

# Old-Age Allowance System in Thailand



**Worawet Suwanrada**  
**Associate Professor, Faculty of Economics**  
**Dean, College of Population Studies**  
**Chulalongkorn University**



**จุฬาลงกรณ์มหาวิทยาลัย**  
**Chulalongkorn University**  
Pillar of the Kingdom

**Recent Developments in the Role and Design of Social Protection Programmes**  
**A Policy Dialogue, Expert Workshop and South-South Learning Event**  
**December 3-5, 2012, Hotel St. Paul Plaza, Brasilia, Brazil**



# Presentation

- Sakunphanit T. and W. Suwanrada (2011). ‘500 Baht Universal Pension Scheme’, in United Nations Development Programme (eds), *Sharing Innovative Experiences: Successful Social Protection Floor Experiences*. New York, Special Unit for South-South Cooperation, 401-415.
- Suwanrada, W. (2009) ‘Poverty and Financial Security of the Elderly in Thailand’, *Ageing International*, Volume 33 No. 1-4, 50-61
- Suwanrada W. and W. Dharmapriya (2012). ‘Development of the Old-Age Allowance System in Thailand: Challenges and Policy Implications’ in Sri Wening Handayani and Babken Babajanian (eds) *Social Protection for Older Persons: Social Pensions in Asia*. Philippines, Asian Development Bank, 153-167.



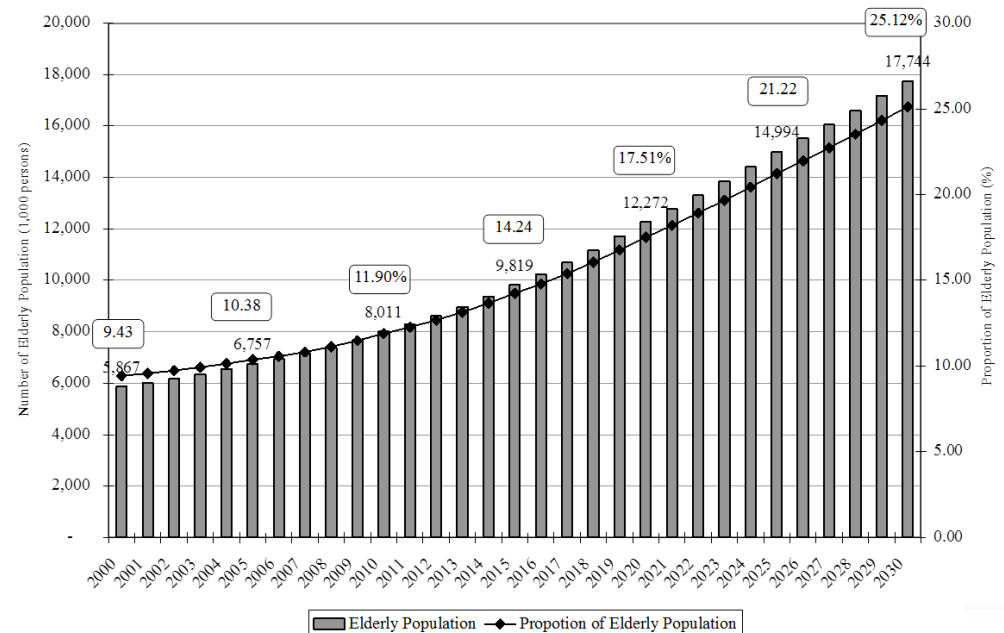
# Overview of the presentation

- Introduction: Factors Surrounding Old-Age Allowance
- Current Situation of OAA System in Thailand
- Brief History and Development of OAA System
- Lessons Learnt from Thailand's OAA



# Introduction

- **Population Aging in Thailand**
  - 2010 Census: the elderly population (60 years of age and up) 8.5 millions, 13.2% of total population
  - Rapid fertility decline in last 50 years.





