Securing Old-age Income:
Preparedness of the Thai Pre-elderly

1

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OUTLINE

I.   Introduction (Objectives, Thailand's demographic profiles)

II.   World Bank's Multi-pillar Approach of the Old Age Income Supports

III.   Preparedness of the Thai Pre-elderly Population

       a)   Conceptual framework, Methodology, Source of data

       b)   Results: Preparedness Index (and components)

IV.   Discussion

I. INTRODUCTION

Objectives

- To assess preparedness of the pre-elderly population (aged 50-59 years) for securing their old-age income

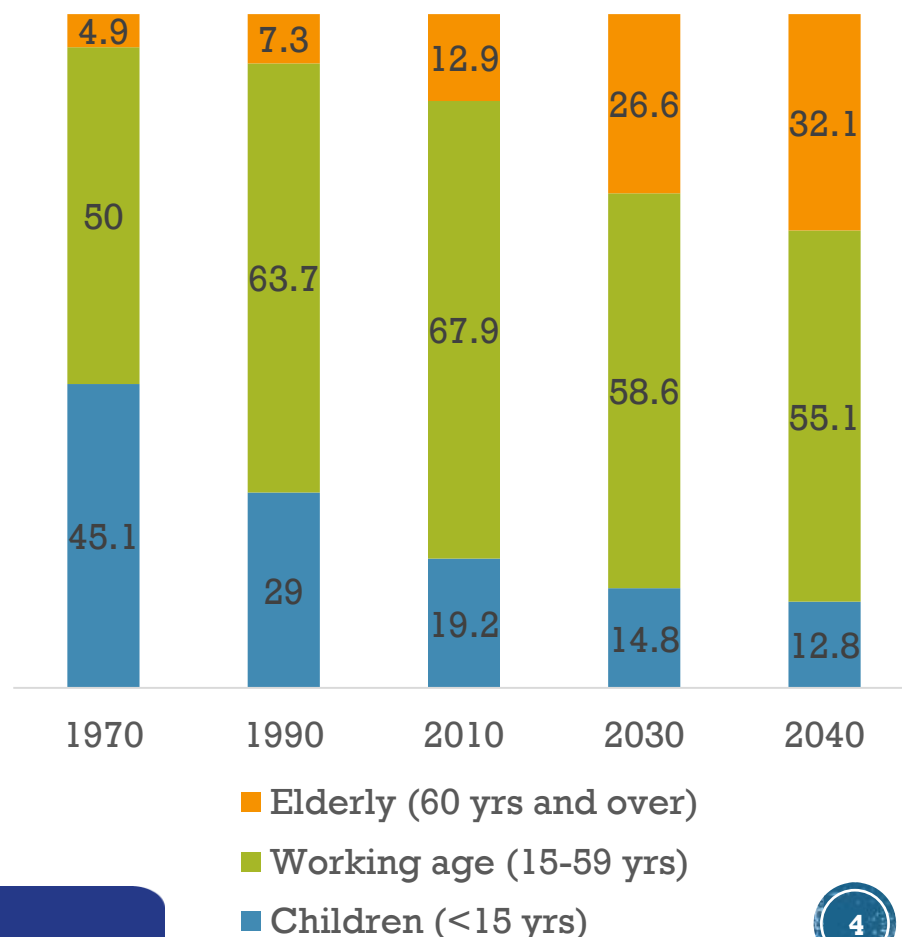- To discuss and provide recommendations for improvement of the situation.

I. INTRODUCTION

Changing population structure in Thailand

- Percentage of elderly was 12.9% of total 66 million population in 2010 (16.5% in 2016) which is projected to increase up to 26.6% in 2030.

- Median age in 2013 was 36 years old

- Proportion of aged population will exceed that of children in 2017

- Becoming "complete aged society" in 2021 and "super-aged society" in 2031

Population structure in Thailand (1970-2040)

Year	Elderly (60 yrs and over)	Working age (15-59 yrs)	Children (<15 yrs)
1970	4.9	50	45.1
1990	7.3	63.7	29
2010	12.9	67.9	19.2
2030	26.6	58.6	14.8
2040	32.1	55.1	12.8

- ■ Elderly (60 yrs and over)
- ■ Working age (15-59 yrs)
- ■ Children (<15 yrs)

I. INTRODUCTION

Thai Elderly

→ (in 2014) *Majority are young elderly aged 60-69, living in rural area, with low level of education (but improving)*

