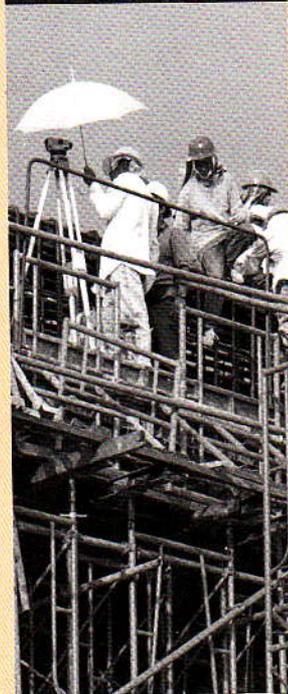


Social Security Systems in Thailand

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Table of Contents

| | Page |
|---|-----------|
| I. Introduction | 1 |
| II. Demographic and Employment Structure | 2 |
| III. Social Security for Government and State-enterprise Employees..... | 11 |
| Government Employees..... | 11 |
| State-enterprise Employees..... | 15 |
| IV. Social Security for Private Employees and Private School Teachers..... | 17 |
| Private Employees | 17 |
| <i>Workmen's Compensation Fund</i> | 18 |
| <i>Social Security Fund</i> | 21 |
| Private School Teachers..... | 27 |
| V. Universal Health-care Coverage | 31 |
| VI. Policy Challenges | 34 |
| Low Coverage of Social Security for Private Employees | 34 |
| High Unemployment Insurance Take-Up Rate among the Voluntarily Unemployed..... | 35 |
| Insolvency of the Fund for Providing Old-age Benefit | 36 |
| Bibliography | 38 |

List of Tables

| | | Page |
|----------|--|------|
| Table 1 | Social Security Coverage, by Types of Benefit..... | 2 |
| Table 2 | Demographic Indicators..... | 3 |
| Table 3 | Population Aged 60 and Older, 1960-2000 | 4 |
| Table 4 | Population Projections (thousands) | 5 |
| Table 5 | Labor Force by Industry (thousands)..... | 6 |
| Table 6 | Labor Force by Sex, Age Group, Education, and Region (thousands)..... | 7 |
| Table 7 | Health-care and Medical Benefits for Government Officials | 12 |
| Table 8 | Number of Government Officials Choosing Pension or Lump Sum Payment..... | 14 |
| Table 9 | Expenditure on Benefits for Government Officials (millions of Baht) | 14 |
| Table 10 | Comparison of Some Types of Benefit..... | 15 |
| Table 11 | Other Benefits for State-enterprise Employees..... | 16 |
| Table 12 | Workmen’s Compensation Fund: Work-related Sickness Benefit | 19 |
| Table 13 | Utilization of the Workmen’s Compensation Fund | 20 |
| Table 14 | Contribution Rates for the Social Security Fund (percentage of insured earnings)..... | 22 |
| Table 15 | Social Security Fund Benefits..... | 23 |
| Table 16 | Utilization of the Social Security Fund..... | 25 |
| Table 17 | Number of Beneficiaries (Fiscal Year) | 29 |
| Table 18 | Household with Free Health-care Card..... | 32 |
| Table 19 | Number of Insured Employees in Private Enterprises..... | 35 |
| Table 20 | Number of Unemployment Insurance Claimants, by Types of Unemployment ... | 36 |

List of Figures

| | Page |
|--|------|
| Figure 1 Demographic Structure, by Age Group in 2000 and 2020 | 3 |
| Figure 2 Labor Force Participation Rate | 8 |
| Figure 3 Workers in the Formal Sector | 9 |
| Figure 4 Workers in the Informal Sector..... | 10 |
| Figure 5 Unemployment..... | 10 |
| Figure 6 Average Monthly Wages | 11 |
| Figure 7 Expenditure for the Benefits of State-enterprise Employees..... | 17 |
| Figure 8 Insured Persons and Registered Private Enterprises..... | 18 |
| Figure 9 Revenues and Expenditures of the Workmen’s Compensation Fund..... | 21 |
| Figure 10 Social Security Fund: Revenues and Expenditures | 26 |
| Figure 11 Number of Private School Teachers | 28 |
| Figure 12 Revenue by Types of Income | 30 |
| Figure 13 Expenditure by Type of Benefit..... | 31 |
| Figure 14 Proportion of People with 30-Baht Universal Health-care Coverage..... | 33 |
| Figure 15 Proportion of People with Social Insurance, by Expenditure Decile..... | 33 |
| Figure 16 Old-age Fund Accumulation..... | 37 |

Social Security Systems in Thailand

Worawan Chandoevwit*

I. Introduction

Thailand has been developing social security programs since 1901. The very first program was a pension for government employees. Later, other types of benefit financed from general tax revenues were granted to government employees. Other cohorts of working age were subsequently covered by various types of benefit, administered by different government institutions. In the 1970s and the 1990s, when democracy flourished and the economy boomed, the development of social security programs in Thailand became extensive.

The social security mechanisms, in the form of *ex-ante* social risk management mechanisms for Thais, are social insurance and health insurance. These mechanisms cover health care, invalidity, old age, death, survivor, unemployment and child education benefits, as well as child allowances, as shown in Table 1. These types of security mechanism are administered by different institutions. The Comptroller-General's Office administrates social security programs for government employees, while the Social Security Office (SSO), under the Ministry of Labour, does so for private employees in the non-agricultural sectors. The Private School Teachers' Welfare Fund (PSTWF), under the Ministry of Education, administers social security programs for private school teachers. The Ministry of Public Health administrates universal health care for the general population, excluding government and private employees in non-agricultural sectors. Moreover, Thailand's social policies also provide for social assistance to be given to those who are incapable of pulling themselves out of hardship. In this study, however, we do not focus on social assistance.

The next section will provide an overview of the demographic and employment (labor market) structure in Thailand. Since social security systems are administered by different government institutions, the discussion will be followed by an explanation of social security for government and State-enterprise employees (section II), and for private employees and teachers (sections III and IV). Section V describes the universal health-care security system and section VI focuses on the policy challenges for the social security systems in Thailand.

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Table 1 Social Security Coverage, by Types of Benefit

| | Health care | Invalidity | Death, old age and survivor | Child allowance | Child education | Unemployment |
|---|-------------|------------|-----------------------------|-----------------|-----------------|-----------------------|
| Private employees in non-agricultural sectors | √ | √ | √ | √ | | √ |
| Private school teachers | √ | √ | | √ | √ | |
| Government employees | √ | √ | √ | √ | √ | Permanent employment* |
| State-enterprise employees | √ | √ | √ | √ | √ | Permanent employment* |
| Private employees in the agricultural sector | √ | | | | | |
| Self-employed | √ | | | | | |
| Other work cohorts | √ | | | | | |
| People not in the labor force | √ | | | | | |

√ Yes.

* Practically all permanent employees in government organizations and State enterprises get tenure track.

Source: TDRI.

II. Demographic and Employment Structure

Located in Southeast Asia, Thailand is a country about the size of France (513,115 km of which 310,565 km is arable). Thailand's population size in 2005 was 64.8 million. Per capita income was US\$ 2,720 or Baht 109,700.¹ Thailand's capital, Bangkok, is populated with approximately 7 million by registered record or 10 million of daytime population.² Most people live in rural areas and are in the agricultural sector.

The population of Thailand in 1980 was 47.0 million; 20 years later it had grown to 62.2 million. Although the annual population growth rate was 2.9 percent in the period 1971-1975, the rate diminished quite considerably by the 1990s, growing at only 0.9 percent annually at the end of the millennium (Table 2). The crude birth and death rates also diminished from 35.1 and 9.3 per thousand population in the period 1971-1975 to 16.7 and 6.7 per thousand respectively in the period 1996-2000. The main contributor to the decrease in the death rate has been the expansion of health-care centers nationwide. During the same periods, the infant mortality rate dropped from 65.1 per thousand live births to 29.

¹ Using Gross Domestic Product at current prices (7,104.2 billions of Baht) from www.bot.or.th/bothomepage/databank/EconData/Thai_Key/Thai_Key.asp (downloaded on August 10, 2006). US\$1.00 was about 40.3 Baht at that time.

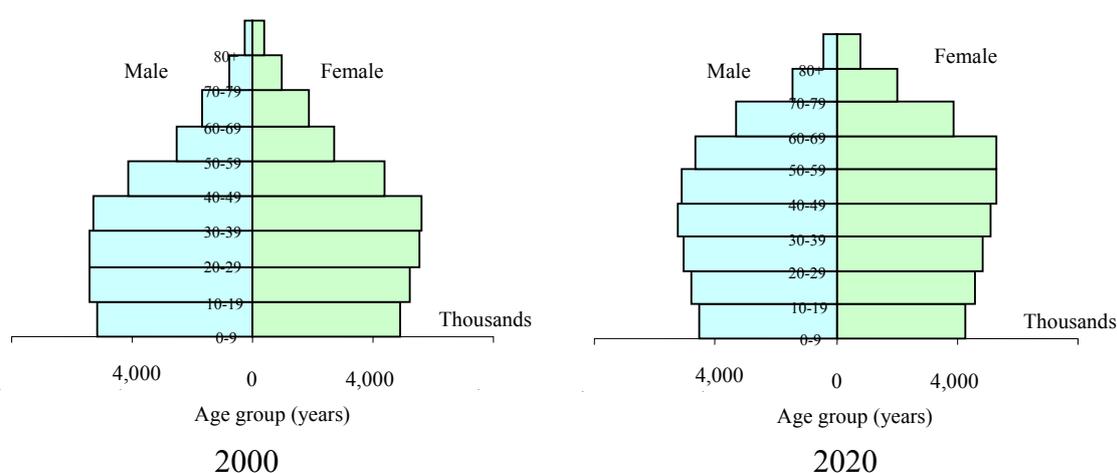
² From Bangkok Metropolitan Administration's web site: www.bma.go.th/bmaeng/body_general.html (downloaded on August 10, 2006).

Table 2 Demographic Indicators

| | 1971-1975 | 1976-1980 | 1981-1985 | 1986-1990 | 1991-1995 | 1996-2000 | 2001-2002 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Average annual rate of population growth (%) | 2.9 | 2.4 | 1.8 | 1.7 | 1.1 | 0.9 | 0.8 |
| Crude birth rate (per 1,000) | 35.1 | 31.6 | 25.1 | 23.0 | 18.1 | 16.7 | 16.3 |
| Crude death rate (per 1,000) | 9.3 | 8.3 | 7.0 | 6.4 | 6.1 | 6.7 | 8.0 |
| Total fertility rate (children per woman) | 5.0 | 4.3 | 3.0 | 2.6 | 1.9 | 1.7 | 1.9 |
| Life expectancy at birth (years) | | | | | | | |
| Males | 57.7 | 59.3 | 62.9 | 64.9 | 66.5 | 67.4 | 68.1 |
| Females | 61.6 | 63.2 | 67.6 | 70.2 | 71.0 | 71.7 | 72.4 |
| Infant mortality rate (per 1,000 live births) | 65.1 | 56.0 | 44.0 | 39.0 | 31.3 | 29.0 | 28.35 |

Source: ILO (2003) and NESDB.

Population projections for 2000 and 2020 show that a bell-shaped population pyramid no longer characterizes Thailand's demographic structure (Figure 1). In 2000, the population in the age group 0-9 years was smaller than the population in the age groups 10-19, 20-29 and 30-39 years. Those in the reproductive age group (15-49 years) have not achieved replacement level fertility, i.e., approximately 2.1 children per couple. The pattern of this demographic trend is expected to continue for the next 20 years, with the youngest age group being smaller in size than the reproductive age group. With a lower crude death rate and a higher expectation of life at birth, the size of the elderly population will increase drastically.

Figure 1 Demographic Structure, by Age Group in 2000 and 2020

Source: Based on NESDB (2003a).

