



Topic 11 (Part 1)
*Social Welfare Policies:
Experiences from Developed Countries
and the Case of Thailand*

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Outline

- Social Welfare Concepts & Political Philosophies
- Evolution of Social Welfare Policies in Developed Countries
- Situation and Trends in Welfare States
- Social Welfare in Thailand

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Social Welfare Concepts & Political Philosophies

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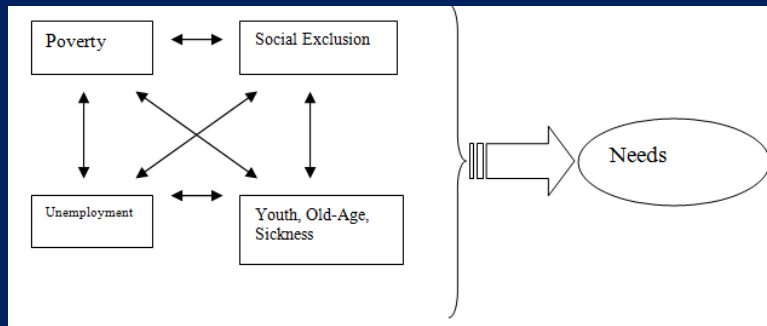
“Welfare” & “Social Welfare”

- “Welfare” in economics
 - Utility (physical well-being, psychological well-being)
 - Traditional Sources of Welfare (family, society, church, temples, etc)
- “Social Welfare” Policy
 - Social Security System
 - Social Welfare Provisions (as bases for citizens: education, national healthcare, etc)
 - Social Insurance Schemes (mostly focus on workers: unemployment, worker healthcare, pension, etc)

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Social Welfare and Needs



The State needs to collect compulsory statistics and information for appropriate provisions to these needs.

Social Welfare and Equity

- The Necessity for Redistribution
- Titmuss' (1958) classification of redistribution
 - Social Welfare (eg., provision of public goods)
 - Financial Welfare (eg., via Taxation, Subsidies)
 - Occupational Welfare (eg., provision of employees' welfare and opportunities)

Economic Efficiency versus Social Equity

- Recall First Welfare Theorem
 - Market tends toward the efficient allocation (Pareto Optimality) of resources
 - But the outcome may not be equally desirable by the society
- Recall Second Welfare Theorem
 - Efficient outcome can be achieved by lump-sum wealth distribution and then let them leave the market alone.
 - But the government needs to have perfect information of firm's production function and individual's preferences.
- Recall Theory of the Second Best
 - Example: Government trying to design tax policy packages that maximises social utility while minimising social loss.
 - Example of trade-off between efficiency and equity in Economics.
 - Decisions also based on social value judgement

Welfare and Political Philosophies

- Social welfare policies in the past had evolved along with social and political philosophies
 - Conservatism
 - Liberal Individualism
 - Marxism
 - Socialism
 - Social Democracy
 - Fascism

Welfare and Conservatism

- Social order
- Conservation of institutional traditions of family, work and nation
- Best welfare obtainable comes from the family, state provision should be the last alternative
- UK Sir William Beveridge's Report (1942) – social insurance from “Cradle to Grave” (later adapted by Prof Puey Ungphakorn in 1973)
 - Illness
 - Ignorance
 - Disease
 - Squalor
 - Want

Welfare and Liberal Individualism

- Freedom for individuals eg., thoughts, votes, beliefs, etc
- Friedrich Hayek (1944) : Government intervention tends to deplete individual's freedom
 - Influential during Margaret Thatcher in the UK – privatisation.
 - But at social cost? : Gini Coefficient increased from 0.25 in 1979 to 0.34 in 1990 (Shephard, 2003)
 - And influential during Ronald Reagan (Reaganomics) in the US
 - 4 Core policies: Reduce public expenditure growth, reduce income and capital gain tax, reduce regulation and control of money supply in the market to reduce inflation

Welfare and Marxism

- Society consists of conflicts between classes: the bourgeoisie (capitalists) and the proletariat (working class)
- State may be under the influence of the capitalists
- Often in the history, social welfare provision emerged from pressures/revolts from the working class
- But one needs to read **Das Kapital** (Capital) to correctly interpret Marxism

Welfare and Socialism

- Diversified set of thoughts
 - Promote social participation
 - Collectivism – social ownership
 - Empowerment – able to express rights
 - Egalitarianism – equality among humankind
- Different from Marxism in that Socialism arose through various factors (not necessarily class conflicts) such as: religious groups, guilds, or social groups.

