

Ageing and the Changing Nature of Intergenerational Flows in Thailand

Suphannada LOWHACHAI

Office of the National Economic and Social Development Board, Thailand

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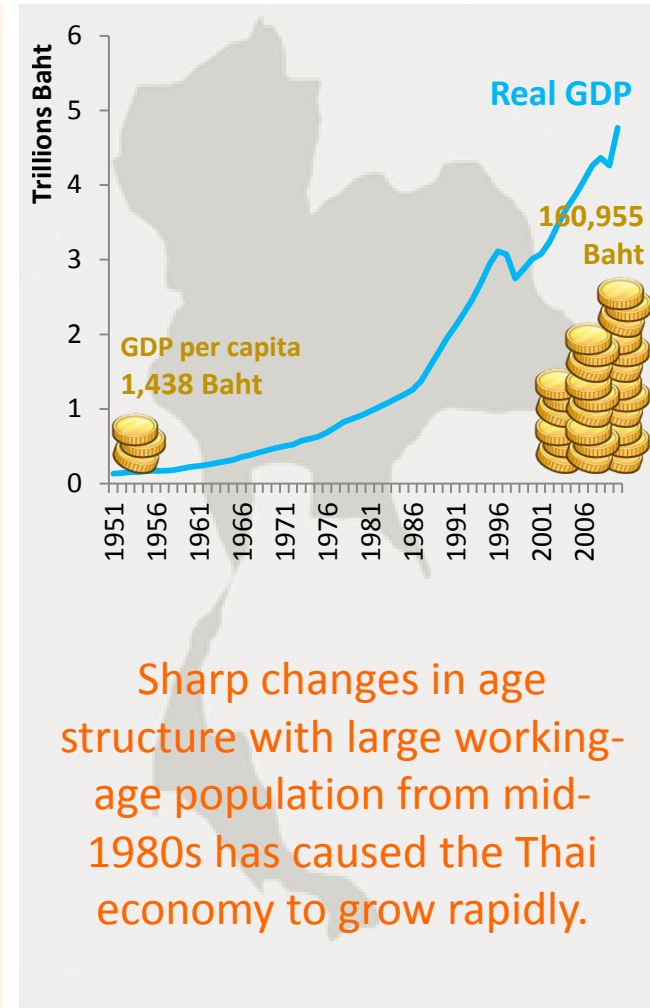
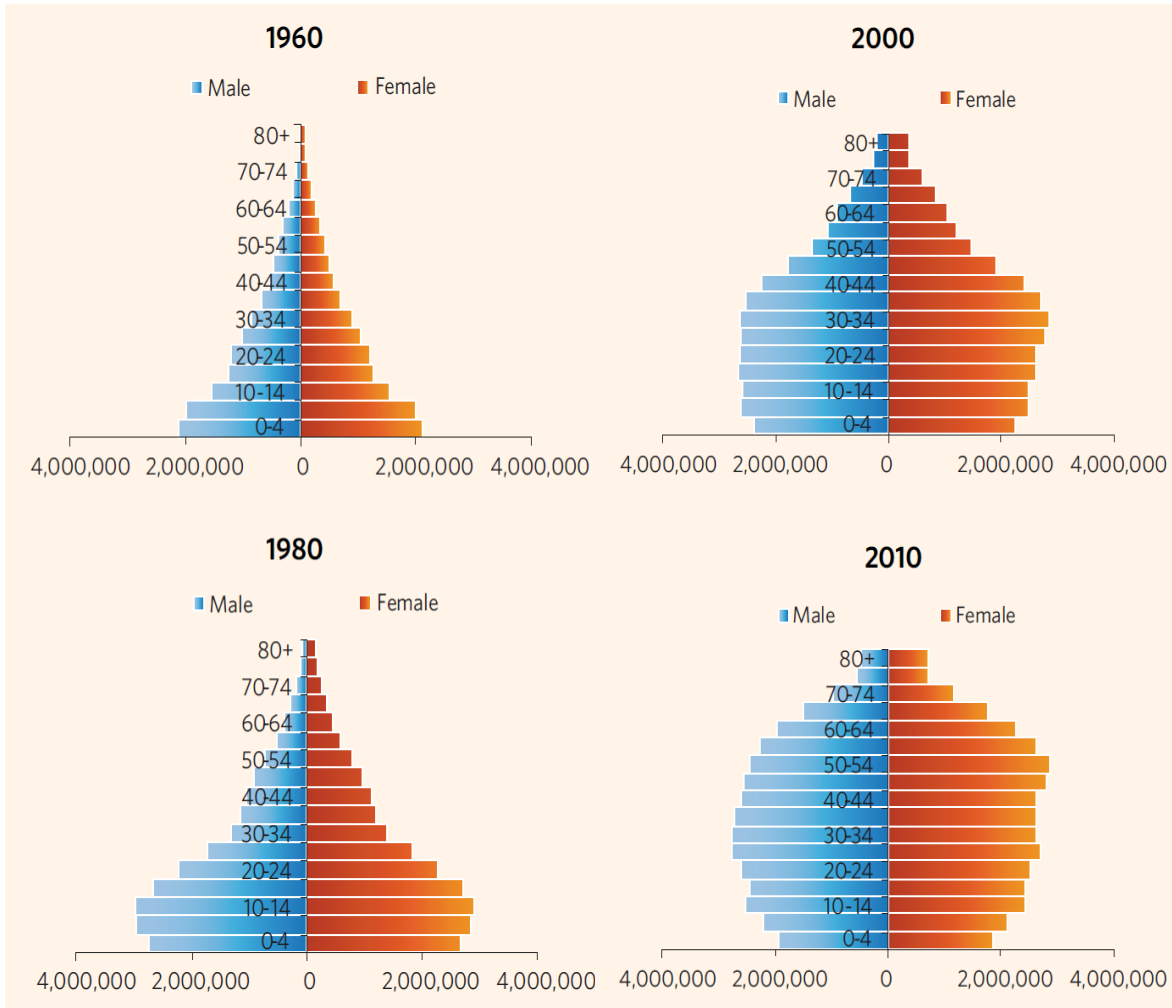
1 Demographic and Welfare Situation in Thailand

