

Lecture Note

Gender Economics (EE364)

Chapter 8

Men and women in an aging society



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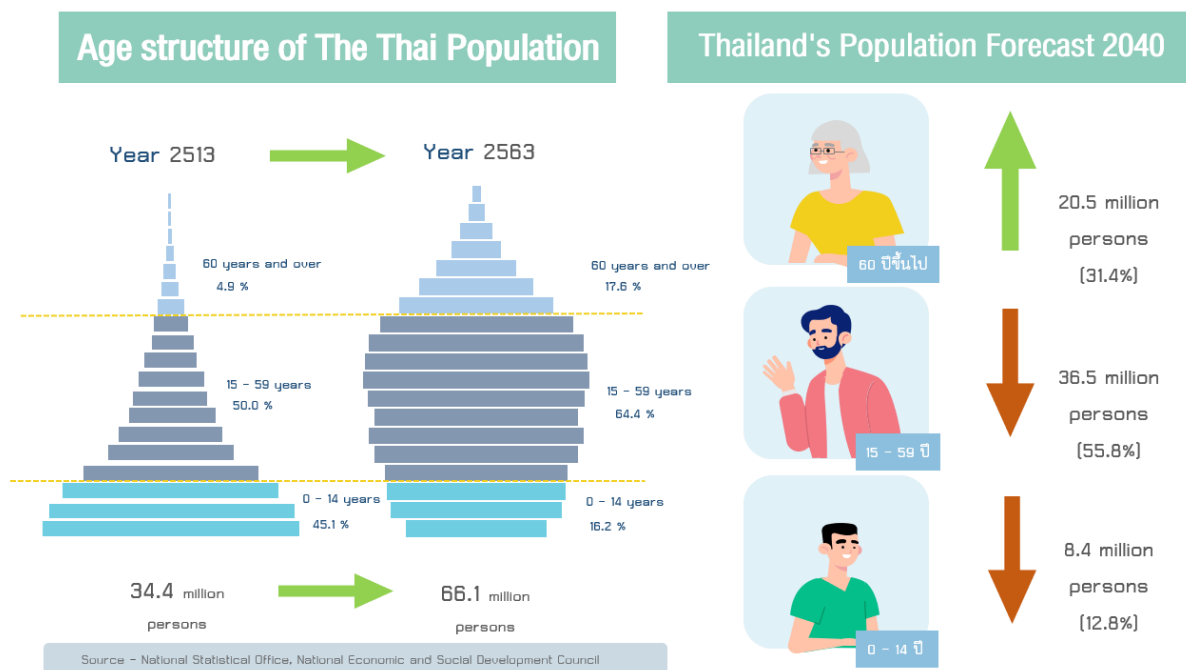
Chapter 8

Men and women in an aging society

8.1 Problems in the Thai population

There is a declining population of reproductive age and an increasingly elderly population. In 1970, the population of Thailand was 34.4 million people. The breakdown was as follows: Children aged 0–14 years (45%), labor force aged 15–59 years (50%), and the elderly aged more than 60 years (5%). In 2020, Thailand's population was 66.1 million people. The proportion of the elderly has increased to 18%, the labor force has increased by 64%, but children have decreased by 16%.

Figure 8.1 – Age structure of the Thai population and Thailand's population forecast 2040

