



Pension Provision in Thailand:

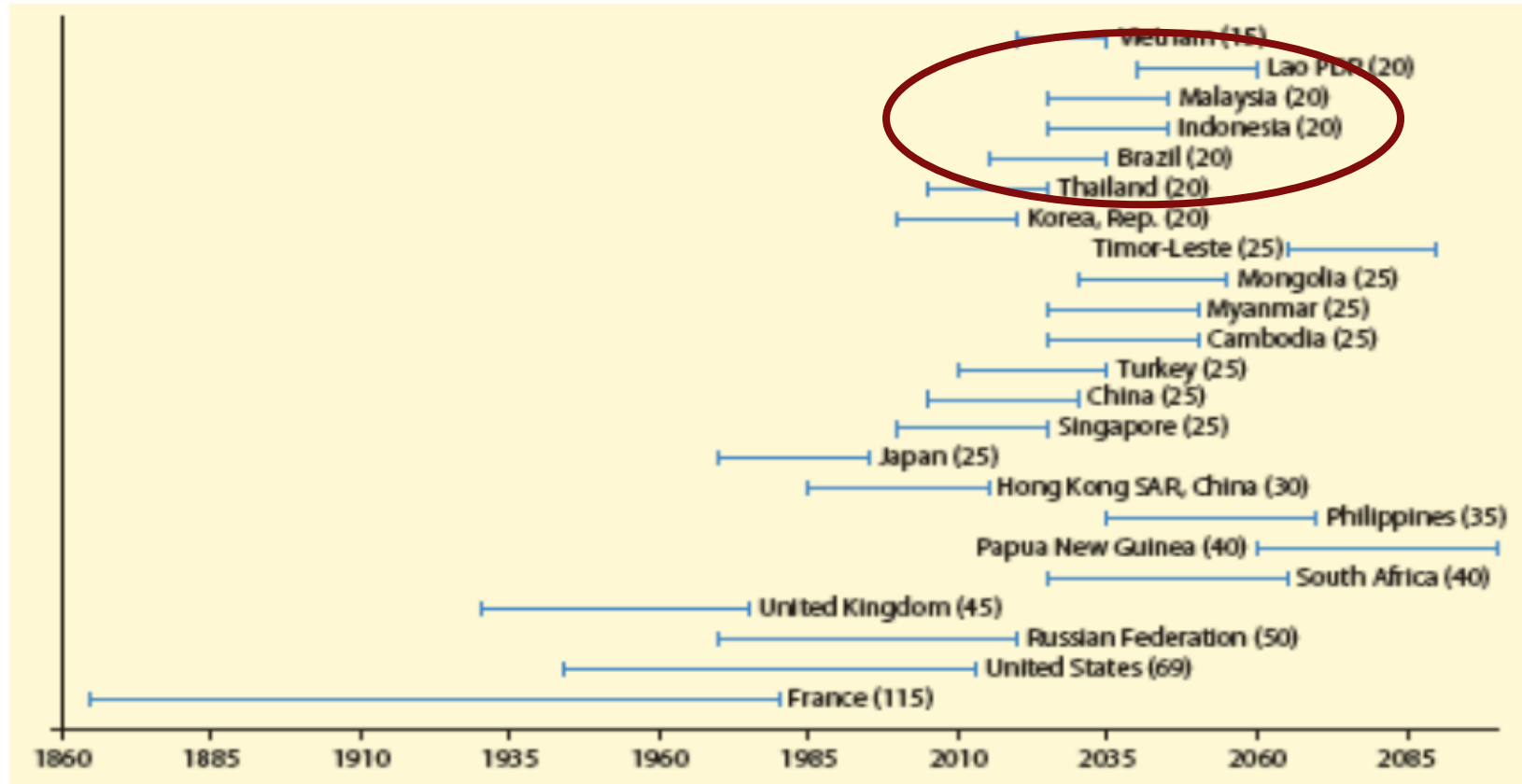
Rethinking old age income support in a rapidly aging society

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Thailand is aging very quickly