2 Economic Life Cycle of the Thai Population

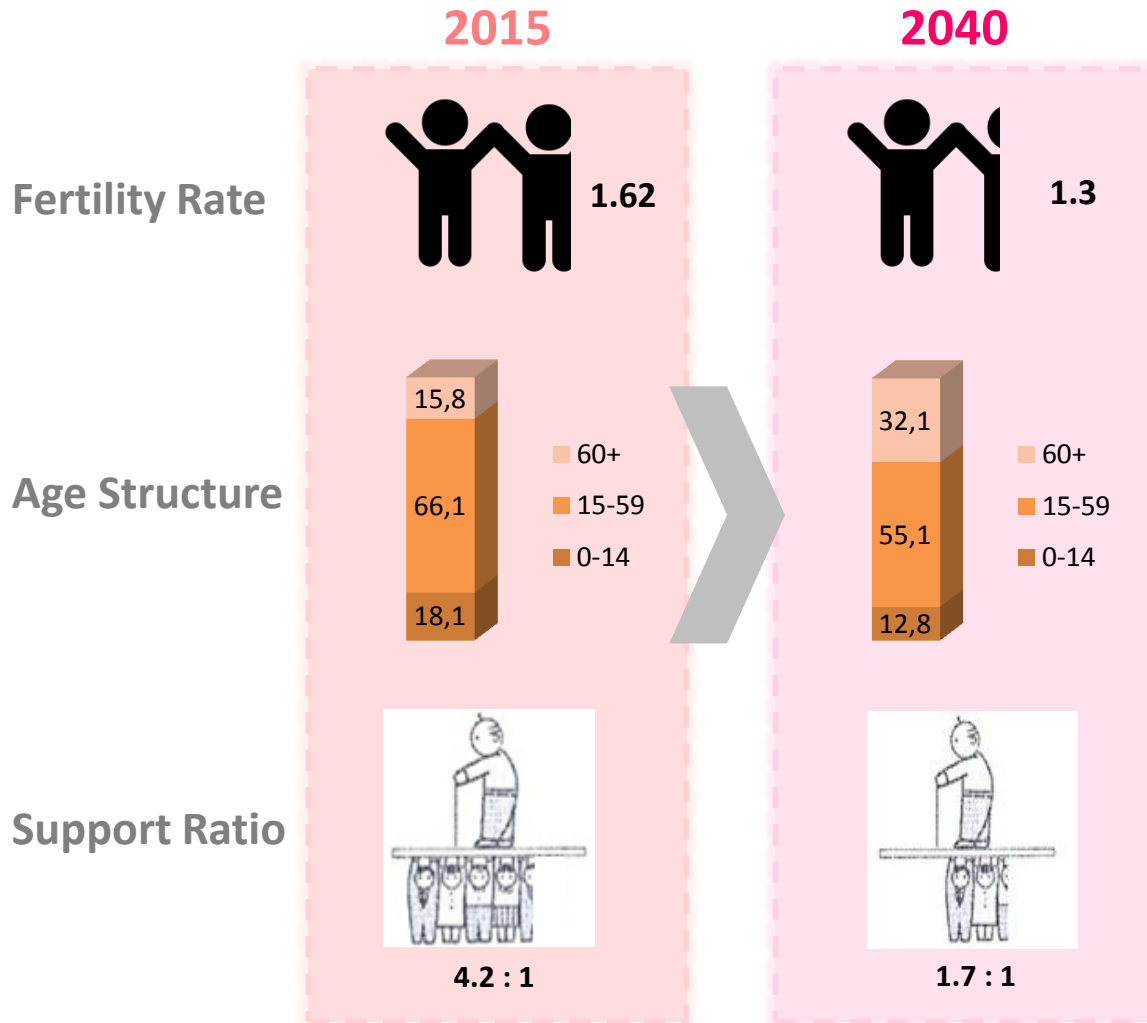
3 Effects of Demographic Change on Economic Life Cycle



Demographic Situation in Thailand – the Recent Past



Demographic Situation in Thailand – the Near Future



Welfare Situation in Thailand

Age (yrs.)	Workers in formal sector (37.4%)	Workers in informal sector (62.6%)
0-3	Cash transfer: 400 baht/person/month	-
4-6	400 baht Cash Transfer	Free education for 15 years
7-18	Free education for 15 years	
19-59	Social security scheme	Voluntary social security scheme (Article 40)
60+	Pension fund	Elderly allowance: 600 to 1,000 baht/person/month
Disability	<ul style="list-style-type: none"> • 50% compensation of regular income • Disability fund: 500 baht/month 	Disability fund: 500 baht/month transfer
HIV/AIDS	Social Cash Transfer: 500 baht/month	
All age groups	Universal Health Care/Civil Servant Medical Benefit/Social Security/Compulsory Migrant Health Insurance	

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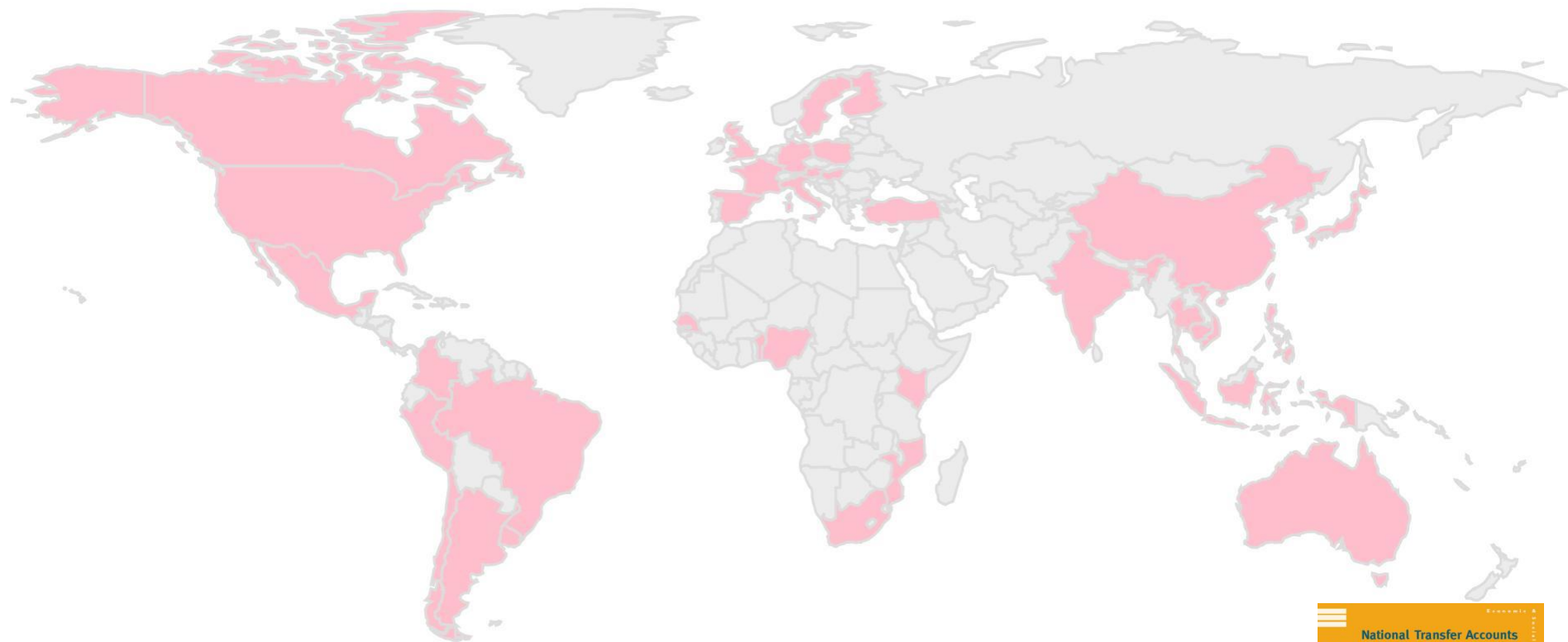


Method: National Transfer Accounts (NTA)

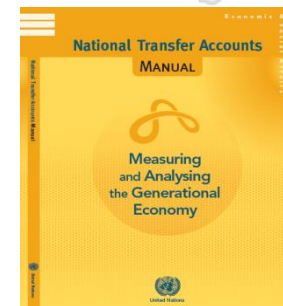
What is National Transfer Accounts?

