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CHAPTER 6
STRENGTHENING SOCIAL PROTECTION

Chapter 6: Strengthening Social Protection

6.1 Introduction

281.   Thailand's social protection system faces significant challenges stemming from a slowing economy, inequality, rapid aging, the changing nature of work, and a highly informal workforce. At the same time, the social assistance system is highly fragmented and though a large majority of Thais were receiving at least some form of social assistance before the pandemic, this reflected a lack of efficient targeting across various programs, reducing the impact on poverty and income distribution. Moreover, while overall spending has risen in recent years, and more than doubled as a share of GDP due to the cash transfer response to COVID-19, it is returning to relatively low levels as compared with other countries at its income level. Again, this is due primarily to low benefit levels rather than low coverage.

282.   Meanwhile, the social insurance system is marked by inequities, fragmentation, and concerns about fiscal sustainability. Social insurance schemes cover most people working in the civil service and formal private sector but with much more generous terms for the former. Some private sector workers are also covered by voluntary, occupational provident funds while others rely solely on mandatory schemes. Most importantly, given high informality, over half of the employed population lacks any coverage, despite multiple voluntary schemes that allow informal workers to save for retirement. The Social Security Organization (SSO) pension scheme will mature in the coming years leading to an increase in the share of the elderly receiving pensions. Nevertheless, the only income that will be available to a large and growing share of Thai elderly is the Old Age Allowance (OAA). OAA benefit amounts remained stagnant for a decade and have therefore been falling relative to incomes and are significantly below the poverty line. The continued reliance on support from children will become more challenging as the ratio of elderly to working age people increases.

283.   Thailand also faces increasingly significant exposure to natural disasters, floods, landslides, storms, and droughts (see Chapter 7), and their impact on livelihoods is more likely to be larger on the poor and those living in rural areas. This makes social assistance all the more important and highlights the need for the social protection system to become adaptive, resilient, and able to respond to the needs of broad segments of the population who may be at risk.

284.   The COVID-19 crisis shed light upon the strengths and weaknesses of Thailand's social protection system. In particular, it revealed the vulnerability faced by the vast informal population not covered by social insurance. The government responded with a significant social assistance package to mitigate the impact of the crisis, including top up transfers for existing beneficiaries and the introduction of new programs to cover informal workers and farmers who were previously not receiving any social assistance. Over 80 percent of households received some form of assistance helping to significantly offset the impact of the recession on poverty rates. The rapid rollout of these relief programs demonstrated that the infrastructure needed to administer an advanced delivery system for social assistance – a universal, unique identifier that allowed for online registration, a robust digital payments platform with high coverage, and the ability to link various administrative datasets for targeting – is available in Thailand. It also became clear that it is being harnessed effectively in normal times. Recent initiatives toward developing the 'e-welfare platform' and improving targeting are promising. Yet, the major social assistance programs continue to spread limited spending over a large population thus diluting the potential impact.

285.   This chapter analyzes the adequacy and efficiency of social protection spending in Thailand, including with reference to international comparators. It examines lessons from the significant scale-up in transfers in response to COVID-19 and proposes longer-term policy reforms to social assistance programs that would be cost-effective in terms of their impact on poverty and inequality, without unduly straining the overall government budget. Chapter 8 then delves further into the distributional impacts of current social protection spending programs and these proposed reforms.

6.2 Spending adequacy

286.   Overall coverage of social protection in Thailand is relatively high and comparable to other countries with the same level of income per capita; however, though most people receive some form of social assistance, only a minority are covered by social insurance. In Thailand almost three quarters of the population received some form of social assistance in 2019 (either directly or indirectly); in the poorest quintile 95 percent receive at least one social assistance

benefit (Figure 6-1, panel a). This is significantly higher than the average for Upper Middle-Income Countries (UMC); in the EAP region, only two other countries for which ASPIRE data are available (Malaysia and Mongolia) exhibit higher coverage. In general, given that the main objective of social assistance spending is to mitigate poverty and help vulnerable households cope with shocks, such high coverage of social assistance is indicative of inefficient spending.

287.   In contrast, Thailand stands out in the region, and among countries with similar income per capita, for its low share of the population receiving social insurance benefits. Most of these beneficiaries are public sector pensioners. This is largely due to the fact that the Social Security Fund (SSF) pension scheme has only been operating for about two decades. In this sense, it is 'immature' in that most SSF members are yet to qualify for a pension because they have not contributed for the requisite 20 years before they reach retirement age. Only 3.6 percent of the population received social insurance benefits in 2019. Even for the top quintile, less than 10 percent were receiving benefits and a significant share of these were civil service pensioners (covered under a separate pension scheme). According to the latest available data in ASPIRE, this figure is more than three times higher for the region and 8 times higher in UMIC countries.

Figure 6-1: Social assistance and social insurance coverage, regional comparison

a. Social assistance coverage, percent

b. Social insurance coverage, percent
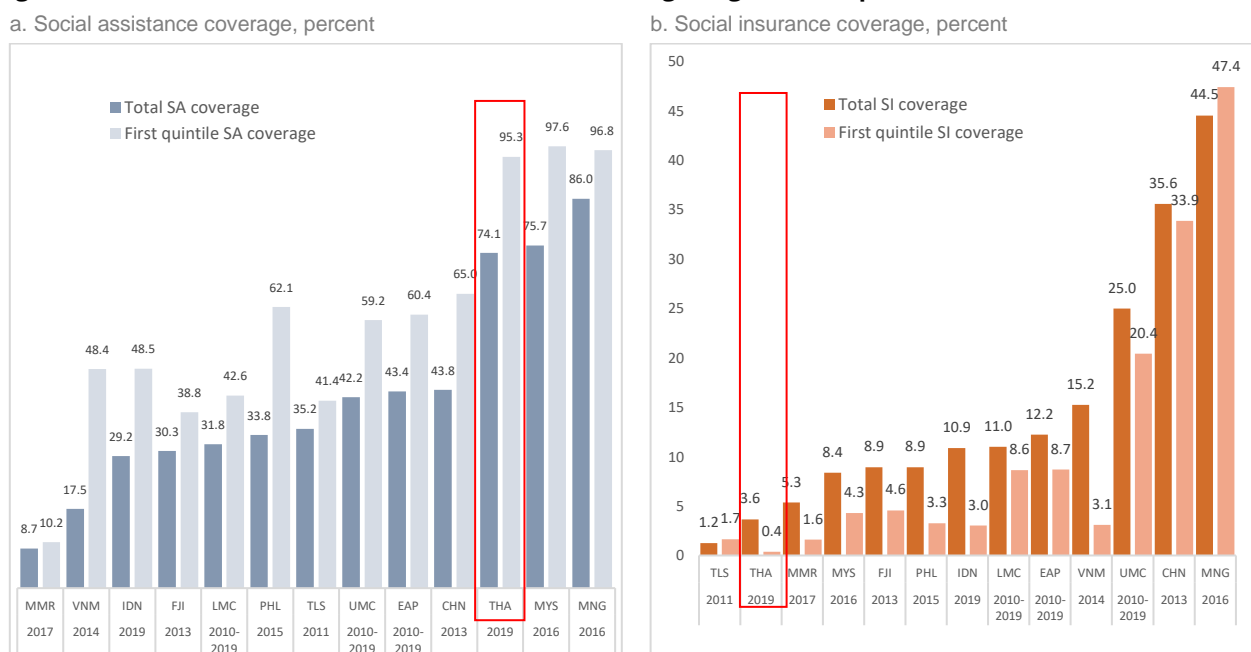
Source: ASPIRE database.

Note: Coverage refers to the share of the population receiving benefits. Regional averages refer to simple averages for using the latest data available for each country between 2010 and 2019.

288.   Spending on social protection totalled 3.3 percent of GDP[148] in 2018; most of this spending was on social insurance (2.54 percent of GDP, or 77 percent of social protection spending) (World Bank, 2021b). Spending on social assistance, on the other hand, remained less than 1 percent of GDP despite increasing significantly between 2010 and 2018 (Figure 6-2, panel a).[149] This placed Thailand below the EAP average for spending on social assistance (1.1 percent of GDP), and significantly below the simple average for upper middle income (1.6 percent) or even lower middle income (1.4 percent) countries (Figure 6-2, panel b).[150]

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[148] Government data show that, in 2019, total social protection spending fell to 3.1 percent of GDP.

[149] The figures refer to prior to the COVID-19 pandemic. As will be seen later, the response to the pandemic brought spending levels well above 1 percent of GDP.
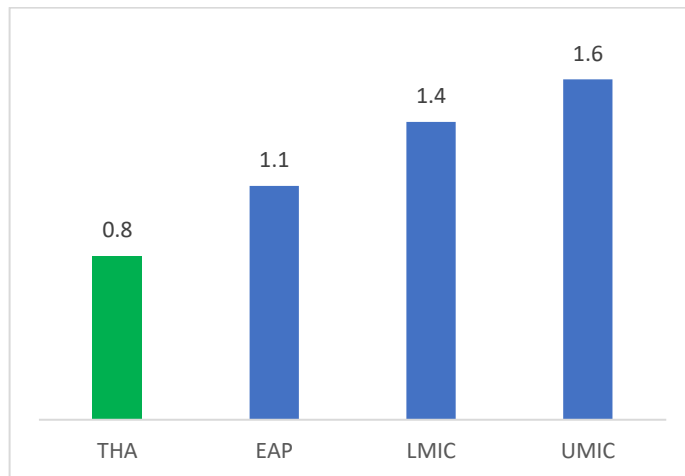
[150] Thailand is classified as an upper middle income country (UMIC).

