



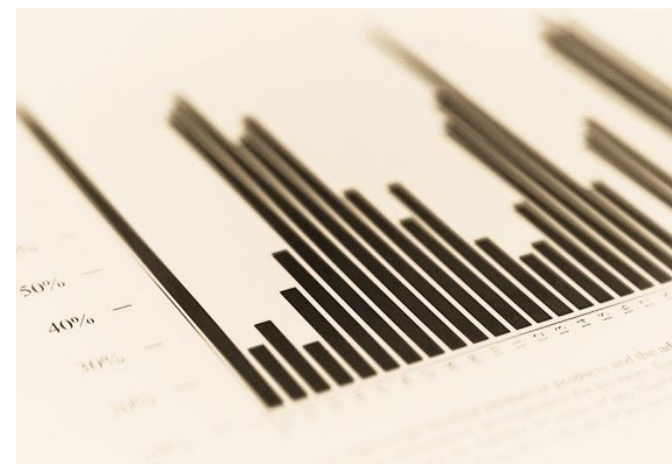
Understanding Poverty and Inequality

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22 June 2018



Outline of presentation

- 1. Introduction to poverty and inequality**
 - Concept and measurement
- 2. Current situation on Thailand's poverty and inequality**
 - Key characteristics
- 3. Inequality and poverty-reduction policies**

1. Poverty and Inequality

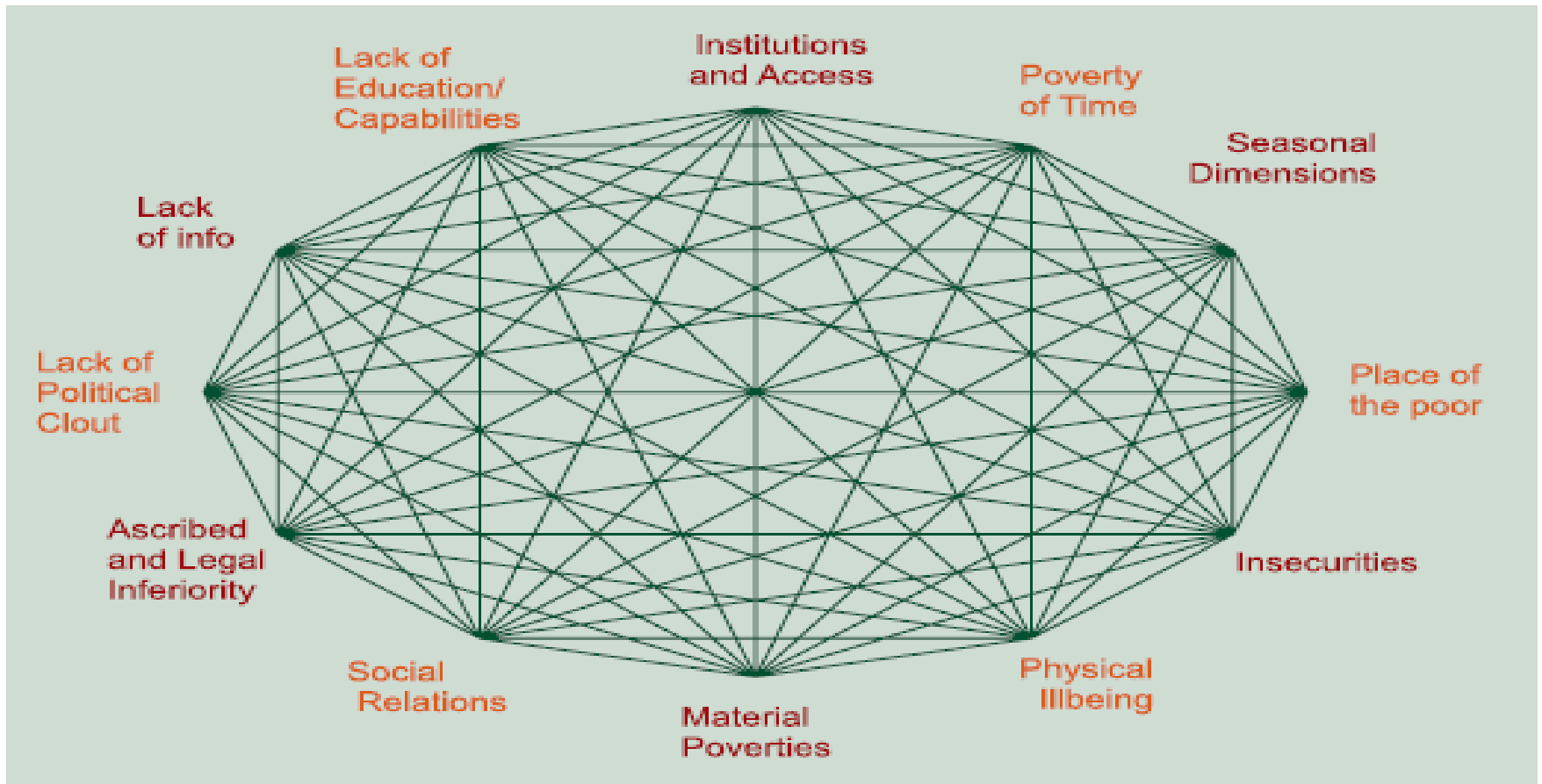
Poverty is not an accident.
Like slavery and apartheid,
it is man-made and
can be removed by
the actions of
human beings.

- Nelson Mandela



1.1 What is poverty?

- Poverty is complex and has a multi-dimensional nature.



Objective vs Subjective approach

- The so-called 'new poverty agenda' is usefully summarised in terms of two key alternative approaches to the concept and measurement of poverty ([Lipton and Maxwell, 1992](#)).
- Poverty can be considered as an objective or a subjective status:
 - (1) Objective: When objective quantifiable indicators and benchmarks are used.
 - (2) Subjective: When individuals' own judgments on their individual well-being are used.

Objective vs Subjective approach

Poverty can be seen as deprivation in both material and non-material goods and assets:

- Material poverty
 - Income poverty
- Non-material poverty (human poverty)
 - Poor health
 - Low education or illiteracy
 - Social exclusion (marginalized, excluded)
 - Insecurity (vulnerable)
 - Lack of freedom and “voice” (inability to make your needs heard)...