Welfare and Social Democracy

- Very vague line of division between Socialism and Social Democracy
- Social Democracy supports egalitarianism and redistribution but also sees the importance of individual freedom to improve efficiency.
- Supports democracy
- Scandinavian countries

Welfare and Fascism

- Emerged after World War
- Authoritarian collectivism that focuses on nationalism, racism
 - eg., Nazi Germany
 - Socialisation - social refining
 - Eugenic policies – genetic control
 - Front National Party, France
 - Birthday presents only to “French Baby”
 - Against immigrants, freedom of the French citizens from the EU, etc.

Evolution of Social Welfare Policies in Developed Countries

UK

- Black Death in 1348 – realisation of the importance of the working class
- Ordinance of Labourers and Statute of Labourers, poll tax in 1377, 1379, 1381 led to English Peasant’s Revolt of 1381 and spread throughout Europe
- Enclosure Movement
 - Homeless, prostitutions, crime, street children, etc
- Elizabethan Poor Law 1601 – first systematic welfare provision for the working class, contributed by the capitalists
-

UK

- Industrial Revolution – National Social Insurance Act, 1911 (as welfare for the workers following Bismarck in Germany)
- Great Depression
 - Sir William Beveridge, John Maynard Keynes: During depression, public expenditure on social welfare provisions will increase consumer spending power.

US

- Liberal welfare/ “Residual” Welfare (?)
- Federalism, Pluralistic
- 18th, 19th century, provision for the poor are from alms houses/ charity
- Industrial Revolution
- Welfare Program at present: Temporary Assistance for Needy Families, Child Support, Child Care, Energy or utility assistance, Food Assistance, Medical Assistance, Vocational Rehabilitation, etc.

Germany

- Influential norms forming the unique corporatist welfare system in Germany today:
 - Catholic Philosophy (self-help, family roles, dominant role of charity institutions compared with other countries in Europe)
 - Paternalistic society (Father caring for the children)
 - Liberalism that supports the functioning of market system and corporates in the private sector (Collective Bargaining)

Germany

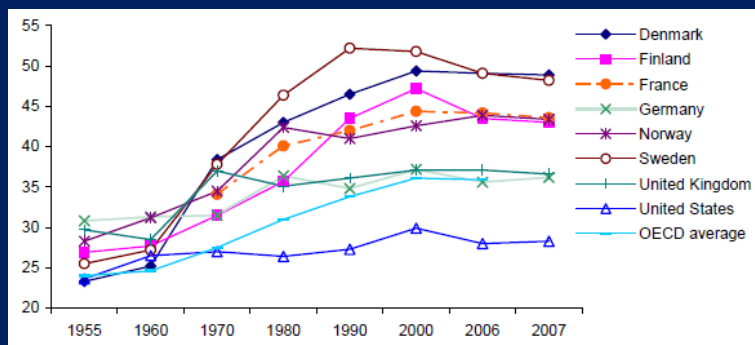
- Major goals of welfare state in Germany:
 - Social security for the citizens
 - Assurance in the outcome of economic development
- Government facilitates mediation and co-operation between Labour Union and Employers
- Government invests highly on education to improve the quality of the workforce which would benefit both parties.