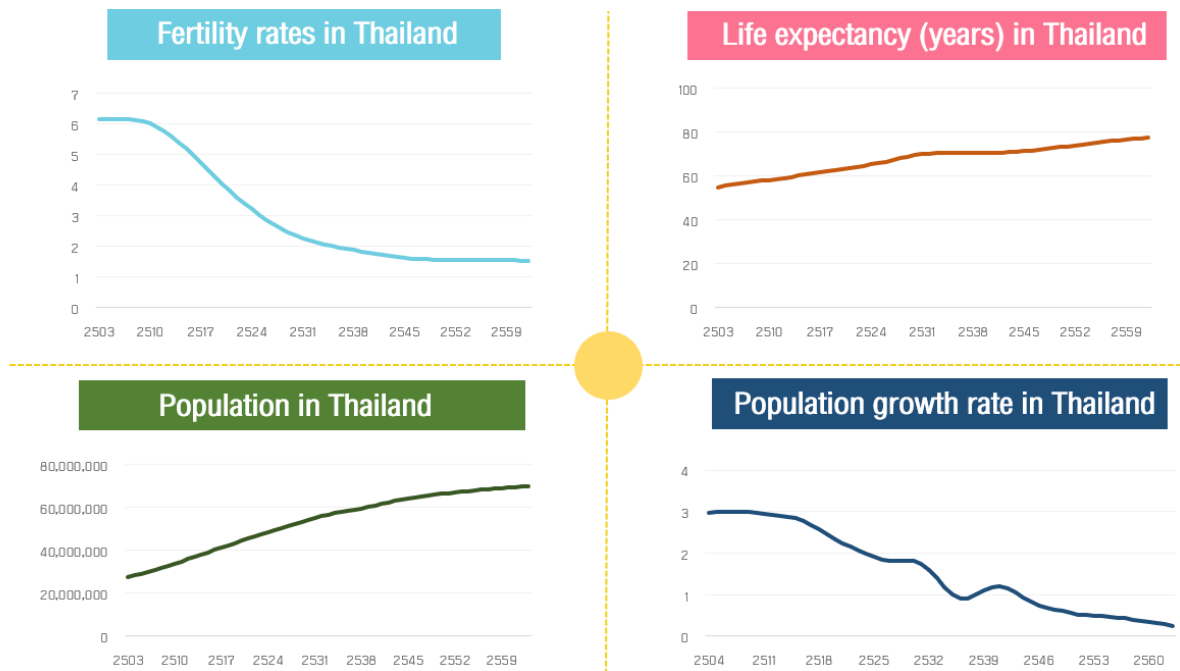


Source – National Statistical Office, National Economic and Social Development Council
NESDB forecasts for the next 19 years

The NESDB forecasts that in the next 19 years, by 2040, the elderly population will comprise 31% of the population. The working age population (aged 15–59 years) will decrease from 36 million or 55%. How did Thailand reach this point? In 1973, Thailand implemented a family planning policy that included contraception under the slogan that those having more children would be poor. Consequently, an already low birth rate continued to decline. Fifty

years ago, 1 Thai woman would have an average of 6 children. Currently, 1 Thai woman has an average of 1.5 children, below the world average of 2.4. As a result of the Thai public health system improving access to contraception and that adequate medical care can increase people's lifespans, Thailand now has a growing population of elderly people

Figure 8.2 – The situation and problem in Thailand



Source: World Development Indicators (WDI).

8.2 The situation of the elderly in Thailand B.E. 2563

In 2020, Thailand had a population of 66.5 million, with the elderly being 12 million accounting for 18 percent of the total population. Thailand is becoming a society “completely aged” (aged society - >20%) by 2022. In 2020, ASEAN countries had a total population of 664 million, of which 73 million are aged 60 and over, or 11%. Six ASEAN member countries have become aging societies (>10%), comprising Singapore 20.9%, Thailand 18.1%, Vietnam 12.3%, Malaysia 11%, Indonesia 10.1%, and Myanmar 10% elderly. While in Laos and Cambodia, less than 7% of the population is 60 years and over.

By 2040, the United Nations estimates that the population of ASEAN will be 764 million people. ASEAN will have a population of 143 million people aged 60 years and over, or 18.7%. There are 19.6 million older people over 80, or 2.6 percent. All ASEAN countries will become "Aged Society". In the next 20 years, there will be countries in ASEAN that are

“Aged society”: Singapore, Thailand, Brunei, and Vietnam. Singapore and Thailand will be a “super-aged society” (>20%) or a society with more than 20% of the population aged 65 and over. All countries in this society are already high-income countries, while Thailand is still stuck in the middle-income trap.

According to the report on the aging society and the challenges of the Thai labor market (2017), based on foreign experience, an aging society affects the economic growth rate. On the demand side, there is a decrease in household consumption because the population growth rate has decreased. Spending by older people (health expenses) increased. Demand for goods and services changes according to the aging society, which affects the structure of the country’s manufacturing sector. On the supply side, the proportion of labor to the population has decreased.

Maestas et al. (2016) stated that countries with an elderly population of 10% resulted in a 5.5% slowdown in GDP per capita. In an aging society, a decrease in the average productivity of workers in all age groups decreases the average labor income. In the case of Thailand, the labor market of the elderly is low-skill work, a low income, and needs skill development. The role of the elderly in the household is caring for young children or household members. However, it might affect women to leave the labor market. They reduce their working hours or work outside the system to care for the elderly at home. They need the flexibility to work.

