

Thailand Poverty Alleviation in Old-Age: Is Social Security the Answer?

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Abstract: Thailand as developing countries, attempts to alleviate poverty by using several recourses and programs. Social security system for old age can be the one measure that carryout this point. This paper described that demographic change is aging society which old age people (over 60 years old) is more than 10 percent of population. According to the condition of social security system for old age that the age 55 with at least 15 years (180 months) of contribution, they will get pension at least 1,800 baht/month. This pension is higher than the national poverty line (1,678 baht/month in 2010). This evidence shows that social security can be the one measure which alleviates economic problem and poverty problem. Whereas Thailand is aging society and also poverty line is increasing, the social security office should carefully implement policy for stability of the old age reserve fund in order to guarantee for poverty alleviation. The policy adjustment, which are 1) the rate of contribution 2) the rate of old age benefit 3) the define of monthly wage rate and period of time which calculated for the old age benefit 4) the retirement age 5) the wage base (the minimum and maximum monthly wage earning for contribution) 6) the alternative investment, these would be effect to old age reserve fund and old age benefit of employee.

Keywords: Poverty alleviation, Social security, Thailand.

I. INTRODUCTION

Thailand social security is the government program which provides economic assistance to persons faced with unemployment, disability or agedness. It is financed by assessment of employees, employers and government.

For agedness, social security system is old-age fund which provides for members who save money while they are working and earning salary, then they will get pension or grant after retirement. As this system, old-age fund is the one measurement of government which alleviates economic problem or poverty problem for old-age as they get an income guarantee for security life.

II. AN OVERVIEW REGULATORY FRAMEWORK OF THAILAND SOCIAL SECURITY IN OLD-AGE

Thailand, the first social security act was on 3rd September 1990 (B.E.2533) and was implemented in 1991 and 1998, with amendments. Type of social security program is social insurance system and covers employees aged 15 to 60. The minimum and maximum monthly earnings for contribution calculation purposes are 1,650 baht and 15,000 baht.

Social security in Thailand excludes 1) employees of foreign governments or international organizations 2) agricultural, forestry, and fishery employees 3) temporary and seasonal workers and 4) Thai citizens working abroad. Thailand social security has special systems for judges, civil servants, employees of state enterprises, and employees of private schools.

The social security system provides 7 benefits for insured including 1) sickness benefit 2) invalidity benefit (both related and non-related injury and sickness) 3) maternity 4) death 5) child allowance 6) old-age and 7) unemployment benefit.

The condition of old-age pension is age 55 with at least 180 months of contributions. If a pensioner starts a new job, the pension is suspended until the end of employment. In case, old-age settlement is age 55 with at least 12 months but less than 180 months of contributions then employees get old-age grant.

Old-age benefit is defined as following

1) The pension is for age 55 with at least 180 months of contributions, is equal to 20% of the employee's average monthly wage in the last 60 months before retirement. Old-age pension increment, if the employee has paid contributions exceeding 180 months when reaching the pensionable age, the benefit is increased by 1.5% of the employee's average monthly wage in the last 60 months for each 12-month period of contributions exceeding 180 months. Old-age pension = [20%+1.5%*each 12 month period of contributions exceeding 180months] the employee's average monthly wage in the last 60 months

2) The grant is for age 55 with at least 12 months but less than 180 months of contributions, is amount of employee and employer contributions plus benefit from investment of social security fund. Old-age grant = Employee contribution + Employer contribution + Investment return of social security fund

III. AN OVERVIEW DEMOGRAPHIC SITUATION IN THAILAND

Thailand demographic situation is aging society since people are over 60 years more than 10% of population. The population is estimated to be 67,912,000 in 2012. The adult age (15-59 years) accounts for 67.64% of total population, while group of over 60 years account for 12.68% of the total population. The projection of population, in 2030 group of over 60 years increase rapidly and account for 25.12% of total population as shown on table1 below.

