

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

**The Changing Support System
In Thailand**

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Topics

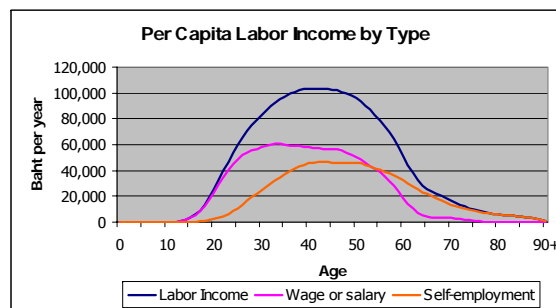
- National Transfer Flow Accounts: Thailand 2004
- Comparing NTA 1981 and 2004
- National Child and Youth Development Plans and existing support system for the elderly
- Anticipated future directly



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NTA Thailand 2004

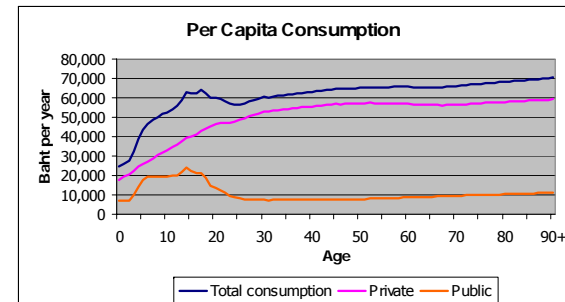
Per capita labor income



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NTA Thailand 2004

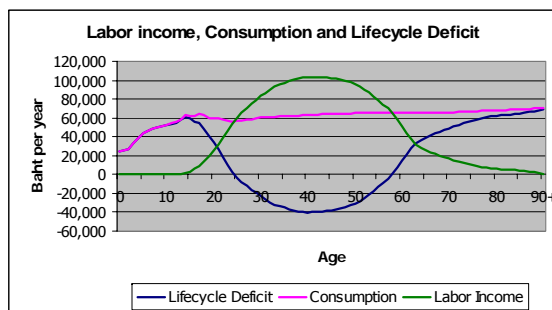
- Per capita consumption



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NTA Thailand 2004

- Lifecycle deficit



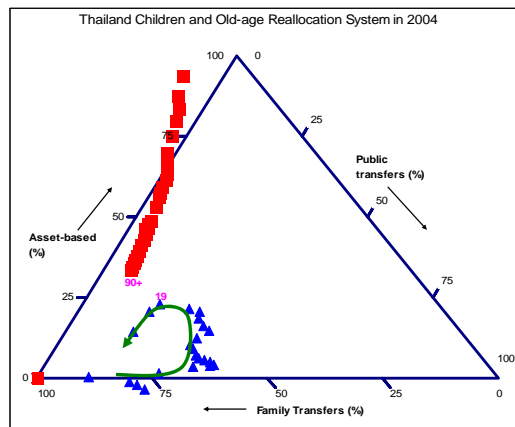
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NTA Thailand 2004

- 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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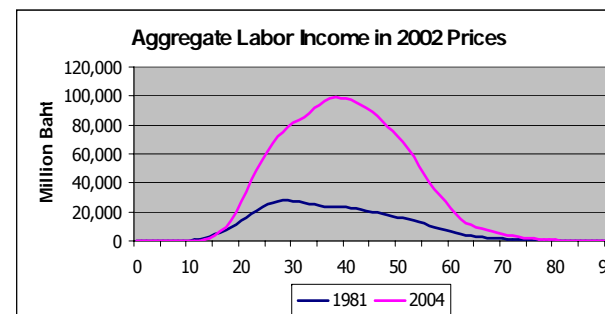
Age Reallocation in Children-Youth and The Elderly



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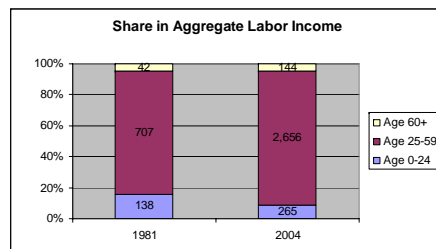
Changes between 1981-2004

