

*The Development and Challenges of the Old Age Allowance Program in Thailand
After the Policy Reformation in 2009*

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Abstract

The phenomenon of an aging society is being observed worldwide, and according to the World Bank, Thailand is expected to transition from an aged society to a super-aged society, with older individuals comprising 20 percent of the total population by 2035. Understanding aging policies is crucial for effectively addressing the future challenges posed by an aging society in Thailand. The implications of an aging society extend to various aspects, such as the labor force, economic development, and education planning. In 2009, the Thai government successfully expanded the social pension system for older individuals who were not eligible for other pension schemes, such as the Civil Servant Pension, by implementing a non-contributory pension program. This study aims to provide an overview of the social pension system and analyze the problems and challenges that have emerged after the policy transformation in 2009. The study adopts a qualitative approach, utilizing document analysis as the primary method. Before 2009, the Old Age Allowance program only provided benefits to older individuals classified as poor. However, after the reform in 2009, the program extended its coverage to over 5,652,893 older persons, encompassing 80 percent of the older population in Thailand. In conclusion, the social pension program underwent significant reforms and redesign in 2009 and beyond. Nevertheless, numerous challenges and problems have arisen within government organizations and among the program beneficiaries.

Keywords: Social Pension, Old Age Allowance, Aging Society

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1. Introduction

The phenomenon of an aging society is observed worldwide, presenting new challenges, particularly for government budgets supporting social pension systems, especially in countries with lower social welfare budgets, like those in Southern and Southeast Asia. Consequently, older individuals and their families face increased financial pressure during retirement. Recognizing the significance of this issue, the Thai government launched a welfare program in 1993 to address the aging population's needs. The Old Age Allowance (OAA) Program is a non-contributory program specifically tailored for the elderly population in Thailand. Initially, the program targeted individuals classified as poor, with eligibility criteria determined by local governments. However, in 2009, the program underwent reforms, transitioning to a universal approach that expanded coverage to a broader group of beneficiaries.

This study takes a qualitative approach to examine the development of the Old Age Allowance (OAA) program in Thailand from its inception in 1993 to 2022. The primary objective is to identify the problems and challenges that have arisen since the program's reform in 2009. The research comprises five sections: an introduction, methodology and literature review, a comprehensive analysis of the program's development over time, an exploration of the problems and challenges encountered during implementation, and a conclusion.

2. Methodology and Literature Review

This study adopted a qualitative approach to examine the development of the Old Age Allowance (OAA) program in Thailand, from its inception in 1993 until 2022. The focus was on identifying the problems and challenges that emerged after the program's reform in 2009. The research design encompassed the utilization of documentation as the primary data source, allowing for an exploration of the program's timeline and an examination of implementation issues following the reform. The methodology employed various components, including data collection, document analysis, data validation, ethical considerations, and data analysis.

To gather relevant information, a comprehensive review was conducted using official documents, newspapers, academic articles, pamphlets, acts, and ministerial regulations. The collected data underwent coding and were analyzed using qualitative content analysis techniques. This analysis identified themes and patterns in the documentation to address the research questions. To ensure data validity, the researcher cross-referenced multiple sources and consulted experts in the field. It is important to note that the study has limitations, particularly regarding the official documents, which may only provide information on the policy as it was implemented during that specific period. Numerous studies have highlighted the problems and challenges associated with the OAA program. One significant challenge consistently addressed in these studies is the need for clear program guidelines. Suwanrada and Kamwachirapitak (2007) identified inadequate budget allocation for older individuals and inconsistent criteria used by local government organizations for beneficiary screening as major issues. Similarly, Satidporn et al. (2017) emphasized the need for transparent and fair regulations and specifications to ensure the effective implementation of social welfare policies. They also emphasized the importance of stakeholder participation in policy determination to reduce disparities in access to government assistance programs.

In conclusion, the ambiguity surrounding program guidelines, particularly within the targeting approach, can be mitigated by transitioning to a universal approach. Suwanrada and Wesumperuma (2012) proposed that adopting a universal approach can address several drawbacks of the previous targeting approach, such as corruption and challenges in the beneficiary selection process. However, the study's findings also indicate that the new universal approach presents a significant challenge in corruption due to double registration in Thailand. After the reform from targeting to a universal approach, new problems, and challenges have emerged, distinct from those observed in previous studies. The study aims to shed light on the problems and challenges between 2009 and 2022 following the reform.

3. The Development of the Old Age Allowance Program in Thailand

This section covers three main topics. Firstly, it provides an overview of the social protection plans for retirees in Thailand, highlighting the differences based on the individual's career. Secondly, it delves into the details and concepts of the Old Age Allowance (OAA) program, offering comprehensive information. Lastly, the study addresses the development of the Old Age Allowance from 2009 and discusses the following timeline until 2022.

