

CHAPTER V

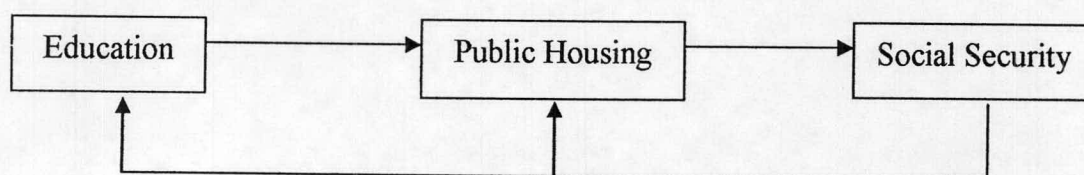
CONCLUSION AND RECOMMENDATIONS

During the course of this research, of roughly one year and a half, there have been several issues and concerns addressed in the local Thai media of problems with the Social Security office, such as services being provided, its ability to amass the largest capital of any Thai government agency, and the fact that it may be going broke after only a little over a decade of operations. Frustrating it is to know that many in the fields of academics, government and civic duty have been unable to aggressively change in terms of actions rather than just voicing an opinion, how to radically reform operational procedures of the Thai Social Security Office (TSSO). Social Security can be a significant tool in development economics, as an institution responsible for the well being of the country's people unaffected by bureaucratically or financially associated with political strife.

A lack of will, or initiative to see the importance of an economic and social mechanism, leaves it to be viewed as a burden rather than a necessary evil. In the sense that no one wants to neither pay for it, nor acknowledge the possible financial successes to come, rather than realizing what is needed for the greater good. Interviewees talk about the lack of willingness of the Thai people, as a democratic country, to agree with such a policy. Yet this country often legislates on bills without the popular support of its constituents. The "Social Security Office" in America and Singapore's "Central Provident Fund" did not receive popular approval from their people, but nevertheless the willing sacrifice of the few, saw the need for such institutions to foster a sense of state responsibility, and personal dignity of its citizens.

The "New Deal" introduced by President Roosevelt of America was a series of welfare programs that were used to safeguard and provide assistance to those affected by the Great Depression. It was viewed by many at the time as an expansionary conquest of the federal government, interfering with the people's or state's individuality. Initiatives

taken did not help the country revive from the Great Depression, but it did set the groundwork for the next 7 decades of economic and political sustainability. Singapore had a similar notion where an economic problem presented itself by being a former colony and expulsion from Great Britain and the Malay Federation respectively. Not having the advantage of geographic or population size, Singapore's leaders knew that they must concentrate on individual capabilities in terms of production. The best and only way was to educate the entire population, making learning and training its first goal of development. Having such a small surface area to depend on, but at the same time providing the people with a sense of belonging, ownership, and dignity, public housing needed to be regulated. The next step was to foster a sense of security, where at the time allowing the state to maintain a level of cash flow from investments and capital outlays. The state would provide adequate dwellings, while the residents paid affordable mortgages to the government coffers. The Central Provident Fund (CPF) served as an investment and economic tool of the government, but operated independently from the state itself. Its focus was capital accumulation through mandatory savings of all members and how to increase the wealth of the fund. That meant the entire work force was a member, which ensured the financial stability of the labor force to the retired and the disabled. The scheme required only the employer and employee to pay into the account, unlike the Thai tripartite system. Much of the CPF funds have been allocated towards development and public housing. An investment tool aimed at domestic and social development.



The definition and determination of what social security is, is done by observing a regime's parameters, capabilities and purpose, where it can be applied to a given population. Any policy design needs to first of all understand who or what it is serving and to what end. The review of Thailand's labor demographics, with interviews given by Thais, gives the research a comprehension of the mentality Thais have. Some are

complementary to Thailand's economic successes, while others are its failures. Credibility of any research needs to be accompanied by published papers that show both the positive and negative sides of the presented hypothesis. The theories used to prove their point and validity of factors addressed according to time period, population and country. Some policies when practiced in one country will yield positive results, but when copied may fail. Singapore due to its history of development and emphasis on human capabilities makes it an ideal model to study, and understand their mentality towards the design of the Central Provident Fund (CPF) and how it serves them. Its government has in the past been classified as a pseudo-democratic regime, when state power is highly centralized in one political party, with very limited diversification in terms of ideological choice. Nonetheless, its politicians had a common goal of the what needs to be done for the greater good of its island-state and those who inhabit it, despite racial tensions, and financial inadequacies.