Furthermore, this will cause fiscal sustainability in the country. The government may have to bear the burden of welfare expenses for the elderly, especially healthcare expenses. The proportion of working-age people to the elderly will gradually decline from 5.4 working-age people to 1 older person in 2020 to a ratio of 2.4:1 by 2040.

According to the World Bank report on Aging and the Labor Market in Thailand (2021), the aging population affects the labor market, as most older people are low-income earners and will have to rely heavily on state aid. Changes in population structure impact economic growth. Approximately 14.4 million labors will be cut by 2060—the GDP growth rate with decrease by about 0.86%. The proportion of the working-age population will decline from 71% in 2020 to 56% in 2060, equivalent to a nearly 30% decline in the working-age population. Thailand is the third largest decline in East Asia and Asia-Pacific, after Japan and the Republic of Korea.

8.3 Pension for the elderly

Pension for the elderly - In 2020, 9.7 million older people received a pension for the elderly, amounting to 76,280 million baht. While the pension allowance for government officials was 803,293 people, the total budget was 267,012 million baht. The Social Security Office has provided welfare benefits to the Social Security Fund. In the case of old age, in Section 33 and Section 39, workers under the social security system can receive benefits from age 55 years and more.

National Savings Fund - In December 2020, there were 2,396,543 accumulated members, of which 81,243 are aged 60 years and more. The National Savings Fund was established under the National Savings Fund Act B.E. 2011. Objectives were to create income collateral through saving for retirement for working-age people, which has no guarantees for income after retirement. A member will pay the accumulated money into the fund monthly with the government to fund the accrued money jointly. Once the member reaches the age of 60 years, they will receive a continuous monthly pension for life.

Subsidy from the government – Ministry of Social Development and Human Security implemented measures to pay support to heal vulnerable groups, namely children aged from birth to 6 years from poverty-stricken households. The elderly and groups with disabilities affected by the COVID-19 epidemic received 1,000 baht per person for three months from May–July 2020. Payment for 3,983,685 vulnerable people using budget from the Royal Decree, which borrowed 1 trillion baht.

Elderly Fund – Department of Elderly Affairs gave a debt moratorium to the elderly debtors of the fund. A moratorium on debts for one year, totaling 41,665 debtors from the Elderly Fund. However, problems in the Thai pension system in addition to the sufficiency of the funds. First, Coverage part, in 2020 data, 38.82% of the working-age population. Second, sustainability of the system, in 2018, the government had pension expenses of 385,900 million baht - government pension allowance (62.5%) and Subsistence allowance (17.2%). Government expenditures have continued to rise.

8.4 The impact of pension for the elderly on the Thai labor market

Paweenawat and Vechbanyongratana (2015) studied the impact of the government's implementation of the retirement pension policy on the labor market. Based on household socio-economic survey data. The study was conducted among elderly workers aged 61–75 years. The study's results revealed that the pension policy had little impact on the Thai elderly

population because the amount provided is small compared to total household income per capita. However, the policy applies to low-income seniors living outside Bangkok.

Figure 8.3 – Monthly allowance for older people

Table 1. Magnitude of the Monthly Allowance for Older Persons

Year	Benefit Level	Overall			Bottom 40% Per Capita Household Income		
		Mean Per Capita HH Income (baht)	Benefit as % of Mean PC HH Income		Mean Per Capita HH Income (baht)	Benefit as % of Mean PC HH Income	
2007	500	6,164	8.1%		2,083	24.0%	
2009	500	6,889	7.3%		2,408	20.8%	
2011	600-1,000*	7,645	8.4%		2,677	24.1%	

*Calculations use 2012 average payment of 645 baht (Suwanrada, 2012).

Source: Paweenawat and Vechbanyongratana (2015)

The results of this study reflect the importance of elderly pensions for low-income seniors. Therefore, the government sector needs to consider this in addition to increasing the amount of money. Basic information, including economic background, also needs to be considered to ensure the elderly pension policy is an important tool to enhance the welfare of the elderly in Thailand in the future. Regarding the work of the elderly, 55.5% of the elderly aged 60–64 years are still active. Furthermore, 41.4% of the elderly aged 65–69 is still working. In total, 4.7 million older people hold state welfare cards.