The old-age population (age 60 and older)³ was 2.4 million in 1980 and 6 million in 2000 (Table 3). It will increase to 11.9 million in 2020 (NESDB 2003a). The old-age dependency ratio, the proportion of older persons to the working age population (15-59 years), was 9.7 in 1980; it increased to 14.3 in 2000. In the period 2015-2020, the old-age dependency ratio will be 26.2. This indicates that Thailand is becoming an aging society. The old-age dependency ratio and the child dependency ratio move in the opposite direction. On average, 100 people of working age will have to support economically and socially 45 children (aged 0-15 years) and 26 older persons during the period 2015-2020 (Table 4), i.e., a total of 71 persons.

Table 3 Population Aged 60 and Older, 1960-2000

| | 1960 | 1970 | 1980 | 1990 | 2000 |
|--|----------|----------|----------|----------|----------|
| Population aged 60 and older (thousands) | 1,208.20 | 1,681.00 | 2,445.30 | 4,034.00 | 5,867.00 |
| Males | 554.90 | 764.40 | 1,116.50 | 1,865.00 | 2,657.00 |
| Females | 653.30 | 916.60 | 1,328.80 | 2,169.00 | 3,210.00 |
| Percentage of population aged 60 out of the total population | 4.60 | 4.89 | 5.46 | 7.22 | 9.43 |
| Males | 2.11 | 2.22 | 2.49 | 3.34 | 4.27 |
| Females | 2.49 | 2.66 | 2.96 | 3.88 | 5.16 |
| Old-age dependency ratio ^a | 8.83 | 9.79 | 9.70 | 11.61 | 14.30 |
| Dependency ratio ^b | 91.55 | 100.12 | 77.78 | 60.72 | 51.70 |

$$^a \text{ Old-age Dependency Ratio} = \frac{\text{Population aged 60 and older} \times 100}{\text{Population aged 15-59}}$$

$$^b \text{ Dependency Ratio} = \frac{(\text{Population aged 15 and younger} + \text{Population aged 60 and older}) \times 100}{\text{Population aged 15-59}}$$

Source: Worawan (2003).

³ The retirement age for government employees and State-enterprise employees is 60 years.

Table 4 Population Projections (thousands)

| | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2020 |
|--------------------------|-----------|-----------|-----------|-----------|
| Sex | | | | |
| Males | 31,093 | 32,239 | 33,219 | 34,208 |
| Females | 32,087 | 33,449 | 34,589 | 35,721 |
| Age group (years) | | | | |
| 0-19 | 20,412 | 19,905 | 19,128 | 18,466 |
| 20-39 | 21,876 | 21,518 | 21,113 | 20,619 |
| 40-59 | 14,727 | 17,190 | 19,121 | 20,176 |
| 60-69 | 3,698 | 4,155 | 4,955 | 6,421 |
| 70+ | 2,467 | 2,920 | 3,492 | 4,247 |
| Total | 63,180 | 65,687 | 67,808 | 69,929 |
| Child dependency (%) | 55.8 | 51.4 | 47.5 | 45.3 |
| Old-age dependency (%) | 16.8 | 18.3 | 21.0 | 26.2 |

Note: Figures are for the normal case. See assumption details in NESDB (2003a).

Source: Calculated using NESDB (2003a).

The Thai labor market can be characterized as a segmented labor market, i.e., comprising formal and informal labor markets. Laborers who work in the formal market get higher wages and are protected by the Labour Protection Law. They are also covered by many forms of social security.

As the labor force is dominated by the agricultural sector, the following discussion will focus on labor force activities in the third quarter of each year, when it is the high point of the agricultural season.⁴ In 1994, more than half of those employed (17.8 million) were working in the agricultural sector. In the same year, the manufacturing, commerce and service sectors employed approximately 12 percent each (3.6-3.9 million) of the total number of people employed (32 million). With a high growth rate of employment in commerce, its share in employment increased to 17 percent in 2002, which is higher than the shares for the manufacturing and service sectors. In 2004, employment in agriculture was 15.1 million, i.e., less than 50 percent of the total employed (see Table 5).

⁴ The data on the Thai labor market are mainly from the Labor Force Survey (LFS), which has been conducted regularly by the National Statistical Office (NSO) since 1963.

Table 5 Labor Force by Industry (thousands)

| | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Total labor force | 32,425 | 32,603 | 33,254 | 33,849 | 35,029 | 35,744 | 36,409 |
| Economically active population | 32,362 | 32,442 | 33,177 | 33,690 | 34,938 | 35,654 | 36,376 |
| Employed | 31,960 | 32,093 | 32,047 | 32,882 | 34,322 | 35,110 | 35,828 |
| Breakdown by sector: | | | | | | | |
| Agriculture | 17,864 | 16,030 | 16,387 | 16,021 | 15,843 | 15,714 | 15,115 |
| Manufacturing and mining | 3,813 | 4,368 | 4,225 | 4,813 | 5,080 | 5,201 | 5,392 |
| Construction | 1,688 | 2,162 | 1,282 | 1,277 | 1,620 | 1,667 | 1,903 |
| Public utilities | 189 | 143 | 178 | 172 | 96 | 105 | 97 |
| Commerce | 3,645 | 4,348 | 4,467 | 4,798 | 5,510 | 5,984 | 6,416 |
| Transportation | 871 | 956 | 925 | 951 | 964 | 1,001 | 1,072 |
| Services | 3,890 | 4,086 | 4,583 | 4,850 | 5,209 | 5,437 | 5,833 |
| Unemployed | 402 | 349 | 1,130 | 808 | 616 | 544 | 548 |
| Seasonally inactive labor force | 63 | 162 | 77 | 159 | 91 | 91 | 33 |
| Economically inactive population | 9,685 | 11,011 | 11,798 | 12,646 | 12,687 | 12,923 | 12,877 |

Note: All data are for quarter 3.

Source: NSO data (1994-2003).

The Thai labor market is slightly dominated by male workers. In 1994, male workers accounted for 54 percent of the total labor force, or 17.7 million male workers out of a total of 32 million workers. In 2004, male workers increased to 20 million out of a total labor force of 36.4 million (Table 6). The labor force participation rate for male workers is always higher than for female workers.⁵ In 1991, the labor force participation rates for male and female workers were 92 and 74 percent respectively. The gaps between the male and female labor force participation rates from 1991 to 2001 ranged from 17 to 19 percentage points (Figure 2). In 2002, the male and female labor force participation rates were 89 and 70 percent respectively. The labor force participation rate of female workers is high in the third quarter of each year when the agricultural season starts.

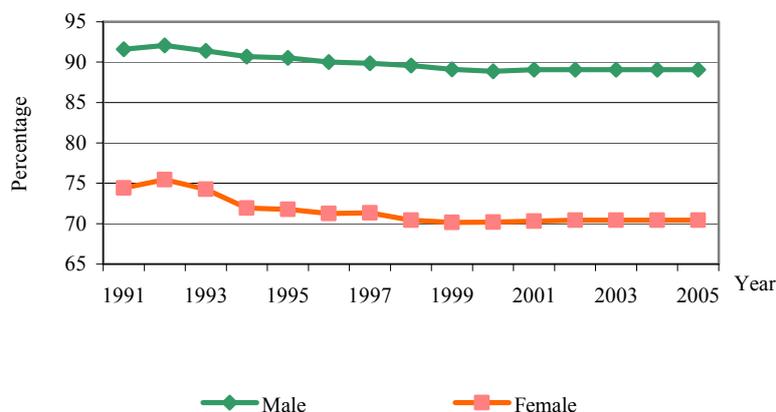
⁵ The labor force participation rate is the percentage of people aged 15 and older, who are employed and those unemployed (who are in labor force), to the people aged 15 and older, who do not attend school.

Table 6 Labor Force by Sex, Age Group, Education, and Region (thousands)

| | 1994 | 1996 | 1998 | 2000 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Total labor force | 32,425 | 32,603 | 33,254 | 33,849 | 35,029 | 35,744 | 36,409 |
| Classified by sex | | | | | | | |
| Males | 17,660 | 17,881 | 18,272 | 18,604 | 19,302 | 19,473 | 19,903 |
| Females | 14,765 | 14,723 | 14,982 | 15,245 | 15,728 | 15,945 | 16,191 |
| Classified by age group (years) | | | | | | | |
| 15-19 | 3,012 | 2,455 | 2,157 | 1,956 | 1,756 | 1,592 | 1,714 |
| 20-29 | 9,470 | 9,368 | 9,304 | 9,092 | 9,263 | 9,254 | 9,135 |
| 30-39 | 8,570 | 8,793 | 8,988 | 9,177 | 9,452 | 9,568 | 9,670 |
| 40-49 | 5,934 | 6,428 | 6,932 | 7,346 | 7,715 | 7,835 | 7,955 |
| 50-59 | 3,748 | 3,842 | 4,022 | 4,272 | 4,584 | 4,775 | 4,957 |
| 60+ | 1,691 | 1,717 | 1,851 | 2,006 | 2,259 | 2,393 | 2,665 |
| Classified by education | | | | | | | |
| Primary or lower | 25,667 | 24,998 | 23,542 | 22,995 | 22,897 | 22,560 | 22,308 |
| Lower secondary | 2,676 | 3,316 | 4,095 | 4,390 | 4,580 | 4,867 | 5,075 |
| Upper secondary | 962 | 1,029 | 1,471 | 1,915 | 2,431 | 2,581 | 2,904 |
| Lower vocational | 920 | 893 | 1,024 | 1,024 | 1,130 | 1,117 | 1,216 |
| Higher vocational and diploma | 749 | 727 | 979 | 1,089 | 1,237 | 1,324 | 1,326 |
| University | 1,451 | 1,640 | 2,144 | 2,436 | 2,754 | 2,969 | 3,265 |
| Classified by region | | | | | | | |
| Bangkok and metropolitan area | 6,555 | 3,770 | 4,075 | 4,264 | 4,449 | 4,595 | 4,572 |
| Central | 11,415 | 7,368 | 7,573 | 7,747 | 8,112 | 8,261 | 8,488 |
| North | 3,853 | 6,272 | 6,341 | 6,436 | 6,444 | 6,470 | 6,791 |
| Northeast | 7,205 | 11,174 | 11,144 | 11,212 | 11,609 | 11,605 | 11,730 |
| South | 3,396 | 4,019 | 4,121 | 4,190 | 4,416 | 4,488 | 4,514 |

Note: All data are for quarter 3.

Source: NSO data (1994-2003).

Figure 2 Labor Force Participation Rate

Note: Annual data are the average of quarters 1 and 3.

Source: NSO data (1991-2003).

In 1994, approximately 9 percent of the labor force (or 3 million people) were in the age group 15-19 years. As the birth rate has declined and more young people are attending school, the size and proportion of the labor force in this age group have also dropped. On the contrary, the labor force in the age group 50 and older has increased.

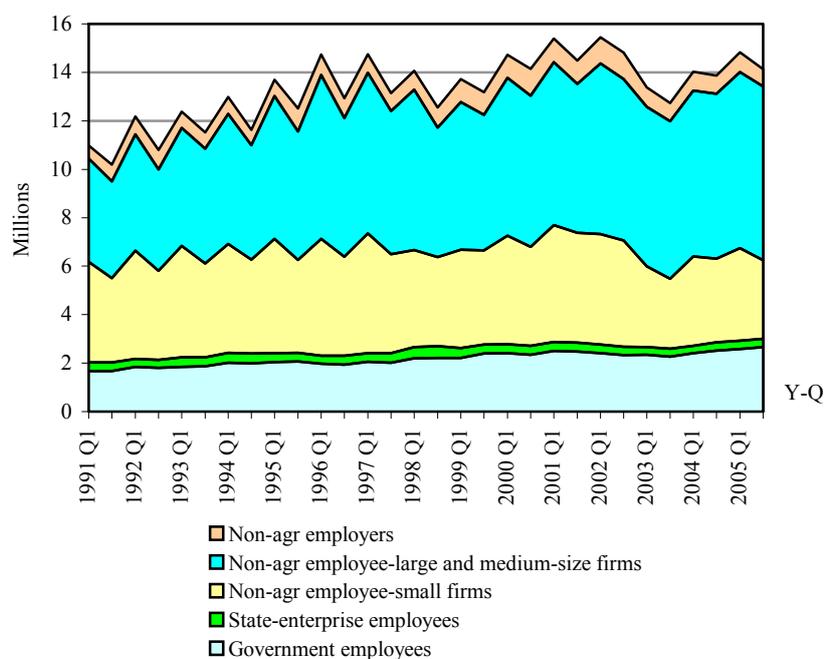
Table 6 also shows that most of the Thai labor force has a low level of education and live in the northeastern and central parts of the country. In 2002, approximately 71 and 14 percent of the labor force had a primary education and a lower secondary education respectively. This composition of the labor force might make it more difficult for Thailand to become an advanced economy. The shares of the labor force in Bangkok and surrounding provinces have been declining, which might imply that more economic activities have expanded to other regions. For example, the share of employment in the northeastern region has increased from 22 percent in 1994 to 36 percent in 2002.

