

Policy Challenges for the Social Security for Private Employees

Worawan Chandoevrit*

I. BACKGROUND

Thailand has been developing social security programs since 1901. The very first program was a pension for government employees. Later, other types of benefit (e.g., medical care) financed from general tax revenues were granted to government employees. Other cohorts of working age (i.e., state enterprise employee, private employee in non-agricultural sector and private school teacher) 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 administers 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 administers universal health care for the general population, excluding government and private employees in non-agricultural sectors.

In this article, we focus only on social security mechanisms for private employee in non-agricultural sector. This group of workers has become an important body of Thailand total employment. Inevitably, its level continues to grow with Thailand's stage of industrialization. Therefore, improvement of social security for this group could improve well being of many Thais and *vice versa*.

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.

* Dr. Worawan is Senior Research Specialist, Human Resources and Social Development Program, TDRI. Comments may be e-mailed to worawan@tdri.or.th. This article is drawn from *Social Security Systems in Thailand*, a research project funded by the Canadian International Development Agency (CIDA).

The author would like to thank Mr. Patanayuth Sarntiyanon and Ms. Suwimon Fakhong for their research assistance.

II. SOCIAL SECURITY MECHANISMS FOR 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 now 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.¹ 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 1).

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 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

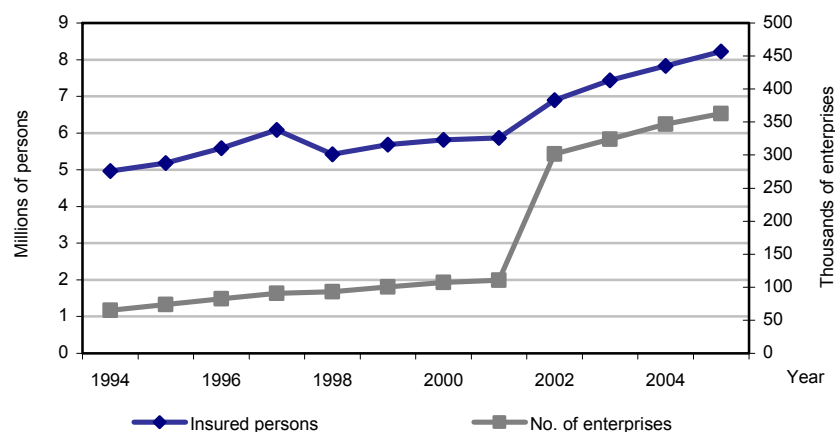
coverage to include micro-enterprises. At the end of 2005, more than 8 million were persons insured.

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.

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.

Figure 1 Insured Persons and Registered Private Enterprises



Source: SSO.

The types of benefit provided by WCF include sickness, disability and death and survivors' benefits (see details in Table 2).

In 1994, 816 workers died of work-related causes (Table 3). 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.

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 2). 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.

Table 2 Workmen's Compensation Fund: Work-related Sickness Benefit

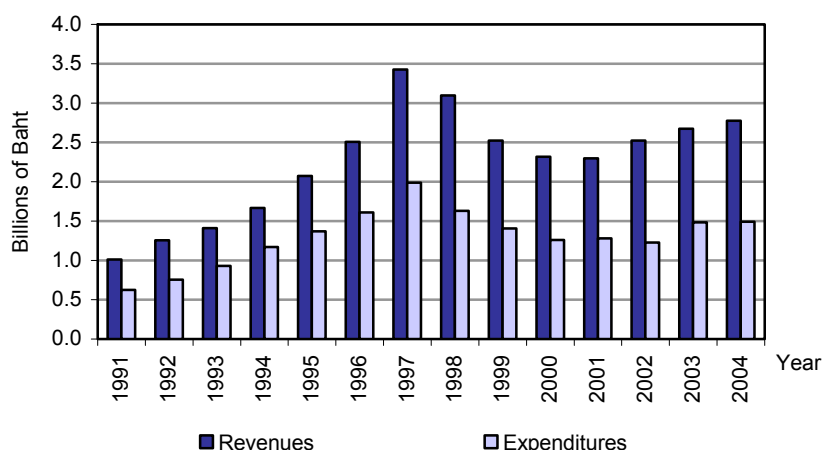
Type of Benefits	Benefits
Sickness benefits	<p><u>Medical care:</u></p> <ul style="list-style-type: none"> - Medical care reimbursement, a maximum of 35,000 Baht for each injury. - For some complicated illnesses described by the rules, an additional reimbursement of 50,000 Baht for medical care can be made. <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.

Table 3 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.

Figure 2 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 hereafter called 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 4). When the old-age benefit and child allowance, or

hereafter called 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.

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 5. 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 4 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.

Table 5 Social Security Fund Benefits in 2005

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. - 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.

Notes: * The benefit for dental care was changed at the end of 2005. Confusion of dental care coverage has been around for many months as many hospitals refused to comply with the new coverage.

