

CHAPTER I

INTRODUCTION



1.1. Background / Rationale / Problem

The Social Security Act (SSA) of 1990 is the current piece of legislature put into law and applies to the present for official guidelines and authorization, which were originally given to the Ministry of Interior (MOI). However, under the Act for Reorganization of Ministries, Ministerial Bureau and Departments (8th Edition), the Ministry of Labor and Social Welfare (MOLSW) was established to oversee the Social Security Office (SSO), which now includes Workmen's Compensation Fund (WCF), Unemployment Insurance (UI) and the Social Security Fund (SSF). Initially in 1954 the Social Insurance Act had been designed in unspecified terms, which lacks merit, and therefore adopted the Labor Act of 1956.

In this paper, the use of such terminology as social security (SS), social welfare (SW), and social protection (SP) will create confusion as to the actual policy, and regime designed as definitions intended in this research. Social security will mean all such regimes in policy design intended to alleviate the financial and structural burdens of everyday citizens who are unable to cope with conditions presented to them economically. Social welfare will refer specifically to various programs provided by government expenditure through the levy of taxes to provide services with and without contributory means from the labor force. Social protection will be used to infer the general well being of programs in place that currently provide for safety nets in Thailand especially in rural communities.

The societal purpose of SS is where the government or public entities ensure to the provisions of basic needs and means for survival that is deemed necessary. This begs the question of, who decides what is necessary, what amount is appropriate, and who suffers the burden of providing such a service. SW should reflect the core values of the

people it is trying to serve. This is central to the design, implementation, and accomplishments of the system once initiated. Thailand has had the idea for SS since the early 1950s; however lack of funds, purpose, and actual willpower to see it succeed has left it with the 1990 charter, which will later prove to contain limited coverage of its citizens, benefits provided, and to become an effective tool to drive the economy.

Thailand has effectively maintained the SSO since 1991 to the present, which has proven some successes in the short-run, foremost in its funding, and ability to grow its assets. However that does not prove its successfulness towards those it was intended to serve. The portion of coverage is still limited to those only in urban central areas of the country, mainly Bangkok and surrounding cities. An estimation of 13 million people is covered by some form of social security, which is about 20% of the total population of the country. The 13 million citizens that have coverage, only accounts for those who are members of the Social Security Office (SSO), Government Pension Fund (GPF), and Private School Schemes (PSS). It does not however account for those with private insurances. The central region population which includes Bangkok shows a high of 38% with SS while other regions in the country are only 17% covered. Overall, 21.8 million out of 35 million work force, still lacks coverage by the SSO, even though the system has been in place for the past 16 years. However, public schools from primary to secondary, with an addition of universal health care are provided by the state to all citizens of Thailand.

Thailand divides the working population into two groups. The formal and informal sectors, which comprise of lower to upper class members of the workforce based on wages, and those that are self-employed, not belonging to any recognized organization. Entirely, Thailand's labor force has a population of 35 million, where 13.6 million are part of the formal sector, which are covered by the social security office, and another 21.8 million, who are classified as informal, and are not covered by any private or state owned social insurance program. The definition of the informal sector as prescribed by the International Labor Organization is as follows:

“The informal sector consists of small-scale self-employed activities (with or without hired workers), typically at low levels of organization and technology with the primary purpose of generating employment and incomes. The activities are usually conducted without proper recognition from the authorities, and escape the attention of the administrative machinery responsible for enforcing laws and regulations.”

As the definition states the obviousness of low productivity capabilities, inability to organize labor forces, and lack of technological improvements, this shows that the 80% of Thailand's workforce is inadequate for open international competition, but does however show great potential for improvement, starting with government assisted programs aimed at development, and not just short term immediate economic relief.

A distinction needs to be addressed in the membership capabilities and exclusion of a large portion of Thais from the Social Security Fund (SSF). The population is divided into two groups, of formal and informal members of society. Membership was designed to allow only full time office workers into the system, it has successfully excluded other members of society the benefits of an effective welfare regime to which they need assistance the most. These informal groups contain various occupations that are deemed self-employed, such as taxi drivers, market vendors, elementary occupations, service workers, and agricultural farmers, who make up the larger portion of the population.

Social Welfare (SW) is used to alleviate financial burdens of old age, unemployment, disability and etc. Such programs should be targeted towards those that do not have the means to support themselves in the first place, or most susceptible towards economic down falls. The 20% currently covered by the SSO is not one of these groups, nor are they unlikely incapable of recovering from financial exposure.