Age (year)	2000	2002	2004	2006	2008	2010	2012*	2016*	2020*	2024*	2028*	2030*
< 15	15344	15209	14975	14705	14297	13803	13370	12665	11655	10808	9966	9535
	(24.66)	(23.77)	(23.21)	(22.43)	(21.51)	(20.51)	(19.69)	(18.30)	(16.63)	(15.32)	(14.11)	(13.50)
15-59	41630	42032	43011	43934	44790	45499	45933	46324	46173	45324	44060	43350
	(66.92)	(65.69)	(66.65)	(67.00)	(67.37)	(67.59)	(67.64)	(66.92)	(65.87)	(64.25)	(62.38)	(61.38)
> 60	5838	6178	6546	6935	7394	8011	8609	10234	12272	14415	16610	17744
	(9.38)	(9.66)	(10.14)	(10.58)	(11.12)	(11.90)	(12.68)	(14.78)	(17.51)	(20.43)	(23.51)	(25.12)
Total	62212	63982	64531	65574	66482	67313	67912	69222	70100	70547	70636	70629
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)

Table.1: Thailand demographic change in 2000-2030 Unit: Thousand persons

Source: Office of National Economic and Social Development Board (NESDB)

() : percentage of total population

* : data projection

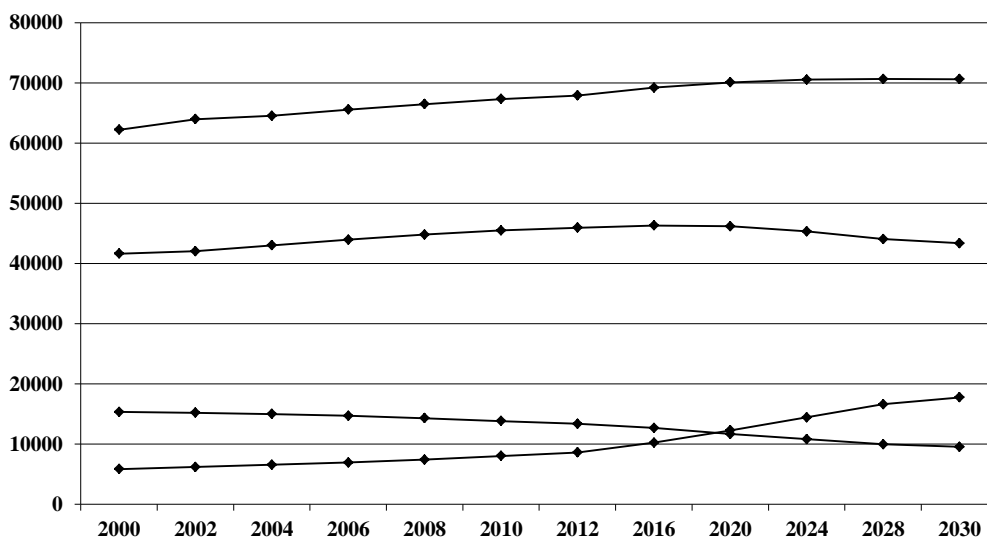


Figure.1: Thailand demographic change in 2000 – 2030 Population (thousand persons)

IV. AN OVERVIEW POVERTY IN THAILAND

Thailand uses poverty line classified poor people- people living on or below the poverty line as persons whose income is 1,678 baht/month or less in 2010.

Table2 shows that during 8 years population increase from 59.9 million to 65.5 million, while number of poor people decrease from 12.6 million to 5.1 million in 2000 and 2010.

Table.2: Poverty line, population, number and percent of poor people during 2000 - 2010

	2000	2002	2004	2006	2007	2008	2009	2010
Poverty line (baht/month)	1136	1190	1242	1386	1493	1579	1586	1678
Number of Poor People (million)	12.6	9.1	7.0	6.1	5.4	5.8	5.3	5.1
Population (million)	59.9	61.2	62.9	63.4	63.9	64.5	65.0	65.5
Percent of Poor People	20.8	14.93	11.16	9.56	8.48	8.95	8.12	7.75

Source: Social and Quality of Life Database System, Office of National Economic and Social Development Board (NESDB)

Poverty line can be forecasted in assumption that constant growth rate of average poverty in year 2006-2010 as table 3.