3.1 The Social Protection Plans for Retirees in Thailand

Thailand has implemented a comprehensive array of social protection plans to safeguard the welfare of retirees in their later years, primarily focused on ensuring post-retirement financial security. These plans encompass three fundamental components: the government pension, the Social Security pension, and the Old Age Allowance program.

Program	Type	Eligibility
Pension (1902-present)	Contributory	Government officials/ Civil Servants
Social Security program (1991-present)	Contributory	Private sector employee
Old Age Allowance (1993-present)	Non-contributory	All Thai citizens excluded from the pension and social security program

Table 1: The Social Protection Plans in Thailand

The government pension holds a notable distinction as Thailand's inaugural pension program, with its inception dating back to 1902, when it was initially devised for civil servants. Historical evidence substantiates the continued existence and consistent provision of pension benefits to eligible recipients throughout the program's history. In contrast, the Social Security pension was established in 1991 to cater to employees in the private sector. This pension scheme serves as a dedicated vehicle for delivering retirement benefits to this particular workforce segment. Lastly, the Old Age Allowance program has been formulated to extend support to all Thai citizens who are ineligible for government pensions. By its non-contributory nature, this program grants older Thai citizens access to a pension regardless of their employment history. Notably, the Old Age Allowance program enjoys widespread

participation among the elderly population in Thailand, serving as a testament to its significance and its profound impact on the financial well-being of retirees.

3.2 The Old Age Allowance Program

The Old Age Allowance Program, or the "Elderly Allowance Program," is a social welfare initiative in Thailand designed to financially support citizens aged 60 years and above. Established in 1993 by the Thai government, the program specifically addresses the unique needs and challenges the aging population faces. As a cash transfer program, it focuses on assisting elderly individuals who are not covered by the civil servant pension scheme. The main objective of the Old Age Allowance (OAA) is to offer social pensions to elderly citizens who lack alternative sources of income.

Eligibility for the program is determined by two criteria: being 60 years or older and holding Thai citizenship. Once enrolled and approved, beneficiaries receive monthly financial assistance from the government, depending on age brackets. For instance, individuals between 60 and 69 receive 600 baht, those between 70 and 79 receive 700 baht, and those aged 90 and above receive 800 baht. However, it is essential to note that the monthly allowance, ranging from 500-1,000 baht (equivalent to US\$18-30), falls below half of the poverty line.

The Ministry of Social Development and Human Security in Thailand administers the Old Age Allowance Program, oversees its implementation, manages applications, and disburses monthly allowances to eligible recipients. The program encountered new challenges when the government shifted its approach from targeting specific individuals to implementing a universal program to include a more significant number of elderly citizens. This strategic shift necessitated adjustments in program scope and implementation. Overall, Thailand's Old Age Allowance Program is vital in providing much-needed financial support to elderly citizens. However, addressing the program's limitations and adapting to the evolving needs of the aging population will be essential for its continued effectiveness.

3.3 The Development of the Old Age Allowance from 2009

The Old Age Allowance program was established in 1992 under the government of Mr. Chuan Leekpai, who served as Prime Minister for two terms between 1992 and 1995. It is a social welfare initiative that financially supports individuals aged 60 years and above.

Initially, the distribution of living allowances for the older beneficiaries varied depending on the policies of each government. Local government organizations followed their guidelines, resulting in different approaches. In the early stages, there were delays in transferring the budget, prompting local administrations to utilize existing savings to pay the allowances. A guideline book was issued to address this issue, allowing the local government to use their savings temporarily. Once the funds were received, they were replenished as before.

Since 2002, the responsibility for paying the old age allowance has been transferred from the Department of Social Development and Welfare, Ministry of Social Development and Human Security, to the Department of Local Administration, Ministry of Interior. Municipalities and sub-district administrative organizations play a crucial role in the program by handling registration, verifying the eligibility of the older beneficiaries, and disbursing the living allowance. The old age allowance is a monthly payment of 500 baht per person,

intended for elderly individuals who are economically disadvantaged, abandoned, or without caregivers.

In 2009, the government introduced the universal allowance policy, except for older people who already receive welfare or other benefits from government agencies. Under the leadership of Mr. Abhisit Vejjajiva, the program's eligibility was expanded from a poverty-targeted scheme to a universal scheme. This change significantly increased the coverage, with approximately 80 percent of older people in Thailand now receiving the benefit. Data from Figure 1 indicates that in 2019, 78 percent of individuals aged 60 and above received the Old Age Allowance.