Economic modeling, will show there are mixed literature to the effectiveness of SS on a country. Given assumptions about SS are that they cause high budgetary burdens

on the state, creation of welfare loss, decrease in efficiency, and does not serve its purpose in the long run. However to the contrary, economics will also prove that SW is a necessary evil required to provide the basic means for the development of a nation.

Research will provide numerous literary reviews on the topic of growth and development, focusing on developing nations, the essential needs for an investment tool of the government in which it can employ in institutions such as social security and welfare programs. The establishment of the Thailand Social Security Office (TSSO) that covers roughly 11 million Thais out of a 30 million labor force. Lucas argues the need for continuous long-run growth sustainability through the use of human development or accumulation (productivity increase), mainly the need to educate the populous so that their skills won't result in diminishing return. To analyze the Thai Social Security Office, the use of morphological analysis will be employed to show the functionality of the system. The benefits of this study will show probable solutions, employing heterogeneous variables that are totally unrelated to each other, to illustrate the best outcome. Scenarios to the problems and solutions, a designation for reform will be concluded on the TSSO.

This study will prove that social security as a whole should not be seen as an unnecessary burden of the state, and not just a politically leftist agenda to increase the role of the government amongst the people. The systematic function of social security is to increase the level of national savings, dubbed capital accumulation, into a public wealth management fund in order to act as a domestic investment mechanism, large enough to provide social and economic infrastructure for human development, and technological achievements to start the basis for a shift in manufacturing capabilities, attractive to foreign investment and international trade, and not to be influenced on cost savings, but stability and reliability of the Thai economy to the rest of the world.

1.2. Objectives

The objective of this study is:

1. To understand the application and current situation of Thailand's Social Security Office as a viable economic tool and governmental policy towards growth and international trade
2. To create a morphological box, analyzing the role and function of Thailand's Social Security Office from 5 different professional fields
3. To construct a comparative study between Thailand and Singapore, employing econometric modeling and regression analysis used as theoretical evidence for this study

1.3. Scope of the Study

1. The role of the Thailand's Social Security Fund (SSF) that include workman's compensation, unemployment, disability, retirement, and survivor benefits towards its members.
2. Government expenditures in the form of welfare assistance programs from various ministries and government entities.
3. Singapore's empirical evidence of economic growth, central provident fund, income and other economic statistics.
4. Financial requirements of nations to provide social security, and the burden of the state to maintain these programs despite significant losses
5. Functionality of various fields required as policy makers to design and reform Thailand's Social Security Fund: Economics, Public Finance, Public Law, Social Politics, and Social Development.
6. The use of development economics will be focused upon human capabilities through the measurement of level of education, health, and cost of living. This will show that in order to achieve continuous stable growth in the long run,

with Solow's growth model, emphasis on the well-being of labor function must be achieved.

1.4. Measurement and Data

Primary Data (Interviews)

Understanding the theory and practice of social security, will show the effectiveness of the Thailand Social Security Office (TSSO). Looking at the functionality in policy design where interviews will be conducted of members with expertise in public law, public finance, economics, political science, and social development. Each will provide answers to how they view the current regime and solutions to reforms that may occur within their own field of knowledge.

Secondary Data (Econometric Study)

As part of an economic study, this is where Barro's Model, which focuses on human development to achieve growth, will be applied to the comparative study between Thailand and Singapore. Variables originally used by Barro have to be modified due to personal financial, and research constraints of the study. Measurement of development and growth is monitored by GDP – per capita, where linkages to savings will act as a proxy for capital accumulation. Applicability of the modified variables will be used for formulating econometric models and provide empirical evidence to run a regression analysis suitable for Thailand.

1.5. Organization of Study

This paper will be divided into 5 chapters. Chapter 1 illustrates the background, rationale, problem, the objectives, scopes and organization of the study. Review of literature, and all related papers studied will be part of Chapter 2. Chapter 3 will contain the methodologies used in this research that contain both interviews and empirical

evidence for Thailand and Singapore. In chapter 4 the results of the interviews will be interpreted as opinions to guide reforms in Thailand, while the econometric modeling will be used as empirical proof to support reforms. Chapter 5 will discuss the concluding remarks and recommendations for future studies. The last section will contain the appendixes.