Table.3: Projection on poverty line

	2006	2007	2008	2009	2010	2011*	2012*	2013*	2014*
Poverty line (baht/month)	1386	1443	1579	1586	1678	1780	1890	2010	2140
Growth rate of Poverty line (%)	11.6	4.1	9.4	0.5	5.8	6.3	6.3	6.3	6.3

Source: Office of National Economic and Social Development Board (NESDB)

*: data projection by assumed the constant growth rate of poverty line in 2006 - 2010

V. OLD-AGE BENEFIT AND POVERTY IN THAILAND

Nowadays, employees in social security system are 10,554,535 persons and average monthly wage of employee who contributes in social security system is 9,000 baht (300 baht/day). According to old-age condition, age 55 with at least 15 years (180 months) of contribution, they will get pension at least 1,800 baht/month (as Table 4), while the poverty line is 1,678 baht/month in 2010. As this average monthly wage (9,000 baht/month) the employee get old-age benefit more than poverty line. It shown that the social security (old-age benefit) is the one measurement which alleviates the poverty problem and economic problem as the employee get income guarantee for security life.

Table.4: Old-age benefit classified by monthly wage and period of contributions

Wage Base (baht/month)	Pension (baht/month)				
	Contribution 15 year	Contribution 20 year	Contribution 25 year	Contribution 30 year	Contribution 35 year
1650	330	454	578	701	825
9000	1800	2475	3150	3825	4500
10000	2000	2750	3500	4250	5000
15000	3000	4125	5250	6375	7500

VI. OUTLOOK FOR SOCIAL SECURITY

1. According to comparative between old-age benefit and poverty line, the social security is the one measurement which alleviates poverty. The projection of poverty line as shown table 3, it found that in the future the poverty line will increase while the social security benefit still is the same because of the same old-age benefit condition. For example, at the average monthly wage (9,000 baht/month), the employee get the same 1,800 baht/month for old-age benefit which less than poverty line account for 1,890 baht/month in 2012.

This evidence, the social security (old-age benefit) could not be the measurement for solving economic problem but still be the measurement for encourage saving. For fixed this problem, the condition of old-age benefit should be adjusted 1) the rate of contribution 2) the rate of old-age benefit 3) the define of monthly wage rate and period of time which calculated in the old-age benefit (change from average wage in the last 60 months to be average wage in all during period of contribution).

2. According to aging society, the group of over 60 years account for more than 10 % and more than 20% in 2024. This situation, the social security condition should b 1) extended the retirement age from 55 years to 60 or 65 years 2) adjusted the rate of old-age benefit so that employee will get more benefit which more than poverty line. For example table 4, at the same average monthly wage (9,000 baht/month), if the retirement age is 55 years, the employee will get benefit 1,800 baht/month. Then extend the retirement age to 60 years or 65 years, the employee will get benefit 2,475 and 3,150 baht/month consequently. By the way, the contribution of the retirement age should be adjusted the wage base (the minimum and maximum monthly wage earning for contribution) from 1,650-15,000 baht/month to 9,000-25,000 baht/month which relevant the economic situation in the present time.

3. According to the old-age reserve fund situation, the reserve fund will be deficit (expenditure more than income) in 2035 and the reserve fund will be depleted in 2044 as table 5 below.

Income = Contribution + Investment Return

Expenditure = Pension + Grant

Balance of Reserve Fund (Surplus/Deficit) = Income – Expenditure

Table.5: Income expenditure of old-age reserve fund

Year	Income (million baht)	Expenditure (million baht)	Reserve Fund (million baht)	Year	Income (million baht)	Expenditure (million baht)	Reserve Fund (million baht)
1999	10429	1.30	10428	2011	91403	4488	740054
2000	19930	24.85	30333	2015*	130189	9655	1168879
2001	23308	78.19	54553	2020*	200508	21714	1939328
2002	27363	152.34	82089	2025*	301010	67970	3008805
2003	41769	339.04	126355	2030*	421751	207919	4162932
2004	47031	567.64	171180	2034*	513428	448322	4698500
2005	53371	864.77	285897	2035*	532820	535648	4695673
2006	63204	1149.57	342441	2036*	549641	633716	4611598
2007	69228	1652.18	415917	2040*	578840	1136335	3174111
2008	75192	2263.54	467478	2044*	508605	1866776	-933455
2009	75037	2727.44	554668	2045*	467676	2093755	-2559534
2010	86458	3190.81	653139	2046*	414795	2339567	-4484306