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

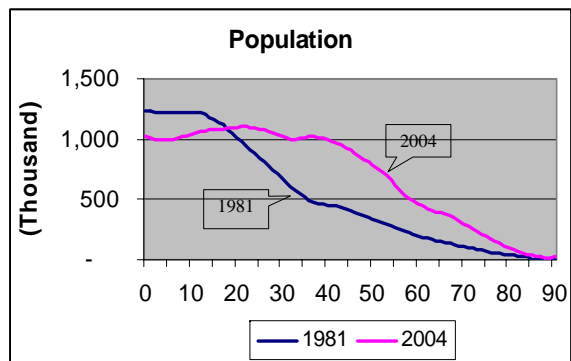


Changes in

- 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



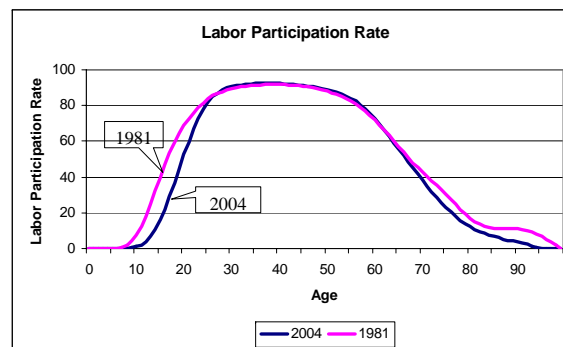
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Change in the age distribution of population

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



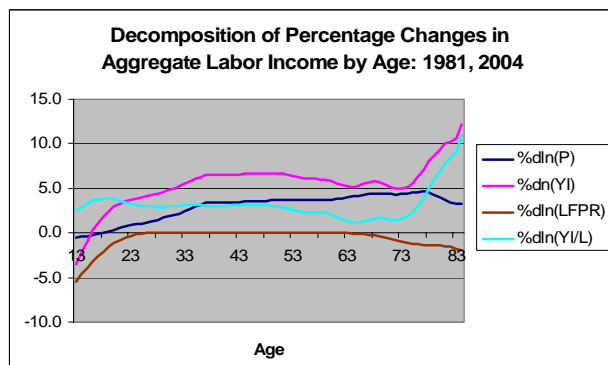
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Decomposition method

- $YI_i = (YI/L)_i \times (L/P)_i \times P_i$
 - $\ln(YI_i) = \ln((YI/L)_i) + \ln((L/P)_i) + \ln(P_i)$
 - $\%d \ln(YI_i) = \%d \ln((YI/L)_i) + \%d \ln((L/P)_i) + \%d \ln(P_i)$
- 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

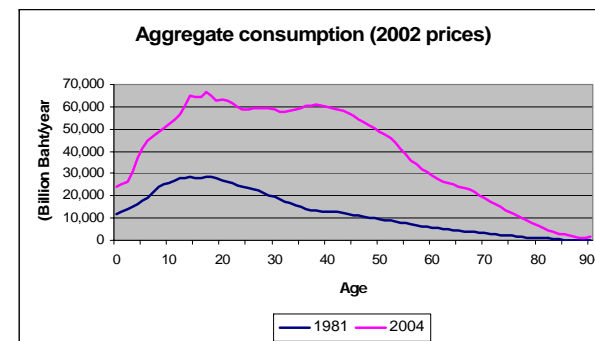
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Decomposition of percentage change in aggregate labor income



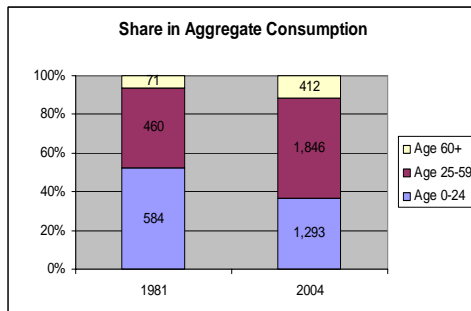
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Change in aggregate consumption



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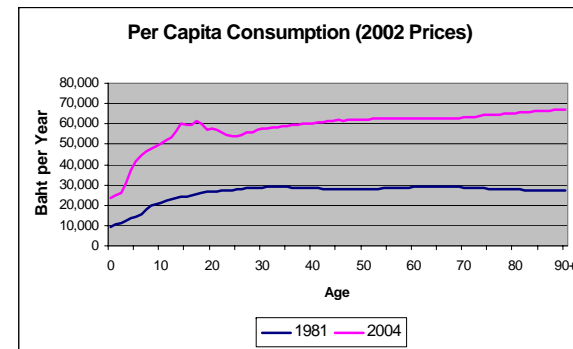
Change in the share of aggregate consumption