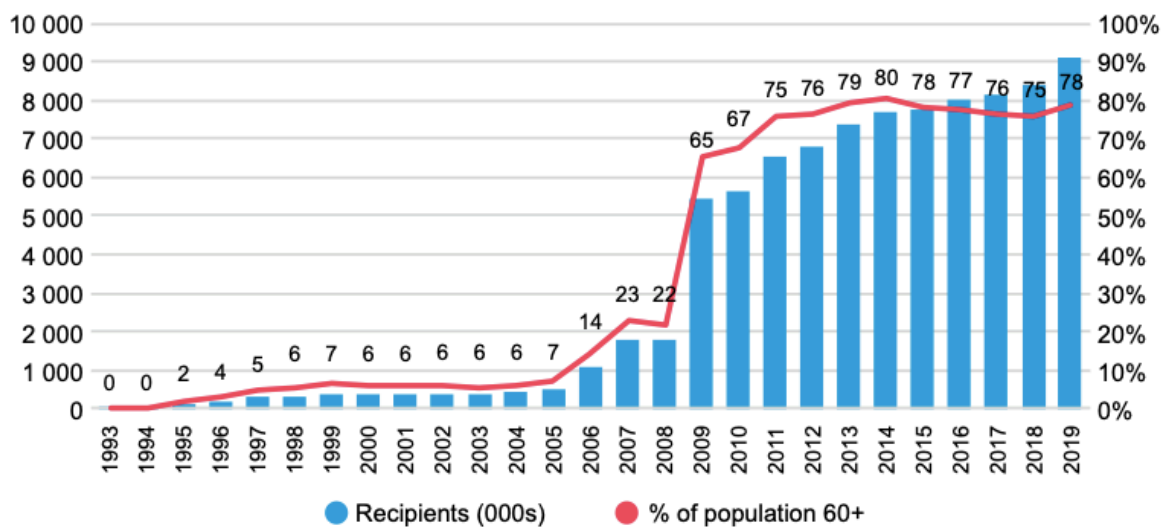


Figure 1: The Coverage of OAA from 1993-2019

Source: National Economic and Social Development Council (NESDC), Department of Local Government Promotion, Bangkok and Pattaya Municipality

In October 2011, the Cabinet of Thailand approved a tiered monthly allowance system specifically designed for elderly individuals. Under this system, individuals aged 60-69 would receive 600 baht per month, those aged 70-79 would receive 700 baht per month, individuals aged 80-89 would receive 800 baht per month, and those aged 90 and above would receive 1,000 baht per month.

Moving forward to 2022, the Cabinet again took action by allocating funds from the mid-2022 budget to provide special assistance to senior citizens. Approximately 8,300 million baht was set aside to benefit a significant number of individuals, specifically 10.9 million people aged 60 years and above.

Under the approved plan, these eligible senior citizens would receive a monthly allowance ranging from 100 to 250 baht per person. This financial support would be provided for six months. The specific monthly amounts are outlined below:

Individuals aged 60-69 would receive an old-age allowance of 600 baht per month and an additional 100 baht per month as special assistance, resulting in a total of 700 baht per month. Individuals aged 70-79 would receive an old-age allowance of 700 baht per month and extra assistance of 150 baht per month, totaling 850 baht per month. Individuals aged 80-89 would

receive an old-age allowance of 800 baht per month and an additional 200 baht per month as special assistance, amounting to 1,000 baht monthly. Finally, individuals aged 90 and above would receive an old-age allowance of 1,000 baht per month, supplemented with a special assistance amount of 250 baht per month, resulting in 1,250 baht per month.

In 2023, Thailand is scheduled to hold an election, which will bring about a new government that aims to implement a fresh policy direction. The incoming government's priorities and decisions will determine the policy's specific path. Several political parties have put forth proposals to increase the monthly allowance amount. However, it is crucial to carefully consider this matter, given its direct impact on the government's budget and revenue.

4. Problems and Challenges of the Old Age Allowance Program

The introduction of non-contributory social pensions has gained momentum in several Asian countries in recent years. For example, Myanmar successfully implemented a universal social pension in 2017, showcasing its commitment to providing financial support to its elderly population. In contrast, Indonesia lacks a comparable program that extends to non-government officials, revealing a notable gap in social protection measures. Scholarly studies have shed light on common obstacles these initiatives face, including corruption and insufficient budget allocation. The primary objective of the social pension is to cater to older individuals who do not fall within the scope of existing Social Security Pension and Civil Servant Pension schemes. This inclusivity implies that even prosperous elderly individuals are eligible to receive benefits under the program, raising crucial considerations concerning equity and resource allocation. While the Old Age Allowance Program has undeniably proven its worth in delivering financial aid to elderly citizens in Thailand, it also confronts specific challenges and considerations that require careful attention. These challenges encompass various aspects, including program design, eligibility criteria, benefit adequacy, and long-term sustainability. Addressing these issues will ensure the program's effectiveness and ability to meet the evolving needs of Thailand's aging population. The study categorizes these challenges into two sections: the governmental perspective and the beneficiaries' perspective.

