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Who supports intergenerational redistribution policy? Evidence from old-age allowance system in Thailand☆

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A B S T R A C T

Thailand has become an ageing society, and currently there are continuing policy debates regarding the pension system. This paper investigates the determinants of preferences over an intergenerational redistribution policy in Thailand, namely the old-age allowance system. Since 2009 the old-age allowance system has been a non-contributory social pension scheme for all older persons except retired national and local government officials who receive pension monthly and older persons in public residential care facilities. The paper uses nationally representative data collected in 2011 under the project to investigate people's knowledge of, and attitudes towards, the elderly. Employing logistic regression analysis, the paper looks into the factors correlated with: (1) whether an individual prefers the old-age allowance system to be universal or targeted, and (2) whether an individual is willing to pay more tax so that the elderly can receive more monthly allowance. The paper further divides the individuals into four groups based on the above two types of preferences, and uses multinomial logistic regression analysis to analyze the factors correlated with the likelihood of being in each group. The findings suggest that education, income, expectations regarding one's own need for the old-age allowance in the future, together with knowledge, understanding, and attitudes towards older persons are key determinants of individuals' preferences regarding the old-age allowance system.

Introduction

Redistribution is one important role of the government. Redistribution involves the transfer of resources from one group of individuals in society to another. Examples include redistribution of resources from individuals with high income to those with low income (vertical redistribution), or from one generation to another generation (intergenerational redistribution).[1] As many countries have become aging societies, the government's role in intergenerational redistribution is now a key issue.

Governmental redistribution is often compulsory, for example in the form of tax or public expenditure for social protection. In a democratic society, the government needs to take into account the demand for redistribution. The demand for redistribution depends on individuals' preferences towards redistribution. Several researchers have investigated the factors determining the preferences of individuals for redistribution, and studies have shown that conventional economic motivation is only one of the many factors that drive individual preferences for redistribution. For example, Corneo and Gruner (2002) provide empirical evidence that pecuniary self-interest, an individual's public values, and how the redistribution may affect an individual's relative living standard play a role in determining an individual's preference for political redistribution. Moreover, expected future income, social mobility, as well as uncertainty have been found to affect preference for redistribution (e.g. Ravallion and Lokshin, 2000; Ohtake and Tomioka, 2004; Molnar and Kapitany, 2006; Alesina and Guiliano, 2009). Piketty (1995) provides a theoretical framework suggesting that experiences and expectations of upward and downward mobility play a key role in determining individual attitudes toward redistribution. Benabou and Ok (2001) present the Prospect of Upward Mobility

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[1] Other examples of redistribution are horizontal redistribution (the transfer of resources from individuals with similar economic status but with certain characteristics that differ, for example from individuals without any children to individuals with children), interregional redistribution (the transfer of resources between regions), or lifetime redistribution (the transfer of resources between different time periods within an individual's life-cycle, such as education loans to be repaid after working).

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(POUM) Hypothesis, showing that the poor may oppose the government's income redistribution if they expect to move up the income ladder. Alesina and La Ferrara (2005), among others, provide empirical evidence in support of the POUM Hypothesis. The structure of family relationships is found to influence the preference for redistribution (Alesina and Guiliano, 2007). Social capital, as measured by the level of participation in community activities, is also found to affect preference for income redistribution (Yamamura, 2012). Moreover, historical experiences, cultural factors, personal history, and religion are also important determinants of preference for redistribution (Alesina and Giuliano, 2009; Chang, 2010).

While most previous studies on preferences for redistribution focus on vertical redistribution, this paper contributes to the literature by providing evidence on the preferences for intergenerational redistribution. Specifically, the objective of the paper is to investigate the factors correlated with the preferences towards Thailand's old-age allowance system, an important intergenerational redistribution policy measure in Thailand.

In Thailand, intergenerational redistribution has become a key policy issue, given the rapid pace of population aging. Since 1960 the number of older persons (defined as aged 60 and over) has increased sevenfold, from approximately 1.5 million to 10.7 million in 2015 (Knodel et al., 2015). In 2015, older persons made up 16% of the total population, and this figure is projected to increase to over 30% by 2035. The rapid pace of aging in Thailand resulted from the rapid fall in fertility since the late 1960s, from total fertility rate of 6 to around 1.5 in 2015, together with increasing survival at older ages (Knodel et al., 2015). Moreover, co-residence rates of elderly with adult children have declined steadily in Thailand since the mid 1980s (World Bank, 2016).[2] However, as noted in Knodel (2014), intergenerational solidarity in Thailand appears to remain strong due to norms of filial obligation in the Thai society.[3]

The old-age allowance system in Thailand was initiated in 1993 as a targeted pension scheme, and in 2009 was changed to a universal pension scheme. Currently, the system is a tax-financed, non-contributory social pension scheme. The source of funding for the scheme comes from the government budget. All Thai elderly persons (aged 60 or older) who are not receiving pension or salary from the government, and are not residing in public residential care facilities for the elderly, are eligible for the old-age allowance (Prachuabmoh et al., 2012; Suwanrada, 2013). The old-age allowance system has gone through a number of changes since its inception in 1993, and currently it is still unclear how system will evolve in the future. Will the old-age allowance system become part of the basic pension of the Thai society? Or will the old-age allowance system disappear as other public pension systems emerge to replace it? An understanding of people's preferences regarding the old-age allowance system is therefore an important issue.