This report defines workers in the formal sector as those who work as government employees, State-enterprise employees, and private employees and employers in non-agricultural sectors since these workers are covered by the Labour Protection Law and receive many kinds of social security benefits. Workers who want to work in the formal sector face various kinds of barriers to entry, such as having to achieve certain levels of education or skills, having to access specific job-related information, having to possess good social networks or having to own property that could be used as collateral.⁶

⁶ Some might say that private employees in small firms should be in the informal labor market as they are in a perfectly competitive labor market. Since this report focuses on social security for different cohorts of workers, private employees in small firms, just as those in medium-size and large firms, are insured by social security programs and protected by law. In this respect, they can be considered as being in the formal labor market.

Labor mobility between the formal and informal sectors is normal in Thailand. In 1991, workers in the formal sector accounted for 34 percent of the labor force, increasing to 40 percent in 2004. The seasonal pattern regarding the number of workers in the formal sector (Figure 3) is mainly caused by the seasonal mobility of laborers in private enterprises, especially those in small and medium-size firms. Unskilled workers move from the formal sector to the informal sector, specifically the agricultural sector, in the third quarter of the year, in August. Since the unskilled and agricultural labor markets are free-entry competitive markets, the movement between the two sectors is normal. However, Thai labor market development has transformed more and more labor into the formal sector where there are barriers to entry. The cost of moving between the two sectors has been increasing. As a result, the difference in the number of workers between the first and the third quarter has become smaller.

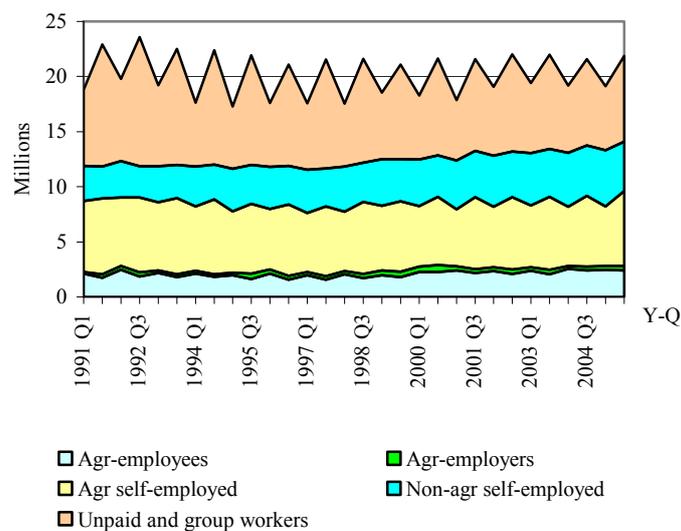
Figure 3 Workers in the Formal Sector



Note: Large and medium-size firms include all private enterprises that employ 10 or more workers.

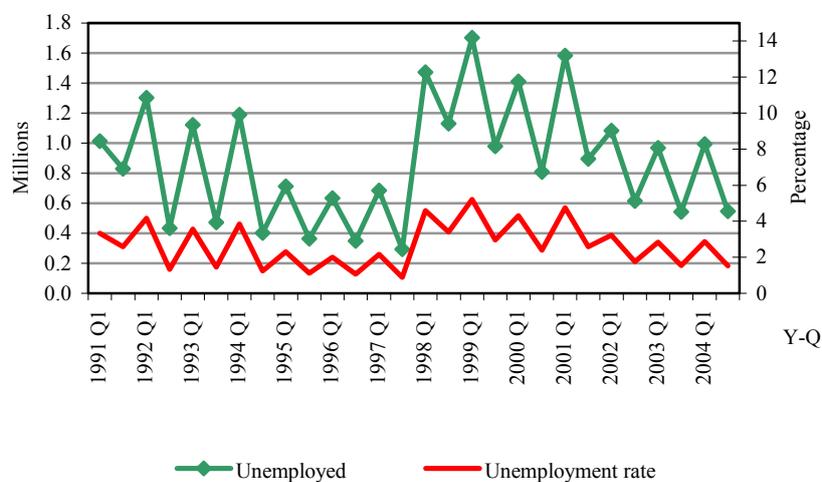
Source: NSO data (1991-2004).

The share of workers in the informal sector was almost 70 percent in 1991, but decreased below 60 percent in 2004. Self-employment is the main work status of informal employment (Figure 4). The number of persons self-employed ranged between 10 million and 11 million. Unpaid family workers form the second largest group in the informal sector. This type of worker is strongly determined by the agricultural season. The number of unpaid family workers each year reach a peak in quarter 3.

Figure 4 Workers in the Informal Sector

Source: NSO data (1991-2004).

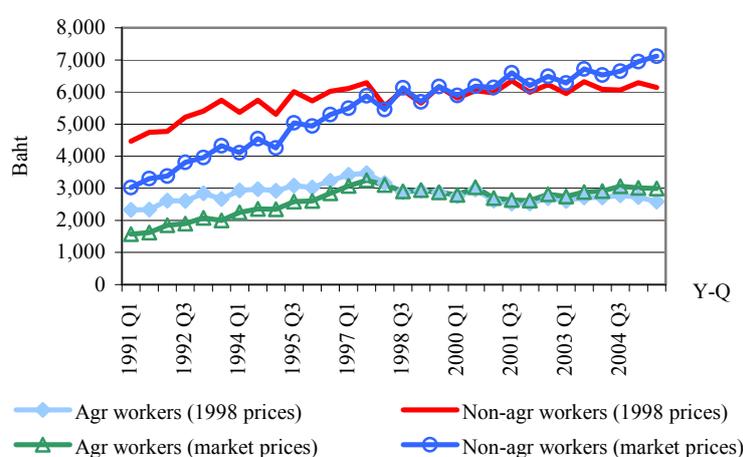
The unemployment rate of the Thai labor force is quite low compared with that of countries in the Organisation for Economic Cooperation and Development (OECD). Quarter 3 of each year always shows a lower unemployment rate than quarter 1 (Figure 5). The average unemployment rate in the period 1991-1997 was 2.2 percent and in the period 1998-2002 it was 3.5 percent. The number unemployed was lowest (0.3 million) in quarter 3 of 1997. The number unemployed hit the highest point in quarter 1 of 1999 when 1.7 million workers were out of work.

Figure 5 Unemployment

Source: NSO data (1991-2004).

Workers in the informal sector earn lower wages than those in the formal sector (Figure 6). Private employees in agriculture earned an average of 1,569 Baht per month in the first quarter of 1991, but private employees in non-agricultural sectors earned 92 percent more (3,019 Baht per month). The gap between agricultural and non-agricultural wages has been widening. In the first quarter of 2004, non-agricultural workers earned an average of 6,534 Baht per month, i.e., 124 percent more than agricultural wages. During the period 1991-2004, the average quarter-on-quarter growth of monthly wages for non-agricultural workers was 6.2 percent and for agricultural workers it was 5.2 percent. Real wages of non-agricultural workers in 2004 were about the same as those in 1997.

Figure 6 Average Monthly Wages



Source: NSO data (1991-2003).

III. Social Security for Government and State-enterprise Employees

Government Employees

Government employees⁷ were the first group to receive social security benefits from the government. Government officials normally have high job security; they get lifetime tenure and a wide range of benefits in exchange for lower salaries compared with employees in the private sector.

Government employees (about 2.3 million in 2003) are covered by many types of social security benefit, including old-age, health-care, and child-related benefits. All the benefits provided are financed from general tax revenues. The health-care and medical benefits provided to government officials are summarized in Table 7.

⁷ Government employees are classified as government officials, State employees, government permanent employees, and government temporary employees. The various types of employee receive somewhat different benefits, career paths, and have different legal responsibilities.

Table 7 Health-care and Medical Benefits for Government Officials

| Compensation | Health-care and Medical Benefits |
|------------------|---|
| Coverage | - Government employees, parents, spouse, and (up to three) children. |
| Public hospital | - For work-related sickness, all expenditures are covered subject to Ministry of Finance regulations. - For non-work-related sickness, all expenditures for medical treatment are covered; 600 Baht per day for hospital room and food expenditures are provided for a period not to exceed 13 days. |
| Private hospital | - For work-related sickness, health-care expenditures are covered on an emergency case basis only. - For non-work-related sickness, half of the health-care expenditures are covered, but not more than 3,000 Baht within 30 days. |

Source: TDRI.

The most attractive benefit for government employees is income support for retirees. A retired government official can choose between two forms of old-age income security, a lump sum payment or a pension, depending on the following criteria:

- Those who retire at the age of 60 are eligible to choose between a lump sum payment and a regular pension.
- Those who want to terminate their employment at the age of 50, after having been employed for at least 25 years, are eligible to choose between a lump sum payment and a regular pension.
- Those younger than 50 years of age who want to terminate their employment are eligible for a lump sum payment if they have been officially employed for at least 10 years.
- Government officials who are retired from work owing to a disability or work-related injury or loss of organs while performing official functions receive a special pension.

Prior to 1996, the monthly pension for government officials is calculated by the following formula:

$$\text{Pension} = \frac{(\text{years of employment}) \times (\text{last salary received})}{50}$$

The lump sum payment is equal to the last salary received multiplied by the number of years of employment.

The government pension is transferable under certain conditions: for those who had been eligible to receive the pension but died before retiring owing to work-related causes or

while performing their duties, the pension amount can be transferred to their children or relatives.

Although the system is popular among government employees, the “pay-as-you-go” system for old-age income security for government officials has caused a strain on the government budget. The number of retirees increased from 154,940 in 1990 to 217,733 in 1996. During the same period, government expenditure on old-age income security for government officials grew by about 20 percent annually, or from 6.6 billion Baht to 19.7 billion Baht (Mathana 2003).

As a result, the pension system for government officials was reformed in March 1996, and the Government Pension Fund (GPF), a fully funded system, was established. Government officials who start their official employment after March 1996 must become members of the Fund. Those who were employed before March 1996 may choose to retain their right to the benefits of the pre-reform old-age benefit system or become members of GPF under the new system.

Under the new system, retired government employees are entitled basically to two types of old-age income security benefit: a non-contributory pension or lump sum payment, and a contributory lump sum payment. The non-contributory pension or the lump sum payment, similar to the former system, depends on the duration of official employment. However, the salary base has changed from that of the last salary received to the average of the salary received over the previous 60 months. The pension is capped at 70 percent of the salary base whereas under the previous system there was no cap. The amount the GPF member had contributed over his or her career as well as the return on its investments will determine the size of the lump sum payment.

The government and the GPF member each contribute the equivalent of 3 percent of the member’s salary to the Fund. For those government officials who had been employed before March 1996 and for those who voluntarily became a member of GPF, the government adds seed money equal to 2 percent of their accumulated salaries since their employment started. The government also provides an additional monthly contribution of 2 percent of the salary of voluntary members.