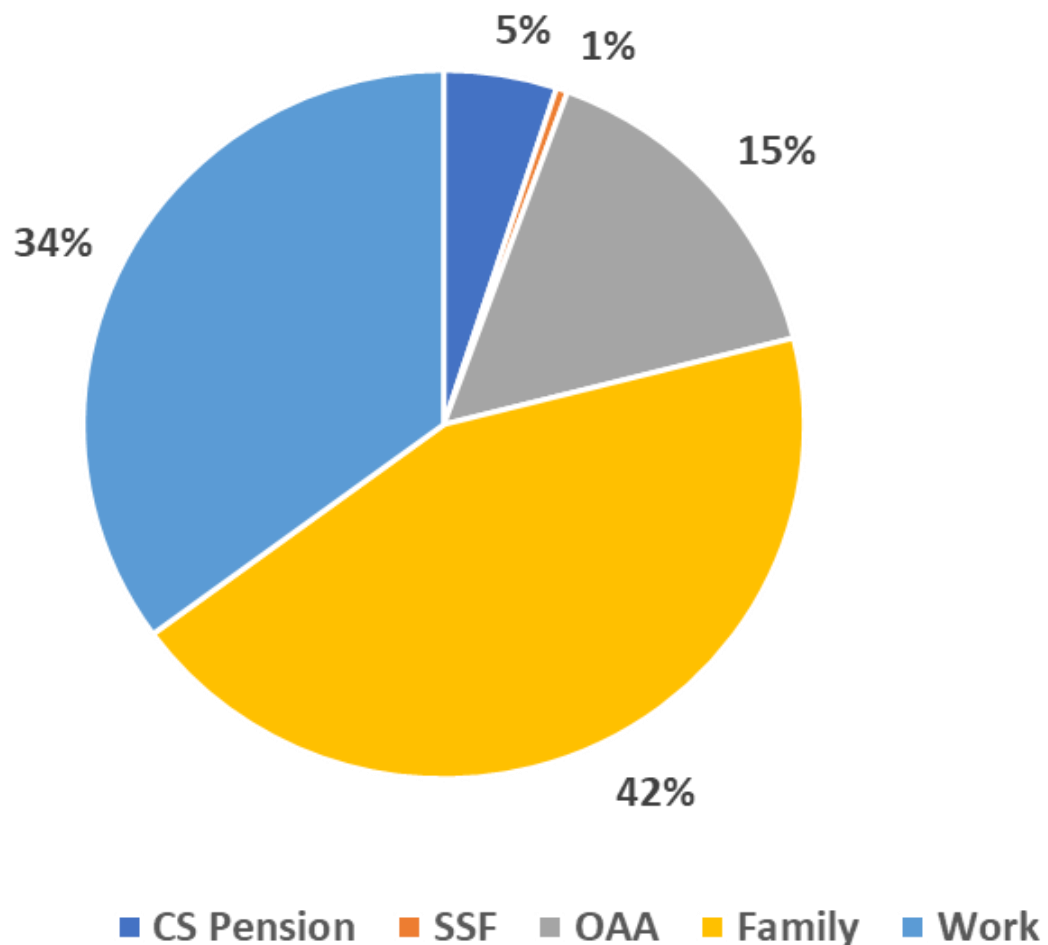
Years it takes to increase share of population over 65 from 7 to 14 percent and year it happens



Sources: World Bank estimates based on data from UN 2013 and Kinsella and He 2009

Note: Figure shows starting and ending year for transition from 7 percent (aging) to 14 percent (aged) of population ages 65 and older. Aging and aged thresholds are based on United Nations definitions. East Asia and Pacific economies rounded to five-year increments.