## Introduction

- **2007 Constitution**
- **Section 53** The elderly who is older than 60 years old and does not have enough income for daily living, has entitlement to get welfare and other support from state.
- **Section 84** The government must provide saving (or pension) system for all citizens and government officials.





## Introduction

- **Financial security in old-age has been heavily focused in last five years.**
  - **2008: from means-tested system to universal coverage old-age allowance system**
  - 2011: National Saving Fund Act B.E. 2011 (informal sector)
  - 2011: Expansion of benefits package to informal sector population by Social Security Fund
  - **2012: Multiple rate old-age allowance**
- **Legal Basis:** Ministry's Order not "Act", easy to be changed.

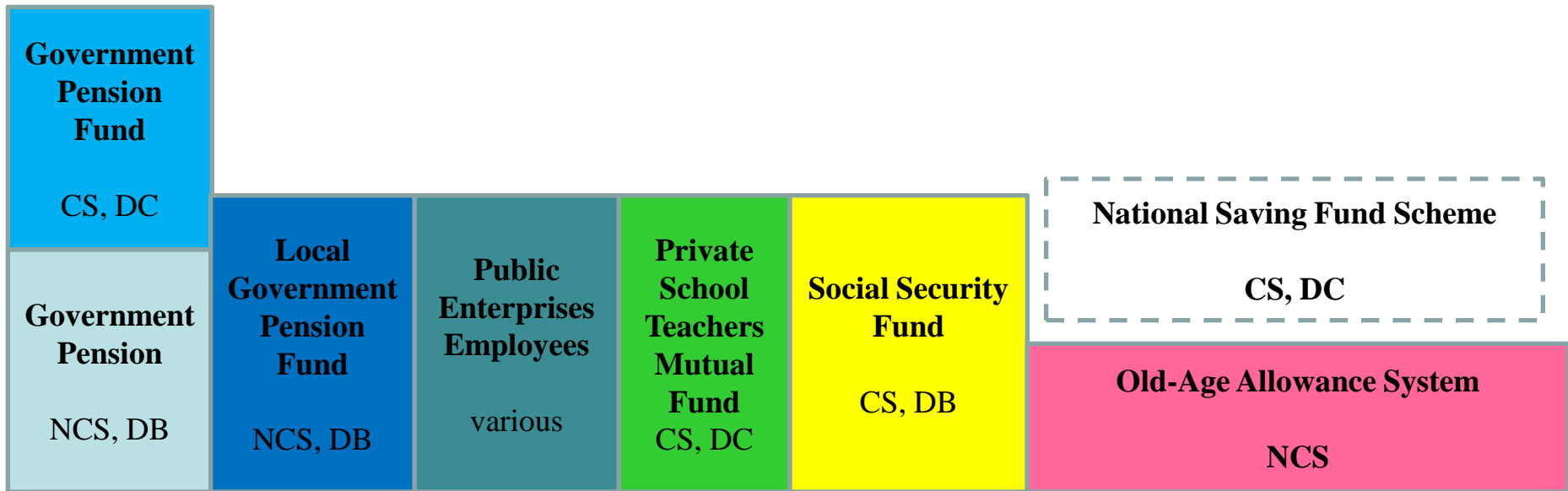
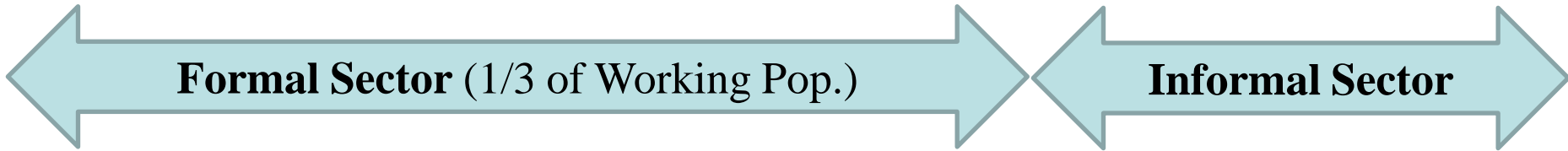