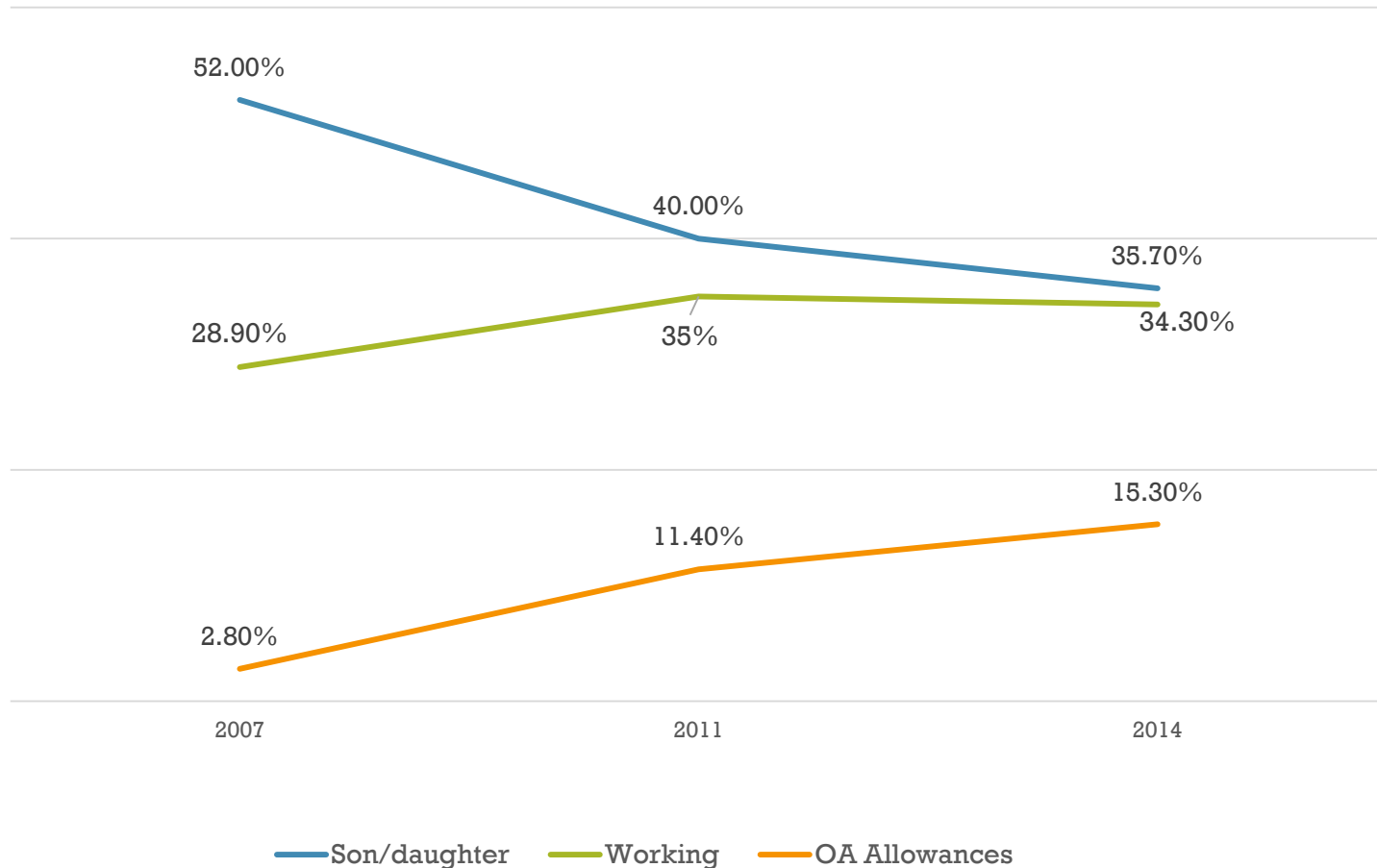→ *More engaging in the labour market, but mostly in the informal sector*

→ *Old-age income security is ...still an issue of concern*

*(*More living alone or with spouse, attaining income insufficiently, 1/3 lives in poverty, children are the main source of income… but less and less)