Sweden

- Sophisticated universal coverage welfare system known as “Peoples Home”
- Labour Union (Landsorganisationen I Sverige) in 1898
 - Solidaristic wage policy- high standard of living, good redistribution
- Small agriculture society norm compared to other industrialised nations
- Favours more egalitarianism more than individualism

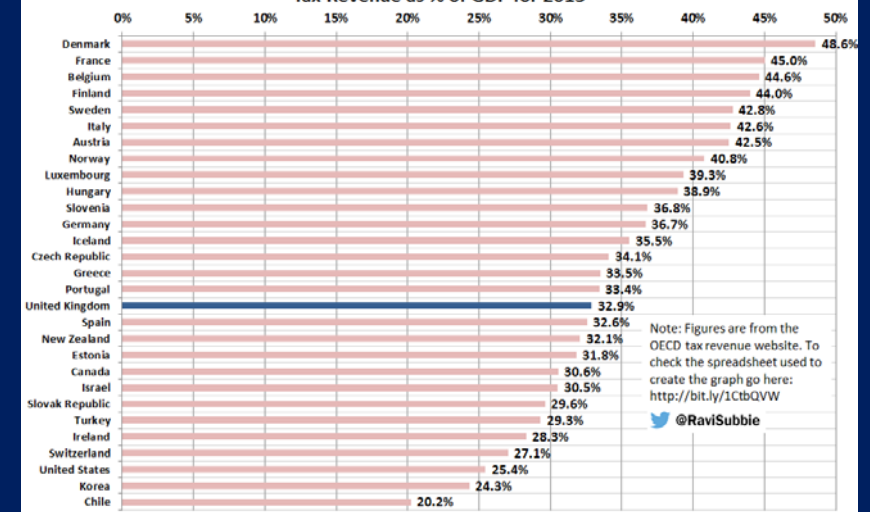
Situation and Trends in Welfare States

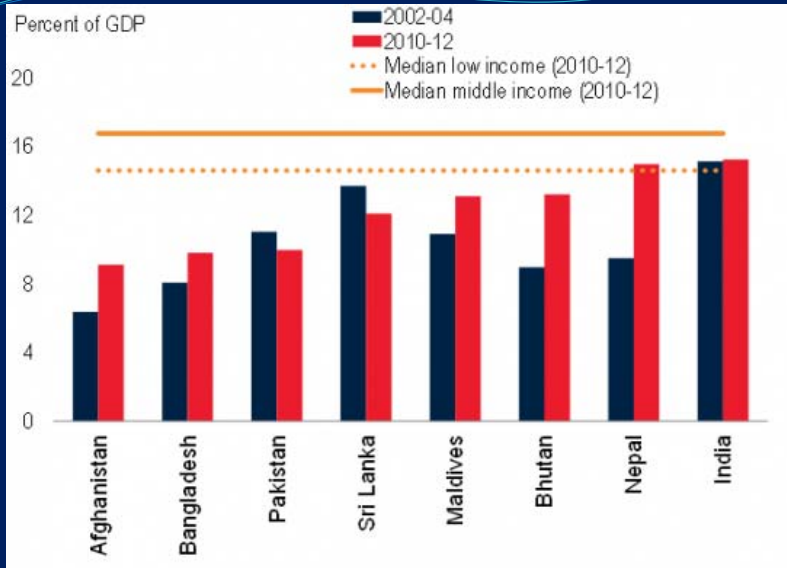
Taxation Revenue as % of GDP



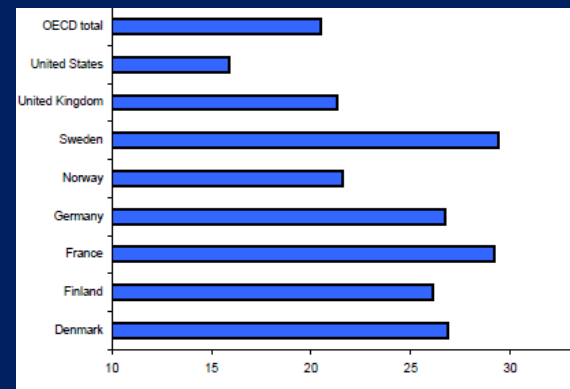
Source: OECD Factbook

Tax Revenue as % of GDP for 2013