- National Transfer Accounts or NTA are data that incorporate ages into GDP.
- Describes the age patterns of economic activity and the economic relations between the generations.
- Quantifies how each age groups acquires and uses economic resources.
- The goal is to improve our understanding of the “generational economy”
- Constructed using existing data (population estimates, surveys, administrative records, macroeconomic data).
- Consistent with UN System of National Accounts.

NTA is comparable internationally

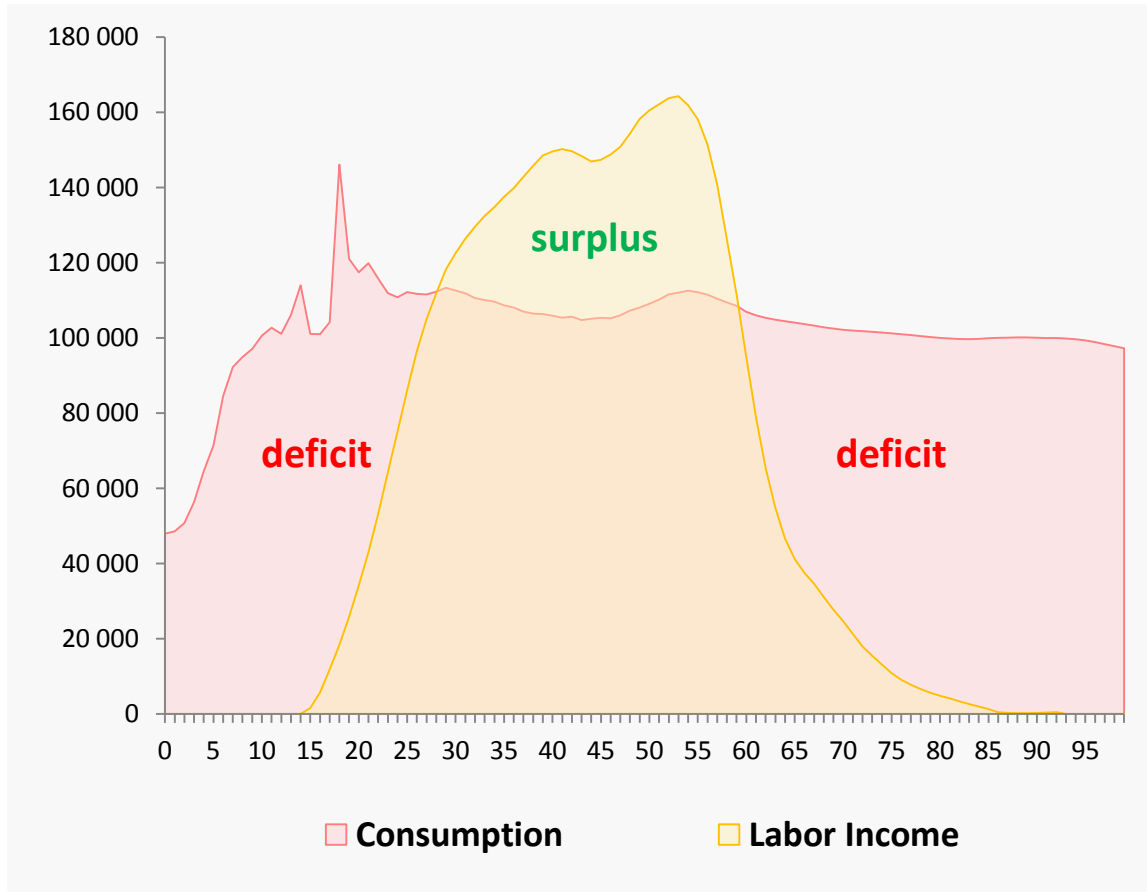


- As of June 2013, there are 41 member countries and still expanding
- Consistence compilation method across countries (NTA Manual published by UN is available online)



Life Cycle Deficit

Consumption and Labour Income, per capita value (Thai Baht), year 2011



- Thai population has an income surplus during the ages of 25-59.
- The rest age groups (0-24 and 60+), on the other hand, have consumption expenditure higher than their labor income and incur a deficit.

Labour Income

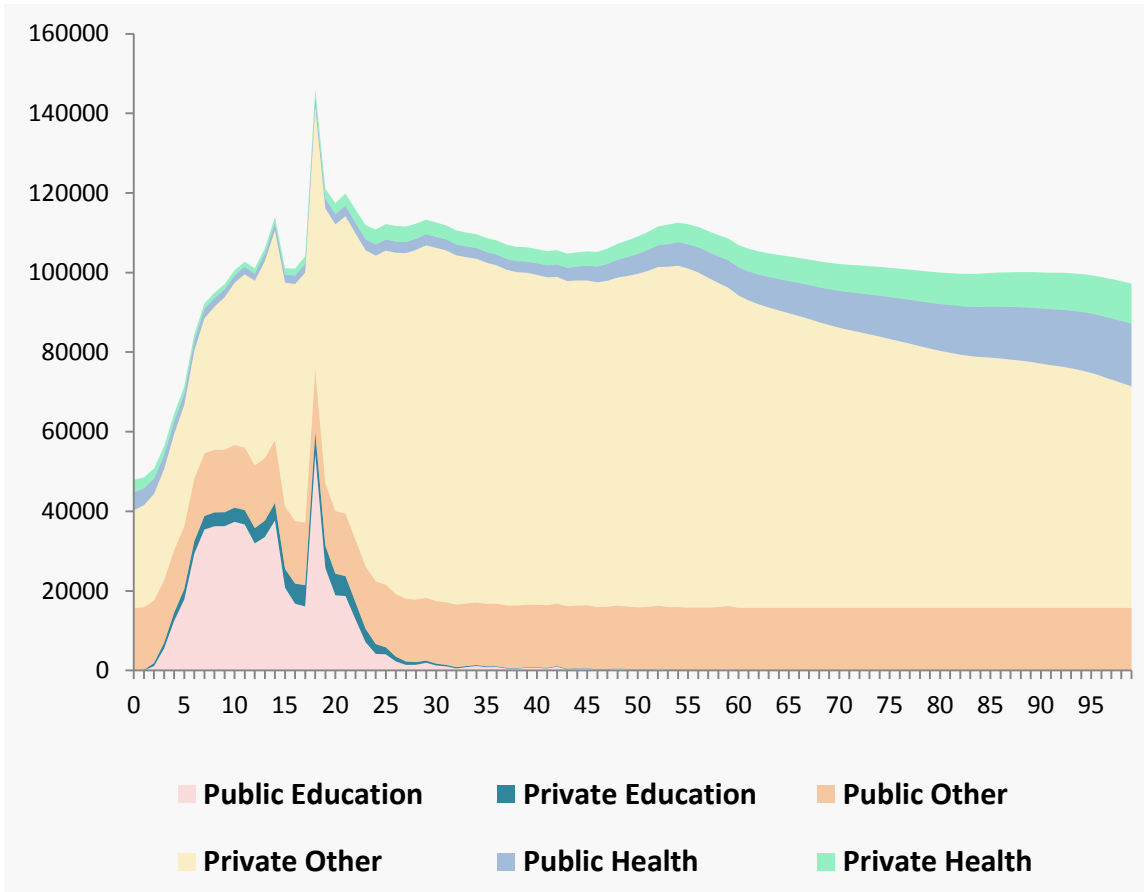
Annual Per-capita Labour Income (Thai Baht), year 2011



- Labor income is highest at age 53, with average income of THB 164,278 per person per year.
- Then, the labor income gradually decline until reaching zero at the age of 92
- Compensation of employees accounts for larger share of labor income when population is in early working ages.
- However, self-employed labor income has increasingly become the main source of labor income when population gets older.