Main source of income reported by elderly

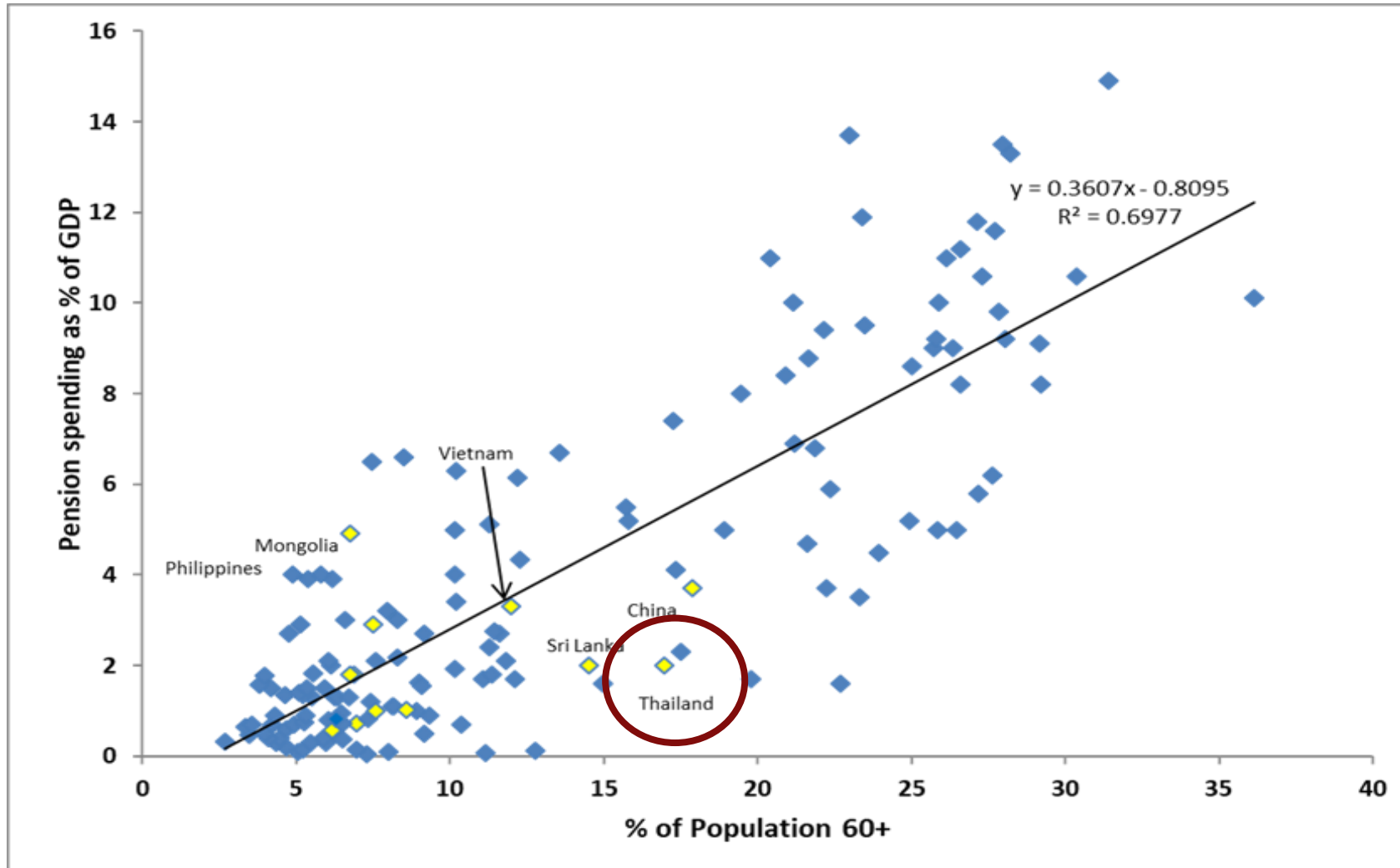


...but pensions in Thailand play a minor role for income support for the elderly

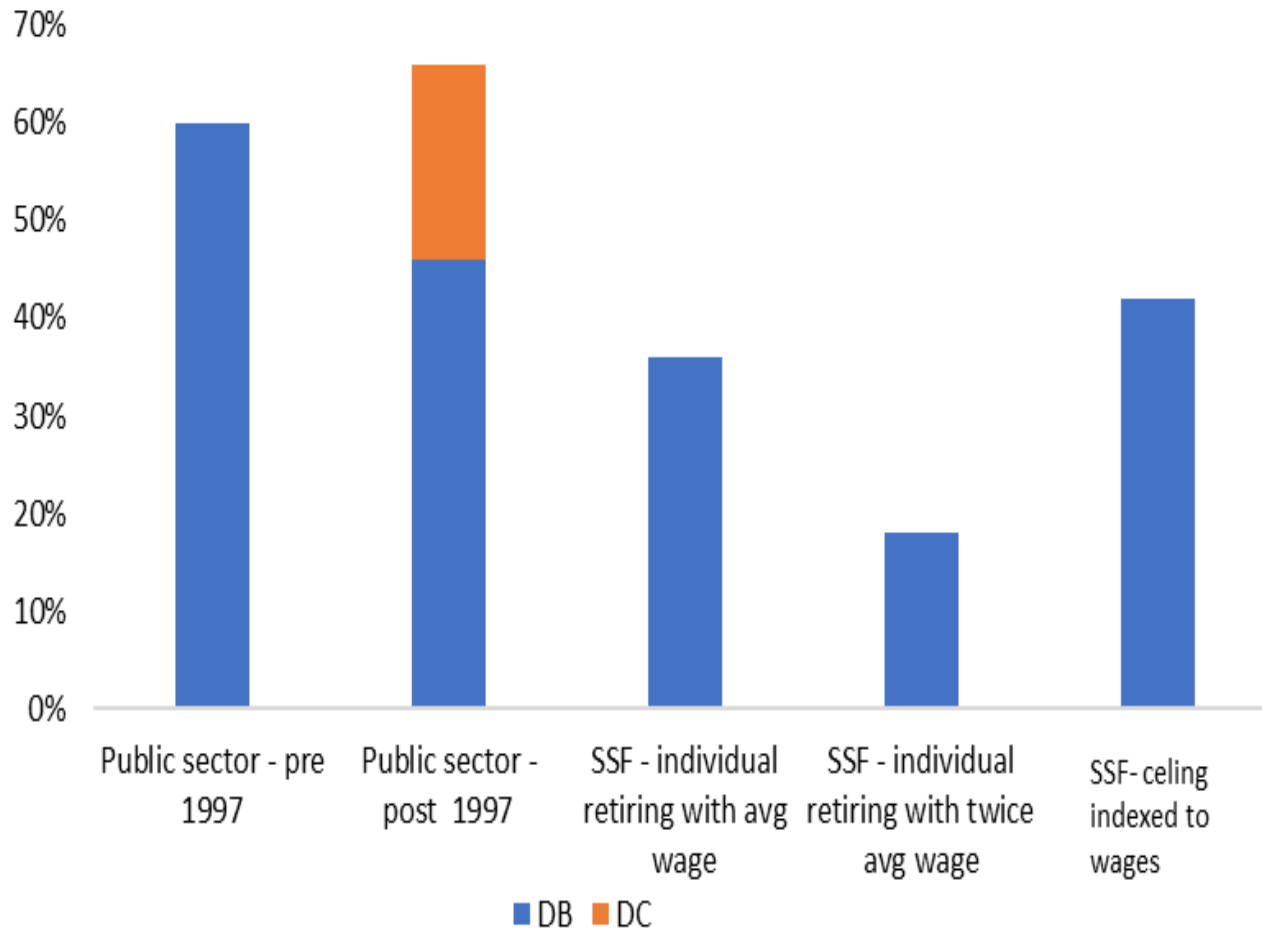
Source: NSO (2014), Table 16.

