

"The Thai Welfare Card: Is it Really Inclusive Growth?"



www.freepik.com

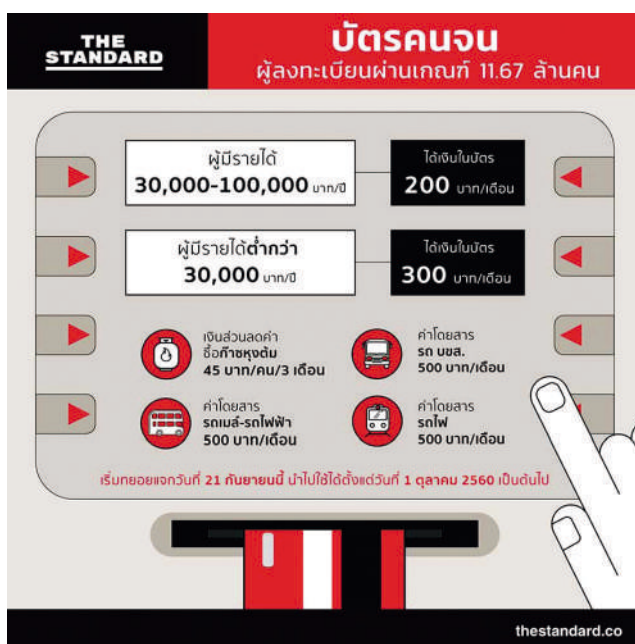
One of the core policies of the current government is to reduce the burden on the lower-income segment of the population. In 2017, the “Government Welfare Card” was issued as part of this policy, despite criticism of the process and criteria for awarding the card. Regardless, this card does attempt to directly address the plight of the disadvantaged and the impact can be clearly observed in its first year of use.

The government of Gen. Prayut Chan-ocha has set the strategic target for Thailand as “Secure – Prosperous – Sustainable.” To operationalize this strategy, the government appointed a National Economic Reform Committee with Dr. Prasarn Trairatworakul (former governor of the Bank of Thailand) as Chairperson. A guiding principle of the strategy is to make Thailand more competitive for the benefit of all Thais, with the following three targets: (1) Speed of growth; (2) Quality of growth; and (3) Sustainability of growth.¹

Welfare card in the era of the NCPO

The current government is implementing a ‘negative income tax’ to benefit the lower-income segment of the population and is exploring how to ensure a Universal Basic Income to all. Some countries have tried the latter but with mixed results. If not managed well, then such a program could impose a burden on the treasury of the country.² Still, governments argue that “lifting all boats” will improve tax revenue and disproportionately help the poor.

The Thai government first opened registration for the welfare card program in 2016, and the program became active in 2017. Persons with less than 100,000 baht annual income who did not hold lucrative resources were eligible for the card, which could be used to get discounts on daily expenditures. On August 29, 2017, the Cabinet issued a resolution authorizing 42 billion baht for the cost of the welfare card for nearly 12 million lower-income Thais.³ In the first phase of the



<https://thestandard.co/poorcard>

program, Dr. Kobsak Phutrakul, Minister attached to the Prime Minister's Office, proclaimed that the card is to help discount the cost of essential consumer supplies and utilities, such as cooking gas, clothes, transportation, etc. The Cabinet issued a follow-up resolution on January 9, 2018, to improve the quality of life of the lower-income population across four dimensions: (1) Having gainful employment; (2) Having training and education; (3) Having access to official loan funds; and (4) Having access to basic necessities.⁴

Review of past government welfare efforts from birth to old age

The NCPO policy to issue a welfare card has the principal objective to more efficiently allocate assistance to those most in need. This is different from previous welfare benefits which were accessible to anyone, regardless of income status. Welfare programs from previous administrations that are still in force include the following: Subsidy for the elderly, disabled, and persons living with HIV/AIDS (PLHIV), free city bus services, free train services, and free household electricity. These subsidies have cost the government over 600 billion baht so far, or 24 billion baht per year. The elderly subsidy began in 1993 (during the Chuan Leekpai government) and was intended to assist the lower-income elderly. Initially, 32 million baht was allocated to provide a monthly subsidy to 20,000 needy elderly. By 2016, the funding had increased to 65 billion baht for over 8 million recipients. The subsidy for the disabled was initiated in 2004 with a budget of 144 million baht to assist 24,000 persons. By 2017, that funding increased to over 14 billion baht to assist nearly 1.5 million disabled. The subsidy for PLHIV was initiated in 2004 with a budget of 36 million baht to assist 6,000 persons. By 2017, that funding increased to about 509 million baht, assisting about 85,000 PLHIV.

Following the global financial crisis in 2008, the Thai government tried a number of strategies to stimulate the economy and help the lower-income make ends meet. One strategy was to provide free city bus and train service to those in need. In fact, anyone could ride free on these special services. Initially, the free transport was seen as a temporary welfare program to help people get by until the economy recovered. However, the popularity of the service was such that successive administrations

continued to subsidize the free bus and train service. This subsidy was replaced by the Welfare Card of the current government (Gen. Prayuth Chan-ocha). During its years of operation (2008-17) the transportation subsidy cost the government 26.5 billion baht for the free bus service and 8.8 billion baht for the free train rides, or about 4 billion baht per year.

