

# Old age income security in Thailand

*Work, family and social protection*



## Contents

- 2 Work and family support
- 3 Major progress on pension coverage
- 4 Addressing adequacy and sustainability

## Summary

- Nearly 40 per cent of Thai older people (age 60+) work, although health issues mean levels of employment reduce sharply at more advanced ages.
- Older people who continue to work appear to be those with less choice to do otherwise – they tend to be poorer and work in agriculture.
- Most older people (79 per cent) receive some income from children, but only a minority consider children their main source of income (37 per cent).
- The expansion of the universal Old Age Allowance has been extremely effective in expanding pension coverage, and ensuring the poorest older people are reached.
- The scheme has not only reduced poverty, but also provided a boost to local economies.
- Improving the adequacy of the benefit level of both tax-financed and contributory pensions is a priority, and there are options to achieve this while ensuring fiscal sustainability.

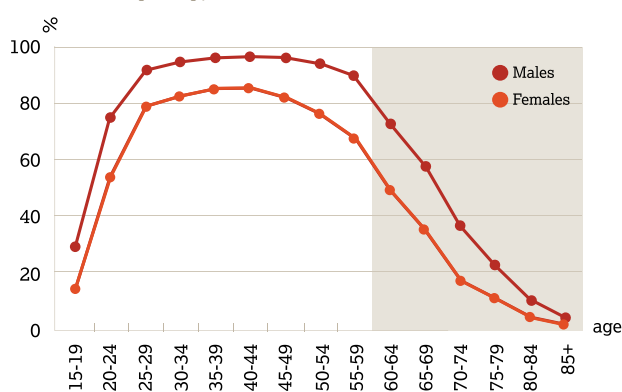
## How does growing older affect a person's income security in Thailand?

This brief explores this question by assessing three of the most important income sources for older people: work, family and social protection. The analysis is based in part on results of a study of income security in five Asian countries: Bangladesh, Nepal, the Philippines, Thailand and Vietnam, undertaken in partnership between HelpAge and UNFPA.<sup>1</sup>

## Work and family support

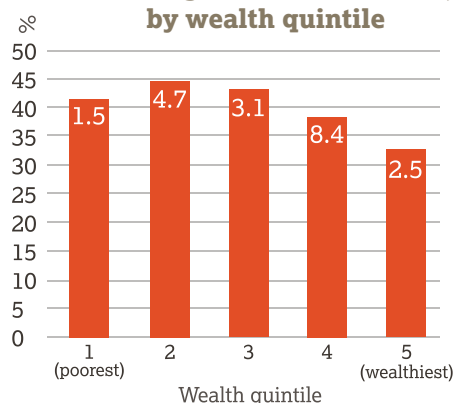
**Nearly two in five older people in Thailand are working, although levels of work fall sharply with age.** In total, 38 per cent of the population aged 60 and over are in employment, with higher levels of employment for men (49 per cent) than women (28 per cent) (Figure 1). The likelihood of working is much lower at more advanced ages, with 60 per cent of people aged 60–64 in employment, compared to just 7 per cent of those aged 80–84. Declining levels of work correlate strongly with health challenges at more advanced ages, including the likelihood of reporting difficulty with activities of daily living and reporting functional limitations.<sup>2</sup> Yet employment levels are also influenced by the broader socio-economic situation confronted by older persons and their families. Older people who continue to work are less likely to be in formal employment and more likely to be working in agriculture. Poorer older people are also more likely to be in work than relatively better-off older people (Figure 2). This suggests that many continue to work out of obligation rather than choice.

**Figure 1: Levels of employment by age (15+), males and females**



Source: Labour Force Survey 2013

**Figure 2: Share of older people (60+) receiving income from work, by wealth quintile**



Source: Household socio-economic survey, 2013

**The vast majority of older people receive some kind of support from their children, although this support is often inadequate.** The last two decades have seen a reduction in the likelihood of older people living with their children (55 per cent do today); however, most still have close interaction with their children. Nearly 9 in 10 (88 per cent) of older people have a living child residing in the same community as them, and 79 per cent receive some income from children – often from those living in other households. This income becomes increasingly common with advancing age, with 87 per cent of older people aged 80 and over receiving income from children. Nevertheless, while financial support from children is common, it is often not adequate. Over a third of older people report that their income as a whole is either inadequate (15 per cent) or only sometimes adequate (21 per cent). Similarly, of those who received support from children, almost half (48 per cent) received 10,000 Thai baht (THB) (US\$ 282) or less annually, equivalent to just THB 833 (US\$ 24) per month. This amount is significantly below the national poverty line, which was THB 2,572 (US\$ 73) a month in 2013.<sup>3</sup> It is also notable that while most older people report receiving income from children, only a minority (37 per cent) report this is their main source of income.