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

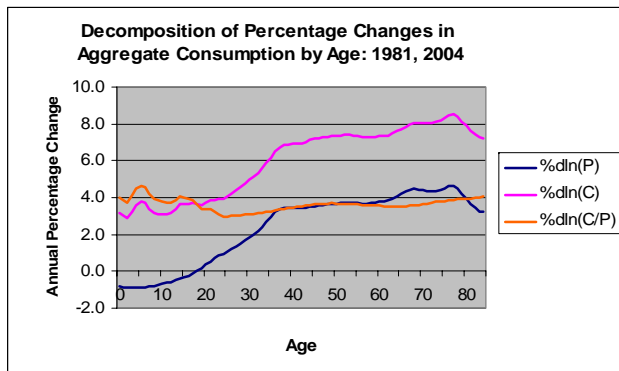
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Change in per capita consumption



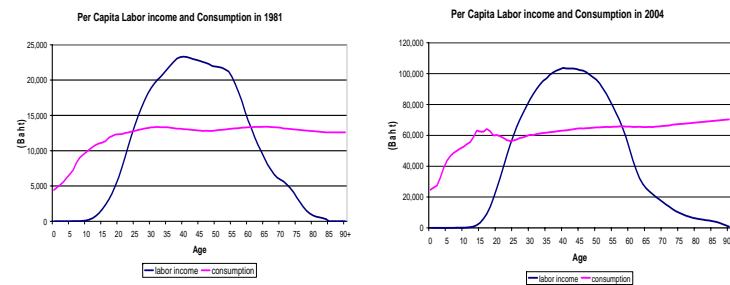
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Decomposition of percentage change in aggregate consumption



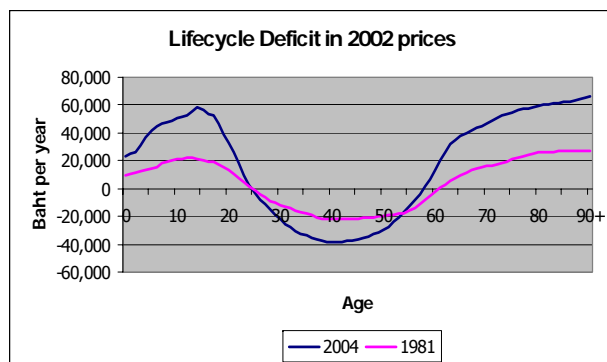
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Lifecycle deficit



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Per capita lifecycle deficit



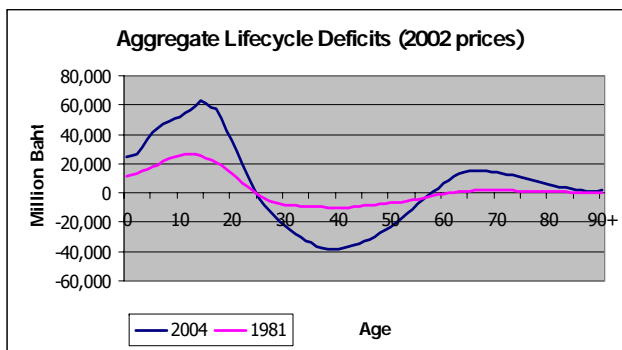
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Lifecycle deficit

- 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



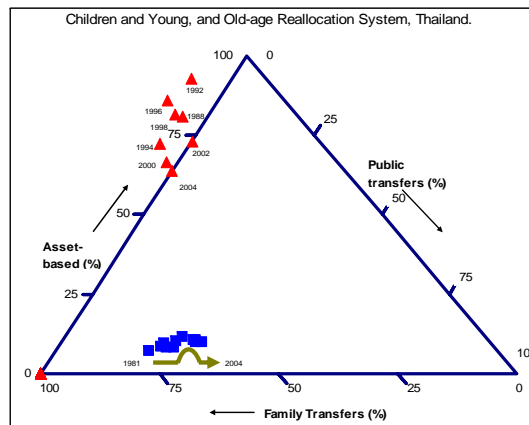
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Aggregate Deficit

- 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
	Provident fund (defined contribution, fully funded)	
Central Provident Fund (defined contribution, fully funded)	Pension (defined benefit, contribution, partially funded)	
Pension, (defined benefit, no contribution, PAYG)		
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