The Thai Development Research Institute (TDRI) reported that, in 2008, the government covered the cost of household or rented-room electricity for consumers using less than 80 units per month. Those who consumed 80 – 150 units would only have to pay half the utility bill. During 2009-11, the electricity subsidy was limited to households (i.e., excluded rented domiciles) and applied to those using 90 units or less per month. Later, the criteria for receiving the subsidy was reduced to household consuming 50 units of electricity or less. The Provincial Electricity Authority reported that, during 2013-15, there were from 3 to 5 million households which met the criteria for free electricity (or 20-30% of all households).

In 2015, the government of Gen. Prayuth Chan-ocha introduced a subsidy for newborns of 400 baht per person per month for the first year of life. In 2016, 115,535 mothers received this subsidy, costing the government over 500 million baht. For 2017-18, the government has increased the subsidy to 600 baht per month and extended the age limit to the first three years of life. In 2017, there were 142,154 recipients of the subsidy, with a projected cost of 3 billion baht after three years.

Problems of implementation and recommendations

Dr. Somchai Jitsuchon, Director of Development Research at TDRI, reported that the welfare card

needs to be assessed from two perspectives: policy design and implementation. In terms of policy, the government wanted to more precisely steer financial assistance to those in genuine need to ensure the most cost-effective use of the welfare budget. However, a question was whether those who registered for the card were truly lower-income. There are probably enough data in various public and private agencies to answer this question, but it would require a massive pooling of data from unlinked databases. It would also require new legislation to allow access to credit/debit card information to examine what kind of purchases the welfare card recipients are making. While that might identify welfare card recipients who were not really eligible, it would not identify the genuinely poor who did not obtain the card.⁵

Voice of the people: Are the Blue Flag stores the answer?

Another important issue concerning the welfare card is how effective the Blue Flag stores are in helping the poor make ends meet. The Blue Flag stores are outlets which accept the welfare card for transactions. However, one problem of these stores is lack of installation of the welfare card reader machines in enough outlets. Also, becoming a Blue Flag store requires a registration process and some upfront costs in installing equipment. Thus, so far there are not enough outlets to meet demand. Data from the Ministry of Commerce show that there was a total of 18,277 Blue Flag stores as of January 2018 or an average of 228 stores per province. The top five provinces by the number of stores are Bangkok (930), Srisaket (719), Ubon Ratchathani (684), Khon Kaen (654), and Nakorn Ratchasima (536). The bottom five provinces are Trad (67), Phuket (61), Nakorn Nayok (56), Phang

Nga (49), and Ranong (41). To serve all 11.67 million welfare cardholders, the Blue Flag stores would need to serve an average of 639 customers each month (assuming cardholders shopped there once a month).⁶ Also, some localities have experienced corruption of the welfare card system in which cardholders obtained cash for the card instead of essential household goods. Violating stores would have their registration revoked and card reader machine removed. Violating cardholders would have their welfare card cancelled. However, it is unclear how the Ministry of Commerce can identify violators of the card system. BBC (Thailand) conducted a field survey of cardholders and heard many complaints. These include problems in registering for the welfare card. For example, Ms. Nugain Injun, age 57 years, earns a meagre income by selling sticky rice and grilled pork in a slum area of Bangkok. However, the Comptroller-General's Office determined that Ms. Injun has five rai of land and a bank account with 100,000 baht and, thus, did not qualify for welfare. In fact, Ms. Injun pays 800 baht a month for a shabby rented room and makes only 100 to 300 baht a day. She supplements this income by working as a cleaning lady at a local NGO for 2,500 baht a month. She is trying to support a family of seven on this income and is clearly below the poverty line. Her five rai of land is back in her home province of Khon Kaen which she received as an inheritance, but there is no one to profitably farm the land. Regarding the 100,000 baht bank account, that is a community savings fund with many members – the account is in her name only as a proxy.

Another case is that of Mr. Suchin lam-in who was denied the welfare card. He is 63 years old and lives in a shelter for the homeless in Bangkok. Currently, he makes income from selling discarded

solid waste, and that is just enough for him to buy food. He is also a leader of the group of homeless persons and is the holder of a bank account to save funds for a permanent shelter upcountry. Even though the funds in the account are not his alone, the fact that the account is registered in his name disqualifies him for a welfare card, despite the fact that he, too, is living below the poverty line.⁷

Next steps for the government welfare card

Government social welfare in the era of Gen. Prayuth Chan-ocha has taken the form of a “welfare card” for the truly needy citizens of the country. Persons need to register and meet the criteria to receive a card, which is intended to help meet essential expenses. In addition, the government is also implementing numerous programs to lift the indigent out of poverty so that they can be self-reliant with sustainable income security. However, there needs to be an improvement in the database of cardholders and adjustments to the criteria to ensure that the genuinely poor can obtain the card. The program needs continuing monitoring to see if it is reducing gaps and extending welfare to the truly needy until they are able to provide adequately for themselves and their families.