(1) Income poverty

- The concept of poverty under the income approach, or the term ‘income poverty’, is defined based on the minimum acceptable level of standard of living comprising a set of basic human necessities including nutritional requirements, as well as other basic necessities for each individual or household.
- With the recognition of more aspects of poverty, basic needs have moved further than income to include access to certain types of essential services such as education, healthcare, sanitation facilities and public transport ([UNDP, 1997](#)).
- This approach focuses on material needs such as food and non-food consumption items.

(1) Income poverty (cont.)

- This approach represents income or consumption as the best proxy to measure poverty. In this respect, it is essential to collect data about income or consumption, normally obtained from large-scale and sample household surveys.
- In order to identify poverty, the approach argues that individuals or households are determined to be poor if their income or expenditure falls below a certain minimum threshold level, normally known as “the poverty line”.

(2) Human poverty

- Poverty is viewed in multidimensional aspects. One of the most influential theoretical approaches is the capabilities approach developed by Amartya Sen.
- According to this approach, poverty can be identified as being the deprivation of capabilities whereby a person lacks the opportunity to achieve such valuable functionings and desired levels of well-being, or lacks the freedom to do or be what all humans can do or can be. ([Sen, 1983](#), [Sen, 1993](#)).

.....Capability: ability to “function” in the society, to achieve certain “functionings” (“beings and doings” – Amartya Sen).....

(2) Human poverty

- Poverty means the deprivation of opportunities and choices that lead to a long, healthy and creative life, and the inability to achieve a standard of living, freedom, dignity, self-respect and the respect of others ([UNDP, 1997](#)).
- Poverty can be reflected as an insufficiency of resources, vulnerability to adverse shocks such as illness, violence and loss of livelihood, and powerlessness in the political, social and economic life of one's community and country ([World Bank, 2001b](#)).

(3) Subjective approach

Subjective well-being approach (Voices of the poor)

- Poor people's own perception of poverty is important to obtain a complete understanding of poverty. As well as helping to identify the poor, a participatory appraisal can generate the real experiences of local and poor people, as well as the feelings people have about being poor in the local context for example, social inferiority, isolation, physical weakness and vulnerability ([Narayan et al., 2000](#)).

“Poverty is like heat; you cannot see it; so to know poverty; you have to go through it. (A poor man from Adaboya, Ghana)”

(Source: Narayan, 2000, Crying Out for Change)

(3) Subjective approach (cont.)

(1) Material Well-being: having enough

- Food
- Assets
- Work

(2) Bodily well-being: being and appearing well

- Health
- Appearances
- Physical environment

(3) Social well-being:

- Being able to care for, bring up, marry and settle
- children
- Self-respect and dignity
- Peace, harmony, good relations in the family/ community

(4) Security:

- Civil peace
- A physically safe and secure environment
- Personal physical security
- Lawfulness and access to justice
- Security in old age
- Confidence in the future

(5) Freedom of choice and action

(6) Psychological well-being:

- Peace of mind,
- Happiness,
- Harmony (including a spiritual life and religious observance)

Poverty according to the Thai perspectives

Poverty concept needs to cover beyond only the income poverty. It has to include those with deprivation, less opportunity, insecurity, social exclusion, lack of freedom, no voice, etc. Poverty has to be multidimensional covering economic, social and cultural prospects. (Wittayakorn Chiangkool)

1. Asset deprivation
2. Income deprivation
3. Social deprivation (status/ voice/ negotiation)
4. Opportunity deprivation (powerlessness)

Poverty “encompassing not only low income and consumption but also structural problems that prevent the poor to escape form poverty”

- ❑ **Poverty** now involves more dimensions and goes beyond the factors close to the everyday life of the poor: income, assets, indebtedness, basic needs, health and education
- ❑ It includes **structural causes** such as social acceptance and respect, social capital, access to basic public services, the right to be heard, (unequal) distribution of capital and resources etc.



1.2 How to measure poverty?

According to UNDP by Julio Boltvinik (2000), key measurement methods are divided into two main types:

- (1) **Absolute poverty**: An absolute poverty line is fixed in terms of the standards indicator being used. The line is defined in absolute terms, as the minimum cost of a reference living standard.
- (2) **Relative poverty**: Poverty is defined relative to some measure of welfare for the entire population (distribution). For example, poorest one-fifth or two-fifths of the population; these are the relatively poor.

(1) Absolute poverty

- Using “poverty line” level of income/ consumption that allows one to enjoy minimum standard of living. Those whose income/ consumption below “poverty line” are classified as poor.
- Three main indicators are widely used to measure the aggregate issues of absolute poverty.
 - **Headcount index**
 - **Poverty gap**
 - **Poverty gap squared**
- A well-known computation is the work produced by Foster, Greer and Thorbecke ([see Foster et al., 1984](#)).

Headcount index

Headcount index is calculated by the proportion of the population for whom income or consumption is less than the poverty line.

Formal Definition:

$$HC = \frac{1}{N} \sum_{i=1}^q 1 = \frac{N_q}{N}$$

where N = total population

z = poverty line

y_i = consumption/expenditure of household i

$$y_1, \dots, y_q < z < y_{q+1} \dots y_n$$

N_q = number of poor in the population

Headcount index

Advantages (+) and disadvantages (-):

(+) simple to construct, easy to understand.

(-) The headcount index does not take the intensity of poverty into account – insensitive to differences in the depth of poverty of the poor.

An example: assume the line is 125. The headcount index is the same for both countries, although poverty is greater in Country A.

Expenditure for each individual in country					Headcount
Country A	100	100	150	150	50%
Country B	124	124	150	150	50%

Poverty gap/ Poverty severity

Poverty gap is a good indication of poverty depth. It is the average of the gaps between poor people's living standards and the poverty line, suggesting the distance of the poor from the poverty line. The poverty gap index expresses the poverty gap as a percentage of the poverty line.

Formal Definition:

The poverty gap index (PGI) is defined as the ratio of the Poverty Gap (PG) to the poverty line. It is the poverty gap expressed as a percentage of the line.

Using the same notation as before:

$$PGI = \frac{1}{N} \sum_{i=1}^q \frac{(z - y_i)}{z}$$

Poverty gap

Advantages (+) and disadvantages (-):

(+) The PG or the PGI can be interpreted as the average shortfall of poor people.