## Introduction

- **Importance of the Old-age Allowance for the Elderly as Main Source of Income for the Elderly**
  - The 2007 Survey of the Older Persons in Thailand (NSO)
    - **24.4% of the elderly as recipients.**
    - 2.8% of the elderly utilized it as main source of income
  - The 2011 Survey: **More than 80% of the elderly as recipients.**
  - Utilization: Not only for basic consumption, but for social occasions (including religious activities) expenses, grandchildren.
- **Old-Age Allowance System coexists with other public pension schemes.**
  - **How to position on the entire picture of public pension policy?**
  - **How to harmonize?**



# Introduction: Entire Picture of Public Pension Scheme in Thailand



CS=Contributory System, NCS=Non CS, DC=Defined Contribution, DB=Defined Benefits





# Current Situation of OAA System in Thailand

- **Universal Coverage from 2009** (Registration-based Approach)
  - **Legal Basis**
    - the Order of Ministry of Interior on the Payment of Old-Age Allowance by Local Authorities B.E. 2552 (2009)
- **Department of Local Administrative Promotion: Budget Setting**
- **Local Authorities: Registration and Benefits Delivery**
- **Qualifications of Beneficiaries**
  - Thai nationality
  - Registering residency in relevant local authorities
  - Being 60 years or older and registering and applying for old-age allowance to the local authorities
  - **Must not be receiving a pension or equivalent benefits from national governmental organizations, public enterprises or local authorities**



# Current Situation of OAA System in Thailand

- Amount of Benefits (changed in 2012)

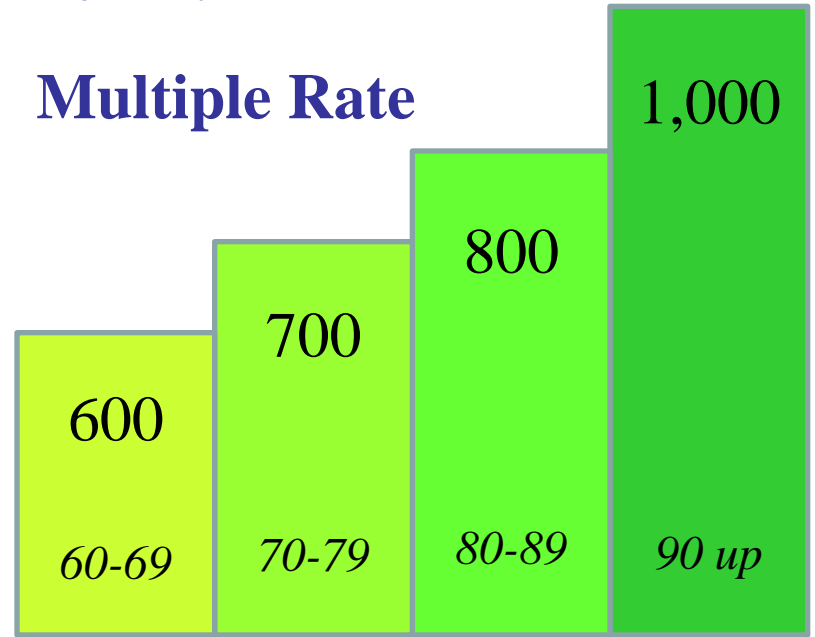
2009-2011

Flat Rate



2012-?

