



Public Sector Initiatives for Reducing Inequality

STRENGTHENING THE EVIDENCE BASE TO LEAVE NO ONE BEHIND

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Reducing Inequality in FEALAC Member Countries



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1 Introduction

Tackling inequality in all its forms requires collective actions on a range of areas, including the social sector, the labour market and the tax system. Across most Asian countries, spending on social protection and education is in most cases insufficient, labour market informality is too high and tax collection often too low. To illustrate how the design and implementation of social

protection policies can reduce inequality, this report uses two examples from FEALAC Member States in Asia, namely the Child Money Programme (CMP) in Mongolia and the Old Age Allowance (OAA) in Thailand. The below findings are based on desk research, focus group discussions as well as in-depth interviews with professionals who had knowledge about the schemes.

2 Mongolia's Child Money Programme

Overview

Approved in January 2003 and implemented two years later, the Child Money Programme (CMP) was the Mongolian government's first social protection scheme aimed at providing economic solutions to families living below the Minimum Subsistence Level (MSL).¹ Initially a poverty-targeted cash transfer programme, the CMP provided a monthly allowance of MNT 3,000 per child to families with at least three children. Within six months, the programme had reached 61 per cent of the target population and within two years, the programme achieved universal implementation, with quarterly payouts of MNT 25,000. In January 2010, the CMP was suspended as a result of budgetary reforms, but reintroduced in October 2012 as a universal scheme.

Since January 2020, the CMP provides universal coverage to all households with children at MNT 20,000 per child and month. Families need to register their children at their *khoroos* (subdistricts) and open accounts for their children at a bank of the beneficiary's choice. Mongolians living abroad are also eligible to receive the allowance.

In response to the current global pandemic, in April 2020, the Mongolian government increased the benefit level by MNT 10,000 to a total of MNT

30,000 per child.² The expansion was intended to last three months and conclude in June 2020, however on 6 May, the government, in partnership with the Asian Development Bank (ADB), further expanded the programme to offer registered households MNT 100,000 per child and monthly until October 2020; five times its original amount. Due to the growing concerns of the pandemic, the MNT 100,000 allowance was extended again, currently projected to end in June 2021.

Mongolia's CMP is currently regarded as one of the most impactful social protection schemes addressing inequality in Asia: not only does it provide families an income in a country with a high unemployment rate, but the administrative costs for the programme are low. Prior to the increased levels during the pandemic, the cost of the scheme is amounted to approximately 1 per cent of annual GDP.³

Methodology

To understand the mechanisms and impact of the CMP, desk research, in-depth interviews (IDI) and focus group discussions (FGD) were used to obtain a deeper understanding of the impact, challenges, mechanisms, and

1 Anthony Hodges and others, "Child Benefits and Poverty Reduction: Evidence from Mongolia's Child Money Programme", MGSOG Working Paper No. 002 (2007).

2 See <https://www.adb.org/sites/default/files/linked-documents/54214-001-efa.pdf>

3 Enkhnasan Nasan-Ulzii, "Universal Child Benefit Case Studies: The Experience of Mongolia", July 2019 (UNICEF, 2019). Available at <https://www.unicef.org/media/70471/file/MNG-case-study-2020.pdf>.

personal perceptions of the CMP. In the interest of representativeness, IDIs and FGDs were conducted in both rural and urban areas. The IDIs took place in the same regions and areas as the FGDs.

TABLE 1
FGD information

FGD TYPE	NUMBER OF FGDs	LOCATION
Long-term recipients	4	Baganuur, Arvaikheer, Ulzit6, Songino-Khairkhan
Recent recipients	4	Baganuur, Arvaikheer, Ulzit6, Songino-Khairkhan
Non-recipients	3	Baganuur, Arvaikheer, Songino-Khairkhan
Total	11	

Focus group discussions

Eleven FGDs were carried out in both urban and rural areas with long-term CMP recipients, new recipients, as well as non-recipients. Long-term recipient households had an average of 2.6 children living with them, recent recipient households 2.1 children and non-recipient households 1.7 children. All groups included eight participants and lasted between 60 to 90 minutes. Non-recipients were included to better understand why, for example, some households were not receiving the benefits, despite having children.

In-depth interviews

In total, 15 IDIs took place with various respondents who had insight on the process of receiving the child allowance. Respondents included: (1) four bank specialists from urban and rural areas who administer the benefit payments; (2) two employees from the General Agency for Labour Welfare Services (GALWS) who maintain records of registered households and shares this information with the Ministry of Finance for processing the payments; (3) two policy and planning employees from the Ministry of Labour and Social Protection (MLSP); and (4) seven social workers from urban and rural areas.