Table 8 presents the number of government officials, by ministry, who chose either the pension or the lump sum payment. In 1997, approximately 18,000 officials retired early as a result of government policy. Most of them chose to receive a pension instead of a lump sum payment. In 1998, the number of retirees dropped by more than half. In 2001, the proportion of retirees choosing a lump sum payment increased. Almost half of those choosing a lump sum payment were from the Ministry of Finance and the Ministry of Agriculture and Cooperatives.

Table 8 Number of Government Officials Choosing Pension or Lump Sum Payment

| Government Organization | Pension Fund | | | | | Lump Sum Payment | | | | |
|---|--------------|-------|-------|-------|-------|------------------|-------|------|------|-------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Ministry of Defence | 4,030 | 2,387 | 1,694 | 3,149 | 2,373 | 509 | 329 | 266 | 354 | 276 |
| Ministry of Finance | 233 | 84 | 176 | 193 | 299 | 39 | 23 | 28 | 15 | 144 |
| Ministry of Foreign Affairs | 36 | 15 | 32 | 21 | 46 | 11 | 1 | 7 | 4 | 2 |
| Ministry of Agriculture and Cooperatives | 406 | 145 | 254 | 429 | 326 | 131 | 34 | 32 | 25 | 445 |
| Ministry of Transport | 182 | 97 | 179 | 171 | 110 | 58 | 13 | 37 | 13 | 17 |
| Ministry of Commerce | 34 | 24 | 40 | 73 | 74 | 13 | 23 | 7 | 5 | 4 |
| Ministry of Interior | 489 | 181 | 188 | 399 | 264 | 98 | 31 | 40 | 21 | 25 |
| Ministry of Justice | 78 | 54 | 77 | 39 | 46 | 20 | 14 | 6 | 12 | 14 |
| Ministry of Labour | 92 | 37 | 19 | 4 | 57 | 39 | 12 | 9 | 1 | 7 |
| Ministry of Science, Technology and Environment | 23 | 18 | 26 | 23 | 74 | 8 | 11 | 10 | 8 | 16 |
| Ministry of Education | 6,161 | 1,895 | 1,038 | 1,333 | 1,292 | 1,212 | 184 | 78 | 54 | 48 |
| Ministry of Public Health | 531 | 189 | 141 | 315 | 275 | 580 | 65 | 25 | 27 | 22 |
| Ministry of Industry | 56 | 60 | 85 | 87 | 109 | 39 | 13 | 19 | 11 | 6 |
| Ministry of University Affairs | 552 | 361 | 527 | 878 | 721 | 149 | 93 | 65 | 132 | 106 |
| Office of the Prime Minister | 1,447 | 609 | 669 | 1,324 | 986 | 393 | 188 | 130 | 192 | 192 |
| Total | 14,350 | 6,156 | 5,145 | 8,438 | 7,052 | 3,299 | 1,034 | 759 | 874 | 1,324 |

Source: Comptroller-General's Department.

Expenditures providing benefits for government officers are paid out of general tax revenues. However, pay-as-you-go expenditures cause a large drain on the government budget. In 1997, total spending for the three types of benefit was 101,689 million Baht, or 11 percent of total government expenditures (Table 9). In 2003, these benefits accounted for 9.2 percent of total government expenditures.

Table 9 Expenditure on Benefits for Government Officials (millions of Baht)

| Compensation and Benefit | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|---------|--------|--------|--------|--------|--------|--------|
| Government pension | 24,672 | 27,826 | 30,047 | 37,482 | 42,041 | 48,797 | 49,693 |
| Medical expenditure | 15,503 | 16,440 | 15,253 | 17,058 | 19,181 | 20,476 | 22,679 |
| Government Pension Fund | 61,514 | 37,613 | 8,646 | 8,723 | 10,148 | 17,272 | 17,562 |
| Total expenditure | 101,689 | 81,879 | 53,946 | 63,263 | 71,370 | 86,545 | 89,935 |
| As a percentage of total government expenditures | 10.9 | 9.7 | 6.5 | 7.4 | 7.9 | 9.1 | 9.2 |

Source: Comptroller General's Department.

State-enterprise Employees

Similar to the case of those employed in the government sector, State-enterprise employees (numbering about 320,000 in 2003) have been covered by many types of benefit, including health care, provident fund contributions, lump sum retirement payment, and pension. Table 10 compares the financial compensation paid to State-enterprise employees and government employees.

For the provident fund, which is a combination of contributions from workers and employers, the contribution rate varies by organization. However, the rates contributed by State enterprises are between 9 and 12 percent of the employees' salaries, while employees contribute between 3 and 12 percent of their salaries.

Table 10 Comparison of Some Types of Benefit

| Financial Benefit | State Enterprises | Government Sector |
|--------------------------|--|---|
| Living allowance | For some State enterprises only. | No |
| Provident fund | - 3-12 percent of salary paid by employees - 9-12 percent of salary paid by organization ^a | Government Pension Fund - 3 percent of salary paid by employees. - 3 percent of salary paid by government. |
| Lump sum payment | - Current salary received multiplied by number of years employed. | - Government officials with 10 years or more of employment. - Current salary multiplied by number of years employed. |
| Pension | - Only 4 State enterprises provide a pension fund ^b | - Officials with 25 years of employment or officials aged 60 years. ^c |

^a 9 percent for employees with work experience of fewer than 20 years and 10 percent for those with work experience of more than 20 years. Some State enterprises, for example the Bank of Thailand (BOT) and the Aeronautical Radio of Thailand Ltd., contribute 12 percent of their employees' salary.

^b Government Saving Bank, State Railway of Thailand, and Port Authority of Thailand.

^c The calculation format has changed for government officials employed after March 1996 when the Government Pension Fund was established.

Source: TDRI.

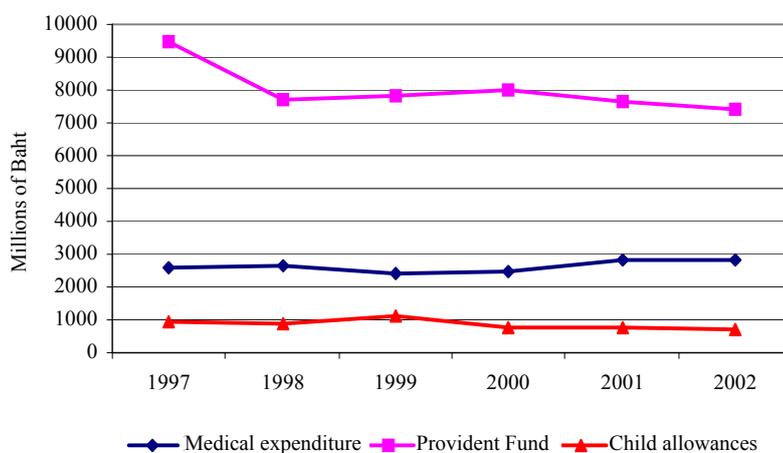
Besides the financial compensation, State enterprises also provide other forms of benefits, as shown in Table 11. Benefits for sickness or death from work-related causes are enforced by law and are more or less similar to the benefits provided by the Workmen's Compensation Fund (see next topic). Additional benefits, besides those enforced by law, are housing fees, vehicle and transportation expenses, marriage compensation, and some forms of life insurance, which vary by organization. Some other types of benefit also depend on the types of organization. For example, the Electricity Generating Authority of Thailand (EGAT) gives its employee a discount on their electricity bills. Thai Airways International Ltd. provides discounted air tickets for their employees, including their spouse, children, and parents.

Table 11 Other Benefits for State-enterprise Employees

| Type of Benefits | Level of Benefits |
|--|--|
| Work-related sickness or death | <ul style="list-style-type: none"> - Funeral arrangements: 3 times the amount of the last salary. - Cash compensation for 3 days' absence from work: 60 percent of last salary. - Cash compensation for injury or loss of organs: 60 percent of last salary. - Coverage of all expenditures for medical care in public hospitals and 35,000 Baht for private hospitals per year. - Rehabilitation expense: not to exceed 20,000 Baht. |
| Disability benefit | <ul style="list-style-type: none"> - Cash compensation: 60 percent of last salary for a maximum of 15 years. |
| Survivors' benefit | <ul style="list-style-type: none"> - Cash compensation: 60 percent of last salary for a maximum of 8 years. |
| Non-work-related sickness (including that of spouse and children) or death | <ul style="list-style-type: none"> - Funeral arrangements: 3 times the amount of the last salary. - Coverage of all expenditures for medical care in public hospitals. - Coverage of half of expenses for medical care and 3,000-9,000 Baht for each emergency incident requiring medical care in private hospitals. - Hospital expenditure: 600-800 Baht for food, and 200 Baht for others for a maximum of 13 days. - Annual physical check-up. |
| Old-age benefit | <ul style="list-style-type: none"> - A lump-sum payment: 6 months of the last salary. |
| Maternity leave | <ul style="list-style-type: none"> - 90 days with salary. |
| Parental leave | <ul style="list-style-type: none"> - 150 days without salary. |
| Child allowance | <ul style="list-style-type: none"> - 50 Baht per month per child. |
| Military leave | <ul style="list-style-type: none"> - Salary received for whole duration. |
| Education expense | <ul style="list-style-type: none"> - Full education fees for employee with children being educated up to the vocational level. - Half of private school fee (covering three children). |
| Pension | <ul style="list-style-type: none"> - Only for employees at the Government Saving Bank, the State Railway of Thailand, and the Port Authority of Thailand. |

Source: TDRI.

State enterprises contribute larger amounts to provident funds compared with the amount contributed by the government to GPF. Figure 7 shows that a large proportion of expenditures for the benefits of State-enterprise employees was for provident fund contributions. Expenditure for health care is much lower than that of the government owing to the lower coverage and smaller number of beneficiaries.

Figure 7 Expenditure for the Benefits of State-enterprise Employees

Source: Office of State Enterprises and Government Portfolio.

IV. Social Security for Private Employees and Private School Teachers

Private Employees

Social security for private employees is administered by SSO which takes care of two funds, the Workmen's Compensation Fund (WCF) and the Social Security Fund (SSF). As the first social insurance fund for private employees, WCF was founded in 1974 in line with Announcement No. 103 of the Revolutionary Council in 1972. Its main objective has been to provide social security for workers who are injured or sick due to work-related activities. WCF had been administered by the Department of Labour in the Ministry of Interior until 1990 when SSO was established. The fund is administered under the Workmen's Compensation Act B.E. 2537 (1994). SSF was set up under the Social Security Act B.E. 2533 (1990) to provide social insurance for private employees in firms with 20 or more workers.⁸

The benefits provided by SSF include those for non-work-related sickness, maternity, invalidity, death, old-age and unemployment benefits, and child allowance. In 1994, firms with 10-19 workers were required to comply with the Social Security Act. The amendment of the Social Security Act in 2002 extended enforcement of the law to micro-enterprises employing 1-9 workers. Its amendment increased the registered private enterprises by 172 percent, or from 110,810 enterprises prior to that year to 301,520 afterward (Figure 8).