Multiple Rate



500 THB/month/head

*For all elderly (60 years of age +)*

*FY 2012: Average 645 THB*



# Current Situation of OAA System in Thailand

- **Registration:**

- **Necessary Documents:** identification card, inhabitanancy registration book, bank account (if applicable) and proxy form (if applicable)
- Registration procedure is conducted once a year in November at **Local Authorities Office or Mobile Unit**

- **Delivery Process:**

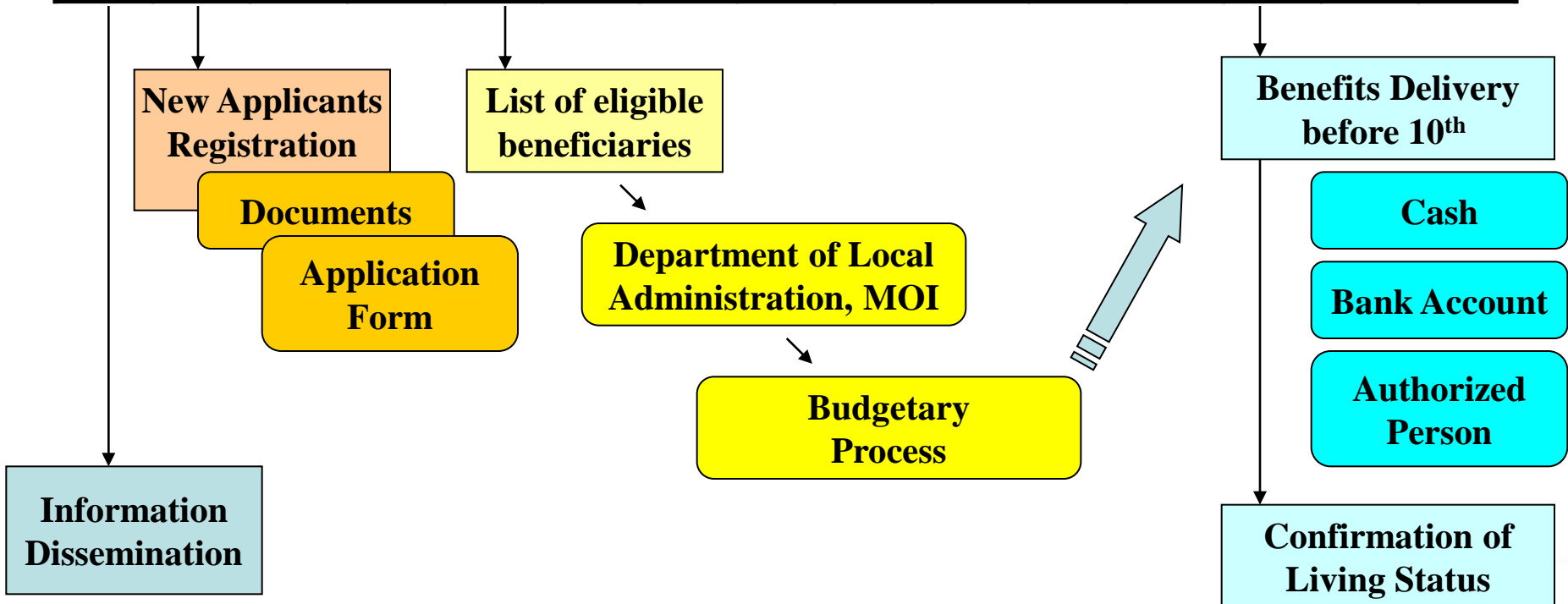
- to receive cash directly from the local authority office,
- to designate an authorized representative to receive cash directly from the local authority office,
- to have the pension transferred to the elderly person's bank account,
- to have the pension transferred to a bank account of an authorized representative.