<http://statbbi.nso.go.th/staticreport/page/sector/en/01.aspx>

...so pension spending is low relative to other countries

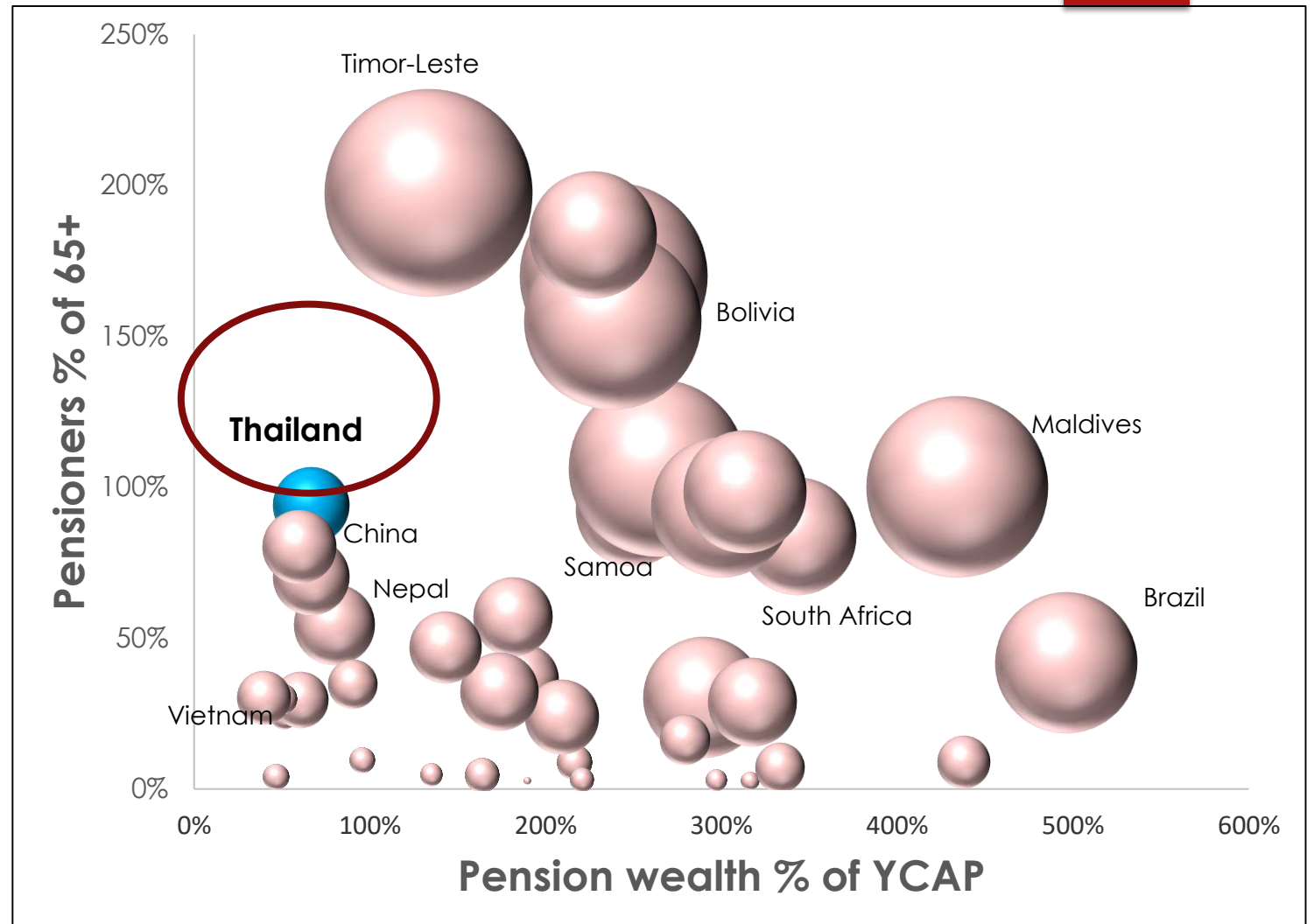