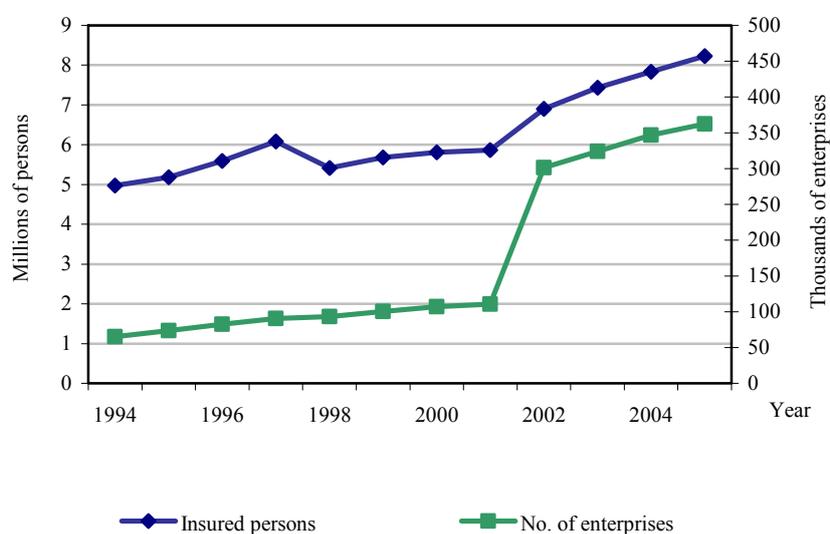
When the SSF law was enforced, the number of insured persons (under Article 33) was 2.72 million in 1991. In the two ensuing years, the number grew by 21.4 and 24.0

⁸ The first Social Security Act was announced in 1954, but was not enforced.

percent respectively, the two highest growth rates SSF has ever experienced. In 1998, one year after the crisis began, the number of persons insured decreased by 11 percent, virtually paralleling the negative GDP growth rate. The average growth rate in the number of persons insured in the period 1991-2002 was 9.3 percent. There was a high increase in the number of persons insured in 2002 as a result of an extension of coverage to include micro-enterprises. At the end of September 2005, over 8 million were persons insured.

Currently, only employees in the non-agricultural sectors can enjoy all the types of benefit provided by SSO as insured persons under Article 33 of the law. Workers in the agricultural sector, i.e., in fisheries, forestry, livestock, and crop or plant cultivation, are not covered by the law. Other workers in the formal sector who are covered by the social security administration, such as government employees, State-enterprise employees and private school teachers are excluded from SSO coverage. The self-employed and other excluded people can voluntarily become members of SSF, and be considered insured persons under Article 40. However, they are eligible for only certain types of benefit, i.e., maternity, invalidity and death benefits. The unemployed who had once been insured persons can voluntarily register as insured persons under Article 39 of the law. They can continue to receive all types of benefits as insured persons under Article 33, except for the unemployment benefit.

Figure 8 Insured Persons and Registered Private Enterprises



Source: SSO.

Workmen's Compensation Fund

WCF provides benefits to insured persons (under Article 33) who suffer work-related injuries or sickness. WCF is financed solely by employers' contributions. The main contribution rates in the period 1992-1997 ranged between 0.2 and 2.0 percent of insured

earnings depending on the type of enterprise. Owing to the 1997 financial crisis, the maximum contribution rate was reduced to 1.0 percent. To encourage occupational safety, enterprises that have registered with WCF for four years and have not reported any work-related accident are entitled to a reduced contribution rate. The reduced contribution rate could be up to 80 percent of the main contribution rate. However, enterprises in which workers have suffered work-related injuries may have their contribution rates increased up to 150 percent of the main contribution rate.

The types of benefit provided by WCF include sickness, disability and death and survivors' benefits (see details in Table 12).

Table 12 Workmen's Compensation Fund: Work-related Sickness Benefit

| Type of Benefits | Benefits |
|-------------------------------|---|
| Sickness benefits | <p><u>Medical care:</u></p> <ul style="list-style-type: none"> - Medical care reimbursement, a maximum of 35,000 Baht for each injury. <p>For some complicated illnesses described by the rules, an additional reimbursement of 50,000 Baht for medical care can be made.</p> <p><u>Cash compensation:</u></p> <ul style="list-style-type: none"> - Compensation (60% of monthly wages) for injured workers who must be absent from work for at least three days. The floor and cap for the compensation are 2,000 and 9,000 Baht respectively. |
| Disability benefits | <p><u>Partial loss of organ:</u></p> <ul style="list-style-type: none"> - Compensation (60% of monthly wages) not in excess of 10 years depending on the severity of the loss. - Medical and vocational rehabilitation (maximum 20,000 Baht). - An operation for rehabilitation (maximum 20,000 Baht). <p><u>Permanent disability:</u></p> <ul style="list-style-type: none"> - Compensation (60% of monthly wages) for a maximum of 15 years. |
| Death and survivors' benefits | <ul style="list-style-type: none"> - A lump-sum payment of 100 times the highest minimum daily wage for funeral arrangements. - Compensation (60% of monthly wages) payable to relatives (spouse, children, or parents) for 8 years, a maximum of 9,000 Baht. |

Source: SSO.

In 1994, 816 workers died of work-related causes (Table 13). On average, there were 12.52 work-related deaths per thousand enterprises. Fortunately, the number of work-related deaths has not grown with the number of registered private enterprises. In 2002, the number of work-related deaths per thousand enterprises was the lowest at 2.16.

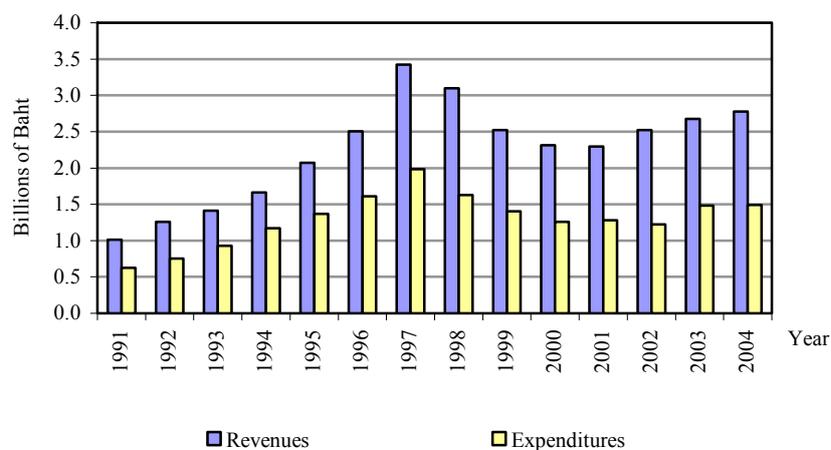
Table 13 Utilization of the Workmen's Compensation Fund

| Year | Death | Permanent disability | Partial loss of body | Cash compensation | |
|------|-------|----------------------|----------------------|---------------------------|----------------------------|
| | | | | More than 3 days off work | Fewer than 4 days off work |
| 1994 | 816 | 13 | 4,406 | 61,411 | 119,407 |
| 1995 | 940 | 17 | 5,469 | 67,626 | 142,283 |
| 1996 | 962 | 18 | 5,042 | 78,829 | 160,765 |
| 1997 | 1,033 | 29 | 5,272 | 68,480 | 155,562 |
| 1998 | 790 | 19 | 3,714 | 55,489 | 126,486 |
| 1999 | 611 | 12 | 3,396 | 50,239 | 117,739 |
| 2000 | 620 | 16 | 3,516 | 48,338 | 127,076 |
| 2001 | 607 | 20 | 3,510 | 48,077 | 137,407 |
| 2002 | 650 | 14 | 3,424 | 49,012 | 137,879 |
| 2003 | 787 | 17 | 3,821 | 52,364 | 153,684 |
| 2004 | 861 | 23 | 3,775 | 52,893 | 157,982 |

Source: SSO.

The proportion of workers being permanently and partially disabled at registered private enterprises shows a decreasing trend. In 1994, 13 workers, or 0.2 workers per thousand private enterprises, were permanently disabled. In 2004, only 0.07 workers per thousand private enterprises were permanently disabled. The number of partially disabled workers or workers who lost some part of their body per thousand private enterprises decreased from 67.6 in 1994 to 10.9 in 2004. This might imply an improvement of working environment in the registered private enterprises.

WCF revenues are mainly from two sources, the employers' contributions and interest accrued from the Fund's investments. In the period 1991-1997, WCF revenues increased at the rate of 22.8 percent per annum (Figure 9). Between 1998 and 2000, revenues dropped at the rate of 12.1 percent per annum. However, they grew by 9.6 percent in 2002. The reduction in revenues in 1998 could be a result of a reduction in the employers' rate of contribution, a smaller number of insured persons and lower interest income. Over the period 1991-2004, WCF still achieved a combined surplus of 18 billion Baht.

Figure 9 Revenues and Expenditures of the Workmen's Compensation Fund

Source: SSO.

Social Security Fund

SSF is now providing seven types of benefit, i.e., non-work-related sickness, maternity, invalidity, death, old-age and unemployment benefits, including a child allowance, to the persons insured under Article 33. SSF is financed through employee, employer, and government contributions.

The contribution rate for sickness, maternity, invalidity and death benefits, or package I, was 1.5 percent of insured earnings (in the range of 1,650 and 15,000 Baht) in the period 1991-1997, the maximum rate established by law. Owing to the financial crisis in 1997, the contribution rate was temporarily reduced to 1 percent of insured earnings in 1998 (Table 14). When the old-age benefit and child allowance, or package II, were granted at the end of 1998, the total contribution rate for both packages was 2 percent in 1999. The contribution rate for the old-age benefit and child allowance later increased to 2 percent in 2000 and 3 percent in 2003.

Table 14 Contribution Rates for the Social Security Fund (percentage of insured earnings)

| | 1991-1997 | 1998 | 1999 | 2000-2002 | 2003 | 2004 |
|-------------|-----------|------|------|-----------|------|------|
| Package I | | | | | | |
| Government | 1.5 | 1 | 1 | 1 | 1 | 1.5 |
| Employer | 1.5 | 1 | 1 | 1 | 1 | 1.5 |
| Employee | 1.5 | 1 | 1 | 1 | 1 | 1.5 |
| Package II | | | | | | |
| Government | - | - | 1 | 1 | 1 | 1 |
| Employer | - | - | 1 | 2 | 3 | 3 |
| Employee | - | - | 1 | 2 | 3 | 3 |
| Package III | | | | | | |
| Government | - | - | - | - | - | 0.25 |
| Employer | - | - | - | - | - | 0.5 |
| Employee | - | - | - | - | - | 0.5 |
| Total | | | | | | |
| Government | 1.5 | 1 | 2 | 2 | 2 | 2.75 |
| Employer | 1.5 | 1 | 2 | 3 | 4 | 5 |
| Employee | 1.5 | 1 | 2 | 3 | 4 | 5 |

Note: Package I includes sickness, maternity, invalidity, and death benefits; package II was launched on December 31, 1998, includes child allowance and old-age benefit. Package III, was launched on January 1, 2004, includes the unemployment insurance benefit.

Source: SSO.

To qualify for the benefits, eligibility requirements related to the period of contribution must be met. An insured person is qualified to get free medical care from a registered hospital when he/she has paid contributions for three of the past 15 months. Eligibility requirements for other benefits and the coverage of benefits under SSF are shown in Table 15. Because of the 1997 financial crisis, the law was amended in 1998 to allow an insured worker to be eligible for sickness, maternity, invalidity, and death benefits for six months after the termination of their job.