Source of income of the elderly
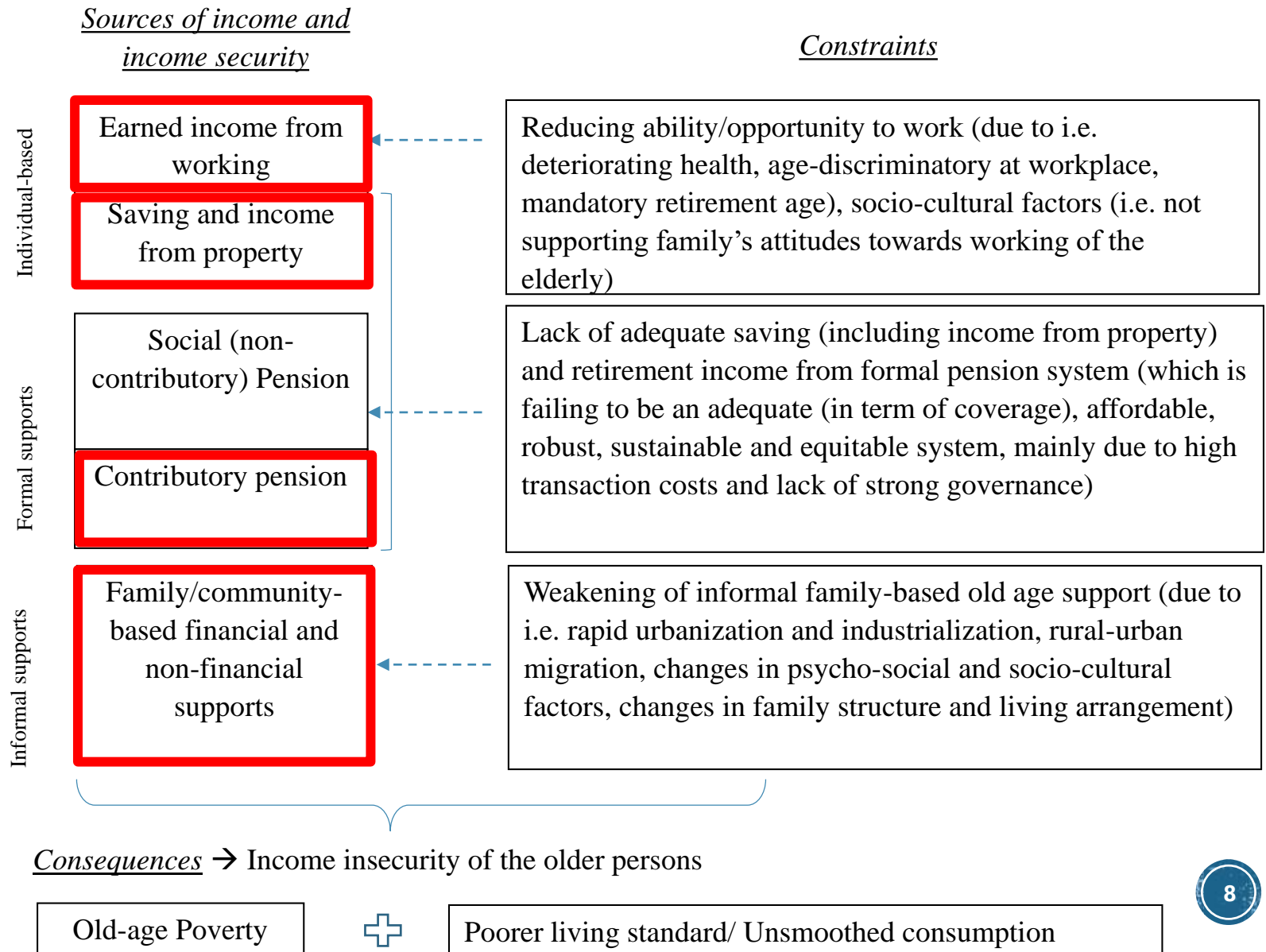
Main source of income

Legend: Son/daughter — Working — OA Allowances

Data points:
- Son/daughter: 52.00% (2007), 40.00% (2011), 35.70% (2014)
- Working: 28.90% (2007), 35% (2011), 34.30% (2014)
- OA Allowances: 2.80% (2007), 11.40% (2011), 15.30% (2014)

Years: 2007, 2011, 2014

6

II. The World Bank's Multi-pillar Approach of the Old Age Income Supports

Pillar	Objective	Characteristics	Participation	Funding/Financing method
Zero	Protecting the elderly from poverty	"Basic" or "social pension", minimum social welfare/assistance	means-tested or universal	Government general budget/ revenues
First	Protecting the elderly from poverty and smoothing their consumption	Public pension plan, publicly managed, defined benefit or defined contribution	Compulsory/ Mandated	Contributions, perhaps with financial reserves/subsidies (from employers and/or government)
Second	Protecting the elderly from poverty and smoothing their consumption through minimum pension	Occupational or personal pension plan, fully funded	Compulsory/ Mandated	Financial assets
Third	Smoothing consumption (supplementing other pillars)	Occupational or personal pension plan, partially or fully funded	Voluntary	Financial assets
Fourth	Protecting the elderly from poverty and smoothing their consumption (supplementing other pillars)	Access to informal supports, other non-financial social programs, and other individual financial and non-financial assets	Voluntary/ informal	Financial and non-financial assets/ informal sources