The paper employs nationally representative data collected in 2011 under the project titled "The Investigation of People's Knowledge of, and Attitudes towards, the Elderly", a collaboration between the Ministry of Social Development and Human Security, Chulalongkorn University's College of Population Studies, and the National Statistics Office (National Statistics Office, 2011). The dataset contains information on 9000 individuals aged 18–59 from all provinces in Thailand. Information was collected regarding opinions and attitudes towards the elderly, together with demographic and socio-economic characteristics of the respondent. Employing logistic regression analysis, the paper looks into the factors correlated with: (1) whether an individual prefers the old-age allowance system to be universal or targeted, and (2) whether an individual is willing to pay more tax so that the elderly can receive more monthly allowance. The paper further divides the individuals into four groups based on the above two types of preferences, and uses multinomial logistic regression analysis to analyze the factors correlated with the likelihood of being in each group.

For the preference regarding whether the old-age allowance should be universal or targeted, people with Bachelor's degree or higher education appear to prefer a targeted system compared to those with less than lower secondary education. The preference is also shaped by individuals' expectations regarding their own future need for old-age allowance, as reflected by factors such as current marital status, expectation regarding marital status and children, financial preparation for old age, and expectation regarding main source of income when old. Knowledge regarding the Act on Older Persons is also an important factor determining the preference. For the willingness to pay more tax so that the elderly can receive more monthly allowance, the main determinants of the preference are the ability to pay (as represented by income, occupation, membership of a non-compulsory fund, education, expectation regarding main source income when old), and knowledge, understanding, and attitudes towards the elderly.

The remainder of the paper is organized as follows. Section "The old-age allowance system in Thailand" discusses the current situation of the old-age allowance system. Section "Data and Methodology" presents the data and methodology. The results are discussed in Section "Results". Section "Conclusions" concludes.

The old-age allowance system in Thailand

At present (as of 2017), the old-age allowance system in Thailand is a non-contributory cash benefit scheme to provide income for elderly persons who are otherwise not eligible for any other public pension schemes and are not residing in public residential care facilities for the elderly (Prachuabmoh et al., 2012; Suwanrada, 2013). The old-age allowance system in Thailand coexists with other public pension schemes. As stated in Suwanrada (2013), in principle, those of the working population who are not national or local government officials or employees of public enterprises are now eligible for an old-age allowance.

The old-age allowance system in Thailand has evolved over time from being means-tested to universal. The scheme was launched in 1993 by the Ministry of Interior's Department of Public Assistance (DPA) with the aim to provide financial assistance to underprivileged elderly persons, defined as those 60 years or older who are either without enough income to meet necessary expenses, unable to work, or living without caregivers (Suwanrada, 2013; Prachuabmoh et al., 2009). At the time, the amount of allowance was 200 baht per month, and the selection of the recipients was conducted through each village's public welfare assistance committee, as the formal representative of the DPA. When the scheme started, there were only 20,000 recipients (Suwanrada, 2009).

The scheme has gone through a number of changes since it was launched in 1993. In 2000, the amount of allowance was increased to 300 baht per month, and the local administrative organizations started to play an important role in the targeting process. In 2002, due to the reorganization of government ministries, the DPA moved to the Ministry of Social Development and Human Security. In 2005, the old-age allowance program was transferred to the Department of Local Administration Promotion (DOLA) in the Ministry of Interior following the decentralization of the government. In 2006, the amount of monthly allowance was increased to 500 baht per month. Until this time, although local governments and communities played a central role in the selection of recipients, it seems that targeting inefficiency problems remained, as discussed in Prachuabmoh et al. (2009).

The biggest change occurred in 2009, when the system was made universal, covering all elderly persons in Thailand aged 60 and above who are not receiving pension or salary from the government, and are not residing in public residential care facilities for the elderly (Suwanrada, 2013).

[2] Based on Knodel et al. (2015), co-residence of older persons with children fell from 71% in 1995 to 55% in 2014.

[3] Although co-residence rates with adult children fell, other forms of support between generations still exist and some new forms emerged, for example the provision of child care by older generations and financial support by middle generation.