The objectives of this research are to better understand the application and current situation of Thailand's Social Security Office as a viable economic tool and government policy towards growth and international trade. By using two separate methodologies, the first being a morphological analysis, was used to understand the mentality and functions of a social security regime, and second the econometric modeling to focus on the quantitative aspects of an economic study, and lend a hand towards a comparative study of expenditure variables between two countries.

The study was divided into two sections containing qualitative and then quantitative analysis, which covers internal and external points of view respectively. This was done so for two reasons. First, the analysis focused on government policy, which was deemed problematic to quantify by the use of surveys and economic indicators alone, which could not fully explain the logic or reasoning behind decisions made, and the mentality of policy makers, and citizens within a country. Second, the two methods employed allowed for the research to present why certain models and theories would work in one country, but not in another. Methodology established here was first the use of a morphological box. A very interesting, unique and relatively unheard of technique in

the field of economics, I thought would be a great challenge to employ and discover the results it would yield. Unlike a regression equation that requires variables to more or less accurately describe the dependent variable, and which proxies to reinforce the data selected. A morph analysis can be designed to tackle policy issues by addressing an unlimited number of fields that may relate to it. This is what is called a functional group, each field not related to each other, as a sort of think tank, to address the problems in their own unique point of view, where I have chosen Economics, Political Science, Public Law, Finance, and Social Development. A secondary requirement to this that I have mentioned throughout the research is a numerical probability testing of each outcome to the morph box, which is proprietary information by the developers of this method.

As stated in Chapter IV, the top rows of the morph box are problems and goals to achieve that were gathered from literary works taken from Chapter II. In each column that follows, under the main topic headings are parameters or constraints, to set the scope of the study, and limit the number of possible patterns and outcomes of the box. In the model used there are 1,728 possible patterns to select from, but not all of them are going to be viable, or plausible. The next step was to use interview questions, each designed to draw out specific opinions from each functional group. The key factors here are the interviewee's thoughts and feelings towards the questions pertaining to their field of expertise. Being bias and answering the same questions but being in a different field of interest, surprisingly the majority of them have the same thoughts and opinions to the questions asked of them. Their thoughts outlined in Appendix B shows different highlights of each person and the issues that they address. The table below will show the collective thought of the 5 functional groups, and a pattern that the morph analysis will show.

<u>Policy Coverage</u> <u>of SS</u>	<u>Role of</u> <u>SS</u>	<u>Funding</u> <u>Capabilities</u>	<u>Division of</u> <u>Labor</u>	<u>Welfare</u> <u>State</u>	<u>SS Leads to</u> <u>Growth</u>
Ages 18 - 60	Wealth Redistribution	Fully Funded by Members	Entire Workforce	Socialism	Increase Factor Endowments

As Shown, the morph box advocates the increase of coverage of the TSSO, with new directions, and operational procedures. The objective and mentality, viewed by some, are already wrong, where it leaves the TSSO to be viewed as inefficient, inadequate, and unnecessary. Main focus of the TSSO has been health care, and retirement, which was first accomplished by concentrating on labor rights, first implemented through the Workmen's Compensation Fund (WCF). This guaranteed unemployment and disability benefits at the workplace, under conditions of membership duration, and monies already accrued. The TSSO combined the WCF with retirement benefits, and women in the workplace, and the inclusion of health care that is a step up in terms of quality from the national health care scheme. Level of services provided is questionable, but to some, it is better to have an inefficient system, rather than none at all.

The second part of the methodology is the use of a regression analysis, which a greater challenge was trying to create a model that reflects what this study is trying to discover. Lucas' "Mechanics" mentions that a country's maximum growth output depends on factor endowments already contained in any given country. In order to achieve growth and not have diminishing return is to continue to replenish those factors. Then comes Barro's "Education and Economic Growth", which answers Lucas' question, where education is used to seek higher wages, and increase levels of productivity for the country. Capital accumulation is the next step on how to achieve, where the model from Singapore can be an ideal method for a developing country when it started out 50 years ago. In order to achieve continuous growth, factor endowments need to be restocked, through capital and human accumulation, by continuous standards of education, and finally a wealth management fund large enough to invest in domestic infrastructure to support human development. Then the creation and usage of the Thai Social Security Office that was created in 1991, and continues to operate to today with limited scope, members, and financial capabilities. Following the example presented by the Central Provident Fund (CPF) of Singapore, the TSSO can operate independently as the country's wealth management fund, focusing on domestic markets to grow their equity base, rather than just collecting taxes in order to fund current expenditures.