Figure 6-2: Spending on social assistance and social insurance as percent of GDP

a. SP spending as percent of GDP, 2010 and 2018
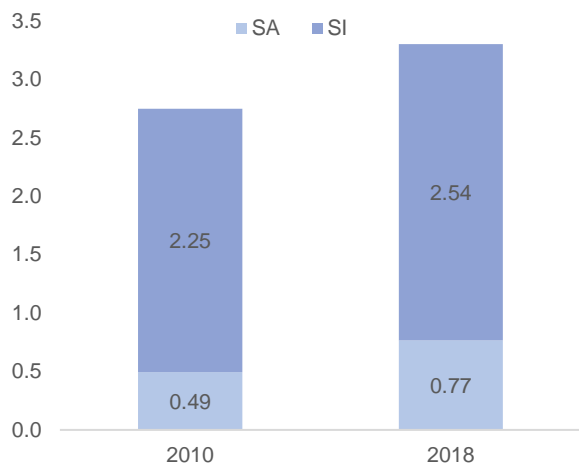
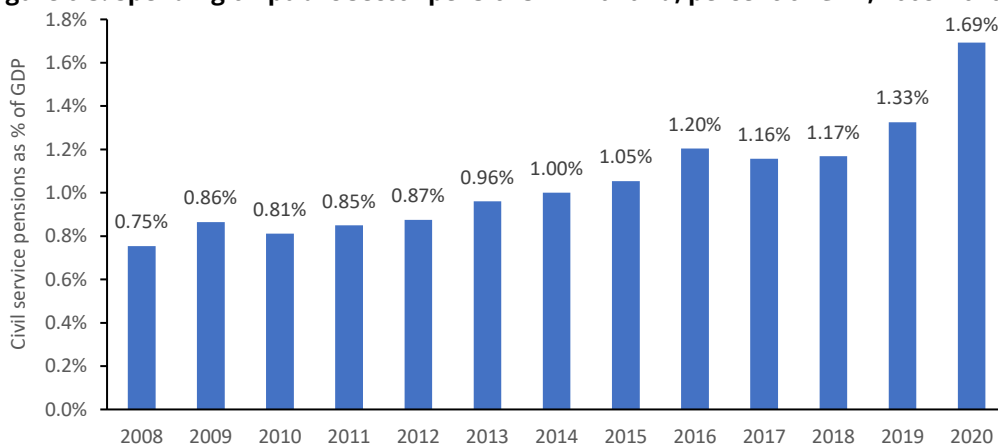b. SA spending as percent of GDP, international comparison

Source: World Bank, 2021b.

Note: 2018 is the most recent year for which disaggregated social protection spending data for Thailand are available. Government data for 2019 show that total spending on social protection was 3.1 percent of GDP, representing a decline with respect to 2018. Regional averages are simple averages. Data for EAP, LMIC and UMIC represent averages for the latest years available.

289.   **More than half of social insurance spending is on civil service pensions.** Public sector pensions are mostly financed on a pay-as-you-go basis and have been rising for the last decade. As the median age of civil servants increases, spending as a percentage of GDP has more than doubled between 2008 and 2020 (Figure 6-3). At 1.7 percent of GDP, public sector pensions represented the single largest social protection program in 2020.

Figure 6-3: Spending on public sector pensions in Thailand, percent of GDP, 2008–2020

Source: World Bank (2022).

290.   **Data for 2018 show that just over half of social assistance spending is devoted to the Old Age Allowance, Thailand's social pension.** In 2018, one fifth of social assistance spending went to the cash and in-kind transfer components of the 15-year free education program and the State Welfare Card (SWC), respectively. The Child Support Grant, a cash transfer for children under 6 years of age, accounted for only 2.1 percent of social assistance spending in 2018.

Figure 6-4: Social Assistance spending composition, 2018
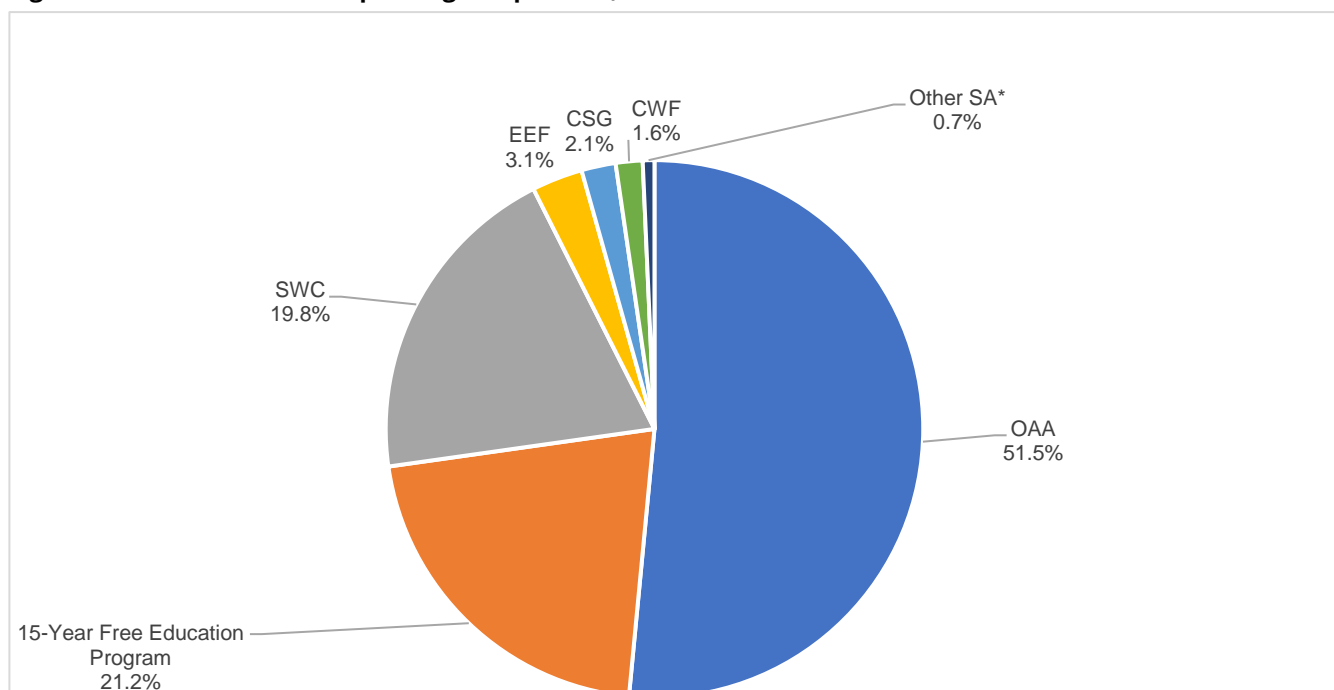
Source: World Bank 2021b
Note: 2018 is the most recent year for which disaggregated social assistance spending data for Thailand are available.
OAA = Old Age Allowance; SWC = State Welfare Card; EEF = The Equitable Education Fund (EEF) – Education Assistance Program and Conditional Cash Transfer Program; CWF = Reducing Inequality Community Welfare Funds Program. Other SA* includes Fund for School Lunch of Primary School Program, Baan Mankong (Secure Housing Scheme), Child Subsidy to Poor Household Program, and Universal Non-contributory Allowance for People with HIV/AIDS.

291.   The provision of social assistance acted to significantly reduce poverty and inequality in 2019, but leakage of transfers remains significant. Without cash transfers from social assistance programs the poverty headcount (defined here as the 20th percentile) would have been 22 percent higher than it was in 2019; this impact is somewhat lower than the simple average for upper middle income countries for which data between 2010 and 2019 are available (25.2 percent, ASPIRE database).[151] Social assistance also brought the poor closer to the poverty line; without these transfers the poverty gap would have been almost 38 percent higher in 2019, a substantial impact compared to the simple average for upper middle income countries of just 13.2 percent (ASPIRE database).[152] Finally, income inequality has also been impacted by social assistance transfers: it is estimated that the Gini coefficient would have been almost 6 percent higher without such transfers. Nonetheless, while spending on social assistance has become more pro-poor over time, leakage to higher income groups remains significant. In 2019, around 27 percent of social assistance benefits went to households in the poorest quintile and only 52 percent benefited households in the bottom two quintiles. As such, nearly half of social assistance benefits accrue to households not in the bottom 40 percent, with over 11 percent benefitting households in the richest quintile.

292.   Though Thailand's social assistance programs appear generous compared to other EAP countries, benefit amounts are low compared to the poverty line and to the upper middle-income country average. Social assistance benefit amounts represented, on average, 14.2 percent of household consumption in the poorest quintile in 2019. Benefit adequacy is higher in the poorest quintile in rural areas (15.2 percent) than in the corresponding urban quintile (11.2 percent, ASPIRE database). Compared to EAP countries for which data are available, the share of benefits in the first quintile is relatively high in Thailand. However, the share is significantly lower than the simple average for upper middle-income countries (Figure 6-5). The amounts transferred to the poorest quintiles are also small in absolute terms. Based on 2019 SES data, the average monthly payment from social assistance transfers is THB 1,108 per household (THB 369 per capita), much lower than Thailand's average monthly poverty line of THB 2,763 per capita.[153] In particular, the OAA, ranging between

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[151] The corresponding population-weighted average is 16.3 percent.
[152] The corresponding population-weighted average is 8.5 percent.
[153] They are also much lower than the Thailand's monthly US$5.5/day (2011) PPP poverty line of THB 2,329 per capita"

THB 600 and THB 1,000 per month, has not been adjusted for over a decade (World Bank 2022); the State Welfare Card provides even lower monthly payments, ranging from THB 200 to THB 300 per month for each beneficiary, depending on their household income.[154] Low benefit amounts are, in part, a reflection of low overall spending and benefits being spread thinly across a large share of the population.