Source: The Social Security Office

*: data projection

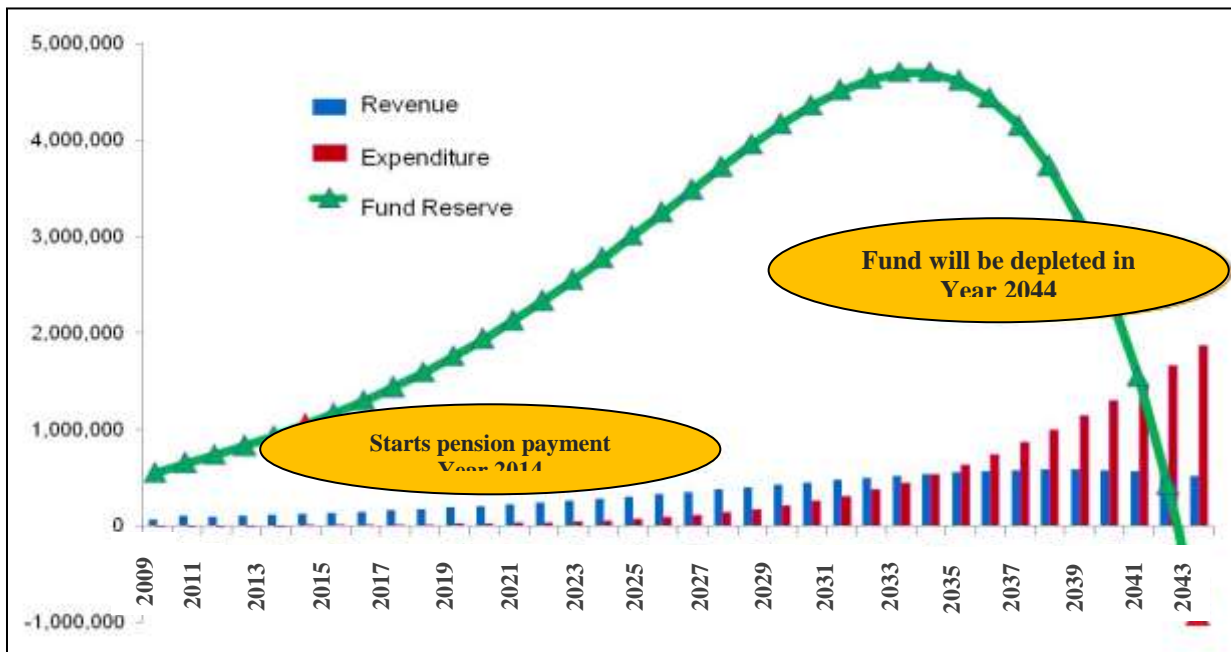


Figure.2: Old-age pension projections

Source: The Social Security Office

This critical situation which the reserves fund is depleted, the social security condition should be adjusted in both income side and expenditure side. Income side, it should 1) increase in investment return such as seeking for alternative investment in long term or global investment as well that provides high rate of return, consistent return and matches with future pension obligation, 2) increase the rate of contribution.

VII. CONCLUSION

Social security in old-age can be the one measure that carryout poverty alleviation. At the present time, Thailand is aging society and also poverty line is increasing, the social security office should carefully implement each policy for stability of the old-age reserve fund and income guarantee for poverty alleviation and security life of employee. As policy adjustment, which are 1) the rate of contribution 2) the rate of old-age benefit 3) the define of monthly wage rate and period of time which calculated in the old-age benefit 4) the retirement age 5) the wage base (the minimum and maximum monthly wage earning for contribution) and 6) the alternative investment, these would be effect to old-age reserve fund and old-age benefit of employee.

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