(-) The PG and PGI do not capture differences in the severity of poverty amongst the poor and ignore “inequality among the poor”.

Example (poverty line = 125). A and B have the same PG and PGI, although it can be argued that poverty is worse in B, because of an extremely poor member.

Expenditure for each individual in country				PG	PGI	
Country A	100	100	150	150	12.5	10%
Country B	80	120	150	150	12.5	10%

Poverty gap squared

Poverty gap squared is the poverty gap of the poor weighed by taking into account the inequality of the poor, whereby a higher weight is placed on those households that remain further from the poverty line.

Formal Definition:

The squared poverty gap index (*SPGI*) is defined as the average of the square relative poverty gap of the poor. Taking previous notations,

$$SPGI = \frac{1}{N} \sum_{i=1}^q \left(\frac{z - y_i}{z} \right)^2$$

Foster-Greer-Thorbecke class of measure

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q \left(\frac{z - y_i}{z} \right)^{\alpha} \quad (\alpha \geq 0)$$

The measures are defined for $\alpha \geq 0$, and α is a measure of the sensitivity of the index to poverty.

If we use $\alpha=0$, we have the headcount index

If we use $\alpha = 1$, we have the poverty gap index

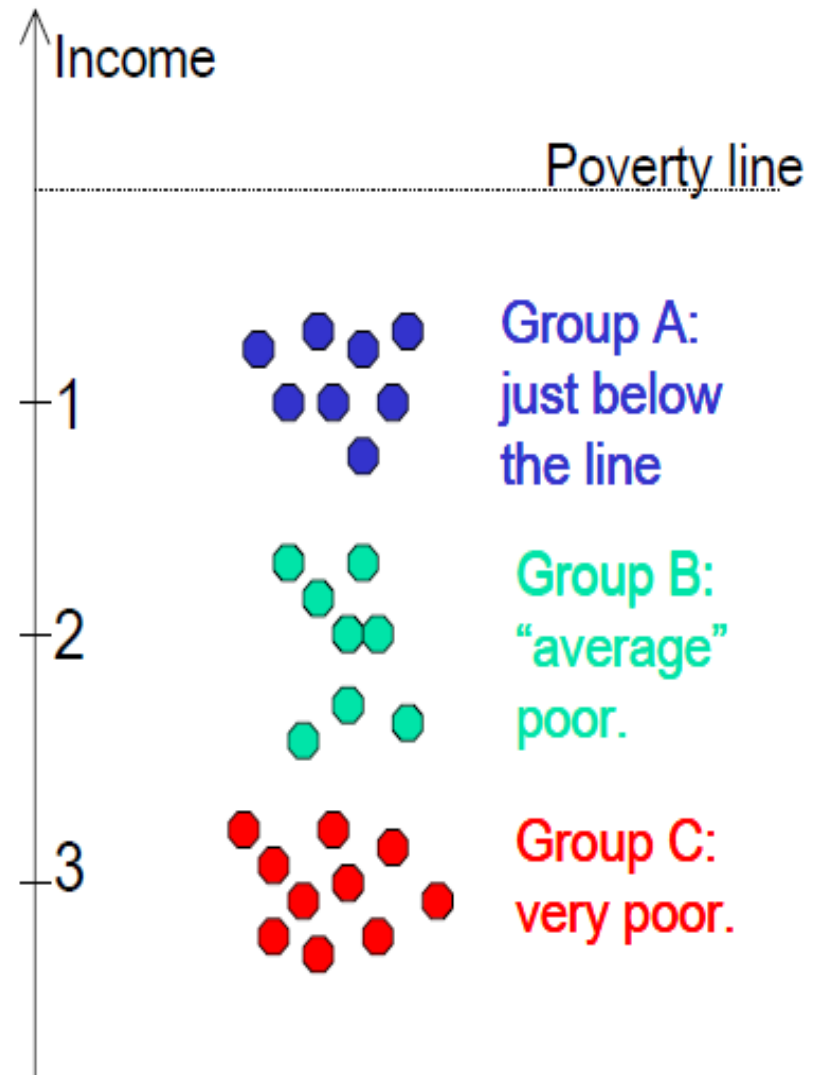
If we use $\alpha = 2$, we have the squared poverty gap index.

The three measures should be combined

HC treats all the poor similarly (individuals in groups A, B and C are given a value of 1).

PG gives a value relative to the distance to the poverty line (those in Group B have on average twice the value of those in A).

SPG gives a value of the squared distance (those in Group B have on average a value 4 times that of those in A).

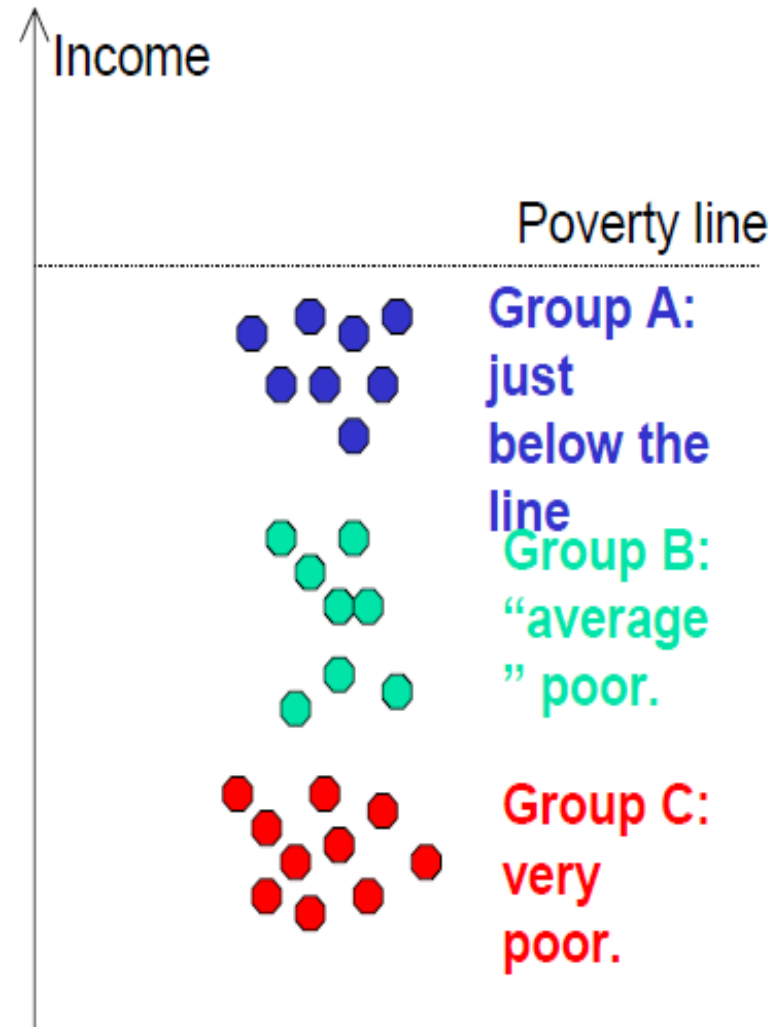


Using each of them would give different policy responses.