Figure 6-5: Adequacy of social assistance programs, first quintile, international comparison
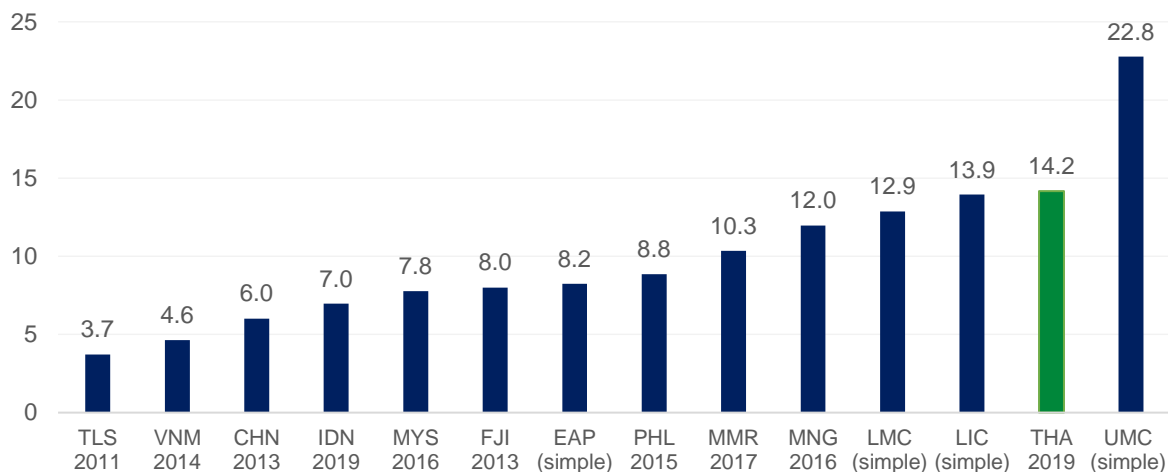
Source: ASPIRE database.

Note: The chart shows social protection benefit amounts as a percentage of the consumption in the first quintile. EAP, LMC, UMC, and LIC simple averages use latest available data between 2010-2019.

## 6.3 Spending efficiency, effectiveness, and equity

293.   The social protection system is fragmented and in need of reform. Most poor and vulnerable households in Thailand do not receive a full package of support. While there are a large number of programs (World Bank 2021b identifies 25 social assistance programs and 12 social insurance programs; Annex 6-1 outlines the main social protection programs in the country), each program operates in a silo, with its own processes for outreach, determination of eligibility, enrolment, and payment of benefits. Even though the eligibility criteria for several social assistance benefits are similar (e.g., income threshold), each program proceeds with a separate methodology for identification of potential beneficiaries, leading to increased administrative costs, as well as costs borne by beneficiaries. Under social insurance, there are five contributory pension schemes (three of which are voluntary) with overlapping membership criteria. Over 40 percent of beneficiaries receive benefits from multiple programs, with some receiving both social assistance and social insurance benefits.

294.   Thailand does not have a social protection strategy and does not make use of common social protection monitoring and tracking instruments. The country lacks a social protection strategy with indication and guidance for individuals on programs and the expected benefits that each group could receive. Further, despite unique identification with the potential to keep track of beneficiaries, the country lacks an information system to allow for a comprehensive tracking of the coverage and impact of the overall system.

295.   The pension system is characterized by high inequity. As shown in Figure 6-6, the pensions that are generated by the unfunded defined benefit (DB) scheme are significantly higher than those that will be generated by the Social Security Fund (SSF) for private sector workers who must also make contributions in order to qualify. This is in large part because the wage ceiling used as the basis for calculating SSF contributions and benefits is not indexed to prices or wages, but rather has remained fixed in nominal terms. This exacerbates the public-private wage differential.

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[154] The OAA is a monthly benefit amounting to THB 600 for elderly aged 60-69; THB 700 for those aged 70-79; THB 800 for those aged 80-89; and THB 1,000 for those over 90 years of age.

Figure 6-6: Simulated replacement rates as percentage of individual's final wage
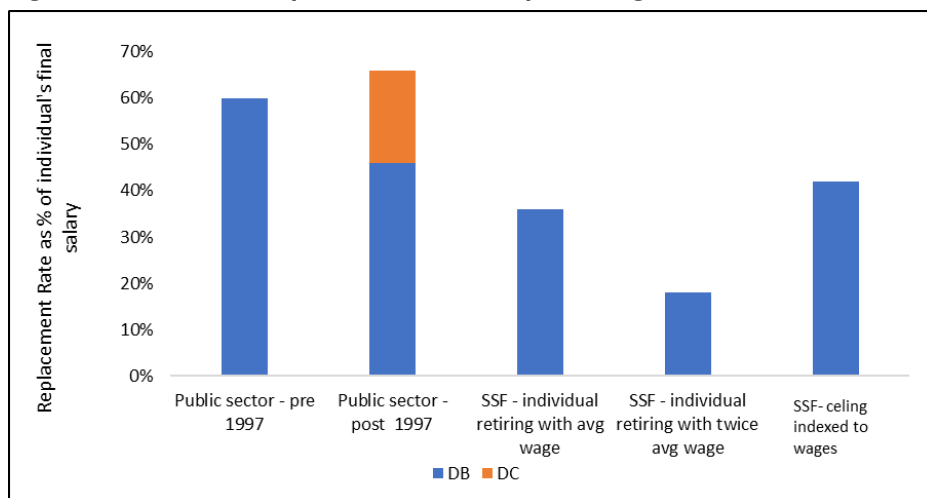
296.   Spending on social assistance more than tripled to mitigate the impact of COVID-19 but this remarkable response and increased spending was only temporary. As noted in earlier chapters, Thailand's response to COVID-19 was one of the largest in the region, centered on providing social assistance to those impacted, expanding what was previously a relatively modest set of cash transfer programs. The total cost of transfers in 2020 was estimated at THB 386 billion or about 2.3 percent of GDP, bringing total social assistance spending to more 3 percent of GDP, a sharp rise from 0.8 percent in 2019 and a high level in comparison to the rest of the region (Figure 6-7). Temporary emergency programs for informal workers and farmers who would not have been considered vulnerable prior to the pandemic were introduced, and existing social assistance schemes were expanded for the elderly, people with disabilities, children of poor families and for recipients of the State Welfare Card program. The increase in spending was sustained in 2021, and although spending on the State Welfare Card and Old Age Allowance are expected to increase, overall social assistance spending is not expected to remain at 2020/21 levels going forward.

Figure 6-7: Spending on social assistance pre- and post-COVID-19, EAP
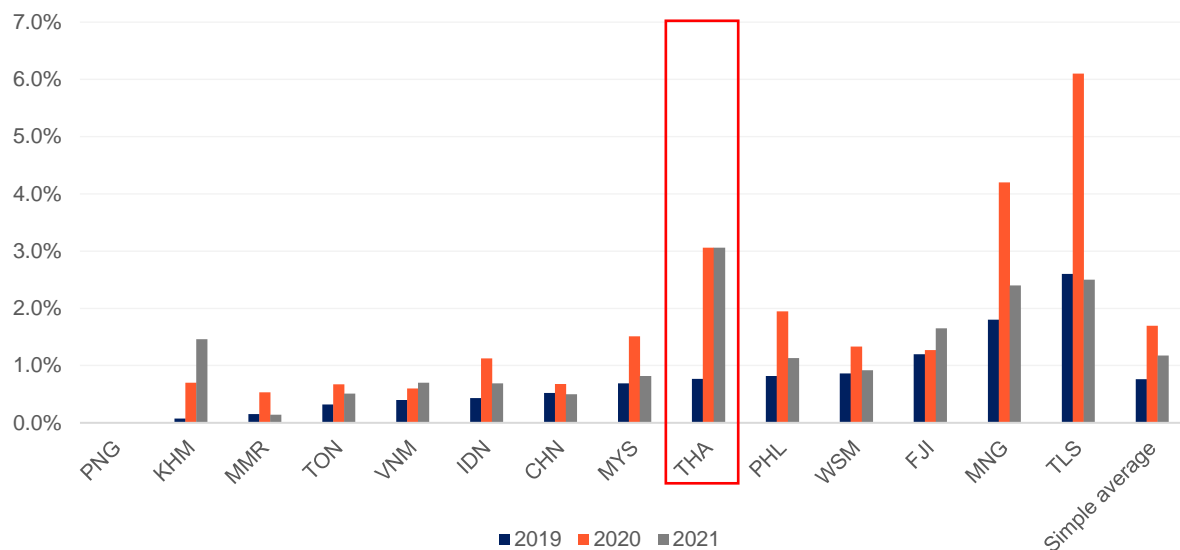
297. **Emergency assistance appears to have expanded the number of households benefiting from some form of social assistance by just under 10 percent; social assistance covered approximately 81.5 percent of the population during the pandemic in 2020.** This expansion came from an already high base: in 2018, 72 percent of households already received some form of social assistance, so that Thailand had some of the highest pre-COVID coverage in the region (Table 6-1). Given that the No One Left Behind benefit (aimed at informal or self-employed workers outside of agriculture) and Assistance to Farmers alone reached more than 30 percent of the population (23.7 million individuals from a registered population of 66 million), a significant proportion of people who received these benefits already had access to other forms of assistance, either directly or indirectly by living in households where other members received programs.[155] Moreover, the 'We Win' Stimulus Program for At Risk Communities Affected by COVID-19 covered 33.2 million people, about half of the Thai population.[156]

Table 6-1: Coverage of social assistance before and during the COVID-19 pandemic, EAP comparison, 2020

Country	Pre-COVID beneficiaries	Pre-COVID beneficiaries receiving top-up	Pre-COVID beneficiaries receiving new payments	New beneficiaries	Total beneficiaries
Percentage of population					
China	3.1	3.1	0	2.9	5.9
Cambodia	1.5	0	1.5	14.9	16.3
Fiji	34.0	34.0	0	14.1	48.1
Indonesia	13.3	13.3	0	51.7	64.9
Lao	NA	NA	NA	0	NA
Malaysia	63.5	0	63.5	24.7	88.2
Mongolia	85.5	85.5	14.4	0	99.9
Myanmar	3.4	3.4	0	45.9	49.3
PNG	0.52	0	0	0	0.52
Philippines	39.8	17.5	22.3	44.5	84.3
Samoa	26.8	26.8	26.8	73.2	100.0
Thailand	**71.3**	**21.1**	**50.2**	**10.4**	**81.5**
Timor-Leste	66.0	0	66.0	27.4	93.4
Tonga	36.1	36.1	0	29.1	65.1
Vietnam	21.5	21.5	0	9.4	30.9

Note: The figure for China is a lower bound due to the lack of subnational data.
Source: World Bank, 2021b.