Replacement Rate as % of individual's final salary

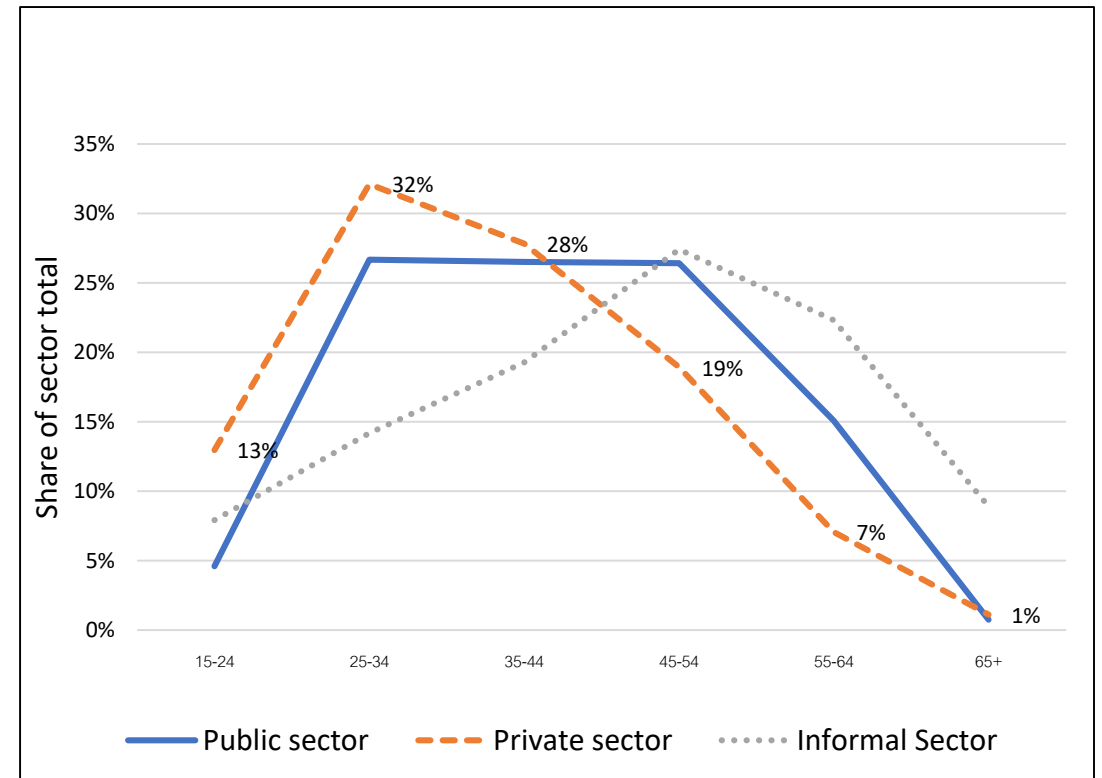
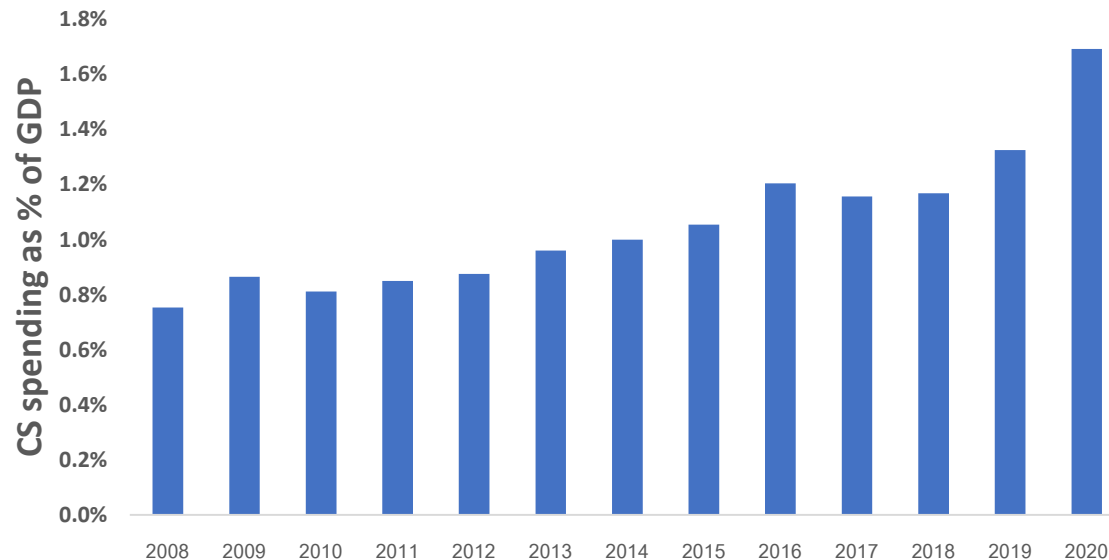


