Live Long and Prosper: A perspective on Aging in Thailand
Presentation outline

• Some basic demographic and labor force facts on EAP and Thailand

• The living situation of older people in Thailand

• Policy observations and implications for Thailand
EAP has more older people than any other region...and will increase to around 500 mln by 2040
The transition from aging to aged societies is faster in EAP than seen previously in history...

(years to move from 7 to 14 percent population 65+, 5 year rounded)
And developing EAP is getting old before getting rich...

(GDP per capita & elderly dependency ratios, 1960-2010, WDI)
Resulting in rapid decline in working age population in several EAP, but diverse...

(Projected % change in population, 15–64 Years, 2010-2040. WB using UN 2013)
Thailand’s working age population share is at its peak and will decline from this decade...

(Thailand, UN 2015 revision – World Bank estimates)
Though standard definitions of working age population can be misleading and labor force withdrawal varies by location and gender...

(Thai employment rates by age and location, Giles et al (WB), SES 2011)
What are some features of the living situation of older people in Thailand?
There is little extreme poverty among elderly in Thailand using global measures...

Consumption-based poverty rates by age, Giles & Huang (WB), 2015 (USD 1.25 PPP)

Income-based poverty rates by age, Giles & Huang, 2015 (USD 1.25 PPP)
But using national poverty line, poverty rates rise with age of household head...

Poverty rates by age of HH head, SES 2013

Percent of population

National average

14.5
10.2
7.0
3.2

15-30
31-49
50-64
65+
Elderly people in EAP and Thailand rely mainly on their own work for financial support...

(primary source of support 60+. Rural top; urban bottom. Giles et al, 2015)
This is despite the fact that elderly co-residence with adult children remains fairly high...though falling (Thailand, % of elderly living with children 24+, Giles & Huang, 2015)
Contrary to the current reality, expectations of the State are high for old age financial support

(expected primary source of support in old age – proportion of total respondents – Jackson & Peter, 2015)
Some policy observations & implications
Key messages on aging-related policy agenda...

Good aging policy is not just about old people

Effective responses to rapid aging require policy reform and behavioral change from employers, communities and people across the life cycle…

And a number of the required policy changes are politically challenging & usually not achieved overnight
Growth and aging

In East Asia, demographic dividend contributed significantly to growth in 1960s-1990s: 30-40% of growth by various estimates (e.g., Bloom et al)

But – does this mean a “demographic tax” with aging? Report argues that risks to growth are real but manageable and EAP better positioned than most

• Standard growth accounting models suggest so – e.g. ADB for Thailand suggests modest negative growth impact from aging during 2021-2030.

• Overlapping generations models have more mixed results, e.g. human capital deepening from lower fertility; high capital to labor ratios and positive productivity effects

• Household savings rates remain robust but changing age structure in Asia for 1952-1992 showed insignificant impact on savings rates (Schultz 2004) – do behavioral effects outweigh compositional?
In labor market, significant potential to offset labor force decline by increasing female labor force participation

Thailand Labor force relative to 2010 baseline projection
(Ozden & Testaverde for World Bank, 2014)
More challenging is reversing fertility decline...

In OECD, overall policies that help women (and men) combine work with family formation are key...

Significant positive effects from:
- Childcare provision up to age 3 (particularly in Anglo- and Nordic)
- Extended financial transfers during childhood
- Earnings-related family leave but weak negative effect over 2 years

In contrast:
- One-time “baby bonuses” at birth have weaker impacts, as we also seem to observe in EAP

Rich EAP countries have to date failed to date to reverse very low fertility
As in other aging societies, migration could also be an important channel to mitigate labor force decline...

Thailand remains a low immigration economy, but modeling from rich EAP countries suggests significant impacts from higher immigration (projected change in labor force size (mln) for richer EAP. Ozden & Testaverde, WB 2014)
And improving productivity of labor will become more important, through improvements in quality of education, improved life-long learning/training, and capital investment.

- Thailand is well placed for the future in terms of rising average educational attainment of workforce, but educational quality challenges remain, especially for more complex demands of higher tech and innovation-intensive industries.

- Like even rich EAP countries, developing more effective systems of life-long learning to extend productive working lives into older age will be vital – and requires flexible modes of delivery and public/private partnership.

- Given the future likelihood of fewer workers, increasing capital intensity per worker to increase labor productivity will be needed and possible.
On formal sector pensions, Thailand started late relative to its demographics...

Timing of introduction of national mandated pension schemes globally
And spending is lower than global benchmark to date...