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[155] The No One Left Behind Benefit and the Assistance to farmers each amounted to a monthly subsidy of THB 5,000 per month per beneficiary for three months in 2020.
[156] The 'We Win' Stimulus amounted to THB 7,000 per beneficiary for two months. The program excluded those with income of THB 300,000 or more per year (or those with savings of over THB 500,000) as of 31 December 2021, government officials, workers in state enterprises or social welfare recipients.

Figure 6-8: Percent of population covered by COVID-19 social assistance programs, Thailand and regional comparison
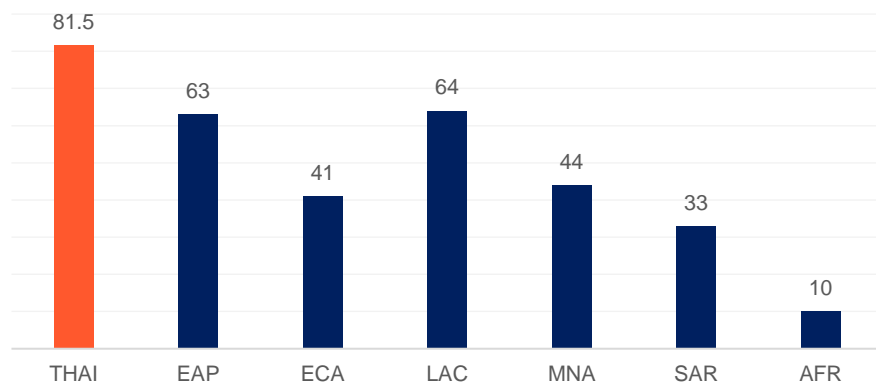

Source: Thailand: World Bank staff estimates; regional data: World Bank, 2022b.

Notes: Weighted average of population coverage in 80 low- and middle-income countries that have scaled up social assistance programs in response to COVID, excluding India and China. Percent of population covered represents individuals living in households which have received a COVID social assistance payment as of March 2021.

298. **COVID-19 relief measures helped avoid an increase in poverty and inequality in 2020.** The economic shock associated with COVID-19 adversely affected employment, incomes, and poverty, but the government's social protection response was impressive in mitigating its impact. In 2020, the national poverty rate posted only a marginal increase of 0.6 percentage points (6.2 percent in 2019 and 6.8 percent in 2020). The consumption Gini coefficient remained stable at 35 percent. Results from a World Bank simulation model show that in the absence of this government response, poverty, measured at US$5.5/day (2011) PPP, would have increased by around 1.2 percentage points in 2020 (Figure 6-9, panel a), adding about 780,000 poor people, of which 270,000 would have been children aged 0 to 14. Inequality would have increased as well, with the consumption-based Gini coefficient increasing from 35 percent in 2019 to over 36 percent throughout 2020-22 and the income-based Gini coefficient rising from 43 to 44 percent during the same period (World Bank, 2021c).

Figure 6-9: Impact of Thailand's COVID-19 social assistance emergency response on poverty
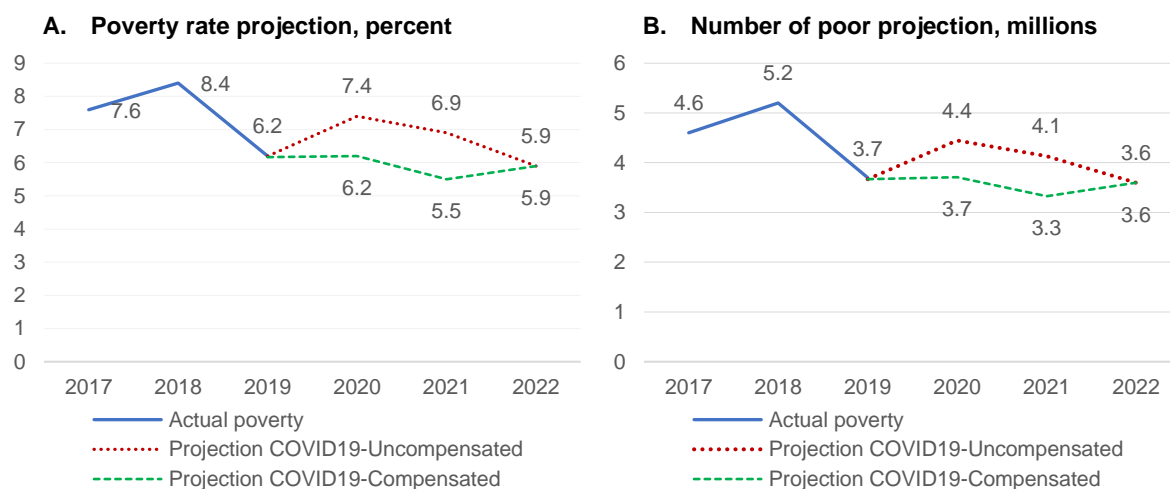
Source: World Bank 2021c; projections based on SES 2019, using macro-microsimulation model.

Note: Poverty rates are based on the international line of US$5.5/day (2011 PPP). Projections for 2022 assume that emergency response programs will end.

299. **The COVID-19 response shows that there is opportunity to increase and better target social protection spending over the longer term, and to integrate different programs to improve the efficiency of this spending, thereby having a greater impact on poverty and inequality per baht spent.** The international evidence shows that there is scope in Thailand to increase spending on social protection more permanently, when the current COVID-19

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measures are phased out. In fact, benefit levels could be increased and targeting improved, thereby reducing inclusion and exclusion errors. This would ensure that vulnerable beneficiaries receive adequate support to lift them out of poverty and that newly vulnerable beneficiaries receive support, while limiting the support provided to those who are not in need. Integrating many of the current programs, many of which have overlapping objectives, could result in significant savings and increase efficiency. One example of benefit overlap involves the State Welfare Card and the Old Age Allowance. According to 2010 Household Socioeconomic Survey data, among the 19.2 million individuals who were benefitting from either the State Welfare Card or the Old Age Allowance, 20 percent were receiving both benefits. Under the new eligibility criteria for the State Welfare Card established in 2022, an individual cannot be receiving any other social assistance; initial simulations using 2019 Household Socioeconomic Survey data show that the removal of the overlap between these two programs would lead to more efficient poverty reduction.[157] Such options would help to improve the efficiency of social protection spending (as measured by its impact on poverty and vulnerability), while containing the overall fiscal cost.

300.   The response brought to light the challenges that Thailand's social protection system was facing before the pandemic hit, and provides the opportunity to build back better, by investing in a more efficient and effective social protection system. The pandemic response forced the government to temporarily link social protection and other databases to quickly determine who should receive support. Consolidating these temporary measures and moving towards a permanent integration of data and analytics across programs could help build a dynamically updated social registry. This would improve the efficiency and impact of social programs and also open up possibilities for innovative policies including expansion of social insurance coverage to the informal sector.

301.   The prolonged effect of COVID-19 has resulted in an increase in the share of the population considered to be vulnerable and in need of support. A large share of the population that was not in need of support before the pandemic is now vulnerable and would require support to avoid a large increase in poverty and disinvestment in human capital. The risk of loss of human capital is high and there is a need to preserve and ensure increased investments in early years.

302.   The crisis also further underscores the need to ensure that the social protection system covers the large informal sector in Thailand at all times, not only during crises, and that new vulnerable groups are adequately protected. Some groups have been disproportionally affected by the COVID-19 pandemic like informal workers in badly hit sectors, children, and ethnic population living in rural areas. Of those, several are covered by existing social protection programs and part of the negative impact could be mitigated but there are still marginal risks and tradeoffs for government consideration. Without considering an expansion of coverage to those new vulnerable groups and increasing the benefit amounts, a large share of the population will fall in poverty and the risks of a long-lasting impact on human capital are particularly high.