Spending will increase as SSO matures, but benefits will be low unless there are parametric changes

The Old Age Allowance could play a greater role if the benefit was greatly increased



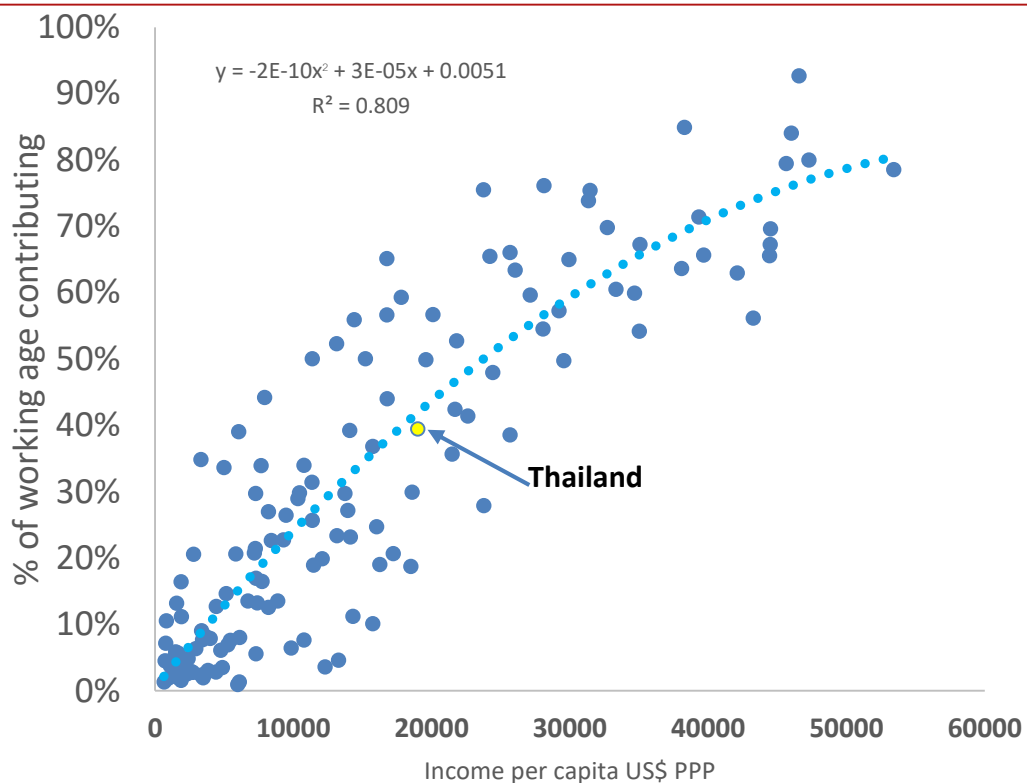
Spending is mostly on civil servants *(and is likely to rise without reforms)*