Consumption

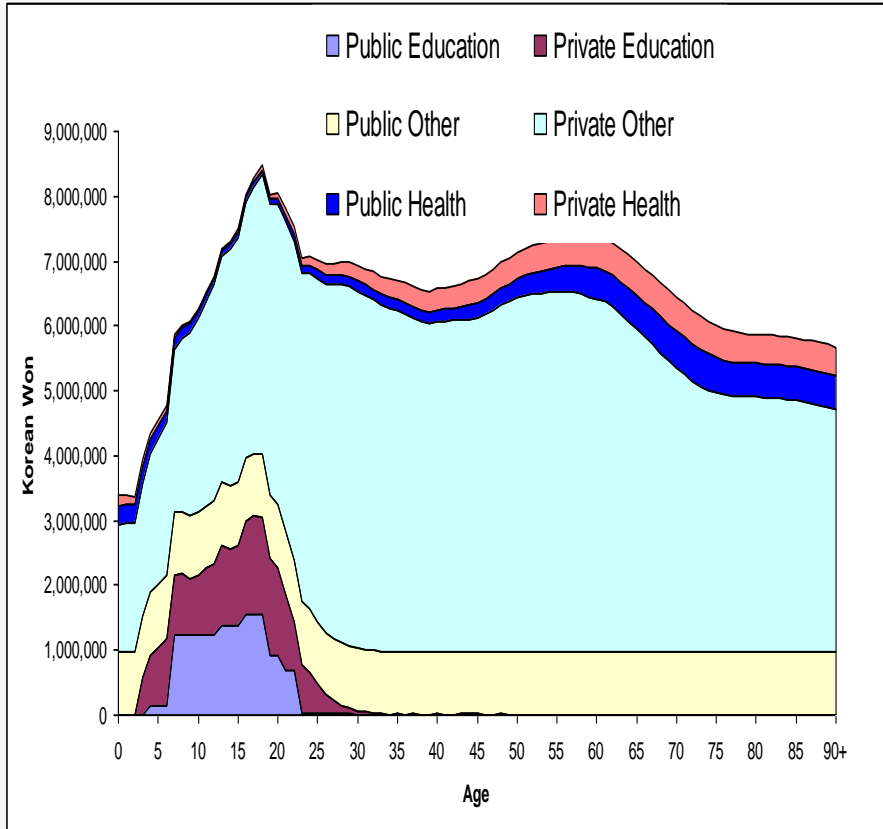
Consumption by type, per capita value (Thai Baht), year 2011



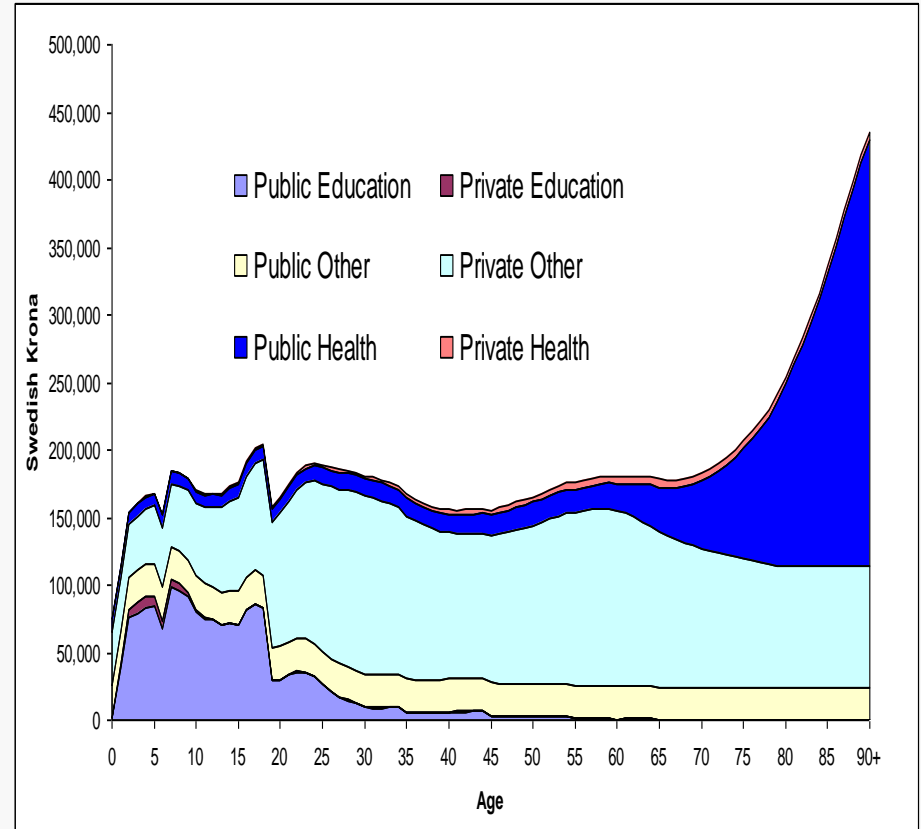
- Most of the consumption expenses are paid by private sectors
- Public sectors subsidizes education for children and health services for elderly.
- Similarly, out of pocket education expense is made during childhood and out of pocket health care expense increases after retirement.