4.1 Governmental Perspective

The OAA program faces various challenges from the government's perspective, including budgetary constraints, program sustainability, and the impact of new government policies. Firstly, the budget is of utmost importance in implementing policies. The program underwent reforms in 2009, expanding to include more beneficiaries. However, transitioning from a targeted to a universal approach has limited the budget. Accommodating a more significant number of beneficiaries requires a more lavish budget allocation, which raises concerns due to reliance on tax financing. As the aging population grows, the government must allocate an increased budget to support the program's expanded initiatives.

Secondly, ensuring the long-term financial sustainability of the program is crucial when faced with budgetary constraints and reliance on tax funding, especially considering the growing number of elderly individuals. Demographic changes have an impact on the fiscal sustainability of the old age allowance policy, necessitating a reevaluation of budget allocation to accommodate these changes. Considering the dimension of public debt when increasing expenditures on the old age allowance is crucial. If the government cannot generate sufficient revenue, it may result in a long-term increase in public debt.

Thirdly, introducing new government policies following Thailand's election in May 2023 brings about political instability and uncertainty regarding policy orientations. Respected economists like Ari Aisen and Francisco Jose Veiga (2010) have acknowledged that political uncertainty in several countries adversely affects economic performance. Jong-a-Pin (2009) also found a correlation between heightened political instability and diminished economic growth. These concerns arise during policy implementation, mainly when there is a change in political power. If the newly elected government supports welfare initiatives, there is potential for increased benefits to be disbursed through the OAA program.

4.2 Beneficiaries Perspective

From the perspective of the beneficiaries, the OAA program encounters several challenges, including insufficient monthly allowance for daily living expenses, issues of inclusivity, and low program awareness.

Firstly, the current benefit amount provided by the program (18-30 US dollars per month) is inadequate for sustaining a decent standard of living. As mentioned earlier, this amount serves as an additional income, but for many older Thai individuals, it constitutes their primary source of income. This poses a significant problem for elderly individuals without family support, as the monthly benefit is equivalent to just two days of minimum wage. The meager amount can be a barrier to maintaining a healthy lifestyle for older people, especially those living alone. In countries with insufficient retirement systems, such as Thailand, Meier and Werding (2010) suggest increasing pension generosity and expanding coverage.

Secondly, the eligibility criteria for the program are unclear, leading to the exclusion of many older individuals. Furthermore, those without proper identification cards are unable to participate. This exclusionary aspect of the program results in many older Thai people being left out. It is crucial to address the specific needs of vulnerable and marginalized elderly groups, including those residing in remote areas or with disabilities. The government should ensure consistency across different pension schemes and establish a clear and coherent system. Additionally, proactive communication with prospective beneficiaries is vital to provide them with a comprehensive understanding of the program's criteria.

Thirdly, program awareness is deficient among older individuals living in remote areas. Efforts should be made to increase awareness and knowledge about the program and its benefits. Ensuring that eligible individuals are well-informed and can access the required support is essential. Public campaigns, targeted outreach programs, and community engagement initiatives can enhance program awareness.

In conclusion, addressing the challenges faced by the OAA program from the beneficiaries' perspective requires addressing the issue of insufficient monthly allowance, improving inclusivity by clarifying eligibility criteria and considering the specific needs of vulnerable groups, and implementing strategies to raise program awareness among older individuals, especially those in remote areas.

5. Conclusion and Recommendation

Aging is affecting all parts of the world but to varying degrees. The phenomenon of an aging society is a global concern that necessitates proactive measures to address the challenges it presents. The burden on government budgets to support social pension systems is particularly

evident in regions like Southern Asia and Southeast Asia. This place added financial pressure on older individuals and their families during retirement. The Old Age Allowance program initially targeted individuals classified as poor. Later, the OAA Program underwent significant reforms in 2009, transitioning to a universal approach that expanded coverage to a broader group of beneficiaries. After the program reformed and redesigned in 2009, many challenges and problems occurred from the government organization and the beneficiaries as previous mentioned. By shedding light on the successes and obstacles faced by the OAA Program after its reform, it is necessary for the policymakers and stakeholders striving to improve and address the welfare of the aging population in Thailand.

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