Using HC as criteria, policies would focus on group A (the easiest to get out of poverty).

Using PG or PGI, focus would be on A, B and C.

Using SPG, focus would be on group C.



(1) Absolute poverty (cont.)

- Since poverty is multidimensional, several researchers have not only attempted to identify income or consumption-based measures of poverty, but also non-income-based dimensions and subjective measures of poverty. ([Atkinson, 2003](#), [Bourguignon and Chakravarty, 2003](#), [Duclos and Araar, 2006](#), [Alkire and Foster, 2007](#)).
 - Human Development Index by UNDP
 - Social Progress Index : Lifetime Deprivation
 - Multi-dimension of poverty index by Oxford Poverty and Human Development Initiative (OHPI)

(2) Relative poverty

- Relative poverty is measured by disaggregating people into different income groups and comparing between each group (for example, poorest one-fifth or two-fifths), simply on the basis of the distribution (relative concept).
- There are different alternatives, the most frequently used are for deciles and quintiles. (a decile is a group containing 10% of the total population, a quintile is a group containing 20% of the population).

1.3 Inequality

- The relative position of individuals or households in society is an important aspect of their welfare. In addition, the overall level of inequality in a country, region or population group is also in itself an important summary indicator of the level of welfare in that group.
- Poverty measures focus on the situation of individuals at the bottom of the distribution. Inequality is a broader concept. It is defined over the entire population, not only for the population below a certain poverty line.

Many dimensions of inequality

- As with poverty, inequality is a multidimensional phenomenon. Underlying notion of well-being can include **many dimensions of inequalities/ disparities** (like poverty):
 - Economic: Income or consumption expenditure
 - Education, health, nutrition and life expectancy
 - Wealth (land, asset)
 - Access to public services
 - Participation in public life

Economic inequality

Economic inequality: disparities in income (consumption expenditure) or wealth between individuals, households or groups of individuals or households. Unit can also be region, country, etc

- (1) Inequality of “outcomes”:** refers to the distribution of incomes (or other welfare dimension) resulting jointly from the efforts made by a person and the particular circumstances under which this effort is made; it is mostly concerned with income inequality

- (2) Inequality of “opportunities”:** refers to the heterogeneity in personal circumstances that lie beyond the control of the individual, but that nevertheless affect the results of his efforts, and possibly the levels of those efforts themselves (Roemer, 1998: John Rawls, Amartya Sen and others) eg. Unequal access to public services etc.

Economic inequality

- If there is equality of opportunities then resulting income inequality reflects the results of a fair system because it reflects differences individual talents, efforts and accomplishments.
- This can be counteracted by income mobility (refers to the amount of movement across income ranks experienced by persons or families). This implies looking at inequality in long-term.
- Data typically allows us to analyse distribution of outcomes (monetary and non-monetary); difficult to capture and measure distribution of opportunities (see paper by Bourguignon and Ferreira in reading list for discussion and example...)

Economic inequality

Ethical and moral reasons: similar individuals should not be treated differently

Functional reasons: inequality may affect prospects for economic growth and poverty reduction

- Rising income inequality slows down the poverty reducing effect of growth
- High initial income inequality reduces subsequent poverty reduction; it is possible for inequality to increase sufficiently high to result in rising poverty (Ravallion)
- Inequality impacts on level of growth that is possible; therefore potential to reduce poverty will be affected

1.4 How to measure inequality?

Key indicators

- Share of income (received by top 20% or bottom 20%)
- Dispersion ratio (ratio of top 20% to bottom 20% income or consumption expenditure)
- Relative mean deviation
- Coefficient of variation
- Cumulative frequency distribution
- Gini coefficient
- Generalised entropy measures

Gini coefficient

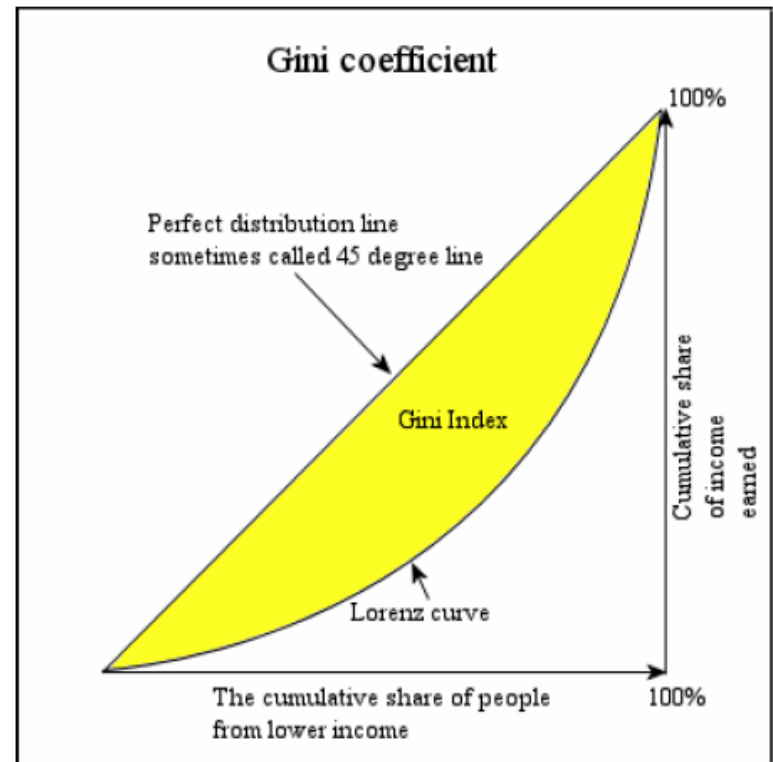
- **Gini Coefficient** is the most commonly used measure of inequality.
- The value of Gini coefficient ranges from 0 (= complete equality) to 1 (= complete inequality as one holds the whole income).
- A low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient demonstrates more unequal distribution.