(pension spend/GDP and 60+ population, World Bank pensions database)
Replacement rates in formal pension system still low as system matures...will improve but question re low contribution rate

(Average replacement rate, latest year. Palacios 2015 for World Bank)
And formal sector pension coverage remains low, with large majority uninsured and reliant on modest social pensions...
The Thai pension framework has positive features but also challenges...

• Fiscal position of formal schemes better than several EAP neighbors – deficits not expected till 2040s (ILO) – but
  (i) coverage remains too low to reduce old age poverty significantly
  (ii) retirement ages unsustainably low relative to life expectancy
  (iii) contribution rate required for long-run breakeven significantly higher than present

• Persistence of parallel civil service and private sector schemes is worth reconsidering, as global trend toward harmonization and integration of schemes

• Gradual expansion of matching subsidies to expand coverage a sensible approach – but how to achieve wider penetration? Challenges are both fiscal and in administration.

• Introduction of wider coverage social pension was sensible in high informality economy – but not likely to be adequate on its own to address old age poverty.
In healthcare, Thailand offers some useful lessons for aging EAP...

• OOP spending on health services for elderly low relative to some neighbors (e.g. China & Vietnam) but still issues of physical access and non-medical costs

• NHSO one of the stronger strategic purchasers in the region

• NHSO Committee on Benefits Package is a regional leader on review and the adoption of new drugs and technologies – specially important with aging society

• Mixed provider payment methods (capitation for outpatient and DRGs for inpatient) with a global budget for inpatient care well suited to aging population.

But like most countries, there remain challenges in promoting effective models of coordinated care for the elderly...
Aged and long-term care remains a challenge in Thailand and across developing EAP...

- Public sector support for long-term care remains nascent in developing EAP including Thailand, though health systems are taking some of the brunt at high cost.

- With strains on traditional networks, there is a need for proactive policy measures from governments in developing MICs in EAP – but government cannot do it all, and needs markets, families & individuals to play a role – the Thai rural carer model an interesting case in this regard.

- **Aging in place** should be the guiding approach, with a strong reliance on home- and community-based care – both more affordable and giving higher quality of life.

- **Financing LTC** will be a challenge, with no definitive model – who should the state prioritize for public subsidies and how to finance those?
For further comments or questions, please contact Philip O’Keefe or Nithin Umapathi
pokeefe@worldbank.org; numapathi@worldbank.org

The report is available at World Bank Open Knowledge Depository at www.worldbank.org

THANK YOU...
Extra slides
UN projections of Thai population structure sharply under-estimated fertility decline in 1980s and 1990s

Population cohort projections from 1978 versus outcomes 2000 (UN)
Private and public transfers play a role in keeping extreme old age poverty low in Thailand (USD 1.25 PPP)

(Thai poverty rates without private, public and all transfers, Giles and Huang 2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Variable (Dependency Ratio)</th>
<th>2011–2020 (%)</th>
<th>Aggregate Physical Capital/Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Labor Force/Population</td>
<td>Total Factor Productivity</td>
</tr>
<tr>
<td>China, People’s Rep. of</td>
<td>Youth</td>
<td>0.087</td>
<td>0.334</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.209</td>
<td>-0.208</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>Youth</td>
<td>0.085</td>
<td>0.327</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.319</td>
<td>-0.318</td>
</tr>
<tr>
<td>India</td>
<td>Youth</td>
<td>0.159</td>
<td>0.615</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.072</td>
<td>-0.071</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Youth</td>
<td>0.117</td>
<td>0.453</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.125</td>
<td>-0.124</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>Youth</td>
<td>0.112</td>
<td>0.431</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.407</td>
<td>-0.405</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Youth</td>
<td>0.142</td>
<td>0.549</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.162</td>
<td>-0.161</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Youth</td>
<td>0.169</td>
<td>0.651</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.048</td>
<td>-0.048</td>
</tr>
<tr>
<td>Philippines</td>
<td>Youth</td>
<td>0.157</td>
<td>0.606</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.117</td>
<td>-0.117</td>
</tr>
<tr>
<td>Thailand</td>
<td>Youth</td>
<td>0.068</td>
<td>0.262</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.184</td>
<td>-0.183</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Youth</td>
<td>0.214</td>
<td>0.826</td>
</tr>
<tr>
<td></td>
<td>Old-age</td>
<td>-0.014</td>
<td>-0.014</td>
</tr>
</tbody>
</table>
Actual versus required contribution rates for public pension schemes

(OECD, 2013 and Palacios, 2015 for WB)