6.4 Steps toward a more efficient social protection system

303.   Increasing social assistance benefit amounts and improving targeting towards the poor could have a significant impact on poverty at a low cost. A range of different reforms have been modelled focusing on both program design and implementation; they are benchmarked against both 2019 baseline programs and 2022 diesel price support policies.[158] The two main programs examined are the OAA and SWC (together accounting for approximately 0.6 percent of 2019 GDP), and for both a range of program design changes were examined. Two key design features are benefit levels and coverage. Benefit amounts are currently low enough that, if increased and maintained well below the minimum wage, should not necessarily lead to labor market disincentives; in fact, cash transfers can sometimes facilitate labor force participation and employment by allowing beneficiaries to widen their job search.[159] In addition, improved targeting of benefits to poorer households was also modelled, drawing upon international lessons and best practices for potential improvements in Thailand (see Box 6-1). In the case of OAA, improved targeting means reducing coverage and targeting benefits toward poorer households or maintaining coverage but targeting higher benefits only to poorer households. In

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[157] Under the simulations, all current OAA recipients continue to receive the OAA but stop receiving the SWC. In order to keep the same number of SWC beneficiaries, the SWC is reassigned using a probabilistic model that maintains the same targeting level by decile.
[158] The simulations are based on the 2019 Socioeconomic Household Survey.
[159] One other way to not discourage formal job take-up is to introduce gradual, rather than sudden, withdrawal of benefits for beneficiaries who become formally employed or disregard part of labor income.

the case of SWC improved targeting means maintaining existing coverage levels but covering a larger proportion of poorer households by excluding richer households. The reform scenarios do not restrict the receipt of either the OAA or SWC at the individual level. Instead, they allow for the overlap present in the 2019 survey data. Since the 2022 eligibility criteria for the SWC disqualify individuals from receiving the benefit if they are social welfare recipients, simulations were also conducted including the removal of the overlap between the SWC and the OAA at the individual level; the removal of the overlap leads to greater poverty and inequality reduction in each reform scenario.[160] The design and targeting of each scenario, its cost and impacts on poverty and inequality are presented in Table 6-2 and summarized below. The impact on poverty by age group is shown in Table 6-3.

- **OAA reform scenario 1 ("poverty line"):** raise benefit level to poverty line (THB 2,329 per month[161]) for all existing beneficiaries

- **OAA reform scenario 2 ("flat 1,250"):** raise benefit level to THB 1,250 per month for all existing beneficiaries

- **OAA reform scenario 3 ("two-tier"):** raise benefit level to THB 2,000 per month for beneficiaries in B40 and maintain benefit at current levels for those in T60

- **OAA reform scenario 4 ("tapered"):** taper benefits by income quintile (THB 2,000 for quintile 1, THB 1,500 for quintile 2, THB 1,000 for quintile 3, THB 500 for quintile 4 and remove benefits for quintile 5)

- **SWC reform scenario 1 ("30 percent"):** raise benefit levels to 30 percent of poverty line (THB 700 per month)

- **SWC reform scenario 2 ("targeting"):** improve targeting for SWC with current benefit and coverage levels

- **SWC reform scenario 3 (30 percent with targeting"):** improve targeting for SWC with current coverage levels but benefit raised to 30 percent of poverty line (THB 700 per month)

- **Current emergency response ("fuel subsidies"):** diesel price support (THB 5.99 per liter excise removed, THB 4 per liter subsidy applied (net THB 10 per liter change)

304.   **The most cost-effective OAA reform is tapering benefits by income but a two-tier option has similar outcomes and may be politically and technically easier to implement**. The largest impacts on poverty and inequality come from raising OAA benefit levels to the poverty line for all existing beneficiaries (OAA reform scenario 1), reducing poverty by 2.7 points and inequality by 1.5 points (as measured by the Gini Index).[162] However, this would require an additional THB 206 billion or 1.2 percent of 2019 GDP, at a cost of THB 76.5 billion per percentage point of poverty reduced. Tapering benefits according to income (OAA reform scenario 4) is the most cost-effective reform, costing just THB 33 billion per point of poverty reduced.[163] At THB 74 billion or 0.4 percent of 2019 GDP, it would reduce inequality by 1.3 points and poverty by 2.2 points.[164] However, having four tiers of benefits (any existing beneficiaries predicted to be in quintile 5 lose their benefits) would likely be difficult to implement in practice, especially given high informality; its implementation may also raise political economy concerns since the benefit would be entirely removed for quintile 5. The simpler version of increasing benefits to THB 2,000 for existing beneficiaries predicted to be in the bottom 40 percent of households (applying the targeting outcome shown in Box 6-2) and leaving other benefits as is (OAA reform scenario 3) has almost the same impacts at only a slightly total higher cost (THB 91 billion) and cost per point of poverty reduced (THB 41 billion), while having the merits of being simpler to implement and not reducing benefits for any existing beneficiaries. Even a simple

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[160] As an example, under the reform scenario with 10% VAT, no exemptions, increase OAA (tapered) and increase SWC with improved targeting, removing the overlap and reassigning the SWC using a probabilistic model would lead to a reduction in inequality of 2.74 ppts and the reduction in poverty of 4.46 ppts; this is in contrast to a 2.88 ppt reduction in inequality and a 3.66 ppt reduction in poverty when the overlap from the survey data is maintained. The two simulations have the same fiscal cost.

[161] US$5.5/day (2011) PPP poverty line.

[162] For the population ages 60+, which is the target population of the OAA, poverty would fall by 5.35 ppts versus the status quo and by 5.51 ppts if the SWC is removed from current OAA recipients and reallocated such that coverage and targeting remains the same; this reallocation of the SWC further reduces poverty among those aged 60+ since many elderly live in households with younger adults.

[163] In the simulation, an imperfect targeting of the withdrawal is applied: 25 percent of quintile 1 receive THB 1500, while 75 percent receive THB 2000; 25 percent of quintile 2 receive THB 2000, while 50 percent receive THB 1500, 25 percent receive THB 1000, and so on.

[164] For the population ages 60 poverty would fall by 4.52 ppts versus the status quo and by 4.60 ppts if the SWC is removed from current OAA recipients and reallocated such that coverage and targeting remains the same.

increase of benefits to THB 1,250 for all existing beneficiaries (OAA reform scenario 2) is more cost-effective (THB 55 billion per point of poverty) than increasing benefits to the poverty line, as many existing beneficiaries have some income and therefore do not require a benefit equivalent to the poverty line to escape poverty.

305. **There is also potential for high-impact reform to the SWC, including at no extra cost through improved targeting.** Increasing benefits to 30 percent of the poverty line for existing SWC beneficiaries (SWC reform scenario 1) would cost relatively little per percentage point of poverty reduced (THB 38 billion). This reform would cost THB 72 billion (0.4 percent of 2019 GDP) and reduce poverty by 1.9 points and inequality by 0.9 points. Alternatively, more modest impacts (0.5 points of poverty and 0.1 points of inequality) can be achieved at no extra cost if the targeting improvements outlined in Box 6-2 are achieved (SWC reform scenario 2).[165] Improving both targeting and benefit levels (SWC reform scenario 3) results in the most cost-effective outcome of any of the OAA and SWC scenarios evaluated (THB 24 billion per percentage point of poverty reduced), costing the same as scenario 1 but reducing poverty by 3.0 points.

306. **The recommended set of OAA and SWC reforms together would cost an additional 0.9 percent of GDP and reduce poverty by 4.5 points**. If the tapered OAA reform is combined with the improved SWC targeting and increased benefit levels, the total cost would be THB 146 billion (0.86 percent of GDP) but would reduce poverty by 4.5 points and inequality by 2.4 points. This poverty reduction is around nine times more than that achieved by current diesel price support policies, at around the same cost. The reduction in excise and subsidized price fluctuates in cost depending on the international price for oil but is estimated at an average of THB 10 per liter or a total cost each month of THB 133 billion (0.79 percent of GDP), yet reduces poverty by only 0.5 points and in fact *increases* inequality slightly by 0.1 points as more of the benefits are consumed by richer households. Even the least cost-effective reform modelled here (OAA benefits at the poverty line) is around four times more cost effective than fuel subsidies. Chapter 7 looks further at how these social assistance reforms can be combined with tax reforms to increase net fiscal revenues while reducing poverty and inequality.

Table 6-2: Fiscal and distributional impact of increasing State Welfare Card and Old Age Allowance benefits and improving targeting

	Impact				
	Fiscal (THB bn)	Inequality (Gini)	Poverty (percentage points)	Cost per point of poverty (THB million)	Fiscal (percent of 2019 GDP)
OAA reform scenario 1: Raise OAA to poverty line (THB 2,329/month)	-205.7	-1.50	-2.69	76.48	-1.22%
OAA reform scenario 2: Raise OAA to THB 1250/month	-75.3	-0.64	-1.36	55.17	-0.45%
OAA reform scenario 3: OAA bottom 40% - THB 2000/month, top 60% keep baseline OAA	-91.2	-1.23	-2.21	41.34	-0.54%
OAA reform scenario 4: OAA tapered (from THB 2000 to 0, by quintile)	-73.6	-1.26	-2.20	33.48	-0.44%
SWC reform scenario 1: Increase SWC to THB 700, or 30% of poverty line	-71.7	-0.89	-1.89	37.99	-0.42%
SWC reform scenario 2: Improved targeting of SWC	-1.2	-0.13	-0.48	2.50	-0.01%
SWC reform scenario 3: Improved targeting of SWC and increase to 30% of poverty line	-71.8	-1.20	-3.02	23.77	-0.43%
OAA scenario 4 and SWC scenario 1: Increase OAA (tapered) and SWC	-145.3	-2.08	-3.64	39.96	-0.86%
OAA scenario 4 and SWC scenario 3: Increase OAA (tapered), increase SWC with improved targeting	-145.5	-2.38	-4.51	32.27	-0.86%
Current emergency response ("fuel subsidies"): 10 THB price reduction of diesel	-132.9	0.15	-0.48	276.24	-0.79%

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[165] A very small increase in budget of THB 1 billion is estimated due to the poorer mix of families under improved targeting being eligible for higher average benefits under the existing benefit rules.