Consumption of Other Countries

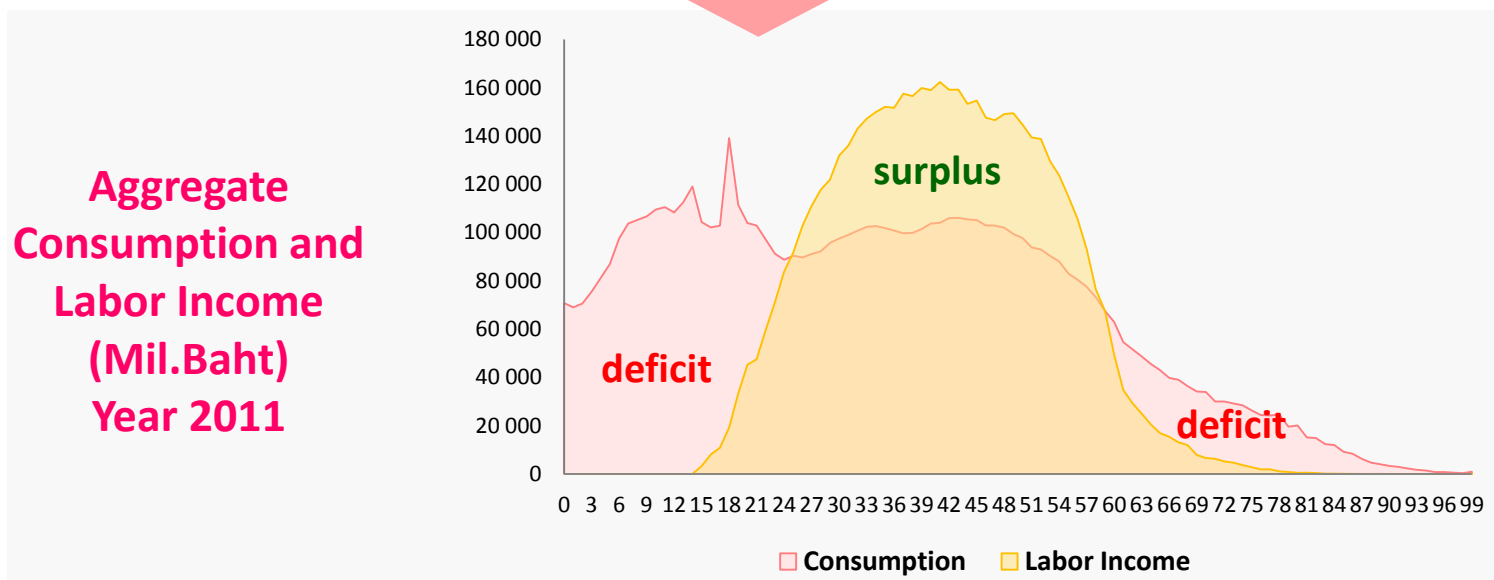
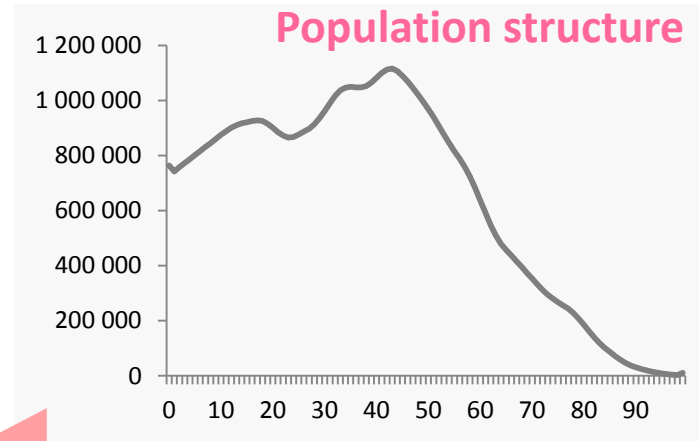
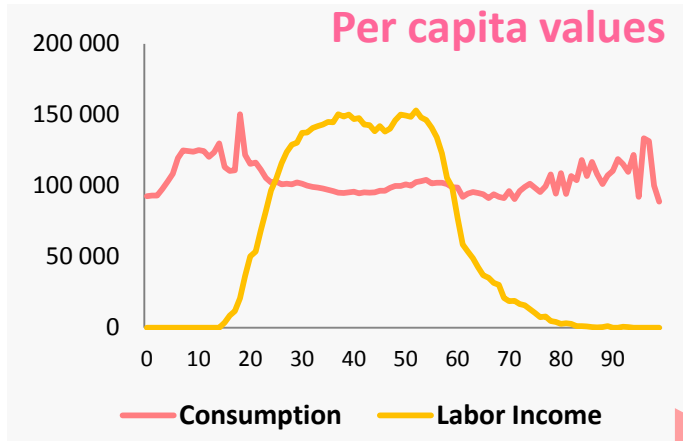
SOUTH KOREA



SWEDEN

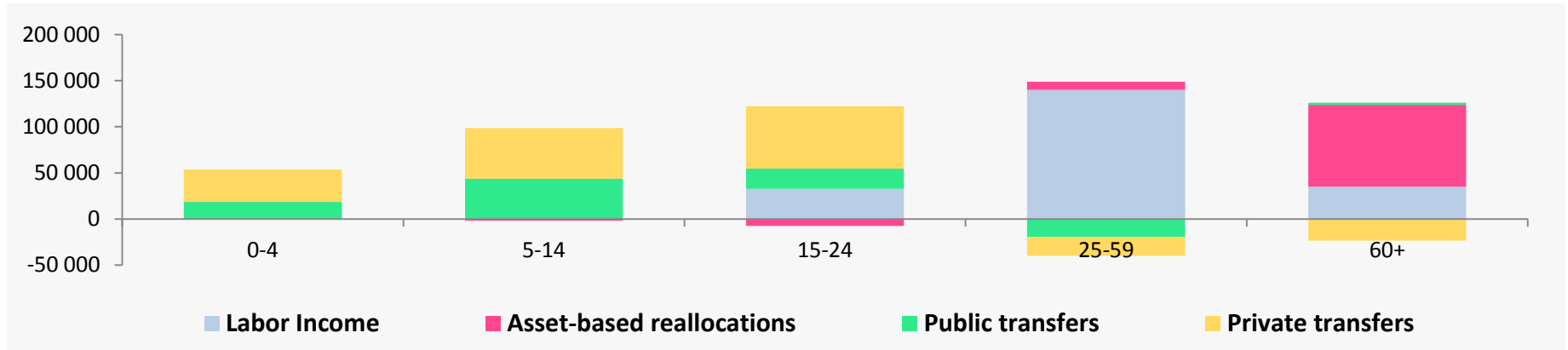


Results: Aggregate Consumption and Labour Income



Sources for Consumption

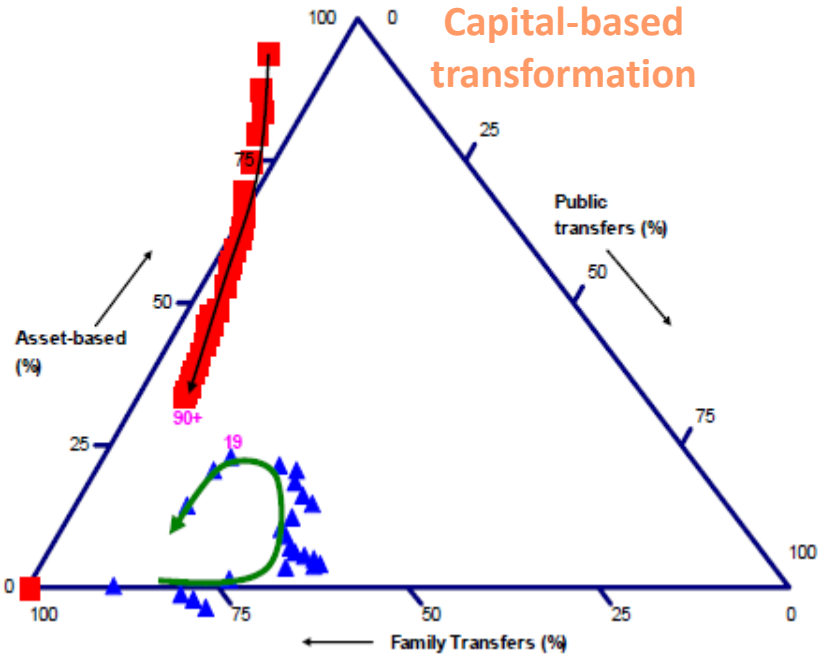
Percentage shares of each income sources to finance consumption, year 2011