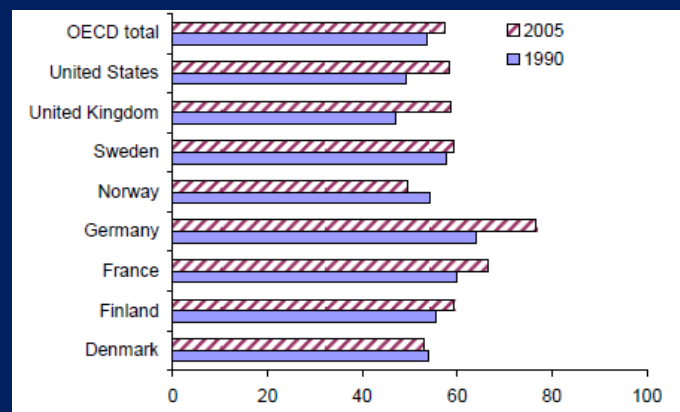


Social Expenditure as % of GDP in 2010s



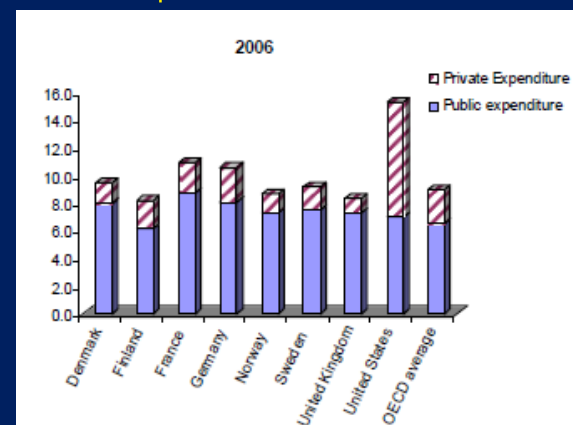
Source: OECD Factbook

Social Expenditure/Tax Revenue



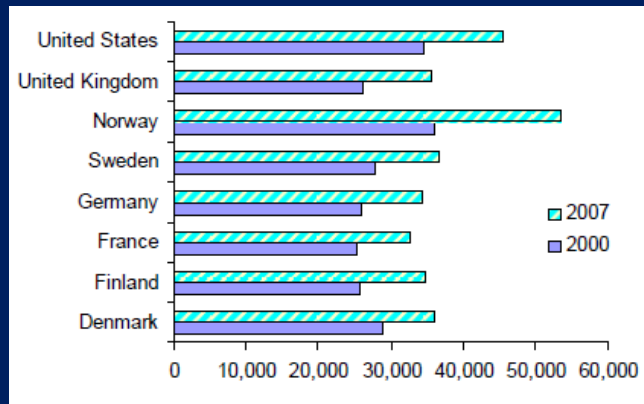
Source: OECD Factbook

Health Expenditure as % of GDP



Source: OECD Factbook

GDP Per Capita (Billion US Dollar, Current Price)



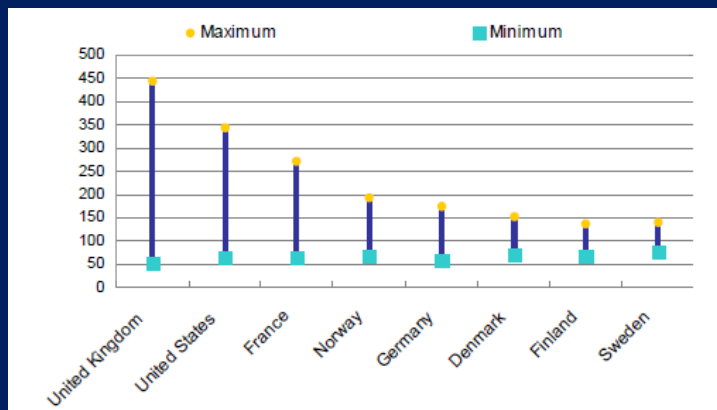
Source: OECD Factbook

Gini Coefficient during mid-2000s

	Level	Rank
Denmark	0.23	1
Finland	0.27	7
France	0.28	13
Germany	0.30	15
Norway	0.28	11
Sweden	0.23	2
United Kingdom	0.34	23
United States	0.38	27
OECD average	0.31	...