	Impact				
	Fiscal (THB bn)	Inequality (Gini)	Poverty (percentage points)	Cost per point of poverty (THB million)	Fiscal (percent of 2019 GDP)
10% VAT, no exemptions, increase OAA (tapered) and increase SWC	99.5	-2.42	-2.65	-37.52	0.59%
10% VAT, no exemptions, increase OAA (tapered) and increase SWC with improved targeting	99.4	-2.74	-3.66	-27.14	0.59%

Source: World Bank staff simulations based on 2019 SES data.

Table 6-3: Poverty impact of increasing State Welfare Card and Old Age Allowance benefits and improving targeting by age group

	Impact on poverty by age group (percentage points)		
	0-17	18-59	60+
OAA reform scenario 1: Raise OAA to poverty line (THB 2,329/month)	-3.32	-1.42	-5.35
OAA reform scenario 2: Raise OAA to THB 1250/month	-1.54	-0.65	-3.00
OAA reform scenario 3: OAA bottom 40% - THB 2000/month, top 60% keep baseline OAA	-2.68	-1.14	-4.47
OAA reform scenario 4: OAA tapered (from THB 2000 to 0, by quintile)	-2.64	-1.13	-4.52
SWC reform scenario 1: Increase SWC to THB 700, or 30% of poverty line	-2.72	-1.49	-2.19
SWC reform scenario 2: Improved targeting of SWC	-0.96	-0.36	-0.43
SWC reform scenario 3: Improved targeting of SWC and increase to 30% of poverty line	-4.76	-2.31	-2.99
OAA scenario 4 and SWC scenario 1: Increase OAA tapered and SWC	-4.94	-2.42	-5.60
OAA scenario 4 and SWC scenario 3: Increase OAA (tapered), increase SWC with improved targeting	-6.71	-3.11	-5.90
Current emergency response ("fuel subsidies"): 10 THB price reduction of diesel	-0.78	-0.42	-0.39
10% VAT, no exemptions, increase OAA (tapered) and increase SWC	-3.27	-1.52	-4.96
10% VAT, no exemptions, increase OAA (tapered) and increase SWC with improved targeting	-5.25	-2.32	-5.33

Source: World Bank staff simulations based on 2019 SES data.

307.   The modelling indicates that finding ways to improve the targeting of social assistance benefits could lead to significant additional gains in poverty reduction. Though targeting of social assistance is generally pro-poor, about half of social assistance benefits reach individuals who are not in the bottom 40 percent. But some progress is already being made on this front. In particular, changes to eligibility criteria for the State Welfare Card were introduced in 2022. These changes take into take into account income and financial assets at the household level and new criteria have also been introduced with respect to limits on the size of real estate and land asset holdings. A limit has also been placed on the size of loans held, and applicants may not have a credit card. Importantly, SWC beneficiaries cannot be current recipients of social assistance, which should eliminate the significant overlap between recipients of the SWC and the OAA, leading to more efficient poverty reduction, as shown by simulations using 2019 Households Socioeconomic Survey data. These are promising changes that may lead to lower inclusion errors for this particular benefit, though it may also be necessary to ensure that the asset filters do not lead to significant exclusion errors. At the same time, there were more than 14.6 million eligible applicants in 2023. It will be important to assess the incidence of inclusion and exclusion errors of the latest round of SWC targeting using household survey data when available. The Old Age Allowance could also benefit from some level of means testing, given that a significant share of the fifth quintile receives this benefit. Box 6-2 provides some recommendations for how targeting could be further improved in Thailand.

Box 6-1: Experience from around the world on effectiveness of public spending on social protection and impacts on human capital accumulation

Impact evaluations of cash transfers generally show that – contrary to common misperceptions that beneficiaries will misuse benefits or become permanently dependent on "handouts" – using money to meet basic needs leads to positive impacts on household welfare, productive work, and long-term growth via human capital formation, among others. For example, it is estimated that $1 worth of cash transfers injected in local economies generates between US$0.3 – US$2.6 (e.g., Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia and Zimbabwe). Extensive evidence shows that cash transfers provided while children are in utero and during early childhood boost subsequent learning, health, nutrition, cognitive and socio-emotional skills, and even earning potential as adults (e.g., Brazil, Cambodia, Colombia, Egypt, Madagascar, Nicaragua, South Africa). Cash transfers can also help spur entrepreneurship, and help recipients to acquire work experience and render useful services. In order to harness the effects of cash transfers, an increasing number of productive inclusion programs provide a more integrated package of cash, assets (e.g., livestock) and trainings that can boost self-employment, consumption and investment. And where labor demand is low, public works can provide temporary jobs in productive labor-intensive activities (e.g., climate-smart agriculture in the Sahel) or social services (e.g., childcare for working mothers in urban areas).

Another function of cash transfers is facilitating job transitions and skills acquisition. As countries embark on structural reforms for competitiveness, cash transfers can also offset the private costs of labor reallocation and reskilling, especially when connected with other programs like active labor market policies (e.g., Argentina, Ethiopia). Cash transfers help enhance resilience to shocks by households and communities efficiently, making them an important instrument in countries that are highly vulnerable to climate shocks such as Thailand. In Ethiopia, Kenya and Somalia, regular and timely cash transfers reduce the need for post-crisis emergency assistance, including saving US$2.3 – US$3.3 worth of relief aid for every $1 of cash transfers invested. Finally, cash transfers can reduce violence and improve psychological wellbeing. Evidence from Bangladesh, Ecuador, India and Mali shows that cash transfers can reduce intimate partner violence within households, decrease depression among women, and bolster self-confidence.

Source: Gentilini, Ugo, personal communication

Box 6-2: Improving targeting of social assistance in Thailand

Targeting of both major social assistance programs, SWC and OAA, is progressive, with a greater coverage of poorer households than richer ones. Nonetheless, targeting outcomes could be improved, allowing greater redistribution for the same budget. This box briefly summarizes the improved targeting assumptions used in the simulations for Chapters 6 and 7 and potential ways to improve targeting in practice.

The SWC covers 19 percent of the population. Of the poorest 20 percent of people by income (quintile 1), 35 percent receive SWC, compared to just 3 percent of the richest 20 percent (Figure Box 6-2-1). While the program clearly covers more poor than rich, many poorer households remain excluded while many non-poor households are included (for example, nearly one in five of the middle quintile receive SWC). Perfect targeting would mean that all of quintile 1 is covered and no one in any other quintile. However, perfect targeting would mean knowing the income of the entire population and being able to select the poorest to receive benefits. In reality, with much of Thailand having informal employment and incomes which are not observed, the income of most households can only be estimated. This is the case in most non-OECD countries. For an improved SWC scenario, the total program size is kept constant (19 percent of the population) but coverage of quintiles 1 and 2 is improved while those of richer quintiles are reduced; the targeting outcomes of a similar sized program in the Philippines (the 4P program) are used as a benchmark. The 4P program covers 22 percent of the population with a greater coverage of quintile 1 and quintile 2 than SWC (51 percent and 35 percent, respectively) and less of quintile 5 (just 1 percent). An improved targeting profile is simulated in Figure Box 6-2-2 which is more closely aligned with the outcomes of 4P.

The simulated targeting improvements for OAA are slightly different than for SWC. OAA covers 61 percent of the population aged 60 years and older. To improve budget effectiveness, Chapters 6 and 7 simulate concentrating benefits on a smaller number of beneficiaries while trying to maintain coverage of poorer people. In this scenario, coverage is

Box 6-2: Improving targeting of social assistance in Thailand

capped at 29 percent of those aged 60 years or older and is targeted at poorer households. The improved targeting simulation starts from a benchmark proxy-means test example from a recent major work on targeting (Grosh, Leite, Wai-Poi and Tesliuc 2022) which has a coverage of 30 percent. Small improvements are made over this benchmark to reflect the potential in Thailand to use administrative data to improve targeting (see below).

**Figure Box 6-2-1: Improved SWC targeting outcomes are simulated in line with a similar program in the Philippines**
(Program coverage by household income quintile)

Figure Box 6-2-2: Improved OAA targeting outcomes are simulated based on recent international work
*(Program coverage by household income quintile)*
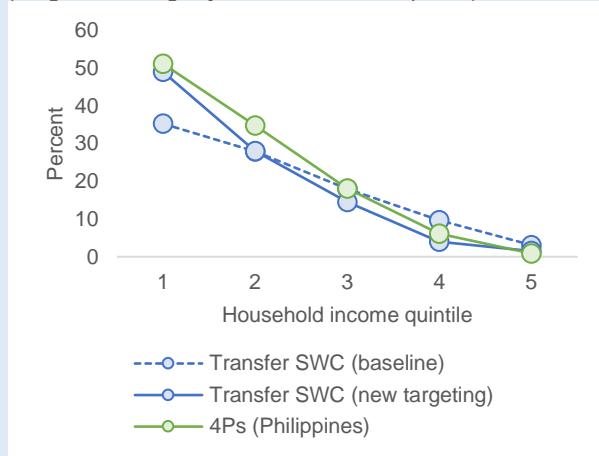
Source: 2019 SES and World Bank calculations (Thailand); Family Income and Expenditure Survey 2013 (Philippines)
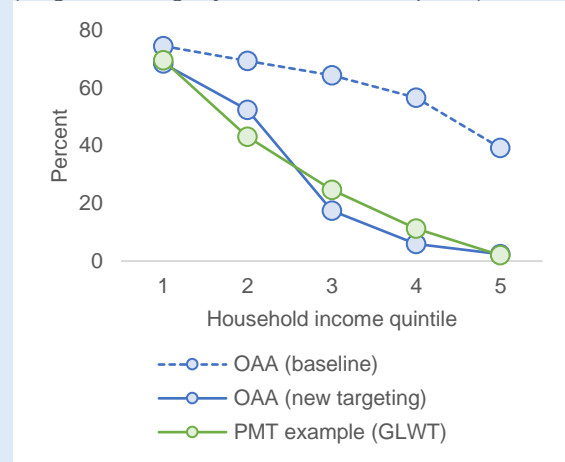
Source: 2019 SES and World Bank calculations (Thailand); PMT example from Grosh, Leite, Wai-Poi and Tesliuc (2022)

How can targeting be improved in Thailand? When individual and household income is not directly observed, there are a range of different methods which can be adopted –with some error– to determine eligibility for social assistance. A recent review of international targeting experience suggests a number of lessons (Grosh, Leite, Wai-Poi and Tesliuc 2022). First, there are several different targeting methods and no strict ranking between them. In fact, often countries use a mix of methods to best target programs. Whatever method(s) chosen, the mix needs to be customized to the country and program-specific context, considering institutional capacity, data availability, program and policy objectives and budgets (Figure Box 6-2-3).