Table 15 Social Security Fund Benefits

| Type of Benefit | Eligibility Requirement | Benefits |
|---|---|--|
| Sickness benefits (non-work-related sickness) | Have paid contributions for 3 months out of the previous 15 months. | <ul style="list-style-type: none"> - Free in-patient and out-patient care in a registered hospital. - Sickness compensation of 50 percent of monthly wages upon physician's certification. The maximum compensation is 90 days per request, and 180 days per calendar year. The maximum compensation for chronic disease illness is 365 days. - 200-Baht reimbursement for dental care (extraction, filling and tooth cleaning), twice a year. - Reimbursement for prostheses and other related materials. |
| Maternity benefits | Have paid contributions for 7 months out of the previous 12 months. | <p><u>In-kind benefit:</u></p> <ul style="list-style-type: none"> - A lump sum payment of 6,000 Baht for each delivery, up to 2 pregnancies (eligible for both male and female insured persons). <p><u>Cash benefit:</u></p> <ul style="list-style-type: none"> - Maternity compensation, 50 percent of 3-month average wages for 90 days (only for female insured persons). |
| Invalidity benefits | Have paid contributions for 3 months out of the previous 15 months. | <ul style="list-style-type: none"> - A lifetime invalidity compensation, 50 percent of monthly wages. - Lifetime medical care reimbursement, maximum of 2,000 per month. - Reimbursement for prostheses and other related materials. - A funeral grant equal to 30,000 Baht, when the beneficiary dies. - Compensation equal to 1.5 times the monthly wages payable to relatives if the dead or invalid persons had paid contributions for 36-119 months, or 5 times the monthly wages if they had paid contributions for 120 months. |
| Death and survivors' benefits | Have paid contribution for 1 month out of the previous 6 months. | <ul style="list-style-type: none"> - A lump sum payment of 30,000 Baht for the funeral arrangements. - Compensation equal to 1.5 times the monthly wages payable to relatives if the dead insured persons had paid contributions for 36-119 months, or 5 times the monthly wages if they had paid contributions for 120 months. |
| Child allowances | Have paid contributions for 12 months out of the previous 36 months. | <ul style="list-style-type: none"> - Child allowance of 350 Baht per child aged 0-6 for a maximum of 2 children. - The child allowance eligibility status is not ended upon the death of an insured person. |
| Old-age benefits | Have paid contributions for at least 180 months, and had retired at the age of 55 or older. | <ul style="list-style-type: none"> - A pension equal to 15 percent of average of 60 months' wages received for it. - A one percentage point increase for every 12 months of additional contribution. - Compensation (10 times the monthly pension) payable to relatives if the pensioner dies within 60 months of retirement. - A lump sum payment equal to employee's contribution payable to the retiree (aged 55 and older) who has been contributing for fewer than 12 months. |

(Continued on page 24)

Table 15 (Continued)

| Type of Benefit | Eligibility Requirement | Benefits |
|------------------------|---|---|
| | | <ul style="list-style-type: none"> - A lump sum payment, equal to employee's and employer's contribution plus interest accrued from that amount, payable to the retiree who has contributed for more than 12 months, but fewer than 180 months. - A lump sum payment, in which the amount depends on the period of contribution and base income, payable to relatives of an insured person who dies before the age of 55. |
| Unemployment Insurance | Have paid contributions for 6 months out of the previous 15 months. | <ul style="list-style-type: none"> - For those who are involuntary unemployed (e.g., laid off), the replacement rate is 50 percent of the highest three-month average wages in the last nine months. The maximum duration to receive the benefit is 180 days in a calendar year. - For those who are voluntarily unemployed (e.g., quit work without just cause), the replacement rate is 30 percent of the highest three-month average wages in the last nine months. The maximum duration to receive the benefit is 90 days in a calendar year. |

Source: TDRI.

According to the Social Security Act B.E. 2533 (1990), the unemployment insurance (UI) benefit will be provided to insured persons when the stakeholders, i.e., employee, employer, and government, are ready for their contributions, a maximum of 5 percent each. On August 26, 2003, the Social Security Act was amended so that the contribution for the UI benefit would be collected starting on January 1, 2004. The eligibility requirements, besides the duration of contributions, are determined as follows.

- ❑ The termination of employment must not be a result of a job violation, a planned or premeditated criminal act by the UI claimant against the employer, a serious act against the law, result in serious damage to the employer's business or being imprisoned under court order, except for minor offences.
- ❑ The UI claimants must be employable, ready and willing to work, and cannot refuse to participate in any career-development or job-training programs.
- ❑ The UI claimants must register with a government job placement center and report their job-searching activities every month.
- ❑ The UI claimants must not be receiving an old-age benefit simultaneously.

The number of SSF beneficiaries is higher than that of other social security schemes. In 1994, there were 4 million cases of health-care utilization from SSF (Table 16). On average, each insured person visited the hospital as an out-patient 1.08 times per year and as an in-patient 0.038 times per year. The out-patient rate increased substantially to 2.51 visits in 2001.

Table 16 Utilization of the Social Security Fund

| Year | Sickness | Invalidity | Death and Survivors | Maternity | Old-Age | Child Allowance | Unemployment |
|------|------------|------------|---------------------|-----------|---------|-----------------|--------------|
| 1994 | 4,089,413 | 232 | 6,642 | 99,250 | | | |
| 1995 | 4,986,145 | 308 | 9,378 | 140,734 | | | |
| 1996 | 6,373,711 | 277 | 11,220 | 171,169 | | | |
| 1997 | 7,623,686 | 349 | 13,370 | 192,361 | | | |
| 1998 | 8,923,772 | 527 | 13,038 | 178,213 | | | |
| 1999 | 12,003,216 | 393 | 12,106 | 167,722 | 2,986 | 149,926 | |
| 2000 | 12,606,716 | 480 | 13,434 | 183,692 | 12,333 | 624,484 | |
| 2001 | 16,067,396 | 435 | 13,637 | 184,281 | 16,963 | 663,621 | |
| 2002 | 18,247,247 | 614 | 15,209 | 194,641 | 22,063 | 688,466 | |
| 2003 | 20,110,793 | 504 | 18,336 | 225,764 | 41,662 | 812,924 | |
| 2004 | 21,128,674 | 713 | 17,433 | 254,848 | 46,779 | 856,142 | 50,318 |
| 2005 | 22,252,649 | 760 | 17,450 | 251,310 | 60,874 | 931,992 | 249,152 |

Source: SSO.

In 1994, the number of beneficiaries for invalidity and death benefits totaled 232 and 6,642 respectively. In the following year, the invalidity caseload grew by 33 percent to 308 and in 2001-2002 it grew by 41 percent from 435 to 614. The growth rate in the number of cases for the death benefit was highest in 1995 at 41 percent. In 2003, the number of beneficiaries for the death benefit was highest at 18,336.

The number of beneficiaries for the maternity benefit was about 99,250 in 1994. The caseload also grew remarkably at 42 percent; in 1995. However, the number of beneficiaries decreased during the years after the start of the financial crisis, i.e., in 1998 and 1999. In 2004, the number of beneficiaries was 254,848, with the annual growth rate being 12.9 percent.

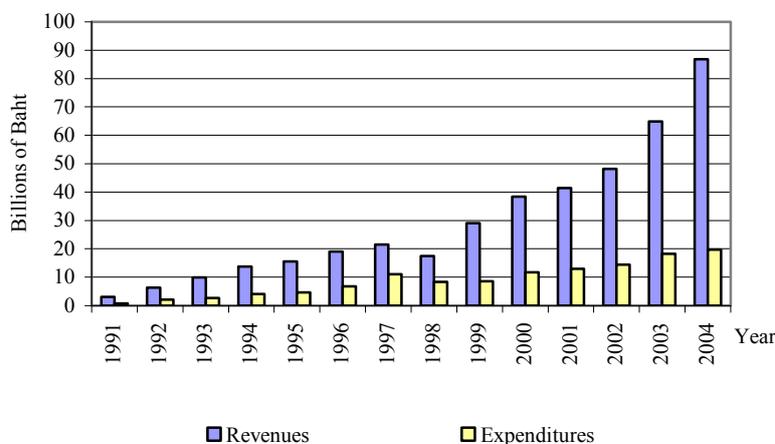
When the old-age benefit and child allowance were provided to insured persons, not many of the insured persons applied for the benefits. The number of beneficiaries for the child allowance was 149,926 and 2,986 for the old-age benefit. This could be because of a lack of information or the low benefit rate. In 1999, the child allowance was 150 Baht per child. It increased to 200 Baht in 2002 and 350 Baht in 2005. There were approximately 11 child allowance beneficiaries per 100 insured persons. For the old-age benefit, in 1999 retirees received only a lump-sum payment equal to their contribution in that year. In 2014, insured persons aged 55 years and older, who had contributed for 15 years, will meet the eligibility requirement to receive a pension equal to 15 percent of their 60-month average salary.

Thailand's social security system has provided UI since 2004. Unemployment could be involuntary or voluntary (quitting without just cause). In 2004, there were 50,318 claimants, and about 70 percent of them were voluntarily unemployed. The growth rate of UI claims started to accelerate when insured persons learned about the system. In 2005, the number of claimants increased to more than 249,000, with the growth rate being 340 percent.

SSF revenues are much higher than that of WCF. In the first year of SSF administration, revenues of 3 billion Baht were collected (Figure 10), of which 97 percent was from tripartite contributions. The annual growth rate of SSF revenues in the period 1991-1997 was 41.9 percent, but it dropped to -25.5 percent in the year following the start of the 1997 crisis. Although the number of insured employees in 1999 was lower, SSF was able to achieve higher revenues in 1999 than in 1997 owing to a higher contribution rate from the extension of the old-age benefit and child allowance. Since 2000, the share of contributions by the government has been smaller (as shown in the contribution rate table). The government makes no contribution to the old-age benefit. Contributions from employee and employers for the old-age benefit has enabled SSF to grow large because it is in the process of accumulating funds and has no obligation to pay any pension until 2014. For this reason, the investments made by SSF are very important to the security of the old-age benefit.

Approximately 38 percent of the contribution revenues during the period 1991-2002 were used to finance benefits. Approximately 60-97 percent of the benefit expenditures were for sickness (and injury) benefits. The administrative costs accounted for only 3.5 percent of revenues; however, the average growth in administrative costs was 38 percent in the period 1993-2002. Total expenditures in 2004 reached 20 billion Baht, while the net assets of SSF reached 285 billion Baht, growing at the rate of 190 percent in the past five years (2000-2004).

Figure 10 Social Security Fund: Revenues and Expenditures



Source: SSO.

Private School Teachers

Private school teachers are covered by a different social security scheme than that of public school teachers, who are under an official government scheme. Social security programs for private school teachers were launched in 1975 with the amendment of the Private School Act B.E. 2497. In accordance with that Act, the Private School Teachers' Welfare Fund (PSTWF), which is now under the legislative authority of the Private School Act B.E. 2525, was set up and administrated by a sub-committee chaired by the head of the Office of the Private Education Commission. The main objectives of the social security programs for private school teachers are to improve their quality of life and to provide them with various welfare programs. Before the Private School Act was enacted, low-paid private school teachers had been working in an insecure condition compared with teachers in public schools.

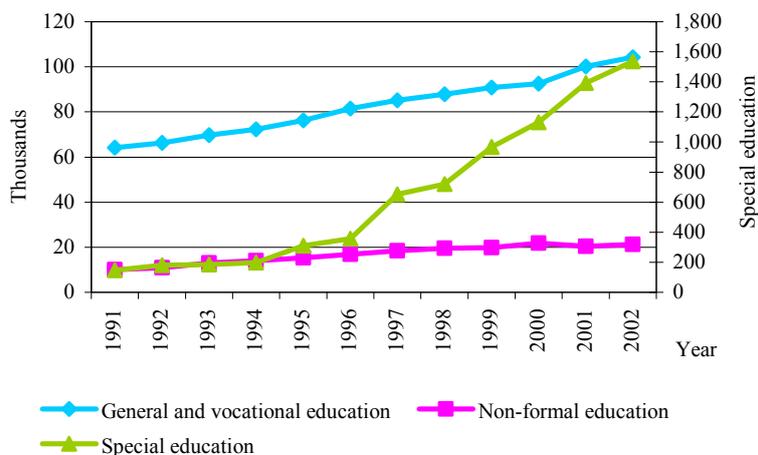
Members of PSTWF are private school teachers and the principals of such schools. Part-time teachers, teachers paid on an hourly basis, and teachers who have worked for fewer than 30 days are not covered by the Act.

According to the Private School Act B.E. 2525 (1982), private schools can be classified into three groups:

- Formal education private schools,
- Non-formal education private schools, and
- Special education schools.

Special education schools are for disabled or disadvantage students. Teachers who teach in formal education private schools or in special schools have received a welfare package since PSTWF was established. In 2000, the Ministry of Education extended the coverage of the welfare package to teachers in non-formal education private schools.

In 1991, approximately 64,000 teachers were members of PSTWF, 99 percent of whom taught in formal education private schools. Only 146 teachers were from special education schools in that same year (Figure 11). The number of private school teachers in the special education schools grew rapidly, approximately 82 percent, in 1997, increasing to 1,536 in 2002. In 2000, when the welfare package was extended to teachers in non-formal education private schools, the number of teacher members increased by 26 percent, from 91,844 to 115,479. In 2002, the total number of members of PSTWF was 127,015.