8.5 The impact of COVID-19 on the elderly

COVID-19 has most affected older people with a low income. The decreasing number of jobs has reduced the income of 63% of this age group, rendering their allowance their primary source of income. Most health concerns regarding the epidemic are centered on the elderly. In the first wave, 543 older people were infected with COVID-19, accounting for 7.9% of the total cumulative number of confirmed cases in 2020. Furthermore, 29 older people died, 5.3% of the total number of older people infected with COVID-19. In the first wave, not many older people in Thailand were infected, but most could not avoid the impact of the pandemic overall.

The College of Population Studies, Chulalongkorn University, explored the impact of the COVID-19 pandemic on Thailand's elderly population. In July 2020, it was found that before the COVID-19 crisis, 47.2% of the elderly still worked to earn a living. However, after

the spread of COVID-19, 81% of the elderly who work face obstacles in their jobs. The elderly in urban areas experienced more work-related problems than those in rural areas.

International lessons on the impact of COVID-19 on the elderly – In the United States, older Americans are 1,000 times more likely to die than children. 95% of deaths from COVID-19 were among those aged 50 years and more. 8 out of 10 deaths were among those aged 65 years and more. In Italy, 29.8% of the population aged 60 years and more, and 7.5% are in their late 80s. The pandemic death rate among the elderly was high because of close relationships with their children, which resulted in frequent gatherings and travel between cities. Japan has the highest elderly population rate worldwide. However, the number of deaths among the elderly in the country was significantly lower than in Western countries.

8.6 Policy lessons for preparing to enter the aging society –

(a) Retirement age extension policy, the retirement age in Singapore will increase from 65 to 67 years, from 55 to 60 years in South Korea, and 62 to 65 years in Japan by 2025.

(b) Policy to encourage companies to hire seniors and provide them with jobs. The government of Singapore offers to fund companies that hire seniors to help them keep working and improve their environment. Japan also provides financial support to companies employing older people.

(c) Skill enhancement policy (up-skilling) and enhancing of new skills (re-skilling): Singapore has established a Center for further skill development. Japan created cooperation between organizations to encourage learning new skills and help to find suitable jobs.

(d) Policies to encourage women to work more and incentivize workers include an extensive margin (employment in the labor market) and the intensive margin (increased working hours).

Support for the work of the elderly from the Ministry of Labor, Thailand – The Ministry of Labor promotes the employment of the elderly by driving key projects such as hourly wage rates (part-time) for seniors, access to funding sources, hiring older people to work, registration service for older people. Job search services are provided by the Elderly Employment Service Center, and the preparation of memoranda between the government and private sector. Operations have been implemented to develop skills to increase the career opportunities of the elderly through major projects. Training in various occupational skills in-person and online. Elderly workers are trained to improve their career opportunities and promote product marketing.

Exercise

1. The current situation and problems in Thailand include a decrease in the population of reproductive age and an increase in the elderly population. What factors in the past caused Thailand to face this population problem today? If this situation continues, Thailand will face population problems in the future. Discuss this statement and give an example.
2. The aging society poses a challenge to Thailand's labor market (2017) based on basic economics theories, supply and demand, goods and services, and the labor market. Analyze the impact on the economy and the country's economic growth rate when the elderly forms the largest group in the market. Also, provide related studies as part of your response and discuss them.
3. What type of financial welfare does the Thai government provide to the elderly in the country? Regarding this welfare, is the amount of funding, coverage, and sustainability of the system adequate? Discuss this issue. Furthermore, if you were a government policymaker, what policies would you propose to improve the welfare of the elderly?
4. A study on the Labor Supply of Older Workers in Thailand: The Role of Co-residence, Health and Pension by Paweenawat and Liao (2021) presented the labor supply of the elderly in Thailand. What factors determine this labor supply? Are these results consistent with those of other local and international studies? Based on their findings, how can the level of participation in the labor market be increased? What policy should the government enact and why? Please discuss these issues.
5. The study of Alternative boomerang kids, intergenerational co-residence, and maternal labor supply by Paweenawat and Liao (2020) proposed the concept of the "Boomerang Kids" in Thailand, which differs from the situation in western countries. Explain the difference. What factors cause this difference? Coexistence with parents positively influences Thai women's participation in the labor market. Explain why and give examples of studies alongside your explanation.

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