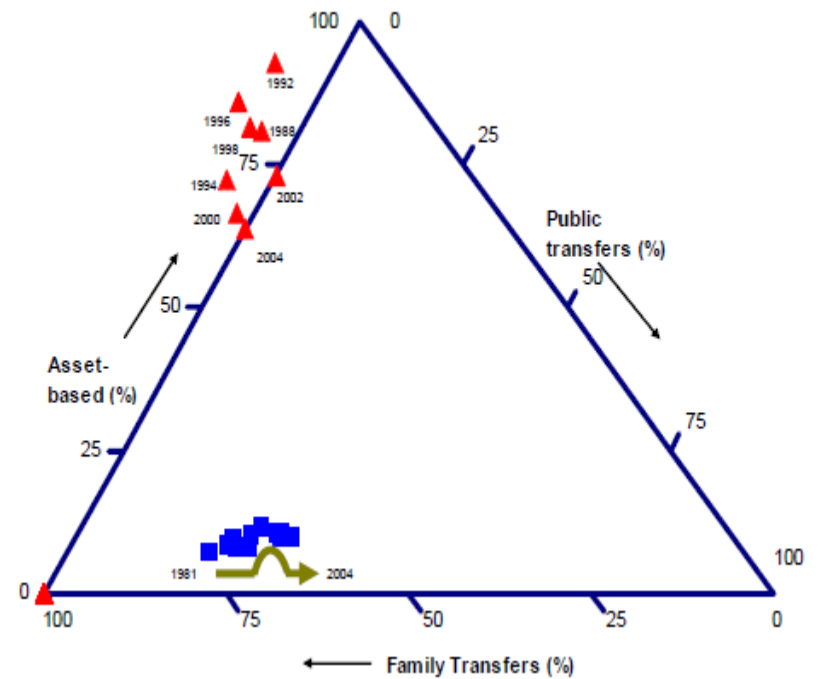
- Children's consumption (0-4) is mostly financed by private transfers.
- Income sources used to finance teenager's consumption (15-24) are mixed. Yet, private transfer remains a dominant income source.
- Unsurprisingly, working-age's consumption (25-59) is mainly financed by labor income. The surplus is reallocated to the other age groups.
- For the elderly group, 60% of consumption expense is mainly financed by asset based reallocation, and around 10% by labor income.
- It should be noted that elderly group also generates surplus to support other age groups. This is because the pension received was higher than their consumption.

Sources of Income for Elderly between 1992-2004

Thailand Children and Old-age Reallocation System in 2004



Children and Young, and Old-age Reallocation System, Thailand.



Traditional System

Social welfare transformation

Source: Mathana (2004)

- As Thai elderly gets older, they relies more on family support.
- Over time, Thai elder has also become more reliable on family support.

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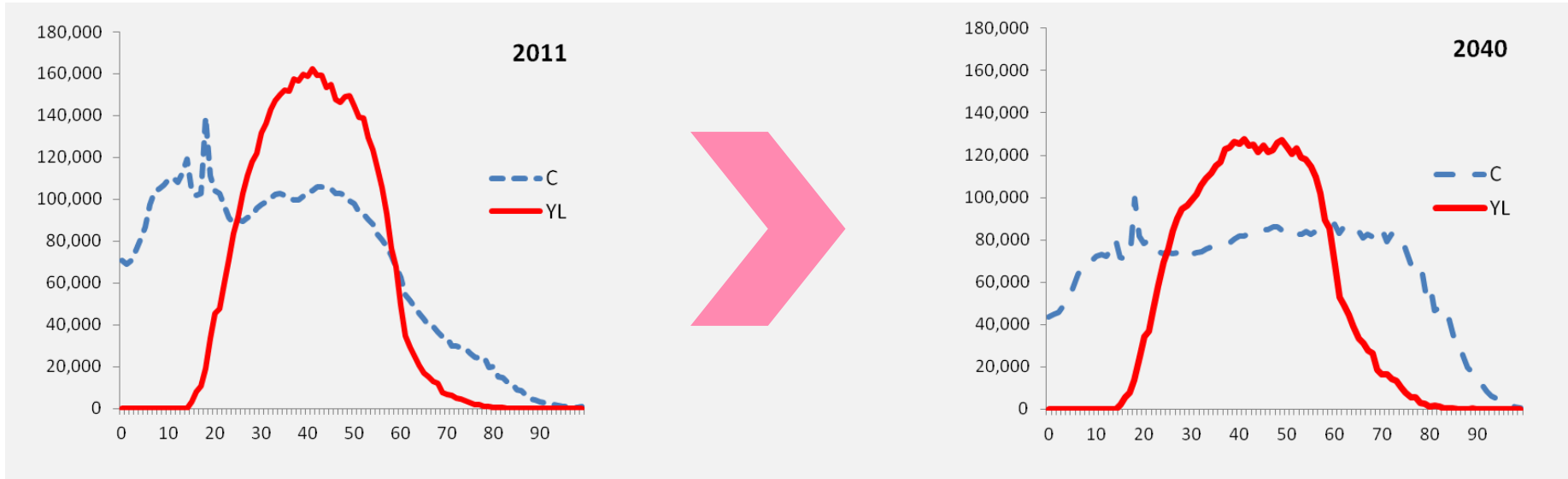
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Effects of Demographic Change on Economic Life Cycle

Aggregate Labour Income & Consumption (Mil. Baht)



- These simulation results have been incorporated in the drafting of **Population Plan during the Twelfth National Economic and Social Development Plan (2017-2021)**
- Here, we assume that per capita income and consumption for all ages remain the same in 2040 as in 2011.
- In 2040, aggregate consumption of the population in older ages considerably increases while consumption of children and working ages decline compared to 2011. Aggregate labor income will also be lower.
- Overall life-cycle deficit to increase from 1.3 trillion Baht in 2011 to a deficit of 1.8 trillion Baht in 2040.

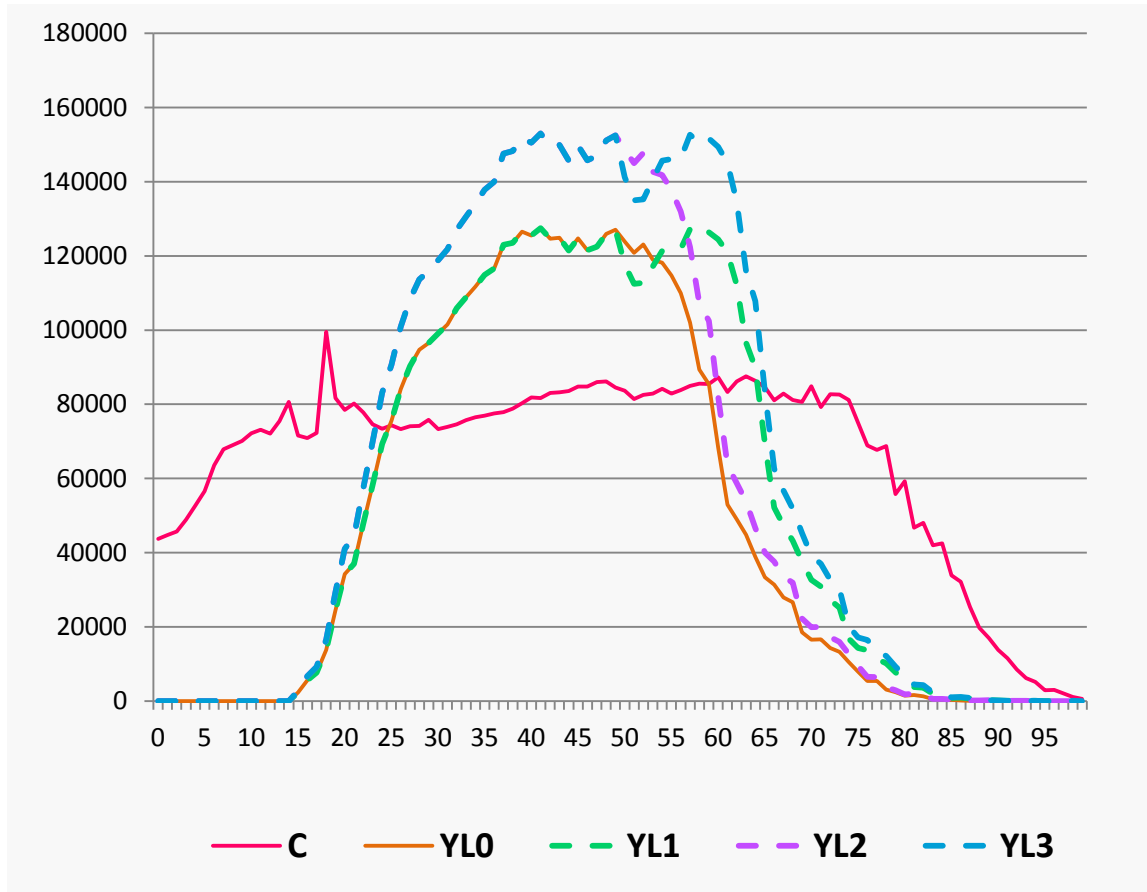
Policy Implications: How can we prepare for such effects?