** The lump sum payments for childbearing and child allowance have been changed occasionally.

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 pre-meditated criminal act by the UI claimant against the employer, a serious act against the law, that 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 6). 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.

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.

Table 6 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.

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 3), 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).

III. POLICY CHALLENGES

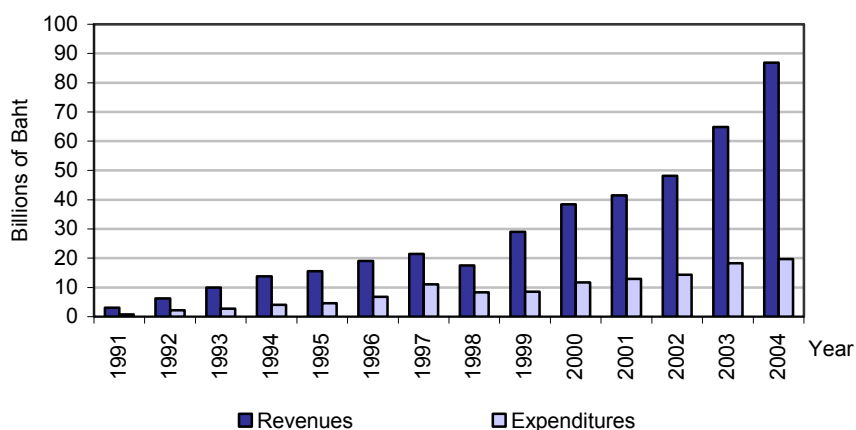
Thailand's social security systems have been developed progressively during the last decade. Changes in economic structure and lifestyle of the new generation require a more formal mechanism for providing social security. Overall, we could say that the systems are moving in the right direction in terms 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 7 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 are industries with 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.

Figure 3 Social Security Fund: Revenues and Expenditures



Source: SSO.

Table 7 Number of Insured Employees in Private Enterprises

Region	2004		
	Actual number ^a	Expected number ^b	Percentage of coverage
- 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
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.

Sources: ^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 8 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 8 Number of Unemployment Insurance Claimants, by Type of Unemployment

Month/ year	Type of unemployment						Total Total	Total payment (Baht)
	Involuntary		Voluntary					
	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.

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

- Population projections: 2000-2025 are from NESDB (2003); 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 reaches its maximum size in 2030 (Figure 4). 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 SSF (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.

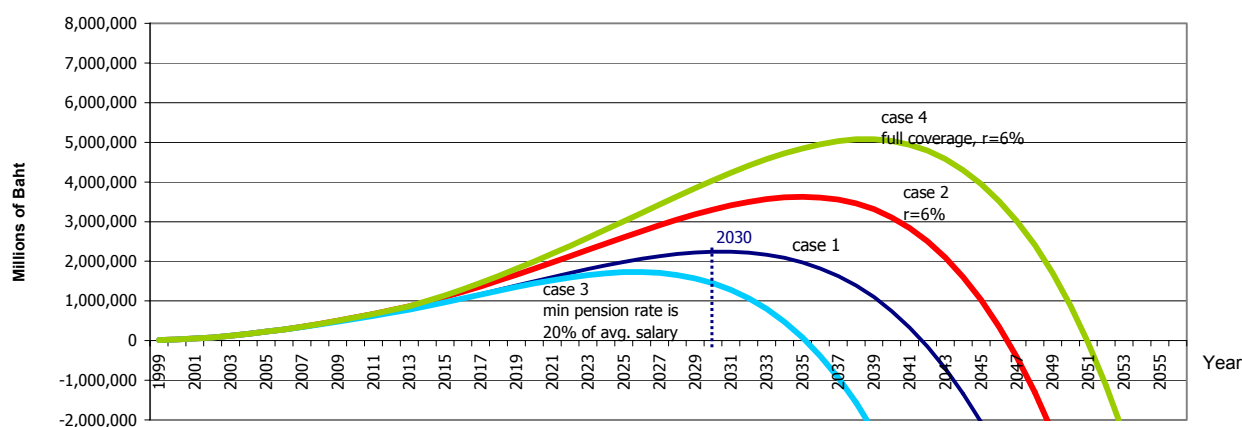
ENDNOTES

- ¹ The first Social Security Act was announced in 1954, but had never been enforced.

REFERENCES

- National Economic and Social Development Board (NESDB). 2003. *Population Projections 2000-2025*. Bangkok: NESDB. (in Thai)
- National Statistical Office (NSO). 2004. Labor Force Survey (Raw Data) quarters 1 and 3.
- Social Security Office (SSO). <http://www.sso.go.th>.
- Worawan Chandoevmit. 2006. *Social Security Systems in Thailand*. Bangkok: Thailand Development Research Institute.

Figure 4 Old-age Fund Accumulation



Source: From projections.