Source: OECD Factbook

Regional Gaps in GDP as % of GDP in 2005



Source: OECD Factbook

Life Expectancy (Average Years)

	1960	1970	1980	1990	2000	2005
Denmark	72.4	73.3	74.3	74.9	76.9	78.3
Finland	69	70.8	73.4	75	77.7	79.1
France	70.3	72.2	74.3	76.9	79.2	80.2
Germany	69.1	70.6	72.9	75.3	78.2	79.4
Norway	73.8	74.4	75.9	76.7	78.8	80.3
Sweden	73.1	74.7	75.8	77.6	79.7	80.6
United Kingdom	70.8	71.9	73.2	75.7	77.9	79.1
United States	69.9	70.9	73.7	75.3	76.8	77.8
OECD average	68.5	70.3	72.6	74.9	77.4	78.7

Source: OECD Factbook

Old-Age Dependency Ratio

	2010	2015	2020	2025	2030	2035	2040
Denmark	24.98	29.09	31.85	34.49	37.85	41.09	42.69
Finland	25.7	31.73	36.75	40.64	43.89	45.69	45.06
France	25.81	29.3	32.77	35.85	39.02	41.74	43.99
Germany	31.17	32.22	35.28	39.53	46.23	52.79	54.73
Norway	22.73	25.66	28.32	31.32	34.32	37.74	40.24
Sweden	27.81	31.5	33.69	35.46	37.43	39.59	40.78
United Kingdom	24.72	27.11	28.58	30.37	33.23	35.89	36.92
United States	19.00	21.00	24.00	28.00	31.00	32.00	33.00

Source: Eurostat 2009 for European Countries and UN World Population Prospects: The 2006 Revision Volume I: Comprehensive Tables for US

CO2 Emission from Fuel Burning

	1980	1990	2000	2006
Denmark	63	50	50	55
Finland	55	54	54	67
France	461	352	376	377
Germany	1056	950	827	823
Norway	28	28	34	37
Sweden	73	53	53	48
United Kingdom	571	553	526	536
United States	4662	4863	5693	5697

Source: OECD Factbook 2009

Suicidal Rate per 100,000 people in 2004

	Both men and women	Men	Women
Denmark	11.3	16.8	6.3
Finland	18.4	28.9	8.5
Norway	10.5	15.8	5.3
Sweden	11.4	17.0	6.0
France	15.1	23.4	7.8
Germany	10.3	16.3	4.8
United Kingdom	6.3	10.0	2.8
United States	10.2	17.0	3.9
OECD average	11.88	19.0	5.4

Source: OECD Factbook 2009

Human Development Index: HDI 2005 (Age, literacy, GDP, etc)

	Group/Rank	HDI
Iceland	High/1	0.968
Norway	High/2	0.968
Sweden	High/6	0.956
Japan	High/8	0.953
France	High/10	0.952
Finland	High/11	0.952
US	High/12	0.951
Denmark	High/14	0.949
UK	High/16	0.946
Belgium	High/17	0.946
Singapore	High/25	0.922
South Korea	High/26	0.921
Malaysia	High/63	0.811
Thailand	Medium/78	0.781

Source: UN Human Development Report 2007/2008

Happy Planet Index: HPI 2006

(Age, literacy, GDP, environment, human sustainability)

	Rank	HPI
Vanuatu	1	68.21
Thailand	32	55.39
Malaysia	44	52.69
Japan	95	41.70
Denmark	99	41.40
UK	108	40.29
Norway	115	39.18
Sweden	119	38.17
Finland	123	37.36
Singapore	131	36.14
US	150	28.83

Source: www.neweconomics.org

Trends of Welfare States

- Reasons that support welfare states include straight-forward policies, and outcome in which people have high standard of living (Snyder et al, 2000).
- Politicians and citizens in many free-market economies are interested in increasing state welfare provisions (despite the revenue constraint which politicians try to avoid during election)