- **Increase the surplus of working age** group to support the higher deficit from an increasing size of dependent elderly.
 - Increase labour productivity.
 - Increase labour participation by encouraging elderly to work longer and promoting youth employment.
- **Promote healthy behaviours** to lessen health care cost especially from dependent elderly.
- **Ensure income security after retirement.**



■ Increase Surplus of Working Ages

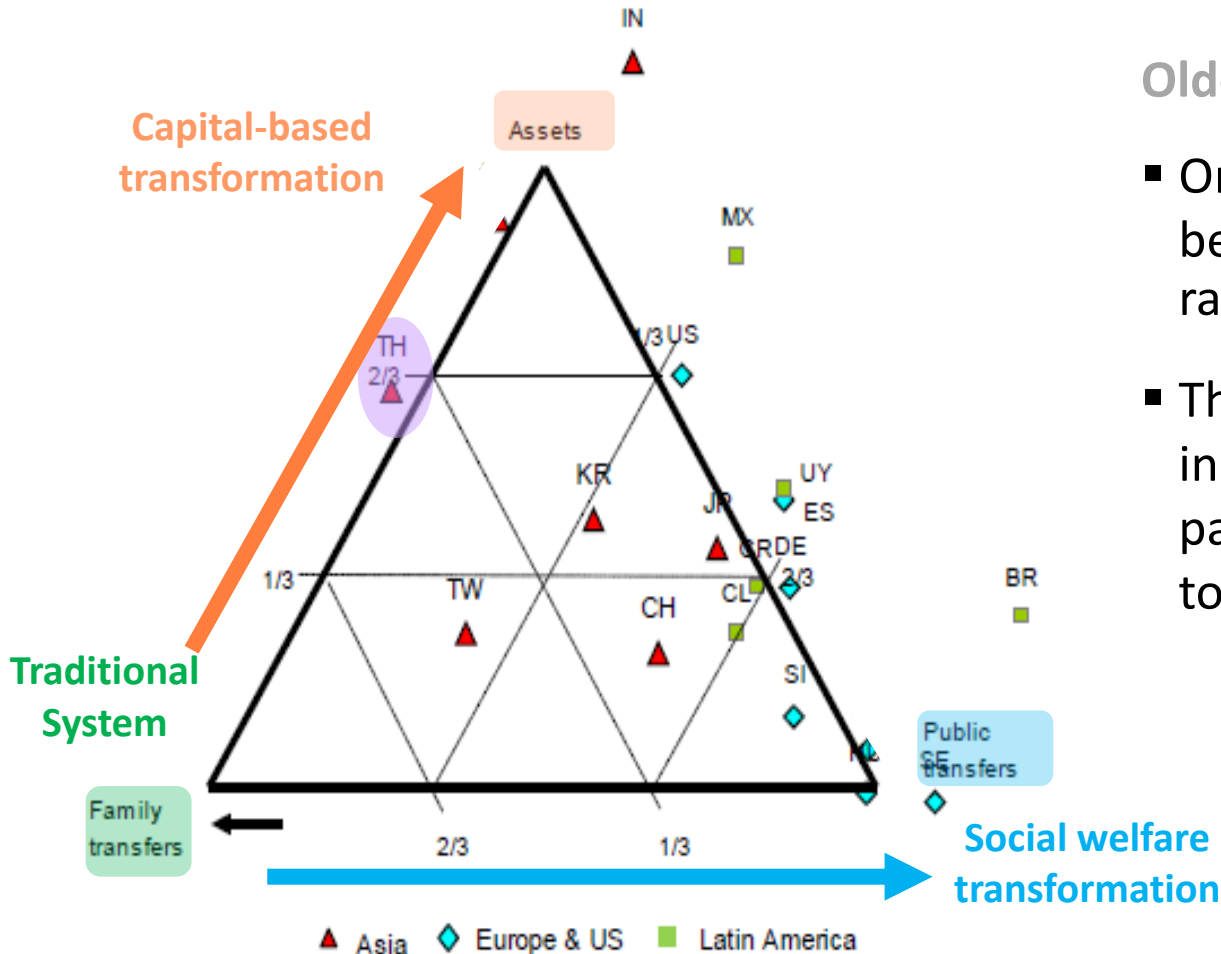
Aggregate Labour Income & Consumption (Mil. Baht), year 2040



Both extending retirement age and increasing productivity will likely help raise aggregate labour income of the Thailand.

- YL0 = base case
- YL1 = raise retirement age
- YL2 = productivity increases 3% per annum
- YL3 = raise retirement age with 3% per annum productivity increase