Limitations

Focus group discussions are particularly susceptible to conformity where participants with unique perspectives or different experiences may be less likely to disclose their views honestly if other members of the group are more outspoken. Face-to-face in-depth interviews, on the other hand, are more personal, but factors such as age and perceived experience may influence responses. Another challenge lies in the generalizability of the results due to stark socioeconomic contrasts in different parts of the country.

Findings from the focus group discussions

In terms of eligibility for CMP, a universal benefit was viewed by all as a necessity. Recent recipients found that means-testing excluded those who should have been included. In the past, several respondents had had their benefits interrupted by means-testing. The use of the Living Standards Measurement Survey (LSMS) for means-testing was also largely disapproved of by recent recipients, citing bias and misinterpretation of household situations. Both recent recipients and non-recipients found the LSMS unfair and unrealistic and raised concerns that it does not consider thresholds for financial overhead such as indebtedness and registered assets. Owning a television, for example, reduced chances of receiving the child allowance.

While some recent recipients did not experience any challenges with enrolling in the CMP, non-recipients experienced a range of issues, including a complex application process and lack of information about the scheme. Some were removed without notice from the programme only to be required to re-take the LSMS. Overall, difficulties with enrolment had been uncommon for long-term recipients, but some had experienced issue with documentation, delayed payments or removal from eligibility. Most long-term recipients found the previous selection process unfair, believing that it should be provided universally as it was now.

Most recipients appeared to be pleased with the three options for receiving the allowance: through the bank account, through ATM services, or as a cash payment. In general, recipients indicated that the benefit was very useful in sustaining livelihood and contributed to the development of their children, including buying necessities and paying for tuition and extracurricular activities. A few long-term recipients raised a concern about the budgetary burden the CMP places on the country and that some may become dependent on the benefit. Non-recipients reported that receiving the benefit would have enabled them to assist them with family finances such as saving for university tuition.

Although most recipients were unable to identify any disadvantages of receiving the CMP, the most common perceived disadvantage across focus groups and IDI respondents was that the benefit could act as a disincentive to work and that parents purchased alcohol instead of spending it on the children. Some long-term recipients also indicated that receiving the benefit had a stigma attached to it and that some people saw them as lazy.

In terms of adequacy of the benefit, recent recipients unanimously agreed on its importance, at MNT 20,000 per month (around USD 7), but that it was not high enough. Still the benefit made an important contribution for many families to meet their children's needs. Overall satisfaction was higher among long-term recipients, but because it is not indexed to inflation, it became less relevant over time.

Recent recipients stated that the benefit had improved their lives as they could afford vital products for their children previously out of

reach, such as paying for medicines, vitamins or to pay for educational courses. As a tool to reduce poverty, the COVID-19 extension and scale-up of the CMP, appeared to be effective in providing more child development options and to help families retain or even improve their standard of living.

All recent recipients unanimously supported the increase in child allowance to MNT 100,000 per child and month (around USD 35) that had been introduced during the COVID-19 pandemic. Overall, there was also strong support from non-recipients for the increase in child allowance with very little dissent that it offers too much. For long-term recipients, the child allowance had been an invaluable means of surviving during the COVID-19 pandemic. Nearly all long-term recipients had shifted to using the increased child allowance of MNT 100,000 as their main source of income. Regarding the duration of the increased benefit, views were mixed. While some believed that the current duration until 30 June 2021 was sufficient, some non-recipients believed the programme should be the standard going forward with the argument that the government had a responsibility to facilitate the development of children and that the CMP was a means to this end. Most participants argued, however, that they would like to see it increased indefinitely or until the economy had stabilized.

Both recipients and non-recipients of CMP favoured the universal approach, arguing that it did not discriminate based on income or living standards and removed the risk of children being erroneously excluded. Recent recipients wanted to see an improvement in the enrolment process to avoid involuntary exclusion because of their application, but also some form of regulation or

TABLE 2

FGD participant demographics and income characteristics

FGD TYPE	WORKED IN LAST 30 DAYS	CURRENTLY MARRIED	MEAN NUMBER OF CHILDREN	MEAN MONTHLY INCOME (USD)	MEAN CHILD ALLOWANCE RECEIVED (USD)	MEAN PER CENT OF INCOME FROM CHILD ALLOWANCE (USD)
Long-term recipient (N=32)	31.3%	78.1%	2.6	\$301.85	\$91.51	40.8%
Recent recipient (N=32)	78.1%	87.5%	2.1	\$444.78	\$72.24	17.1%
Non-recipient (N=24)	70.8%	83.3%	1.7	\$519.64	\$60.91	12.5%
Total (N=88)	59.1%	83.0%	2.2	\$414.50	\$76.16	24.4%

monitoring of how the child allowance is used. Non-recipients suggested a need to review the lack of debt considerations and being ineligible because of ownership of essentials such as a television, refrigerator and washing machine.