<sup>1</sup> Charles Knox-Vydmanov, *Work, Family and Social Protection: Old Age Income Security in Bangladesh, Nepal, the Philippines, Thailand and Vietnam*, HelpAge International, 2017

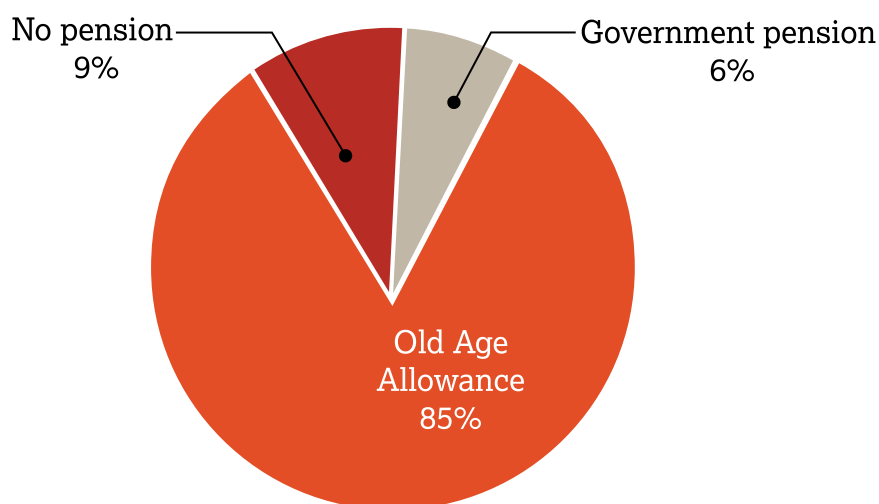
<sup>2</sup> John Knodel et al., *The Situation of Thailand's Older Population: An Update Based on the 2014 Survey of Older Persons in Thailand*, Chulalongkorn University and HelpAge International, 2015

<sup>3</sup> US\$ 1 = 35.4060 Thai baht, [www.xe.com](http://www.xe.com) (11/11/2016)

## Major progress on pension coverage

One of the most remarkable successes of the Thai pension system has been the rapid increase in coverage since 2009. A decade ago, only around 30 per cent of older people in Thailand received any kind of pension or allowance. Today, this figure has increased to over 90 per cent (Figure 3). The main reason for this increase was the decision, in 2009, to expand the scope of the tax-financed Old Age Allowance programme to cover all older people not receiving government pensions. Previously, the scheme had been targeted at the poorest older people and reached only 25 per cent of the population aged 60 and over.

Figure 3: Pension coverage of the population 60+ by type of pension



Source: Survey of Older Persons of Thailand 2014

**The Old Age Allowance has had positive impacts on the lives of older people and the wider economy.** The Old Age Allowance provides a lifeline to poorest older people and – despite the modest benefit – 15 per cent of older people consider it their main source of income. Analysis by the World Bank in 2012 found that the scheme led to a tangible reduction in poverty amongst older people.<sup>4</sup> Yet the scheme has always been more than just a tool for addressing poverty. Indeed, a core rationale for its expansion in 2009 was as an economic stimulus to boost consumption, in the context of the 2008 global financial crisis.<sup>5</sup> Recent research on the impact of the pension in boosting local economies found that most of the pension amount was spent, or shared, within the community.<sup>6</sup>