$$G = \frac{1}{2n \bar{y}(n-1)} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j|$$

Gini coefficient

- **Gini Coefficient** is a well-known tool for measuring inequality of income. The value of Gini coefficient ranges from 0 (=perfect equality) to 1 (=one holds the whole income).
- A low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient demonstrates more unequal distribution.

$$G = \frac{1}{2n \bar{y}(n-1)} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j|$$



Inequality situation

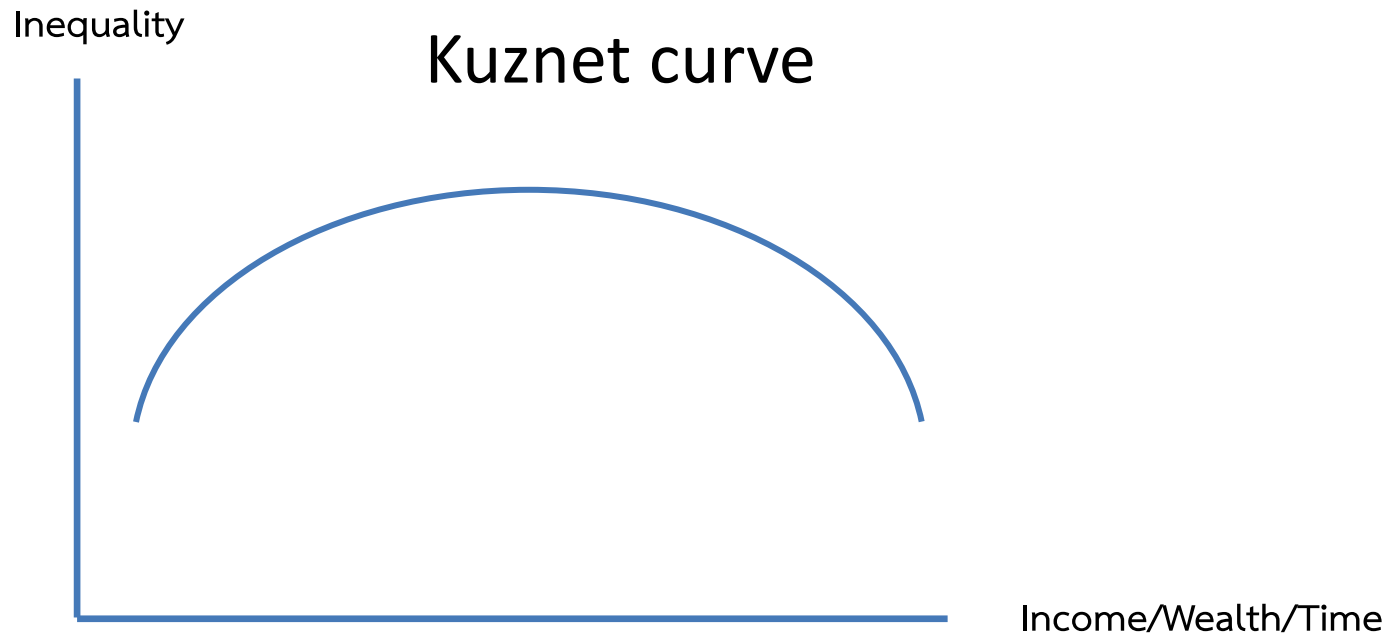
- World incomes are unequally distributed (inequality *between* countries). In 2012:
 - Per capita per year income of richest country (Switzerland) (US\$ 37930) 421 times largest than poorest country (RD Congo) (US\$ 90)
- Low and middle income countries produce 19.4% of world's income; they have around 85% of world's pop
- Share of income of richest (poorest) countries more or less unchanged since 1960. However:
 - World distribution can be constant in *relative terms* but there has been lots of change *within* the distribution.
 - Ups as well as downs!
 - Greatest mobility amongst middle-income countries

Inequality situation

- Income distribution is also highly unequal within countries
 - E. g. UK (1991): poorest 10% of population (lowest decile) gets 2.6% of all national income; richest 10% of population (top decile) gets 27.3% of total income
- There seems to be an inverted-U pattern in both between and within country inequality (Kuznets):
- Low inequality amongst poor countries; high inequality amongst middle income countries; low inequality amongst high income countries

Theory and empirical evidence for long run income distribution

For a given country: low inequality at low levels of economic development; higher inequality in transition periods, lower inequality at higher levels of development



2. Thailand's current situation on poverty and inequality

1. Introduction

- Thailand adopts poverty line in measuring poverty incidence. A household is classified as poor if their per capita income is less than the specific poverty line.
- Current methodology for measuring the poverty line was developed by Nanak Kakwani and Medhi Krongkaew.
- The official poverty line is based on an absolute poverty concept, using cost of basic need approach which is the sum of food and non-food items.