Figure Box 6-2-3: How to best target social assistance depends on both policy objectives and the country context
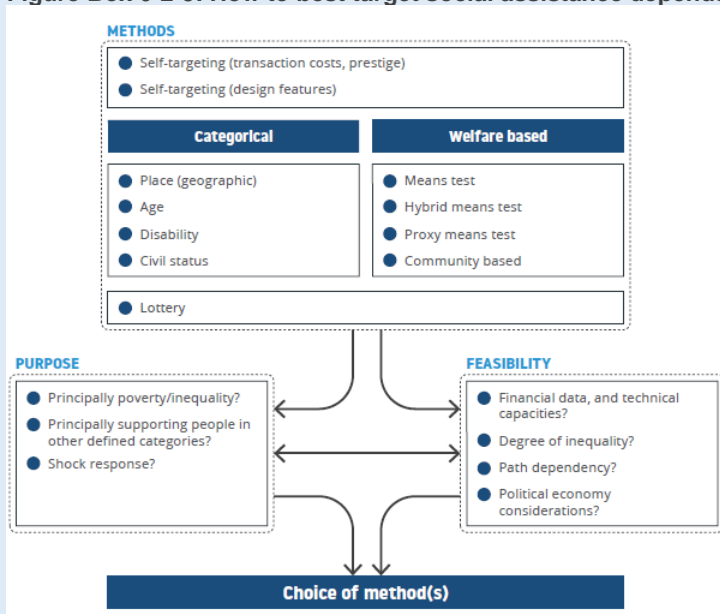
Source: Grosh, Leite, Wai-Poi and Tesliuc (2022).

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Box 6-2: Improving targeting of social assistance in Thailand

Second, shocks and changes in household welfare over time are important considerations for targeting. Households move in and out of poverty all the time due to illness and accident, job loss or other misfortune. Shocks can also happen at the community, regional or national level, as COVID-19 and the current food-fuel price shocks from the war in Ukraine most vividly demonstrate. Different targeting methods differ in their ability to take shocks into account. An Adaptive Social Protection (ASP) framework would not only account for shocks in its targeting methods, it would also consider what types of shocks it prepares for; who should be prioritized for assistance when they happen (e.g. ,those already poor, those made poor by the shock or those who lose the most even if they do not fall below the poverty line); whether the response should be broad and fast but less targeted, or more narrow and focused but require greater ex-ante pre-identification; and to what extent risks should be managed ex-ante with mandated or facilitated insurance programs. Targeting methods will vary with the answers to these questions.

Third, big data and new technologies can help improve targeting. Recent advances in matching administrative data allow richer households to be screened out of social assistance programs ("affluence testing"). For example, people with high formal incomes can be identified through personal income tax returns and social security contributions, and removed from beneficiary lists. Eligibility thresholds can also be applied for households with observed wealth above certain levels (such as in property and vehicle registration databases).

Finally, good delivery systems are critical for reaching the poor and minimizing targeting errors. Regardless of which targeting methods are used, good targeting outcomes will depend upon good implementation of systems. This in turn will require a focus on and investments throughout the delivery system:
- Improve outreach and communication so that the intended people know what programs they are eligible for and how to access them.
- Reduce transaction costs (time and travel).
- Develop dynamic intake processes so that potential beneficiaries can apply at any stage (and as their need arises) rather than waiting years for mass recertification.
- Develop regular re-certification or exit processes based on program objectives and expected changes in household welfare.
- Prepare for shocks, with operational guidelines and financing outlined in advance.
- Invest in systems and staff capacity, as well as data management and data protection.
- Use a case management approach in order to tailor social benefits and services to specific household needs.

308.   **Investing in effective delivery systems can also lead to a more efficient allocation of resources**. Integrating different programs and databases, including program intake, eligibility criteria, and benefit delivery would allow for better targeting and ultimately a more efficient allocation of resources. In response to the COVID-19 pandemic Thailand was able to quickly integrate existing data and agile, on-line applications to create a kind of instant social registry. Thailand successfully leveraged a robust and universal digital ID, sophisticated and interoperable digital platform, and a number of administrative databases to filter eligibility for new cash transfer programs. Such building blocks can help Thailand develop a 'virtual' or 'federated social registry' that monitors the situation of households in normal times as well as crises. In the long run, investing in effective delivery systems can prove to be cost effective, as has been the case in several countries (Box 6-3).

Box 6-3: Effective delivery systems for social protection: significant investments that pay off through increased efficiency

Investments in effective delivery systems for social protection systems can represent substantial up-front costs that are difficult to track and quantify. Examples of ways in which delivery systems for social protection programs can be made more efficient include the setup of social registries, investments in management information systems, introduction of digital payments, and increased outreach to vulnerable groups. In particular, social registries collect information on the socioeconomic situation of poor or vulnerable households, thereby providing a central mechanism to identify potential program beneficiaries; they rely on management information systems and can be

Box 6-3: Effective delivery systems for social protection: significant investments that pay off through increased efficiency

especially important tools for shock responsive social protection. Costs involved in setting up social registries include human resources, software and IT infrastructure development, maintenance and system upgrades, hardware procurement, training and capacity building, help desk staffing, and administration facilities, among others. In general, delivery system investment costs can be spread across various stages of the delivery chain,[a] across central and local governments and across various donors. In addition, costs can be spread out over time, though they may be more significant in the short run.

Nonetheless in the long-run, investments in delivery systems facilitate planning and coordination. leading to administrative cost savings and more efficient delivery and, ultimately, greater impact of social protection programs. Information systems and tools used across programs to identify and enroll beneficiaries, make payments, and manage information not only improve the user experience and save time and costs on the part of applicants and beneficiaries, but they can also lead to economies of scale and help tackle fraud and error. This was the case in Brazil, where the unemployment insurance program was able to block US$385 million in erroneous payments by cross-checking data against the National Database of Social Information and in Romania, where cross-checks across various national databases (tax administration, social assistance, health care, pensions, disability) led to the recovery of about US$1.65 million. Reduction of paperwork can also lead to significant savings in processing time. In Turkey, investments in information systems led to a reduction in the time needed to process applications from registration to enrollment decisions by 20 percent, generating savings of one million full-time equivalent person days per year and overall savings of $39 million per year, significantly higher than the US$13.1 million invested to develop the system (World Bank 2022a). Finally, in Colombia, electronic collection of information for potential beneficiaries under the System of Identification of Social Program Beneficiaries (SISBEN) reduced the costs of updating and registering new families by almost 50 percent (ibid.).

Notes:
Stages across the delivery chain include outreach; intake and registration; assessment of needs and conditions, eligibility and enrolment, determination of benefits and service package; notification and onboarding; provision of benefits and/or services; beneficiaries compliance, updating and grievances; and exist decisions, notifications, and case outcomes (Lindert et al., 2020).

6.5 Conclusion and recommendations

309.   Thailand's social protection system has demonstrated its importance as a means of reducing poverty and inequality and helping households cope with risk. The government responded swiftly and effectively when the COVID-19 crisis hit, reaching over 80 percent of households with some form of assistance, However, prior to the pandemic, this assistance was largely inadequate and large segments of the population lack access to social insurance; leakage of social assistance benefits to upper quintiles remains significant; and the fragmented nature of the social protection system results in inefficiencies in intake, take-up, and delivery of benefits. Moreover, overall social assistance spending prior to the pandemic remained at low levels, reflecting benefit levels that were also low, in absolute terms and compared to the poverty line.

310.   Higher social assistance spending, more in line with countries at a similar income level, would have a greater impact on poverty and inequality in Thailand and can be financed in ways that are consistent with overall fiscal sustainability (as shown in Chapter 1). The simulations of a modest increase in the two main social assistance programs demonstrate this potential impact and show that these are much more effective interventions than others that purport to help the poor but disproportionately benefit higher income people. Moreover, properly designed social assistance (and direct transfers in particular) has been shown to have positive impacts on productive work and long-term growth via human capital formation.

