent jobs offering universal social protection. Amend the Social Security Act to better cater to diverse workforce needs. Harmonize payment mechanisms to ensure equitable healthcare provision, maintaining health throughout the life cycle.
- **Support Life-long Education and Learning**: High-quality education and lifelong learning enhance employability. Focus on improving accessibility, teacher training, and higher education competitiveness.
- **Remove Barriers to Work**: Combat ageism and educate employers about the benefits of older workers. Improve incentives for both workers and employers, including age-friendlier workplaces.
- **Take a Life-Cycle Approach**: Policies should account for the accumulated advantages and disadvantages over the life course. Consider gender-specific life-course trajectories in policy design.

Thank you

Q&A