Social Protection in Thailand: Issues and Options

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Outline

• Social protection floor
• Principal instruments to extend social security
• A new pension scheme for Thailand?
• Social protection: shaping the society we want
Social Protection Floor

On April 2009, the UN Chief Executives Board (CEB) has agreed on nine joint initiatives to confront the crisis, accelerate recovery and pave the way for a fairer and more sustainable globalization:

1. Additional financing for the most vulnerable
2. Food Security
3. Trade
4. A Green Economy Initiative
5. A Global Jobs Pact
6. A Social Protection Floor
7. Humanitarian, Security and Social Stability
8. Technology and Innovation
9. Monitoring and Analysis

“A certain minimum level of social protection needs to be an accepted and undisputed part of the socio-economic floor of the global economy”

World Commission on the Social Dimension of Globalization
A Global Social Protection Floor

- Includes a basic and modest set of social security benefits for all citizens
- 4 types of social transfers in cash or in kind:
  - Financing universal access to essential health care
  - Income security for all children through child benefits
  - Some modest conditional support for the poor in active age (employment programmes, benefits), and
  - Income security through basic, tax-financed, universal non-contributory pensions for older persons, persons with disabilities and those who lost the main breadwinner in a family
- Also access to essential services
**Social Security Development Staircase**

**Horizontal and Vertical Dimensions**

- **Voluntary Insurance**
- **Mandatory social insurance / Social security benefits**
  - of guaranteed levels for contributors

**THE SP FLOOR: Four essential guarantees**
- Access to essential health care for all
  - Income security - Children
  - Assistance - Unemployed and poor
  - Income security - Elderly and disabled

**Thailand: Where it is now**
- SSF / GPF / Mutual retirement savings fund
- CSMBS / SSS / UC
- B 500 Elderly Support Fund

**SSF – Social Security Fund / GPF – Government Pension Fund**

**CSMBS – Civil Service Medical Benefit Scheme / SSS – Social Security Scheme / UC – Universal Coverage**
Social protection floor can be affordable

• An ILO study in 10 Latin American countries shows that:
  • A modest package of conditional child cash transfers, universal pensions and basic health care can cost under 5% of GDP
  • the poverty headcount effects can reach a reduction of more than 50%.

• Experience in a GTZ-sponsored targeted cash transfer pilot in Zambia suggests that scaling up to national level may be possible at affordable cost, possibly in the order of 0.5% of GDP.

• Universal pension schemes in Botswana, Brazil, Lesotho, Mauritius, Namibia, Nepal, and South Africa, cost between 0.2 and 2% of GDP.
Social protection floor can be affordable

Cost of social protection in selected Asian countries (latest available years)

- Total public social protection expenditure
- Public soc sec benefit (exp. excluding health care)
- Public health expenditure

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<tr>
<th>Country</th>
<th>Total Public Social Protection Expenditure</th>
<th>Public Soc Sec Benefit</th>
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Principal instruments to extend social security

• Option 1: Extending classical social insurance
  • earnings-related and meets “fairness” considerations (benefits linked to contribution)
  • Smoothes consumption over the life cycle
  • primarily designed for the formal sector, gender bias
  • no redistribution towards excluded segments of the population
Principal instruments to extend social security

- Option 2: Extending tax-financed schemes (conditional, unconditional, means-tested, universal)
  - Can reach out to entire population subgroups; requires some basic logistical capacity
  - Can be tailored to cost considerations (e.g. budget can determine eligible minimum age and benefits)
  - Poverty impact of minimum income in old age for all
  - Some level of social security can be afforded by all
  - Probably the biggest potential

- Social security systems often mix non-contributory and contributory schemes.
Expenditure on social pension in selected middle income countries

Cost of social pension as % of GDP

- Argentina
- Brazil (rural)
- Chile
- Mauritius (2.01%)
- So Africa
- Thailand (0.00582%)
A new pension scheme for Thailand?

- Social protection for more or social protection for all?
- Decent pension or maximum coverage?
  - Pension for all – but universal 500 baht scheme too low for significant poverty and security impact
  - Pension for all – but global evidence that mandatory membership of contributory schemes in the informal sector is impossible to administer
Social protection: shaping the society we want

- Poverty reduction
- Equity
- Social cohesion
- Nation building
- Economic growth

(These could all lead to more effective poverty reduction)
Thank you