Findings from the in-depth interviews

MLSP indicated that without the CMP, one-third of Mongolia's population would be counted as poor. However, despite the CMP's universal implementation, there were still households that did not receive the benefit. Reasons are mainly that better-off families are less likely to apply for the benefit, but also that some households had problems with the enrolment process. This was corroborated by GALWS that indicated a current coverage of children reached 97 per cent nationally, the remaining 3 per cent were mainly due to registration issues or decisions to opt out of the scheme.

The GALWS explained that they were not in a position to decide on how the benefit was used by families and could only stop payments in cases when the child turned 18 years, the child had relinquished their Mongolian citizenship, or the child had died.

Regarding the budgetary impact of the CMP, MLSP stressed that the programme is financed via the state budget and is not expected to see any changes until July 2021 at the earliest when the increased payout from the pandemic is scheduled to conclude. Their intention was also to maintain universality, but that there may be pressure to return to means-testing it. MLSP stated the need to increase the benefit from today's MNT 20,000 and to decouple it from the household living standard survey, while also move towards a more digitalised service. MLSP mentioned that the increase of the benefit to MNT 100,000, as a way to support families through the COVID-19 pandemic, placed pressure on the State budget, but that there were currently no funding issues.

Among social workers, there was a common view that the benefit is quite low, but still significant

for many recipients. Those with lower income were more likely to spend the allowance on household needs, while middle-class households spent the allowance on the child directly through extracurricular activities and school supplies. High-income families, on the other hand, tend to save it.

Social workers are responsible for monitoring the programme implementation and application processes. Currently, monitoring involves tracking child deaths, fund transfers, changes made to the account by account holders, and changes in household size, such as child adoption. They also confirmed what others had indicated that households sometimes made errors in the process of receiving the child allowance because of misunderstandings. Overall, they believed that information was well-disseminated to families through various media outlets, but suggested that an improved enrolment process was important in ensuring that families have the correct information. They also indicated that if the benefit would again be means-tested, people would explore ways to underreport their living standards to continue receiving the child allowance.

Summary

Based on the FGD and IDIs above, several key challenges were noted. Firstly, despite its widespread coverage, cumbersome administrative processes, lack of information and communication regarding the scheme and its eligibility could hinder some households from registering to receive the benefit. Secondly, proxy means testing previously created a sense of unfairness due to the criteria used and the perception of discrimination it caused. Lastly, though the benefit was considered useful by most recipients, the benefit level of MNT 20,000 was considered too low in itself to help make ends meet. The benefit was considered an important income supplement and became the main source of income during COVID-19 at an increased benefit level. Its outreach and effective implementation is thus an important component of Mongolia's development strategy.

3 Thailand's Old Age Allowance

Overview

Thailand's Old Age Allowance (OAA) is a non-contributory, tax-financed benefit that aims to reduce the economic burden on older persons elderly. In 2013, the cost of the programme amounted to 2.43 per cent of the total national budget.⁴

Introduced in 1993, the OAA began as a means-tested income support to the poorest older persons in each village. The eligibility was decided by the public welfare assistance committee. In its earliest phase, the benefit amounted to THB 200 per month and covered 20,000 people. The initial purpose was to promote independence and mitigate the need for public housing. By 2000, the payout had increased to THB 300 per month, with local administrators becoming increasingly involved in selection of eligible households. In 2006, the allowance increased again to THB 500 per month, following a restructuring of government agencies. Before the restructuring of the programme in October 2009, less than half of the older persons who were categorically at-risk of poverty received the benefit.⁵ After the reform, the OAA became universal for Thai nationals at the age of 60 who were not living in public retirement homes or collecting another permanent income.

Finally, in 2012, the programme achieved its current structure as a progressively structured allowance where the amount received is based on age alone. Since then, the benefit has amounted to THB 600 per month for people aged 60–69, THB 700 per month for people aged 70–79, THB 800 per month for people aged 80–89 and THB 1,000 per month for people aged 90 and over. By 2016, coverage had expanded to more than 8 million beneficiaries. While the development of the OAA has been positive, the benefit levels are still below Thailand's national poverty line.

Many older persons, therefore, continue to rely on support from other sources, including family members. Despite its relatively low amount, its consistent disbursement as a supplement to other sources of income, can have a significant impact on the lives of older persons.⁶

Methodology

To understand the impact of the OAA in Thailand, qualitative data were collected based on six focused group discussions (FGDs) with recipients and non-recipients of OAA. The FGDs were designed to capture the impact, experiences and views of the OAA among older Thai nationals. The research in Thailand did not include any in-depth Interviews (IDIs). Instead, desk research of some systemic challenges of the scheme was conducted.

Focus group discussions

The six FGDs were carried out in the Lamphun province and Bangkok. Participation required participants to be 60 years or older and reside in either Bangkok or Lamphun province. The discussions lasted approximately 90 minutes. Discussions were held at mutually agreed locations in both urban or rural areas (Table 3).