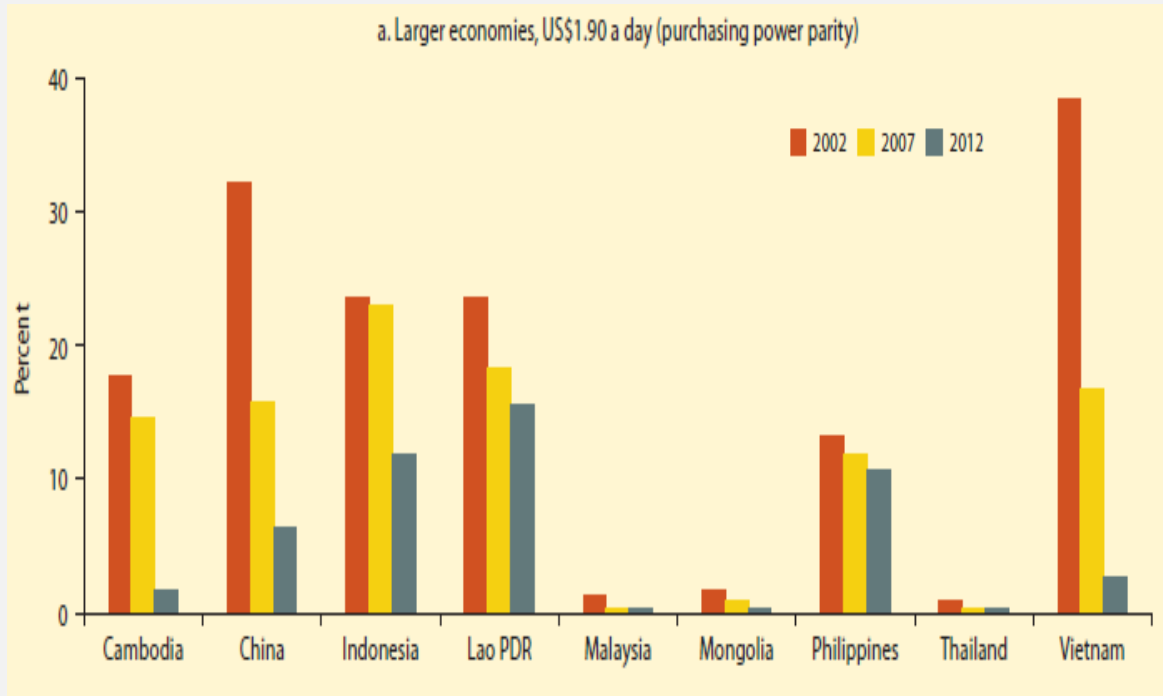
2. Thailand's poverty line

New poverty line

- Current method of developing the official poverty line was criticized by many scholars of its appropriateness in reflecting real poverty situation.
- Consumption patterns of Thai households have significantly changed since the 1997 crisis. It is thus recommended to adjust the calculation method for the new poverty line by employing new consumption pattern and commodity prices (replacing 2002 with 2011 as based year).
- Old method was based on the assumption that the ratio of the food consumption is 60 percent of total expenditure and maintain the similar ratio in every region and every year.

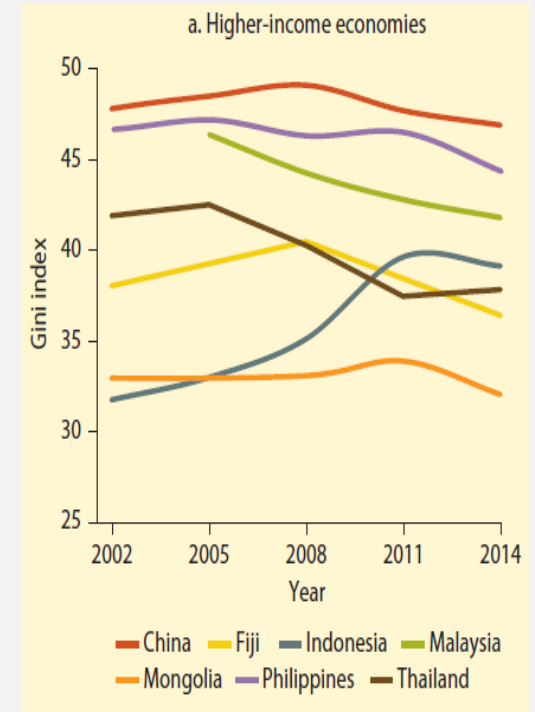
East Asia and Pacific : Poverty and inequality

Poverty rates, across developing East Asia and Pacific



Malaysia and Thailand have eliminated income poverty while substantially increasing the share of middle-class households.

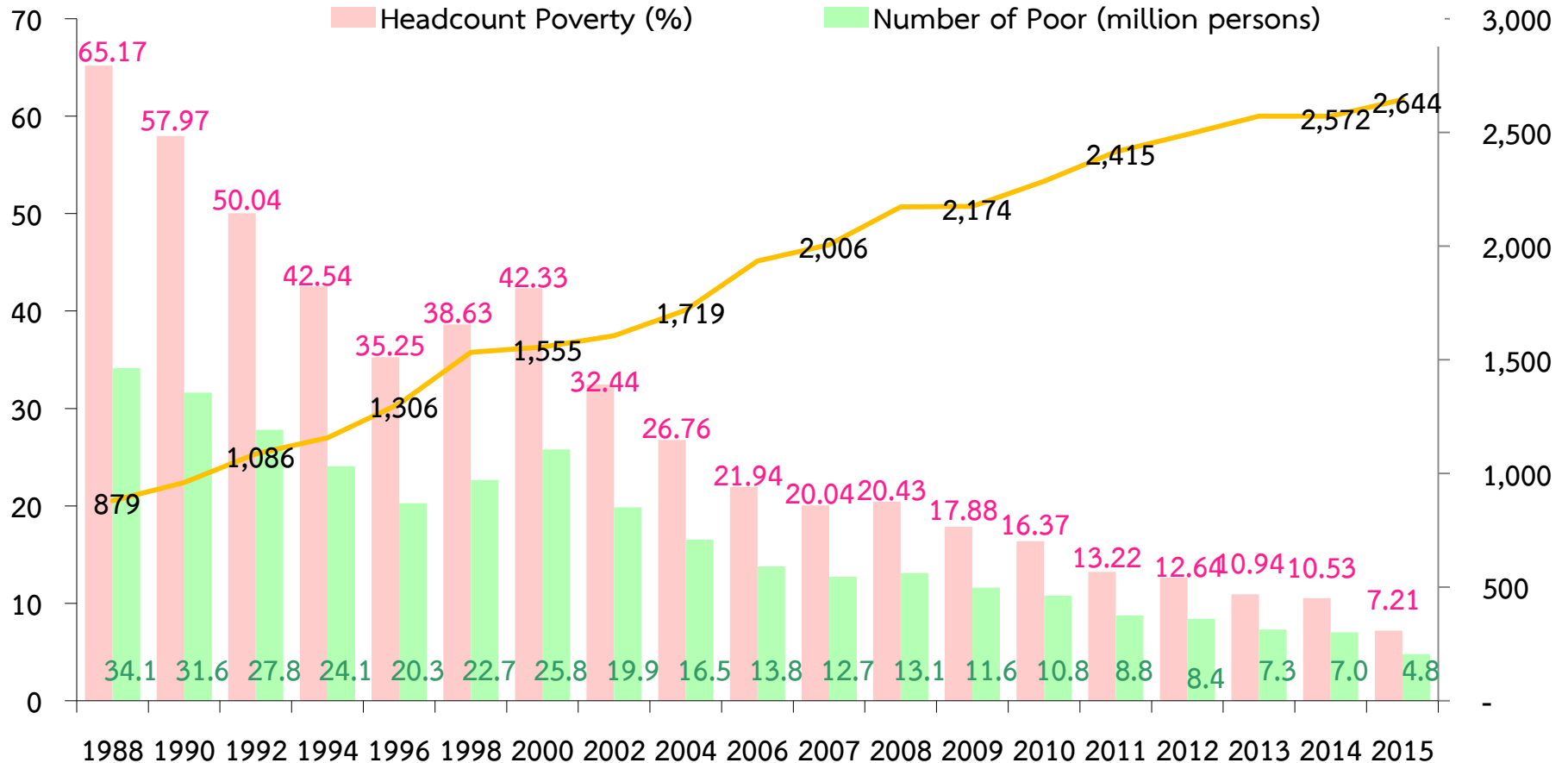
Inequality across developing East Asia and Pacific, 2002-14