III. Preparedness of the Thai Pre-elderly Population

Old-age income supports and security in the contexts of low and middle income countries

Sources of income and income security

Constraints

Individual-based

Earned income from working

→ Reducing ability/opportunity to work (due to i.e. deteriorating health, age-discriminatory at workplace, mandatory retirement age), socio-cultural factors (i.e. not supporting family's attitudes towards working of the elderly)

Saving and income from property

Formal supports

Social (non-contributory) Pension

→ Lack of adequate saving (including income from property) and retirement income from formal pension system (which is failing to be an adequate (in term of coverage), affordable, robust, sustainable and equitable system, mainly due to high transaction costs and lack of strong governance)

Contributory pension

Informal supports

Family/community-based financial and non-financial supports

→ Weakening of informal family-based old age support (due to i.e. rapid urbanization and industrialization, rural-urban migration, changes in psycho-social and socio-cultural factors, changes in family structure and living arrangement)

Consequences → Income insecurity of the older persons

Old-age Poverty	✚	Poorer living standard/ Unsmoothed consumption

8

a) Conceptual framework, Methodology, Source of data

- Main source of income (W2)
- Working status (W1)
- **Earned income from Working/Pension**
- Pension coverage (W3)
- Owned house (SP3)
- **Preparedness (for old age income security)**
- Possesion of saving/Property (S1)
- **Familial support/Residence**
- **Saving/Property**
- Coresidence (SP2)
- Having children (SP1)
- Income adequacy (S3)
- Earned benefit from possessed saving/propoerty (S2)

a) Conceptual framework, Methodology, Source of data

Preparedness Index (P.I.) and its component:

Methodology:

　　Constructing composite Indexes with use of factor　analysis (PCA technique)

Source of data:

　　Thailand's National Elderly Survey 2007 and　　2014　　(Pooled Panel Data)

Target population:

　　Thai Pre-elderly aged 50-59 years (N=25,575 in 2007 and 31,199 in 2014)
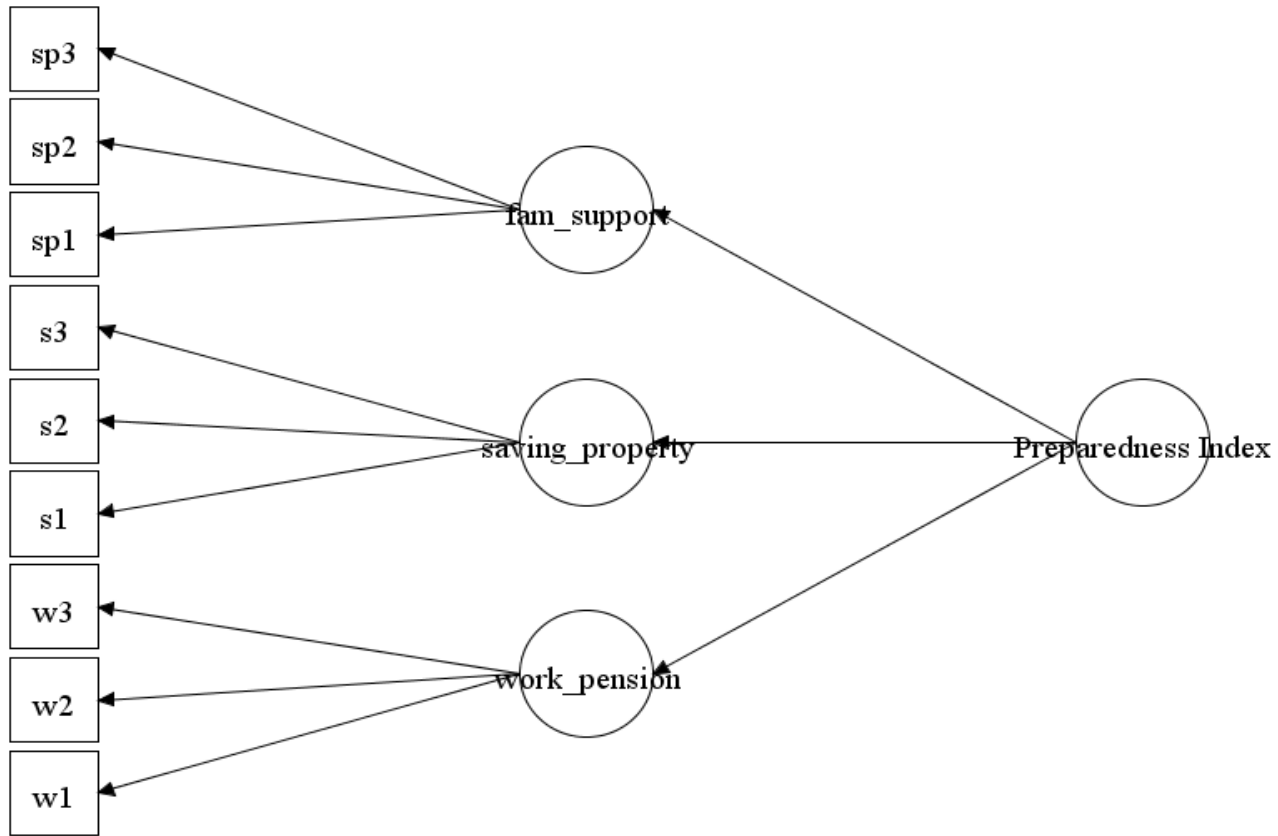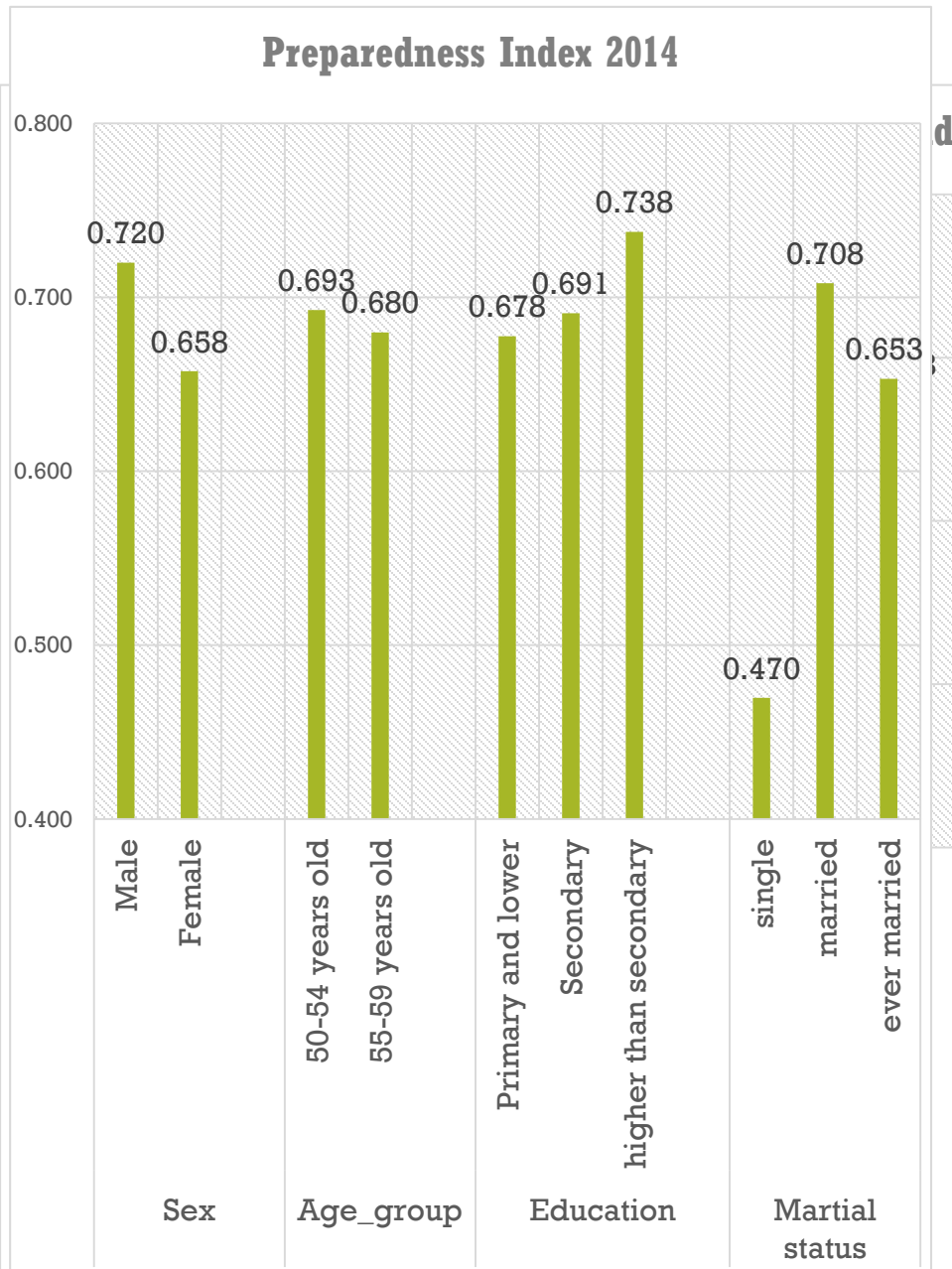