Figure 11 Number of Private School Teachers

Note: Prior to 2000, PSTWF covered teachers in general, vocational and special education programs. Currently, teachers in non-formal education private schools are also covered.

Source: Office of the Private Education Commission.

The social security program for private school teachers is a contributory scheme. The tripartite contributors include the teacher, private school license holder, and the government. The teacher and private school license holder contribute equally at the rate of 3 percent of the teacher's salary; the government contributes an amount equal to 6 percent of the teacher's salary. The government allocated 30 million Baht to PSTWF when it was initially established.

The benefit package for private school teachers includes free health care, child allowances and education fees, long-term employment rewards, invalidity and death benefits and old-age benefits. Besides the old-age benefits, all benefits are financed by interest income accrued from the savings of PSTWF.⁹ Contributions from tripartite sources are used for the old-age benefit only.

The old age benefit or provident fund is a fully funded system. The provident fund for teachers has two components, Provident Fund I and Provident Fund II. Teachers receive a lump sum payment from the fund when they resign or retire, according to the following provisions.

□ Provident Fund I is from the teachers' contribution (3%) and interest on that amount. All teachers are eligible to receive this fund when their employment is terminated.

⁹ In 2002, interest income was 159 million Baht, while the expenditure on health care was 347 million Baht.

□ Provident Fund II is a combination of private school license-holders' contribution (3%) and the government's contributions (6%). To be eligible for Provident Fund II when teachers resign or retire, one of the following conditions must be met:

- (a) The teacher has been employed for at least five years (and has contributed for 60 months).
- (b) The school is closed down.
- (c) The teacher is unemployed due to a reduction in classrooms.
- (d) The teacher is certified by a doctor as being unable to work.
- (e) The teacher has died.

Private school teachers do not receive generous old-age benefits compared with public school teachers; they do not have a pension. In 2002, approximately 6,000 teachers resigned, but only two-thirds of them received a lump sum payment from Provident Fund II (Table 17).

Table 17 Number of Beneficiaries (Fiscal Year)

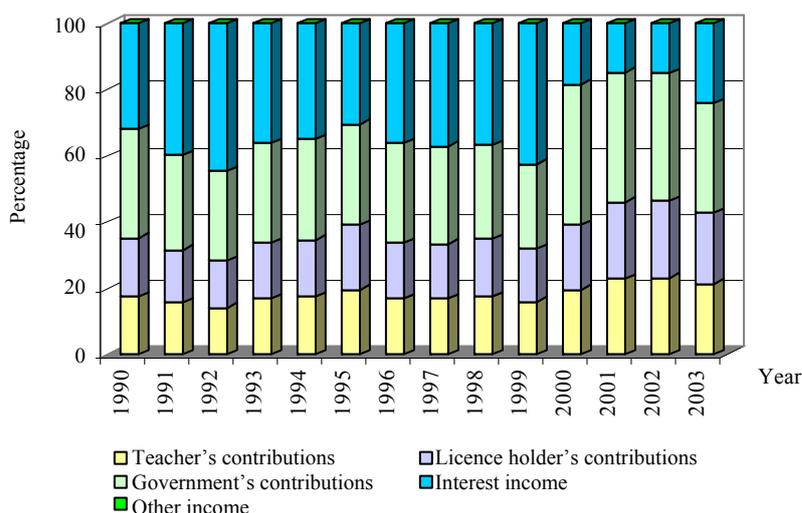
| Type of Benefit | 2001 | 2002 | 2003 |
|------------------------------------|--------|--------|--------|
| Health care | 59,233 | 70,917 | 59,134 |
| - Out-patient | 46,282 | 53,285 | 47,131 |
| - In-patient | 12,951 | 17,632 | 12,003 |
| Child education fees | 24,262 | 33,184 | 26,785 |
| Child allowances | 43,254 | 46,838 | 41,982 |
| Long-term employment awards | 12,873 | 9,627 | 411 |
| Invalidity and death compensation | 3 | 6 | 6 |
| Old-age benefit: Provident Fund I | 4,998 | 6,050 | 5,997 |
| Old-age benefit: Provident Fund II | 3,197 | 3,902 | 4,021 |

Source: Office of the Private Education Commission.

One of the unique features of PSTWF is that its total revenue does not grow in the same direction as its membership. During the period 1992-1999, the number of members grew by 3 to 7 percent annually, while income grew from between -0.41 and 27 percent. In 2000, the number of PSTWF members grew by 26 percent due to its extension of coverage of teachers in non-formal education schools. In the same year, the income of PSTWF dropped by 13 percent. The volatility in its income is due to fluctuations in interest income. As can

be seen in Figure 12, interest income dropped dramatically (–62%) in 2000. Interest income used to be the main source of PSTWF revenues,¹⁰ accounting for between 32 and 44 percent of total revenues in the period 1990-1999. However, the share dropped to 15-18 percent in the period 2000-2002.

Figure 12 Revenue by Types of Income

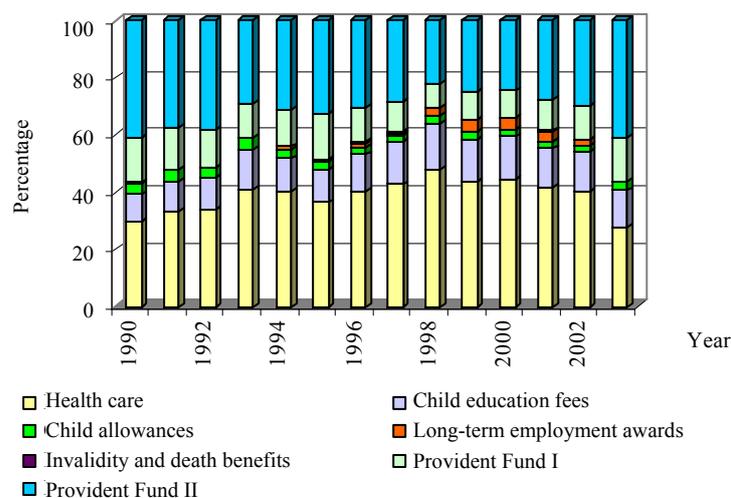


Source: Office of the Private Education Commission.

PSTWF does not enjoy professional fund management. The fund is invested in a conservative way, i.e., it is placed in accounts with domestic commercial banks. As a result, the fund is not as prosperous as it should be. As shown in Figure 12, the share of interest income peaked in 1999 and declined thereafter. Since the interest accrued from the amounts contributed by the government and private school license-holders is used to provide benefits, the welfare of the teachers will be in jeopardy in the future. Moreover, PSTWF has not effectively obtained money from the government. The government usually pays smaller contributions than the expected contribution (6% of each teacher's salary). The differences between the actual and expected government contribution ranged between 145 million and 539 million Baht during the period 1990-2003.

Figure 13 shows PSTWF's expenditure by type of benefit. Teachers who resigned or retired, on average, received 16,320 Baht from Provident Fund I and 66,255 Baht from Provident Fund II. Almost half of teachers who resigned had been employed for fewer than five years.

¹⁰ It had grown at 448 percent in 1982.

Figure 13 Expenditure by Type of Benefit

Source: Office of the Private Education Commission.

PSTWF used to provide quite generous benefits for private school teachers, compared with benefits for private employees. Private school teachers have received health-care coverage since 1976 and the range of the benefits program has been expanded until 1992. Additionally, PSTWF can keep its administrative costs very low. However, low administrative costs could be a drawback if it means the fund will be restricted from growing. The management of PSTWF has attained very poor results. Therefore, some types of benefits have had to be cut. In the near future, the health-care coverage provided by PSTWF may have to be cut. It is quite possible that the only type of benefit PSTWF may be able to provide in the future might be its provident funds.

V. Universal Health-care Coverage

Thailand has developed three main public health insurance programs. The first scheme covers government officials and their dependants (Civil Servants Medical Benefit Scheme or CSMBS).¹¹ CSMBS was the country's first subsidized health-care coverage scheme; it is considered by the public as a generous fringe benefit for government officials. CSMBS is financed from the government's budget through the Comptroller-General's Office. The second scheme covers private employees in the non-agricultural sector and is administered by SSO, as described in the previous sub-section. The third scheme is the 30-Baht Universal Health-care Coverage scheme. It covers Thai residents who are not covered by the first two schemes. The "30 Baht" refers to the user fee of Baht 30 per visit, either for out-patient or in-patient hospital care.

¹¹ The health-care schemes for State-enterprise employees cover small group of employees and their dependants. The health-care coverage for State-enterprise employees is comparatively not inferior to that of CSMBS. Each State enterprise has its own package of health-care benefits financed from its own budget. The schemes are not considered public health insurance.

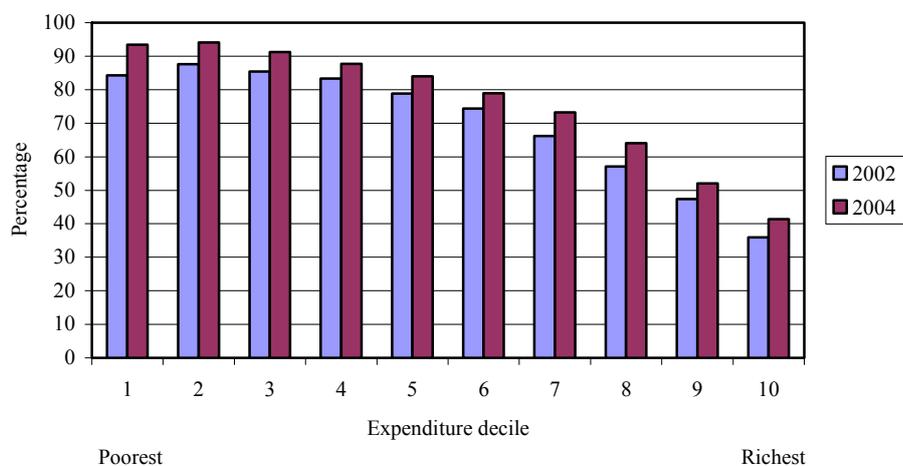
Prior to 2001 (when the 30-Baht scheme was launched), low-income households and disadvantaged people received health insurance through the Health Welfare Program for the Poor and Disadvantaged (or free health care) and voluntary health insurance. These programs targeted the poor who did not have access to any health insurance. The 1999 Socio-Economic Survey (SES) showed that the coverage of the Health Welfare Program was very low (Table 18). In the period 1999-2000, approximately 10 percent of households, or 1.7 million households, were covered by the free health-care program. Approximately 21 percent of the population in the lowest expenditure quintile (the poorest 20% of the population) were covered by the free health-care program. Most of the free health-care cardholders lived in the northeastern and northern regions of the country. Less than 1 percent of the people in Bangkok were covered.