In many countries in the region, inequality increased or remained high. Thailand and Papua New Guinea were the only countries where inequality displayed a significant downward trend.

NUMBER OF POOR AND POVERTY INCIDENCE

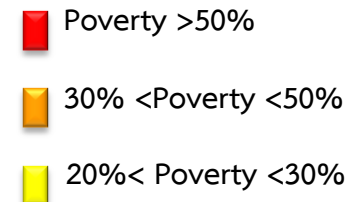
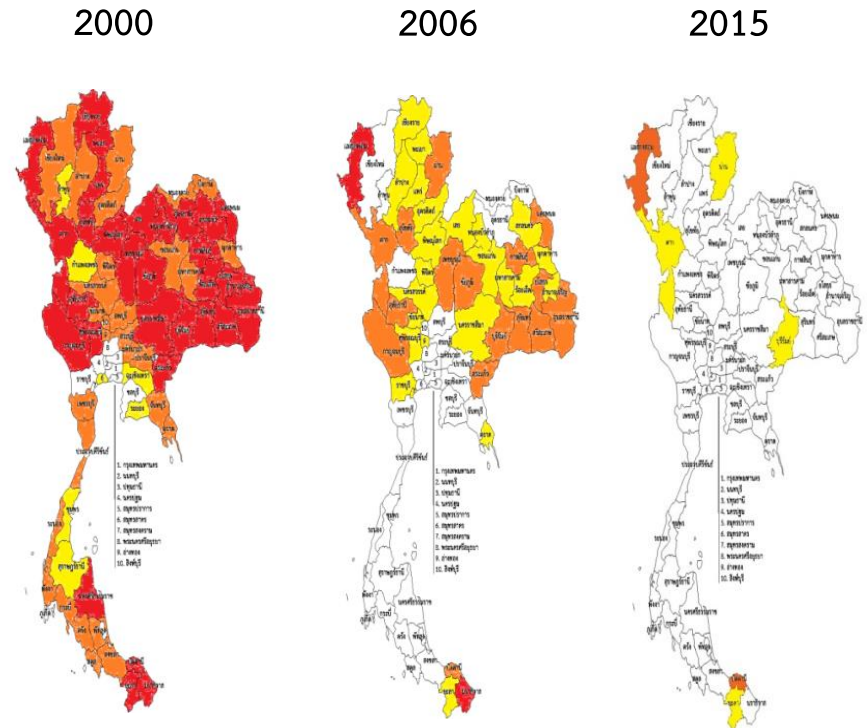
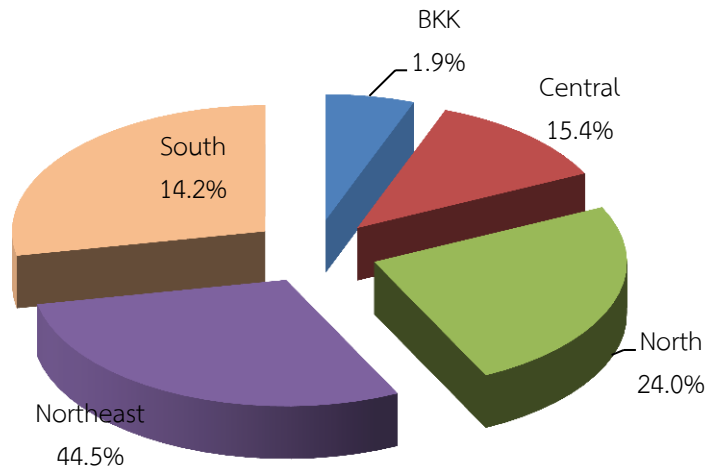
Number of Poor and Headcount Poverty (measured from expenditure side)



Concentration of Poverty



Poverty is still highly concentrated in the Northeastern and Northern region.