The econometrics modeling of this research, in my opinion is significant enough towards a conclusive policy statement, where Thailand shows statistical significance towards SS or government initiated programs towards human development, with an exception for public education. This could mean the amount of expenditure on education does not fluctuate as much as the change in total GDP. So it could either mean government consumption in this variable has been stable and continuous for the past 20 years, or statistically the model didn't work well with education expenditures. Statistical data and empirical evidences show that Thailand's economy is driven significantly by government consumption, and the morphological analysis also reflects this point where the people are dependent on these programs. Dependency will be an issue in the future as citizens will become accustomed towards the state providing them with services, which will create a greater burden on financing those projects, rather than achieving sustainability. Singapore's regression results also show significance as a statistical model, but the explanatory (expenditure) variables show a weaker connection towards growth. This may be because of modeling capabilities to reflect activities of the Singaporean government, or that systems and infrastructures in Singapore are already sustainable not to rely heavily on government provisions towards its citizens. Further study into Singapore's management of infrastructure already shows an excess of supply beyond the actual usage of its citizens.

The steps for regression, of both countries and why there were several models were to see the various magnitudes and effects of each coefficient on growth, so that a proper analysis on the suitability of each variable can be determined. This is where each model formulation also included inflation, net barter terms of trade, and international openness. Showing both sides of micro and macro economic policies allowed each model to represent the weights each expenditure variable would cause. As can be noted in Thailand's Model VI, by concentrating on only expenditure variables for the past 20 years, showed that Thailand's economic growth patterns is heavily related towards state expenditures. As a forecasting model, the next explanation would be that increase in government spending will cause more growth to occur. But at the same time, economic theory in the spending of state funds only allows for short term growth, where free

market movements of goods and services once intervened by the state will cause prices to become augmented. Singapore's Model V shows the absolute opposite from Thailand's Model VI results, and this is due to the fact that it is not highly dependent on government spending. The explanatory variables of inflation, net barter terms of trade, and international openness are the variables that show greater significance than the expenditure variables. The formulation of these models, works best as an analysis template of Thailand's economy when compared to Singapore, but should not be used as a compliant predictor of future economic performances. It simply puts a photographic image on what has been occurring in the past 20 years for Thailand, and 16 years for Singapore.

The process of analysis for the regression estimation was quite difficult, due to many factors. First of all was the attempt to use Barro's model on Thailand and Singapore as specific countries. Originally the model was used to show that education is very important to the development and growth of an economy. That is the second part of Barro's model, which I have not included in my model. My focus was on the growth factor that SSWB will provide to the country. First of all was the attempt to provide the linkages or correlation between a proxy that could be used to show capital accumulation, and its path towards growth. Therefore a positive correlation was established from NS to SSWB and to Total GDP. This showed that SSWB had a positive relationship with Total GDP, where when SSWB increases, so will Total GDP. This could possibly be the argument for the expansion of the TSSO role in society, with the inclusion of the informal labor force. But in practice this also has to include the proper and efficient method of tax collection and regulation. By including SSWB in the regression model as an independent variable, and the independent variable as GDP growth rate, shows an overall significance of the model, and the r-square factor increases with it. It also proves that if SSWB were to increase, so will GDP growth. With this already proven through regression modeling, it also proves the morphological box that SS will lead to economic growth.

This is not the first paper to advocate the importance of education and social institutions to help economic growth in developing countries, but it does provide a personal touch for understanding Thailand. Education infrastructure in Thailand, starting from primary levels to higher education, has been deteriorating, from the emphasis on student performance, to just simply graduating. Quality of educated members of society, also reflect upon the quality of laborers. Thai corporations suffer high employment turnovers, which discourages training, and long term employment schemes. An increase in SS tax, will decrease the national savings amount, but it will also drop the precautionary savings that people will try to keep in the event of health or unemployment risk. Without having to worry about that amount, with the TSSO being responsible, a decrease in savings will increase domestic demand, causing consumption to increase, and overall growth to occur. At the same time the accumulated value of the social security fund needs to be invested in domestic or international markets, to help it grow at an equitable rate, not safeguarding the amount by just buying Thai government bonds, which won't increase the size of the fund where needed. Provisions of these social institutions is not the only step, but ensuring the quality, and operational procedures, that are more or less independent of the state, is important for social development and economic growth.