Table 18 Household with Free Health-care Card

| | Household with free health-care card, 1999 | | Household with free health-care card, 2000 | |
|---------------------------------|--|---------------------|--|---------------------|
| | Percentage of row | Percentage of total | Percentage of row | Percentage of total |
| By region | | | | |
| - Bangkok and metropolitan area | 0.15 | 0.03 | 0.17 | 0.02 |
| - Central | 6.12 | 1.04 | 6.80 | 1.62 |
| - Northeast | 15.35 | 4.73 | 13.11 | 4.08 |
| - North | 12.84 | 2.49 | 15.35 | 2.93 |
| - South | 7.17 | 0.88 | 11.58 | 1.45 |
| By expenditure quintile | | | | |
| - Q1 (lowest) | 20.34 | 3.06 | 21.45 | 3.18 |
| - Q2 | 15.16 | 2.70 | 16.96 | 3.06 |
| - Q3 | 11.55 | 2.27 | 11.08 | 2.18 |
| - Q4 | 4.65 | 0.98 | 6.42 | 1.38 |
| - Q5 (highest) | 0.64 | 0.17 | 1.19 | 0.31 |
| Total | 9.18 | | 10.10 | |

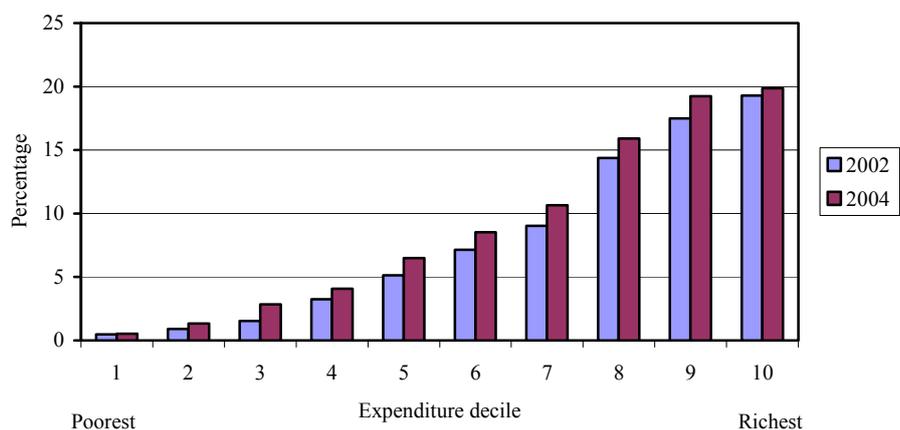
Source: NSO data (1999, 2000).

After the implementation of the 30-Baht scheme, the proportion of people with access to health insurance in Thailand started to increase. In 2002, the 30-Baht scheme covered approximately 46 million people, or 73.2 percent of the population. Approximately 85 percent of the population in the lowest expenditure decile had access to the 30-Baht scheme in 2002 (Figure 14); this proportion increased to 95 percent in 2004. As shown in Figure 14, the incidence of public expenditure on the 30-Baht scheme is progressive. The population in the higher expenditure deciles are less likely to use the 30-Baht health insurance.

Figure 14 Proportion of People with 30-Baht Universal Health-care Coverage

Source: NSO data (2002, 2004).

When one public health insurance program is progressive, others have to be regressive. As shown in Figure 15, the expenditures for health insurance benefits under SSO's scheme were regressive. The coverage of the scheme is higher among the rich than the poor. Less than 10 percent of the population in the sixth and lower deciles have been insured under SSO's scheme. The pattern was similar in 2002 and 2004.

Figure 15 Proportion of People with Social Insurance, by Expenditure Decile

Source: NSO data (2002, 2004).

Health-care coverage could have improved after implementation of the 30-Baht Universal Healthcare Coverage scheme. Approximately 3 million people are not covered by any public health insurance (Worawan 2005). Those excluded people may be expected to be the rich who could afford expensive health-care treatment or private health insurance, and the

poor who do not have access to sufficient information or to health-care centers. It is the poor who need more attention from the policy makers.

VI. Policy Challenges

Thailand's social security systems have been developed progressively during the last decade. Changes in economic structure and lifestyle of the new generation require a more formal mechanism for providing social security. Overall, we could say that the systems are moving in the right direction in terms of ensuring social security for the new generation. However, there are some challenges that policy makers and program implementators should recognize and try to improve in order to make the systems more sustainable. Those challenges are the low coverage of social security among private employees, the high UI take-up rate among the voluntarily unemployed, and insolvency of the fund for providing old-age benefit.

Low Coverage of Social Security for Private Employees

The Social Security Act was revised in 2002 so that it would broaden coverage from only private enterprises employing 10 or more workers to include enterprises of every size. Many were skeptical about the amendment because the structure of employment activities in Thailand was segmented. Many small firms are dynamic and involve seasonal activities. They may want to reduce their production costs in order to compete with large firms and with imported products by avoiding having to make contributions to SSF.

Table 19 shows that the areas with low social security coverage are the northeastern, northern and southern parts of Thailand where many small firms are located. The construction and commerce industries show the lowest social security coverage. These types of businesses are distributed throughout the country. Their employment pattern varies across seasons. A high proportion of workers in these industries have low skills.

Table 19 Number of Insured Employees in Private Enterprises

| | 2004 | | |
|--------------------|----------------------------|------------------------------|------------------------|
| | Actual number ^a | Expected number ^b | Percentage of coverage |
| Region | | | |
| - Bangkok | 2,762,888 | 2,849,484 | 96.96 |
| - Central | 3,420,018 | 3,563,712 | 95.97 |
| - Northeast | 566,648 | 2,129,615 | 26.61 |
| - North | 541,775 | 1,563,702 | 34.65 |
| - South | 540,134 | 1,064,200 | 50.75 |
| Industry | | | |
| - Manufacturing | 4,082,684 | 4,432,877 | 92.10 |
| - Construction | 341,019 | 1,884,157 | 18.10 |
| - Public utilities | 33,296 | 7,533 | 441.99 |
| - Commerce | 1,149,906 | 2,811,683 | 40.90 |
| - Transportation | 337,628 | 428,689 | 78.76 |
| - Services | 1,442,292 | 1,605,774 | 89.82 |
| Total | 7,831,463 | 11,170,713 | 70.11 |

Note: The expected number refers to the number of employers and employees in the non-agricultural sector who receive wages and work in enterprises with 10 or more workers in 2001 and in enterprises of all sizes in 2004. The number of private employees in the utility sector from the Labor Force Survey is small because those employees have been involved in the transition to privatization. Their work status in the Labor Force Survey is that of State-enterprise employees even though the enterprises have been privatized.

Source: ^aSSO.

^bLabor Force Survey.

High Unemployment Insurance Take-Up Rate among the Voluntarily Unemployed

The government should not have provided UI benefits to employees who quit their jobs without just cause. Table 20 shows that a large proportion (about 70%) of those who receive the benefit voluntarily quit their jobs. In the future, when more and more employees learn about the existence of this benefit, the number of voluntarily unemployed is expected to increase, and it may mean that workers reduce the effort they put into their jobs. The existing system reduces the cost of quitting and increases the turnover rate. In the long term, the UI system might harm the structure of employment and the development of many industries.

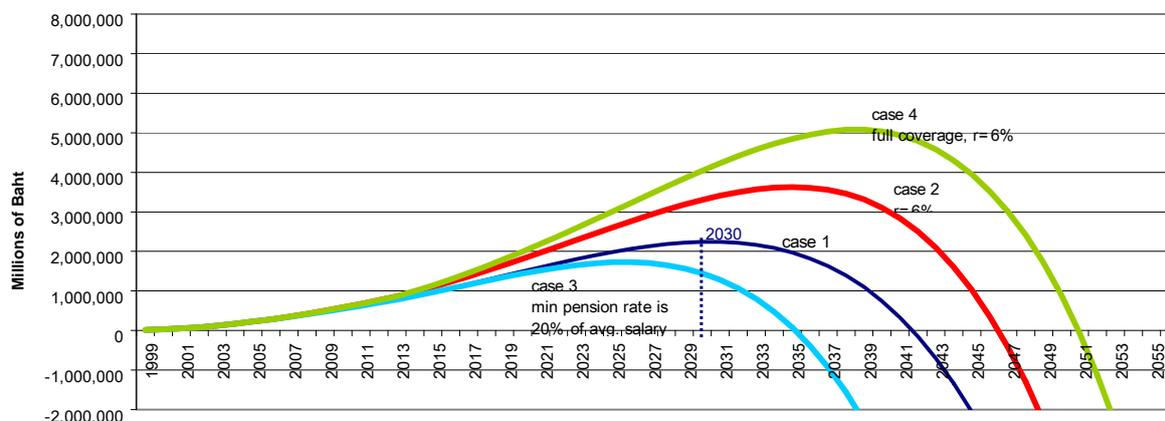
Table 20 Number of Unemployment Insurance Claimants, by Type of Unemployment

| Month/ year | Type of unemployment | | | | | | | Total payment (Baht) |
|----------------|----------------------|----|-----------|--------------------|--------|----|--------|-------------------------|
| | Involuntary | | Voluntary | | | | Total | |
| | Number | % | Quit | End of contract | Total | % | | |
| Jul 04 | 12 | 32 | 25 | 1 | 26 | 68 | 38 | 70,062 |
| Aug 04 | 696 | 32 | 1,418 | 39 | 1,457 | 68 | 2,153 | 8,092,039 |
| Sept 04 | 2,027 | 30 | 4,478 | 159 | 4,637 | 70 | 6,664 | 22,546,130 |
| Oct 04 | 2,991 | 29 | 7,230 | 264 | 7,494 | 71 | 10,485 | 31,318,034 |
| Nov 04 | 4,536 | 30 | 8,843 | 1,877 | 10,720 | 70 | 15,256 | 43,981,428 |
| Dec 04 | 5,432 | 35 | 8,102 | 2,188 | 10,290 | 65 | 15,722 | 48,638,254 |
| Jan 05 | 6,979 | 41 | 8,134 | 2,065 | 10,199 | 59 | 17,178 | 47,424,352 |
| Feb 05 | 9,369 | 52 | 8,173 | 574 | 8,747 | 48 | 18,116 | 57,685,263 |
| Mar 05 | 9,574 | 49 | 9,326 | 537 | 9,863 | 51 | 19,437 | 60,511,946 |
| Apr 05 | 9,330 | 48 | 9,727 | 493 | 10,220 | 52 | 19,550 | 62,886,841 |
| May 05 | 8,817 | 43 | 10,805 | 907 | 11,712 | 57 | 20,529 | 64,600,963 |
| Jun 05 | 9,499 | 42 | 12,546 | 733 | 13,279 | 58 | 22,778 | 69,508,394 |
| Jul 05 | 9,209 | 40 | 13,084 | 532 | 13,616 | 60 | 22,825 | 65,901,683 |
| Aug 05 | 8,302 | 35 | 14,796 | 427 | 15,223 | 65 | 23,525 | 73,442,901 |
| Sept 05 | 5,432 | 22 | 14,821 | 4,126 | 18,947 | 78 | 24,379 | 73,375,986 |
| Oct 05 | 9,018 | 38 | 14,020 | 488 | 14,508 | 62 | 23,526 | 72,831,648 |
| Nov 05 | 9,043 | 32 | 14,623 | 4,665 | 19,288 | 68 | 28,331 | 84,400,804 |
| Dec 05 | 9,074 | 32 | 14,623 | 4,665 | 19,288 | 68 | 28,362 | 84,309,471 |

Source: SSO.

Insolvency of the Fund for Providing Old-age Benefit

The fund for providing an old-age benefit is now accumulating; the first pensions are due to be paid in 2014. The minimum pension rate is 15 percent, whereas the contribution rate is 4 percent (2% each from employee and employer). The low contribution rate could cause insolvency of the fund when the share of the older population becomes high in the future.

Figure 16 Old-age Fund Accumulation

Source: From projections.

The following are the assumptions we used to calculate old-age fund accumulation:

- Population projections: 2000-2025 are from NESDB (2003a); the same pattern of birth and death rates in 2025 are used after 2025.
- Labor force participation rate is 72 percent.
- Unemployment rate is 2.2 percent.
- Number of persons insured accounts for 23.4 percent of those employed.
- Average real wages for insured persons increases by 5 percent every 10 years.

When the rate of return on investment is 4 percent (case 1), the fund will reach its maximum size in 2030 (Figure 16). The size of the fund will drop quickly after 2035 and will go into deficit in 2042. If the rate of investment is higher, at 6 percent, the fund will go into deficit in 2047 (case 2). The fund can survive four years longer if every eligible employee is covered by and contributing to social security for private employees (case 4). On the contrary, the fund will survive for a shorter period if the minimum pension rate increases to 20 percent without an increase in the contribution rate (case 3).

The above projection is based on the assumption that the governance of the old-age fund is sufficiently transparent that it can achieve such a rate of return. Without that assumption, the old-age fund could be in jeopardy sooner than the projection shows.

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