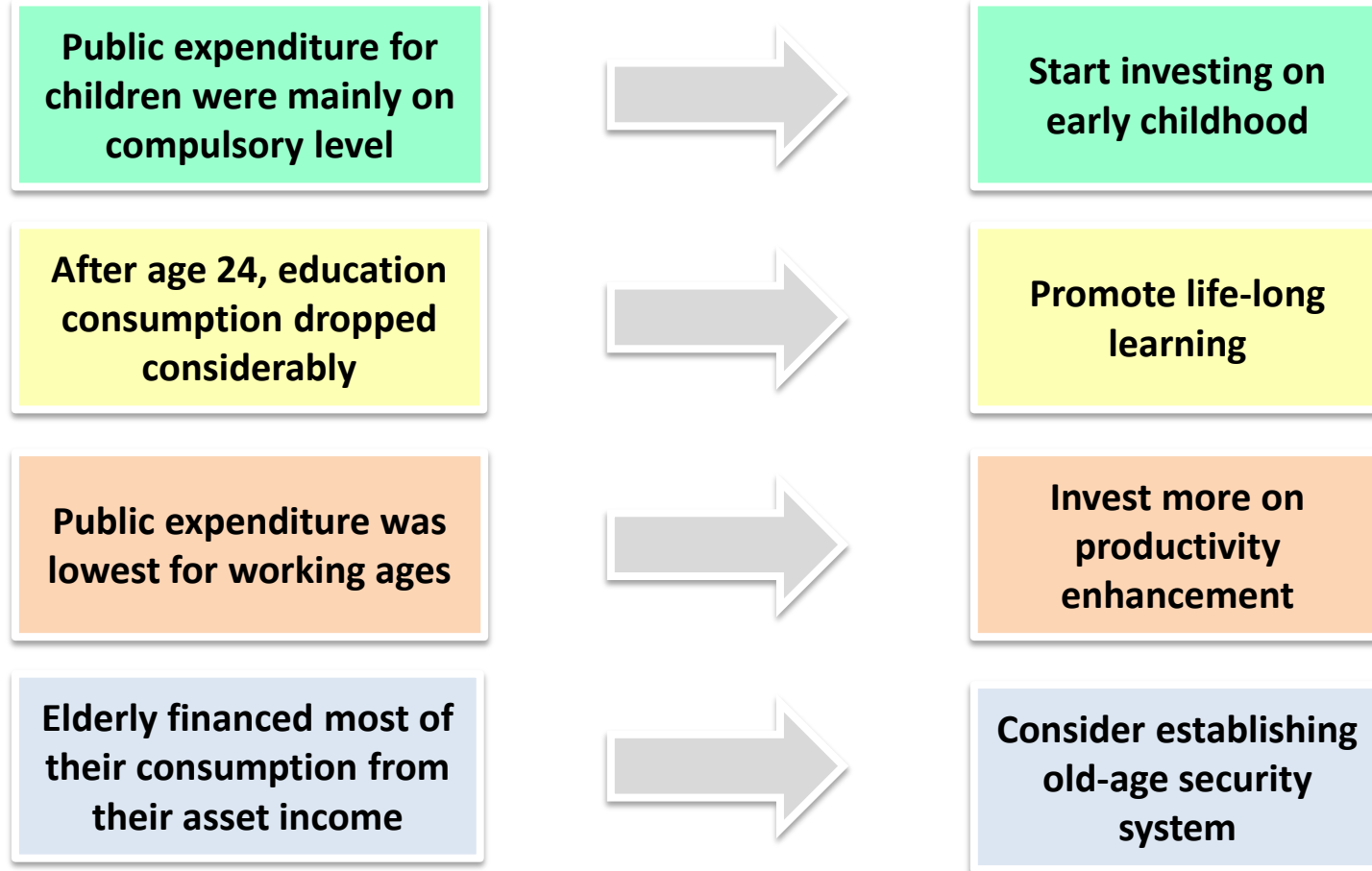
Ensure Income Security after Retirement



Old-age Support System

- On average, Thai elderly has been the net transfer givers rather than net receivers.
- Thai elderly relies more on income from assets, particularly when compared to other countries.

More on Policy Implications





Thank you

www.nesdb.go.th

Aggregate Control

- NI 2011 (NESDB)



Age Profiles

- SES 2011 (NSO)
- Health and Welfare Survey 2011 (NSO)
- Education Statistics 2011 (MOE)



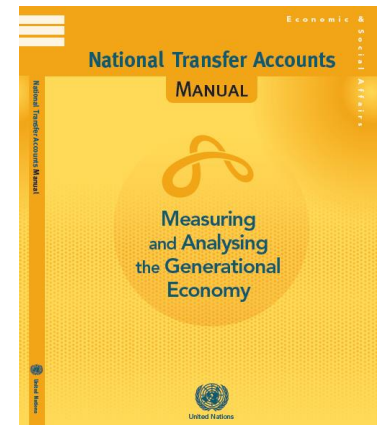
Population

- Population Projections 2010-2040 (NESDB)

Method

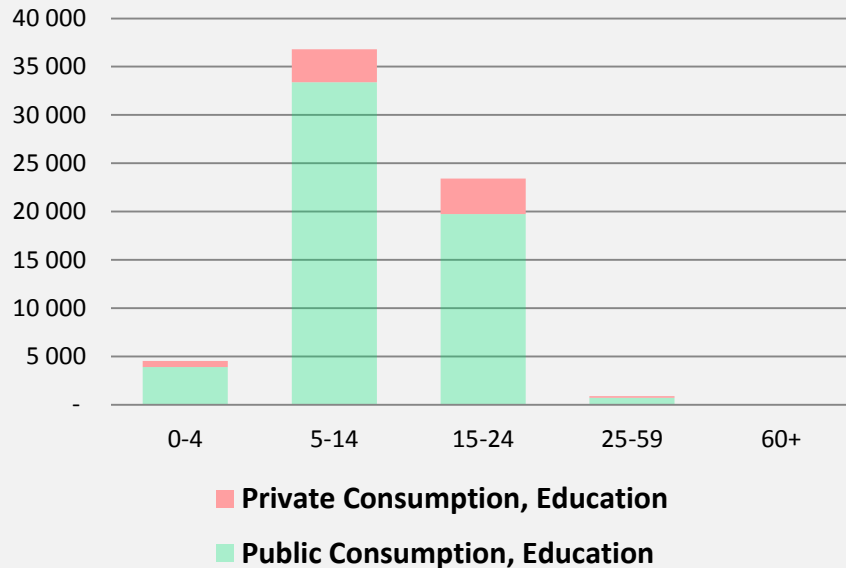


Simply follows the **NTA Manual (2013)**

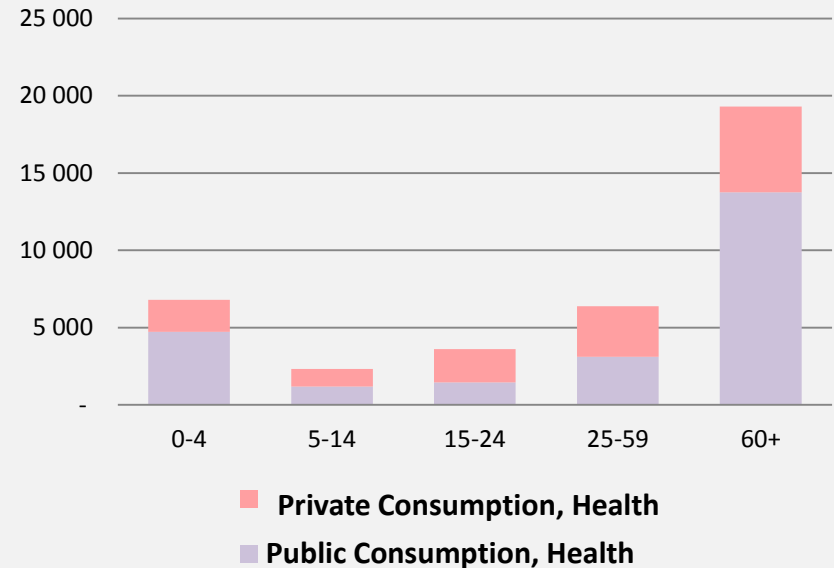


Health and Education Consumption, 2011

Annual Per-capita Education Expenditure (THB)



Annual Per-capita Health Expenditure (THB)



- Average education consumption is high in the compulsory education ages while health consumption increases with ages.
- Education in Thailand is mainly financed by public sector, particularly the compulsory education. For health expenditure, private sector plays more role.