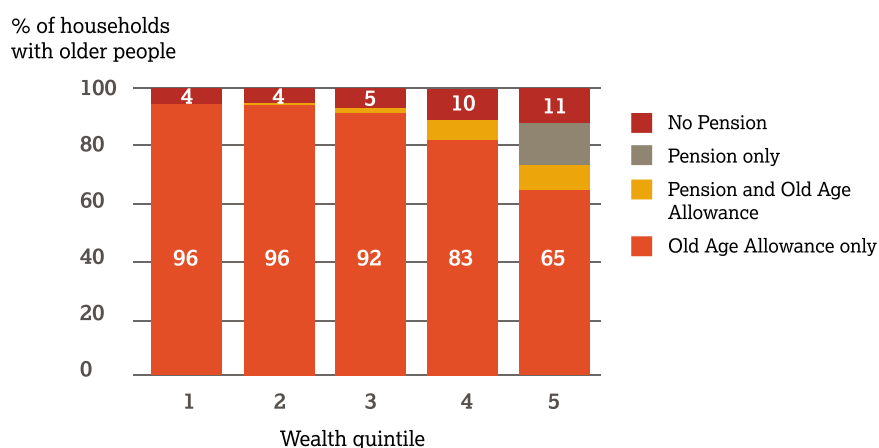
**The universal model of the Old Age Allowance has been effective at reaching the poorest, and should be sustained.** The approach of targeting the Old Age Allowance to the poor older people prior to 2009 faced major challenges in implementation, which resulted in over half of the intended recipients being erroneously excluded. This level of error is in line with that found in other low- and middle-income countries using poverty-targeting, including Bangladesh and the Philippines in this study. One of the main benefits of the universal approach to the Old Age Allowance is that virtually all poorer older people now receive it. Figure 4 shows that 96 per cent of households with older people in the poorest quintile receive the Old Age Allowance. The bigger coverage gap among wealthier households is due to higher coverage of government pensions, while some wealthier older people may not go to the effort to collect the modest benefit. There has been some discussion in Thailand about reverting to means-testing for the Old Age Allowance to target the poor, but this analysis suggests doing so may reverse the gains made since 2009.

4 Somchai Jitsuchon, Emmanuel Skoufias, and Mitchell Wiener, *Reducing Elderly Poverty in Thailand: The Role of Thailand's Pension and Social Assistance Programs*, World Bank, 2012

5 James Canonge and Loveleen De, *Universal Pensions in Thailand*, ILO, 2016

6 Worawet Suwannada and Pawena Leetrakul, *The Impact of the Old Age Allowance on the Lives of Older People and the Local Economy in Thailand*, Foundation for Older Persons' Development, 2014

**Figure 4: Coverage of households with older people in receipt of the Old Age Allowance in Thailand, by wealth quintile**



Source: Household Socio Economic Survey 2013

## Addressing adequacy and sustainability

**While the Thai pension system scores well in terms of coverage, it faces major challenges in terms of adequacy.** At just 4 per cent of GDP per capita, the 600 THB minimum benefit of the Old Age Allowance is one of the lowest in the world relative to average income, and the lowest of the five countries studied. Many poorer countries have been able to achieve a more adequate benefit level. For example, despite average incomes in Nepal being less than a sixth of those in Thailand, the monthly benefit level for Nepal's social pension is higher in absolute terms: US\$ 19 versus US\$ 17 (2,000 Nepalese rupees and 600 THB).<sup>7</sup>

**It would be sustainable to improve the adequacy of both tax-financed and contributory pensions.** Despite the expansion of the Old Age Allowance, Thailand still spends significantly less on the scheme as a share of GDP (0.5 per cent) than other poorer countries with social pensions (e.g. Bolivia, Georgia, Namibia, South Africa and Timor-Leste). This implies that with political will the adequacy of the scheme could be improved. There are currently plans on the table to use an increased excise tax from cigarettes to finance a top up for the Old Age Allowance. The ageing of the population would increase the cost of the scheme, although still well below pension expenditure in OECD countries as a share of GDP. Gradually increasing the age of eligibility of the scheme to, say, 65 years would help contain costs. In the meantime, Thailand can take measures to strengthen contributory elements of the pension system to provide higher levels of protection. Key priorities are to reduce the fragmentation of the system, and improve the adequacy of benefits.


<sup>7</sup> According to the IMF, 2017 GDP per capita in Nepal is estimated at 2,451.887 PPP\$ compared to 16,210.111 PPP\$ in Thailand (constant, Purchasing power parity; 2011 international dollar). International Monetary Fund, *World Economic Outlook Database*, October 2017

**HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.**

HelpAge International  
Asia Pacific Regional Office  
6 Soi 17 Nimmanhaemin Rd.,  
T. Suthep, A. Muang,  
Chiang Mai 50200 Thailand  
Tel (+66) 53 225 400  
Fax (+66) 53 225 441

[www.ageingasia.com](http://www.ageingasia.com)  
[www.helpage.org](http://www.helpage.org)

 @HelpAge

 HelpAge International

Registered charity no. 288180

Copyright © HelpAge International 2017  
This work is licensed under a Creative Commons  
Attribution-NonCommercial 4.0 International  
License, <https://creativecommons.org/licenses/by-nc/4.0>