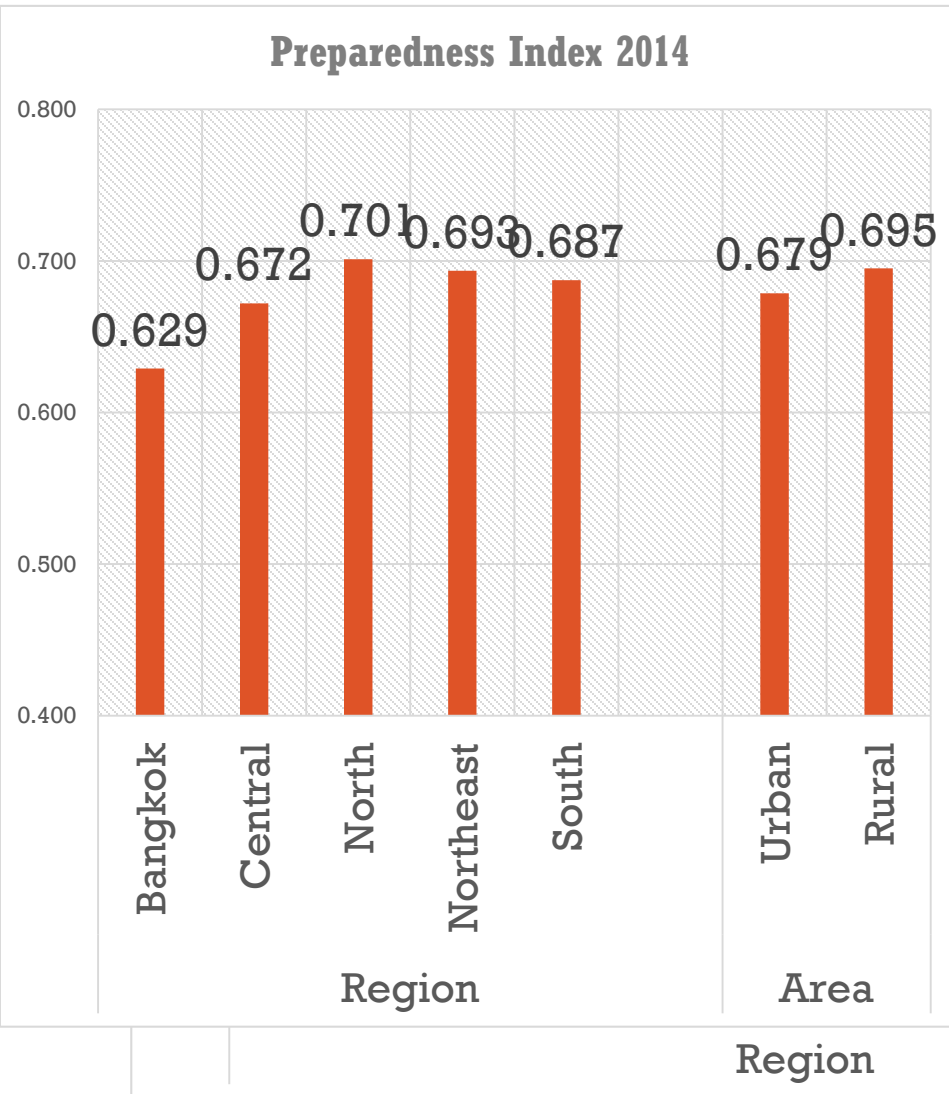# b) Results: Preparedness Index (and components)
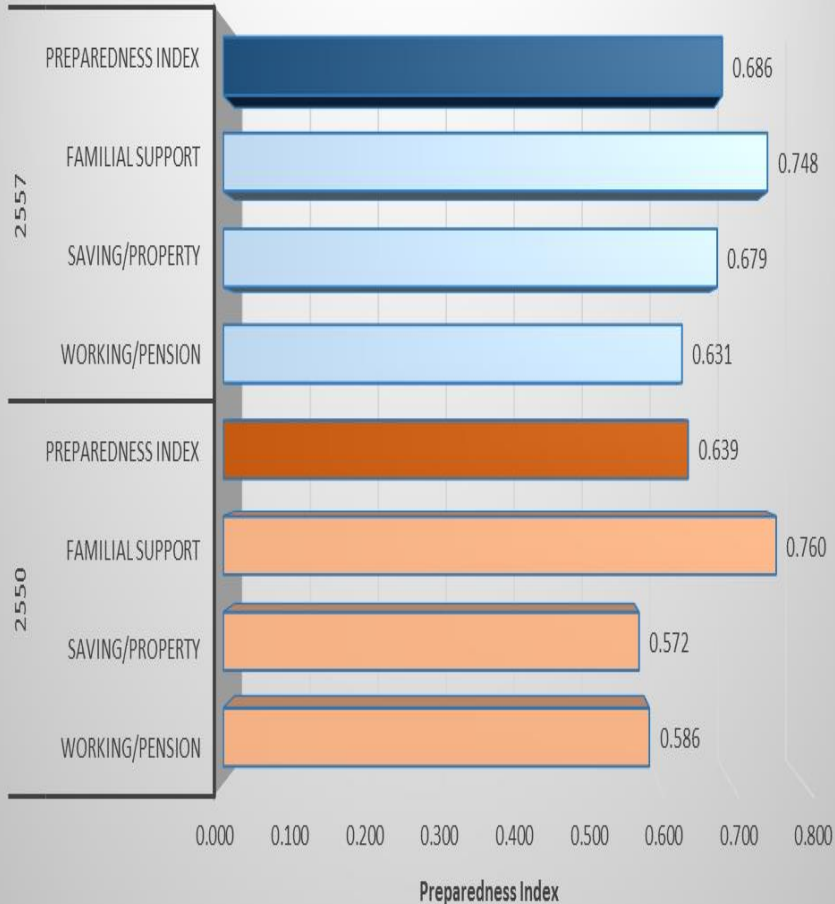
In 2014