# Current Situation of OAA System in Thailand



Year t-1			Year t											
10	11	12	1	2	3	4	5	6	7	8	9	10	11	12

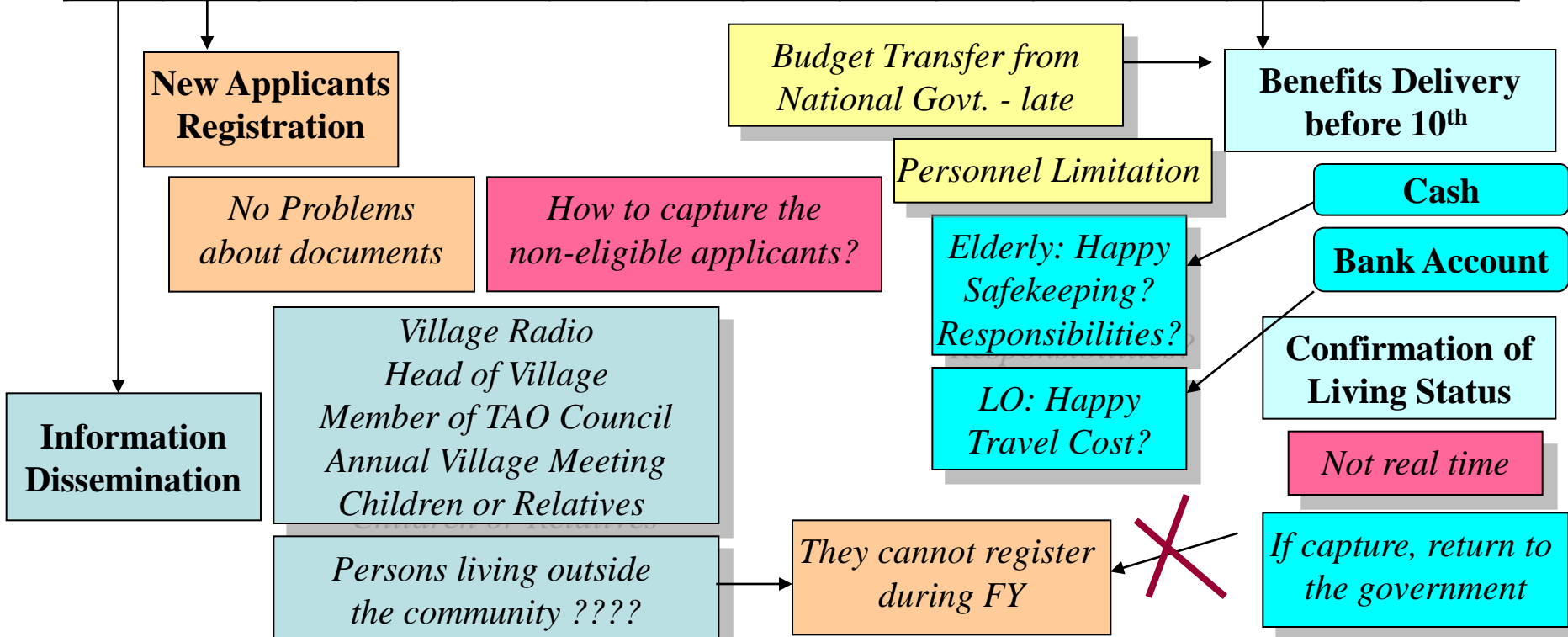




# Current Situation of OAA System in Thailand

Suwanrada and Dharmapriya (2012)

Year t			Year t+1											
			Fiscal Year t+1									Fiscal Year t+2		
10	11	12	1	2	3	4	5	6	7	8	9	10	11	12







# Current Situation of OAA System in Thailand

- **Number of Beneficiaries (after change to multiple rate)**
  - Fiscal Year 2012: 6,784,734 recipients
  - Fiscal Year 2013: 7,342,028 recipients (estimated)
- **Budget**
  - Fiscal Year 2012: 52,535 millions THB
  - Fiscal Year 2013: 58,347 millions THB (estimated) or 2.43% of Total National Budget (in Fiscal Year 2013)