311.   Moving away from blanket subsidies and exemptions and getting the maximum impact from social assistance requires better targeting. Recently, eligibility criteria for the State Welfare Card have been revised to consider the assets of the household, not just the individual. Given that poverty is a household phenomenon this is a step in the right direction. The introduction of a greater number of asset filters should help to reduce inclusion errors, provided that

administrative databases, such as cadastre data, are up to date. Combining such asset and means tests with a proxy-means test, however, could potentially better capture informal income thereby further reducing inclusion errors. Designing and implementing a proxy-means test for Thailand could be considered as a medium-term solution for improving targeting in the country.   In the short-term, increased outreach and communication, facilitating intake processes and reducing transaction costs for beneficiaries could reduce exclusion errors and contribute to improved targeting; the introduction of case management could be considered as a longer-term solution. The 2022 eligibility criteria for the State Welfare Card states that individuals cannot be currently receiving social assistance. This is also a step in the right direction toward the elimination of overlaps between social benefits; in particular, the OAA and SWC have significant overlap and simulations indicate that making current OAA recipients ineligible for the SWC while maintaining the number of SWC direct beneficiaries at roughly 19 percent of the population would lead to greater poverty reduction.

312. **Better targeting mechanisms would allow for much more cost-effective social assistance spending, limiting the fiscal impact of increases to benefit amounts while maintaining poverty reduction gains.** This report recommends considering the following:

- An increase of the Old Age Allowance (OAA) to THB 2000 per month for the poorest beneficiaries, with the amount of the allowance tapering (or being maintained at current levels) for higher income recipients. Maintaining the benefit amount at current levels for higher income recipients may be desirable to the extent that there are political economy constraints associated with targeting the OAA more tightly.

- An increase of the State Welfare Card benefits to 30 percent of the poverty line (THB 700 per month), and an improvement in the targeting of these payments. An improvement in targeting which increases the coverage of the bottom 40 percent (while keeping the overall number of beneficiaries constant) could lead to a significant additional impact on poverty reduction (over 1 ppt), over and above the impact of increasing the benefit amount.

313. **In the medium term, greater investments in delivery systems and reducing the fragmentation of the social assistance system would also increase the efficiency of spending.** This includes integrating program databases and intake of beneficiaries, consolidating eligibility criteria and delivery of benefits (including reduction of overlapping benefits) and introducing case management, as well as establishing a federated social registry that would enable the social protection system to become more shock responsive. This is particularly important in light of Thailand's significant exposure to natural disasters that have a greater impact on the livelihoods of the poor and vulnerable. In terms of delivery of benefits, Thailand could consider changing the way benefits are delivered under the State Welfare Card towards electronic delivery of cash into beneficiaries' bank accounts, as was done with COVID-19 top-up payments in 2020. Another alternative could be to issue electronic prepaid cards or mobile wallets that restrict payment for, say, alcohol and tobacco but otherwise allow recipients to spend their benefits as they see fit, rather than being restricted to use in specified shops, which may be far away or may not necessarily fully meet their needs. Such changes would increase efficiency of the program as it would allow beneficiaries to better meet their spending needs.
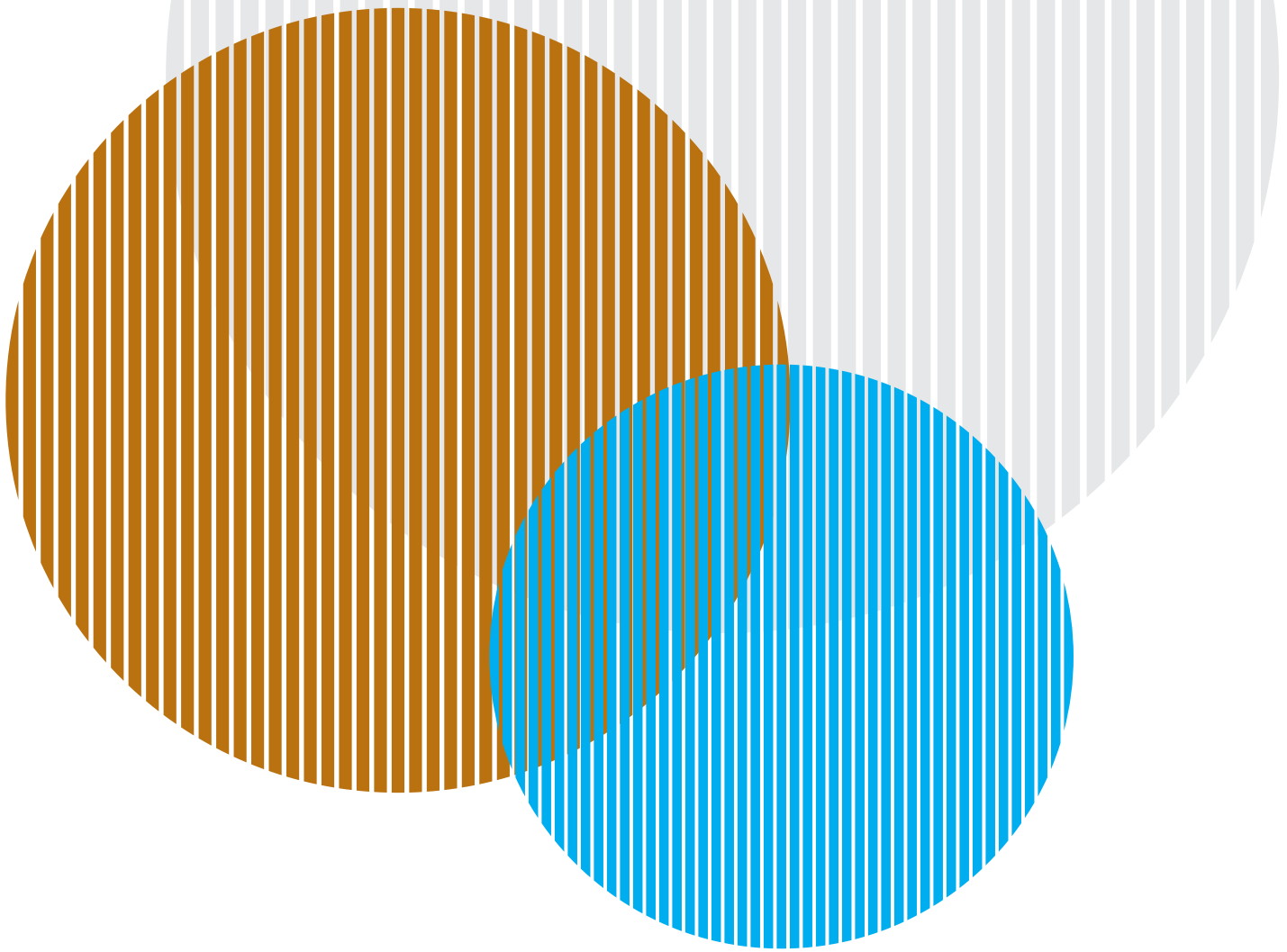
314. **Regarding public pensions, parametric reforms could improve both the fairness and the financial sustainability of existing schemes, and increase the overall coherence of what is currently a fragmented system.** The current system is marked by high inequities and fragmentation, and there are concerns regarding long-term fiscal sustainability. Several reforms have already been proposed by the SSO but the major fiscal burden will continue to be due to much more generous civil service pensions. The following reforms are recognized as international good practice and are appropriate for both the SSF and the defined benefit scheme for public sector workers:

- Increase retirement age gradually to reach 65 in the long run, with the possibility of early retirement and actuarially fair reductions

- Shift to lifetime earnings as the base for calculation of the initial pension value

- Price indexation of pensions in progress

- Indexation of the ceiling for pensionable earnings to wage growth (this is relevant for the SSO).

315.   These measures would make each of the schemes more equitable and sustainable. The retirement age increase would reduce intergenerational inequities as life expectancy continues to increase and would equalize public and private sector retirement ages. Moving from end of career to a lifetime average wage base eliminates the inherent bias toward high-skilled workers who typically have steeper age-earnings profiles. It also reduces average pensions and improves the long-run finances of the scheme. Automatic price indexation is the rule in the vast majority of OECD countries because it ensures that pensioners do not lose purchasing power but reduces the arbitrary differences between cohorts that result from discretionary (and often politically motivated) adjustments to pension values. The real value of SSF benefits will diminish rapidly if the ceiling for pensionable earnings is not indexed and remains constant in nominal terms. Previous analysis has shown that absent reforms, wage ceiling indexation could see SSF cash-flow deficits emerge in the 2040s, with reserves exhausted in the following decade. In order to ensure the sustainability of the SSF scheme, therefore, parametric reforms including increasing the retirement age and the contribution rate (which is low by international standards) are required, in combination with indexation reforms to improve the adequacy and equity of the pensions provided.[166]

316.   Finally, making changes to the existing pension schemes for the formal sector will have limited impact as long as coverage remains low. The voluntary schemes have not increased coverage of the informal sector significantly, rising by a little over one percentage point per year over the last decade. At the current rates, Thailand will have reached European levels of demographic aging but most of the elderly will not be eligible for a pension that prevents a sharp decline in living standards after retirement. Countries that have managed to expand pension coverage quickly, such as China and Korea, have done so with much greater incentives in terms of matching contributions and in some cases, even paying the full contribution for the poor or unemployed. Just as in the case of Thailand's pioneering approach to achieving universal health coverage twenty years ago, a bold policy is required to achieve universal pension coverage. While this would require a significant fiscal commitment, it would also help offset the need for future spending on the OAA program as the population ages and it could increase household and therefore national savings as long as the program was not financed by borrowing. Once again, an improved ability to target and to differentiate between the heterogeneous informal sector would allow for a more targeted approach to social insurance expansion.

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[166] Palacios, R., and H. Jain. 2021. Pension Provision in Thailand. Washington, D.C.: World
Bank. https://documents1.worldbank.org/curated/en/099350103222229818/pdf/P1720900cd169c0ac08f8106c5e056d5dbf.pdf

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