- Improved preparedness from P.I. 0.639 to **0.686**

- Ranks of preparedness's component
  1) Familial support (highest)
  2) Saving and property
  3) Working/Pension (Lowest)

- Compared to P.I. in 2010 → Worse preparedness of "familial support" but significantly better ones of "Saving/Property" and "Working/Pension"
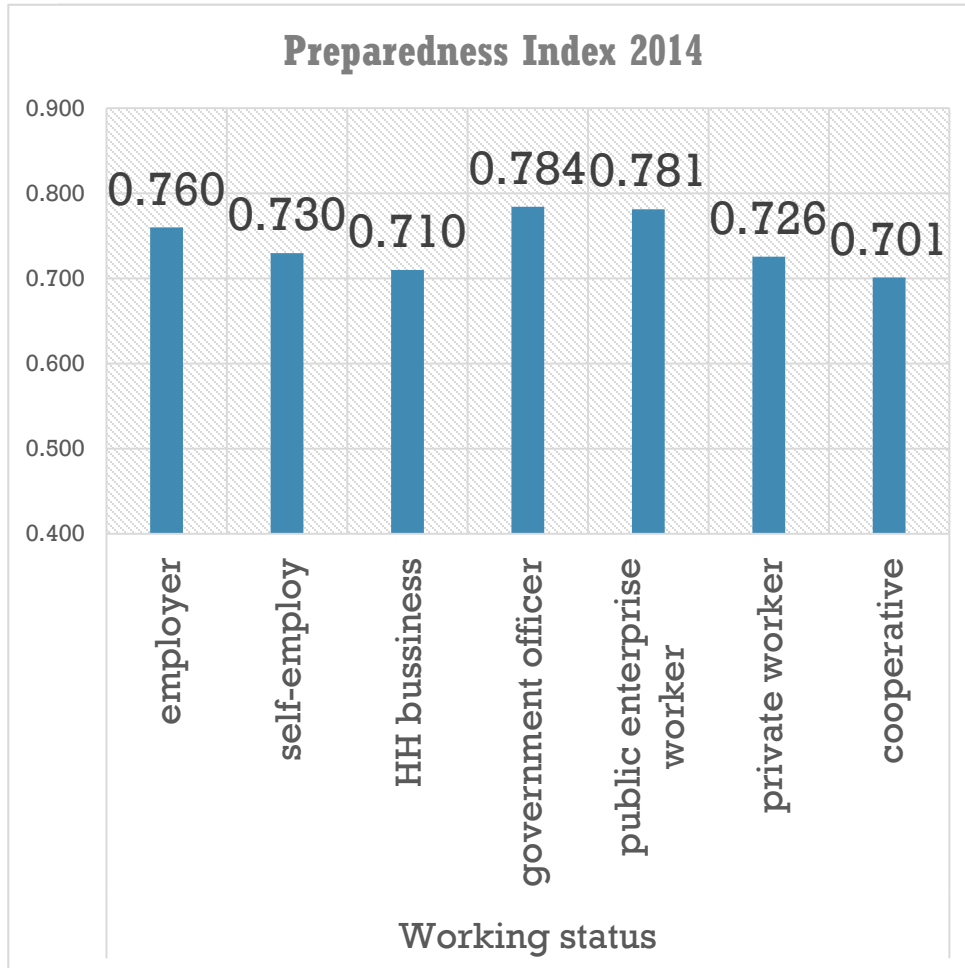
b) Results: Preparedness Index (and components)