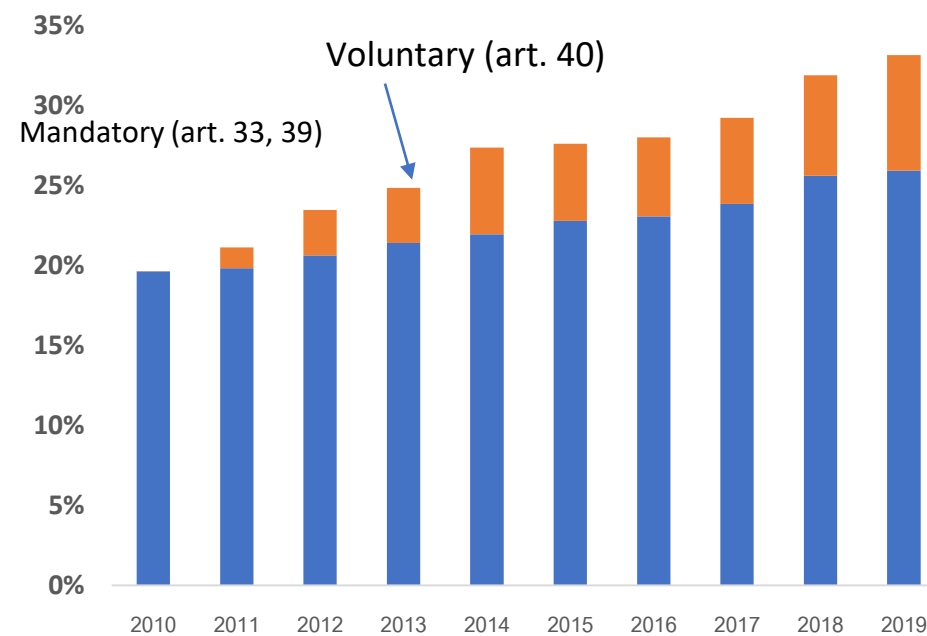
Reforms to the existing system

- ▶ Parametric reforms for mandatory schemes
 - ▶ Increase retirement age gradually to reach 65 in the long run with the possibility of early retirement with actuarially fair reductions
 - ▶ Shift to valorized lifetime earnings for calculation of the initial pension value
 - ▶ Price indexation of pensions in progress
 - ▶ Indexation of the SSF ceiling for pensionable earnings to wage growth
 - ▶ Review partial funding strategy subject to 2021 actuarial valuation
- ▶ Harmonize benefits and ensure public-private pension portability
- ▶ Gradually increase OAA benefit level and integrate with maturing SSF
- ▶ Rationalize and consolidate voluntary savings schemes

But even if all of those reforms happen, coverage will remain too low



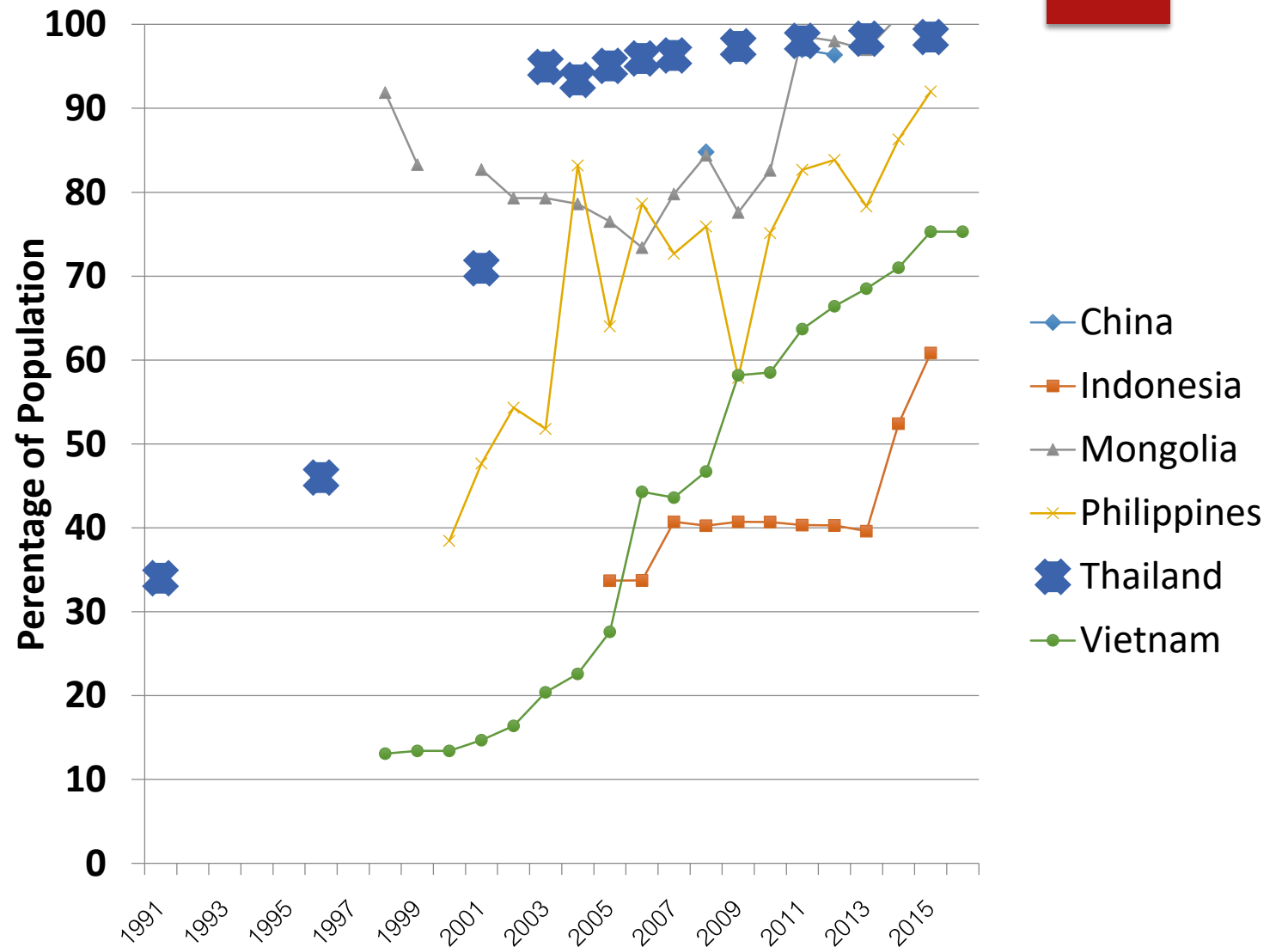
Share of working age population covered by SSO