## Brief History and Development of OAA System

- The old-age allowance system has been **launched in 1993** under the Department of Public Assistance (abbreviated as DPA hereafter), Ministry of Interior.
- The objective of the scheme is to provide financial assistance to the unprivileged elderly, defined as **a person at least 60 years of age without enough income to meet necessary expenses, or unable to work, or be abandoned, or with no caregivers.**
- Started in only specific areas. **Targeted only 20,000 older persons.**
- In the beginning, as the representative of DPA, **the villages' public welfare assistance committee** had the role in identifying eligible elderly.
- In the beginning stage, the amount of allowance was **only 200 THB per head per month.**



# Brief History and Development of OAA System

Year	Eligibility of Beneficiaries Thai Nationality, 60 years old +	Targeting Mechanism	Pension Amount
1993 National	A. Living in the villages, where the Village Social Assistance Center was located B. (i) abandoned (ii) without caregivers (iii) poor or (iv) cannot work	Village Social Assistance Committee (VSAC) nominates the name of beneficiaries according to assigned quota.	200 B
2000	B	VSAC and/or Local Authorities selected beneficiaries and made an ordered list	300 B
2002	B, C. elderly, with more characteristics above and cannot access to public services or live in remote area, are prioritized.	Local Committee: Members are more diversified. Regional and local officials, civil society, elderly, etc.	300 B

**1993-2004: National government played an important role.**



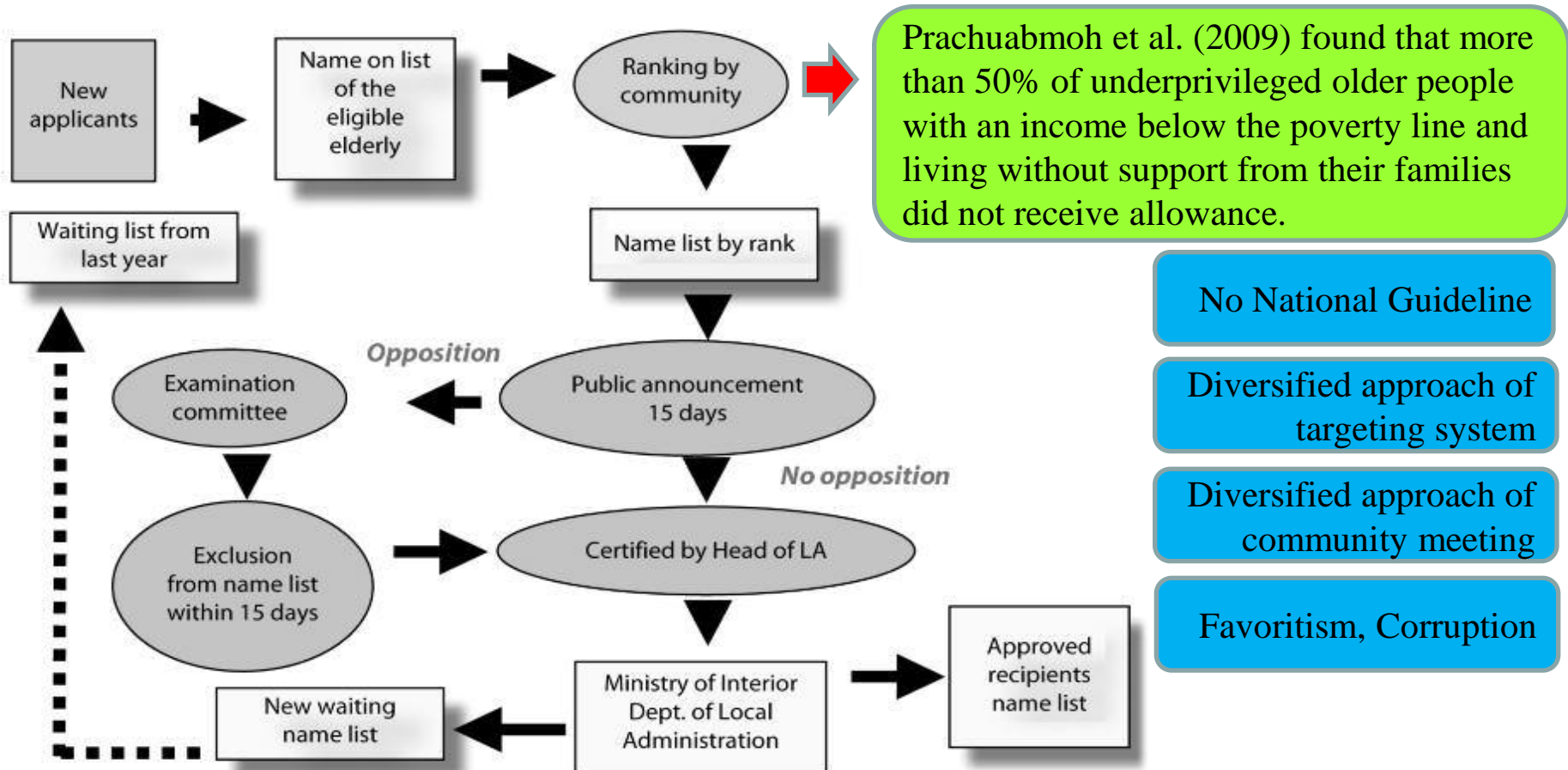
# Brief History and Development of OAA System