TABLE 3
Old Age Allowance FGD information

FGD TYPE	URBAN/RURAL	NUMBER OF FGDs	TOTAL NUMBER OF PARTICIPANTS
Recipient	Urban	2	24
Recipient	Rural	2	20
Non-recipient	Urban	1	2
Non-recipient	Rural	1	10
Total		6	56

4 Worawet Suwanrada, "Old-Age Allowance System in Thailand". Available at <https://www.ipcig.org/conference/south-south-learning-event/presentations/Worawet%20Suwanrada.pdf>

5 V. Prachuabmoh and others, Research Report on Monitoring and Evaluation of the Second Elderly National Plan 2002–2022, (College of Population Studies, Chulalongkorn University, 2009).

6 Worawet Suwanrada and others, "Development of the old-age allowance system in Thailand: Challenges and policy implications", Social protection for older persons: Social pensions in Asia, 153-167 (2012).

Limitations

As mentioned above for the data collected in Mongolia, participant bias is an always-present limitation in qualitative research. Their current knowledge, group dynamics, social desirability, and moderator rapport are a few factors that may impact participant responses. Also, the size of the FGDs is, at times, incomparable and only two urban non-recipients agreed to participate. As such, discussion of urban non-recipient results should be interpreted with caution.

Findings from the focus group discussions

Recipients shared that they learned about the OAA through public information campaigns and by word of mouth. During the pre-registration process, some recipients reported receiving a letter in the mail, months in advance of their 60th birthday, notifying them of the opportunity to begin registration early.

Most recipients were spending their allowance on household needs such as food and utilities. If not spent on essentials, recipients had also used their allowance to contribute to their local temples and monks, others supported their family, by providing money to care for grandchildren and purchasing medicine. Some gave to the community when able to.

Unanimously, all recipients agreed that the benefit was inadequate in meeting their needs, but still necessary. Some believed they could survive without the OAA but it would be difficult, others had to take out loans to cover their living expenses. As a result, many recipients had to live with their children. In other cases, some recipients supplement their income by engaging in farming activities or other work. Overall, the OAA did not meet their needs and most believed that a benefit of THB 1,000 to THB 3,000 would be more adequate.

The challenges of not receiving the OAA were centralized around an inability to fully retire from the workforce or depending on family members. For others, driving a taxi or owning farmland and using it as a source of income

provided for their livelihoods. For farming non-recipients, one mentioned they could not receive a bank loan without any land documents or title deeds.

The reasons provided by non-recipients for not receiving the OAA included a combination of laws and possible procedural missteps. Some mentioned that there were inconsistencies between their actual age and the age stated in official documents. Another problem mentioned was late registration for the OAA. Other cases related public civil servants in receipt of a government pension and thus not eligible.

The progressive structure of the OAA was a point of contention. Recipients were largely split, with a small majority disapproving, citing that many would not live to fully collect on the maximum benefit and that there was little need for the increase at an older age. On the other hand, those who approved of the progressive structure believed that the allowance should increase with age due to the associated medical costs that come with aging.

Non-recipients expressed a disapproval of both the progressive payout structure and the exclusion of public servants. Instead, they argued for a structure that allowed for equal treatment — everyone receiving the benefit and at equal amounts. The decision to exclude was likely to produce inequality where some could rely on the allowance whereas those who could not still had associated costs. Although it is a non-contributory pension, non-recipients felt that they should be included because they also paid taxes.

As a result of the COVID-19 pandemic, several recipients experienced job losses for themselves and their adult children. They also observed an increase in the price of food like egg and rice. As some had taken up loans, they reported that the interest rate had increased considerably. For some, the OAA had, thus, become their only source of income. The situation was further exacerbated by additional costs of masks and hand sanitizers. As a result, several recipients were buying less food than prior to the pandemic outbreak. In response to the pandemic, the

government increased the OAA, together with several other programmes, through a top up of an additional THB 1,000.⁷

Summary

Based on the results of the FGDs, several challenges were noted. First, the inconsistency between actual and officially recorded age of the person can cause years of delays in payment and, accordingly a lower benefit received. Second, as most recipients receive the

allowance in cash, this becomes potentially an increased risk during the COVID-19 pandemic for older persons. For future development, it would be helpful to move to an electronic system. Third, the OAA benefit level appears to be inadequate to meet the basic needs of its recipients, particularly those with limited alternative resources. Despite its shortcomings, it is viewed as a necessary support. To make sure that the importance of the benefit does not deteriorate over time, the benefit should be indexed to increases in consumer prices.

7 United Nations, "Social protection is pathway to pandemic recovery", 15 July 2020. Available at <https://thailand.un.org/en/53301-social-protection-pathway-pandemic-recovery>.



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