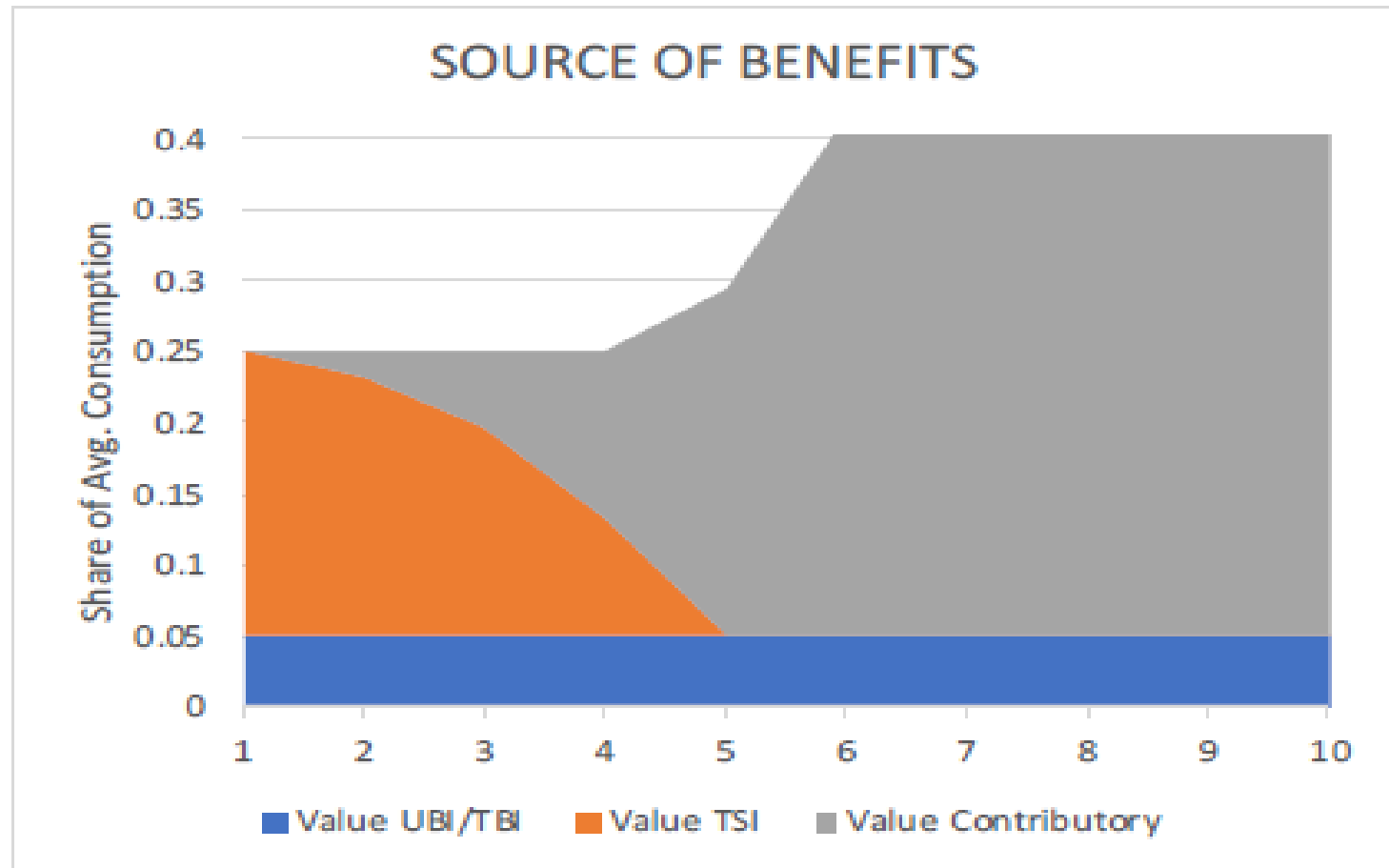


Like the rest
of East Asia,
Thailand is in
a race
between
aging and
pension
coverage

Thailand led emerging East Asia towards universal health insurance by breaking link between coverage and formal labor market status



A similar approach for subsidizing pension contributions is an option worth considering



See Palacios and Robalino (2020)

New thinking for universal coverage

- ▶ Traditional social insurance coverage based on payroll tax deductions from formal sector workers will lose the race with population aging
- ▶ A subsidized contribution approach would create a seamless labor market with redistribution financed by government
- ▶ The costs are significant and would require rationalizing existing expenditures (including tax expenditures and existing subsidies); but they would also offset future OAA costs
- ▶ Subsidy costs can be reduced by harnessing administrative data linked with unique identifiers to phase out the OAA and contribution subsidies for those with higher incomes

Thank you

ขอบคุณ