Trends of Welfare States

- Welfare states like Scandinavian countries are showing interests in methods employed in the free market systems.
 - Example: Denmark had reformed employment law in a more market-oriented direction
 - Scandinavian countries are preparing measures for ageing society – retirement extension, pension reform, health care reforms, more private sector participation, etc
 - France had introduced specialised cluster for health care to control costs and achieve economies of scale

Social Welfare in Thailand

Welfare Society (SangKom Sawasdikarn)

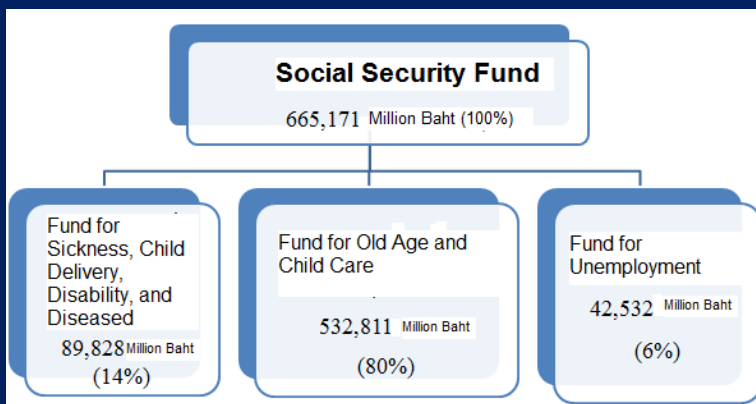
“Within 2017 (BE 2560) we want nobody in Thailand to be left out... so as to achieve welfare society that provides universal welfare coverage for all Thai citizens...”

- Chua-man Pratet Thai with former PM Abhisit on 24 an 2010

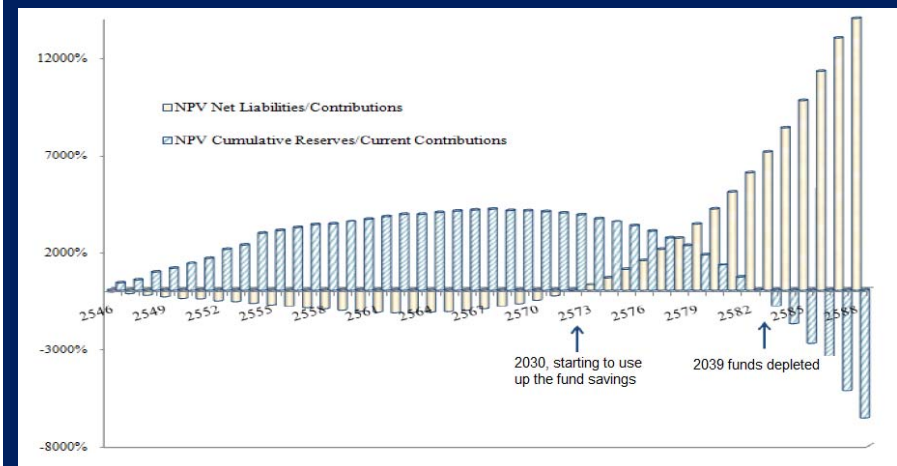
Social Welfare Provisions

- Government Officials – no contribution (approx. 10% of the population)
 - Personal health benefits
 - Parents and Child health care, Child education
 - PAYGO Pension
- Social Security Contributors 5%(Worker) +%(Employer) + 2.75%(Government) (approx. 14% of the population)
 - Sickness, Child Delivery, Disability and Diseased
 - Old-age pension and Child care
 - Unemployment
- The rest of the population who are not in the above two categories) – no contribution
 - Health care and sickness – Gold Card Holders
 - Unemployment benefits from the Ministry of Labour

Structure of the Social Security Funds



Pension Funds Situation



Issues for consideration

- Vertical and Horizontal Equity across Citizens
 - Social Security Contributors versus Non-SSO Contributors of the same and different income levels
- Sustainability of Pension Schemes in all categories
 - Government officials: increasing revenue constraints to fund expenditures
 - SSO: Inconsistency of Government contribution, non-sustainable, uncertainty across generations
 - Remaining group: in process of developing