Preparedness Index 2014

Category	Value
Male	0.720
Female	0.658
50-54 years old	0.693
55-59 years old	0.680
Primary and lower	0.678
Secondary	0.691
higher than secondary	0.738
single	0.470
married	0.708
ever married	0.653

Categories grouped under: Sex, Age_group, Education, Martial status

- **Male** > **Female** in all dimensions

- **50-54 years old** > **55-59 years old**, except for "Saving /Property"

- **Higher education** →Better preparedness; except for "familial support"

- **Married**>Ever married>**Single**; However, Single>Ever married for "working/Pension" and "Saving/Property"

b) Results: Preparedness Index (and components)

Preparedness Index 2014

Bangkok: 0.629
Central: 0.672
North: 0.701
Northeast: 0.693
South: 0.687
Urban: 0.679
Rural: 0.695

Region | Area

Region | Area

- North>Northeast>South> Central> Bangkok

- Bangkok is worst on "Saving/Property" and "Familial support"

- Northeast is worst on "Working/Pension"

- Rural>Urban, except for "Working/Pension"

b) Results: Preparedness Index (and components)

Preparedness Index 2014

Working status	Index
employer	0.760
self-employ	0.730
HH bussiness	0.710
government officer	0.784
public enterprise worker	0.781
private worker	0.726
cooperative	0.701

- **Government officer** > Public Enterprise> Employer>Self-employed> **Private worker**

- **HH Business** is worst on "**Working/Pension**"

- **Private employee** is worst on "**Saving/Property**"

- **Government Officer** is worst on "**Familial support**"

IV. Discussion

- Old-age preparation should start at the younger age

- More and more self-reliance ➔ (though main source of income of the elderly still come from "children") expected main source of income is moving from "children (or family support)" to "earned income from working" and "Saving and property"

IV. Discussion

Given to a limited coverage of pension scheme (1/3 of labor force), maintaining older workers longer in the labor force or "Live longer, work longer" can be a solution for Thailand

- Benefit to both the elderly and household (more income and ability to save for post-retirement, less dependency)

- Benefit to the economy and government (less burden of public pension, social welfare, more supply of labour, utilizing human capital and tacit knowledge of the older workers)

IV. Discussion

(Long-term consideration) Strengthening multi-pillar pension system

- Pillar 0 → Social welfare scheme (Old age allowances) → need revision?

- Pillar 1 → (formal sector workers) Extending coverage of compulsory pension scheme (GPF and SSS) → * question about management and sustainability (linking to the issue to "retirement/pensionable age extension"), and sufficiency of the pension amount (particularly from the SSS)

IV. Discussion

(Long-term consideration) Strengthening multi-pillar pension system

- Pillar 2-3 ➔ (focusing on informal sector workers) "Saving promotion" (voluntary basis) through
  - Formal fund ➔ National Saving Fund, SSS Act 40, Provident Fund, RMF and LTF, Private insurance company
  - Informal fund ➔ i.e. honesty-based fund, Community-based fund, Funeral Fund
  - Need promotion of financial literacy and disciplines for Thais, and development of efficient and well-designed mechanism of (voluntary based) pension-saving system

- Pillar 4
  - Weaker and weaker due to changes in population structure, family pattern, structure and it functions (more nuclear family, less extended family)
  - Strengthening social capital and community supports for the elderly might be an option

19 THANK YOU…