Year	Eligibility of Beneficiaries Thai Nationality, 60 years old +	Targeting Mechanism	Pension Amount
2005 Local	B. (i) abandoned (ii) without caregivers (iii) poor or (iv) cannot work	Community Council or Community Meeting ( <i>Prachakom</i> )	300 B
2006	C. The elderly, with more characteristics above and cannot access to public services or live in remote area, are prioritized.		500 B
2009	<i>Changed to Universal Coverage</i>		



# Brief History and Development of OAA System

## Targeting Process (Source: Suwanrada(2009) Sakunpanich and Suwanrada (2011))

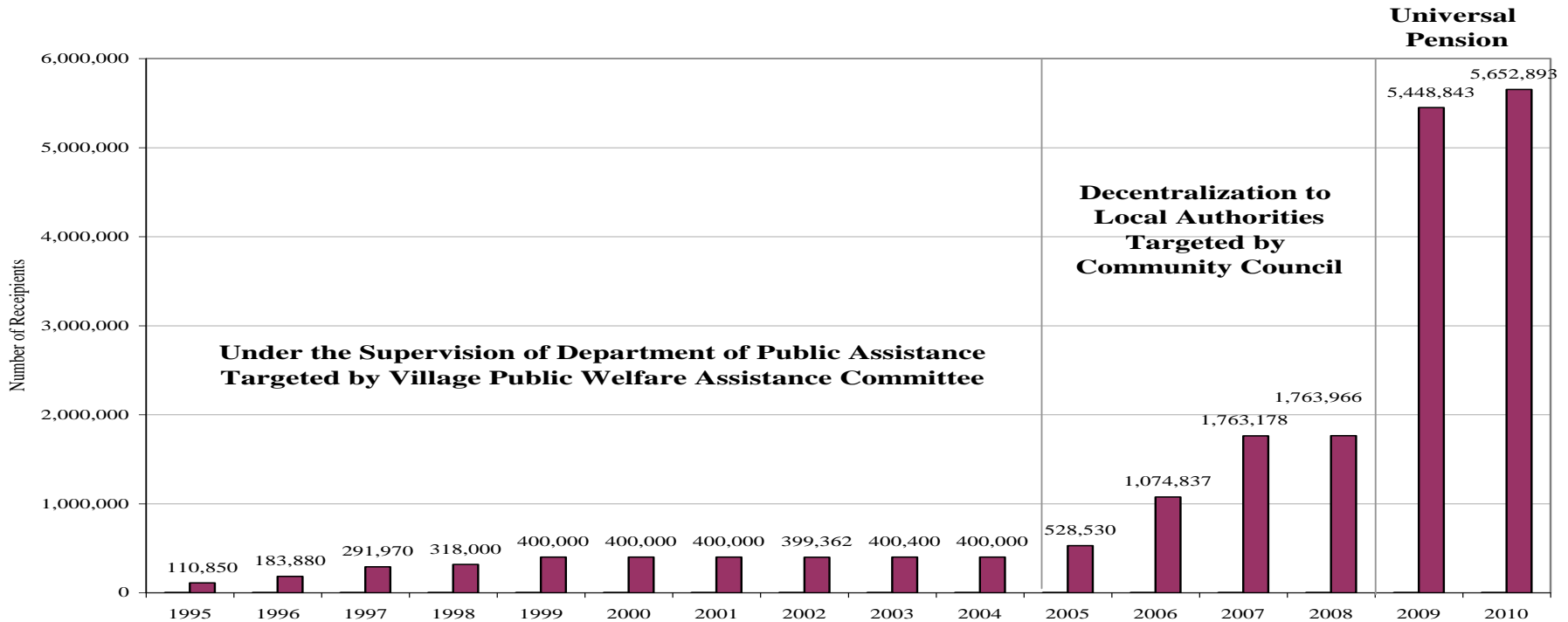






# Brief History and Development of OAA System

**The Number of Old-Age Allowance Recipients after 1995**



**Source:** Figure 2-1 in Suwanrada and Kamwachirapithak (2007) and Ministry of Social Development and Human Security



# Lessons Learnt from Thailand's OAA

- **Three Types of Lessons**
  - What can other countries learn from Thailand's experiences with the means-tested system (1993-2008)?
  - What can other countries learn from the change of direction to universal scheme (in 2009)?
  - What can other countries learn from the challenges of Thailand's current universal old-age allowance system, especially in the context of rapid population aging?



## What can other countries learn from **Thailand's experiences with the means-tested system (1993-2008)?**

- **Investing in a strong targeting system** is critical.
- **The collection of the information on the beneficiaries** is a necessary condition for policy design.
- Although, the government has delegated somewhat the authority on targeting to the local government and the communities, the **national guidelines** must be well designed in order to avoid the so-called horizontal inequality.
- **Clear and well defined rules for targeting process** (i.e. conditions for beneficiaries, who to target and how to target) must be done to minimize the targeting inefficiency.
- It must be kept in mind that, **decentralization and equity may be traded-off**.
- **Reference:** Suwanrada and Dharmapriya (2012)



## What can other countries learn from the change of direction to universal scheme (in 2009)?

- **A step-by-step approach:** from a small pension amount and small numbers of recipients and expanded them gradually.
- Prerequisite: the importance of **political will to change** and a political ideology with an appropriate emphasis on social justice
- The **interrelationship and team play** among **academics** including domestic and foreign academics, institutions and NGOs (creation of relevant knowledge through research), **civil society** (social learning and social movement) **and politicians** (political involvement) is important.
- **References:** Sakunphanit T. and W. Suwanrada (2011) and Suwanrada and Dharmapriya (2012)



## What can other countries learn from **the challenges of Thailand's current universal old-age allowance system?**

- **The design for social pension should be a part of a wider public pension system.**
- The government should show **the entire picture of pension policy of the country** and aim **to achieve a harmonized system**, which can financially secure older people and ensure fiscal sustainability of the government itself **better than fragmented schemes.**
- **Source of public fund:** In the context of population aging, the public expenditure on old-age allowance shall increase according the number of older population.
- **Reference:** Suwanrada and Dharmapriya (2012)





จุฬาลงกรณ์มหาวิทยาลัย  
Chulalongkorn University  
Pillar of the Kingdom



**THANK YOU FOR YOUR ATTENTION**

<http://www.cps.chula.ac.th>

[Worawet.S@chula.ac.th](mailto:Worawet.S@chula.ac.th) or [worawet@gmail.com](mailto:worawet@gmail.com)