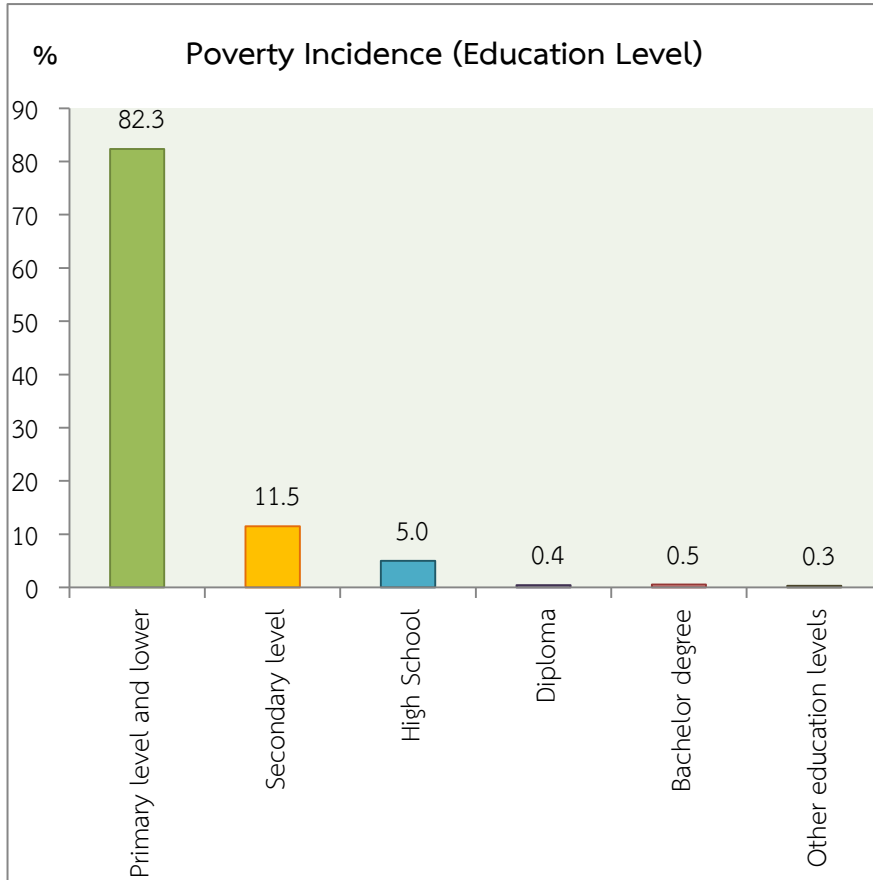


Region	2000	2006	2015
Bangkok Metro	5.86	2.88	2.01
Central	28.75	12.85	4.30
North	49.08	26.11	8.87
Northeast	59.28	35.32	10.30
South	41.70	19.84	9.92
Whole Kingdom	42.33	21.94	7.21

WHO ARE THE POOR? (CONT.)

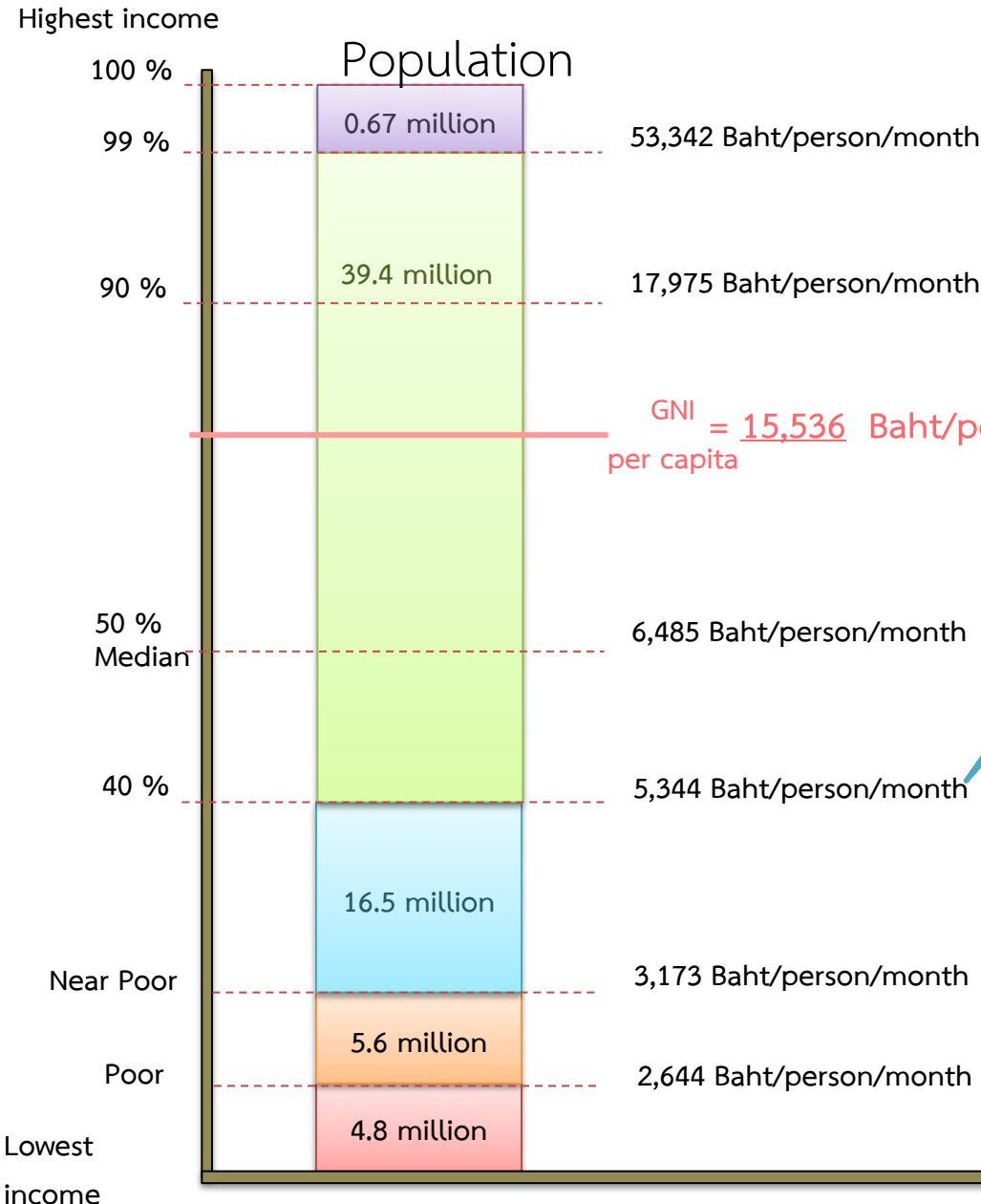


Higher poverty rate among
Lower level of education

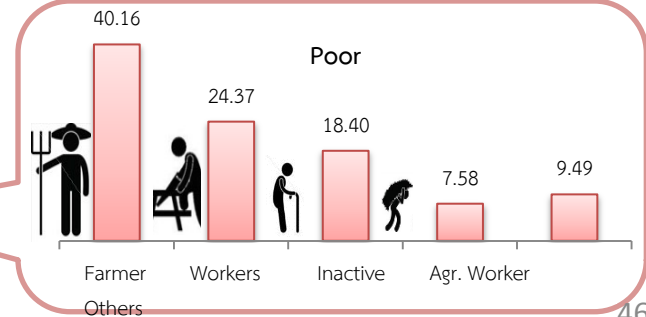
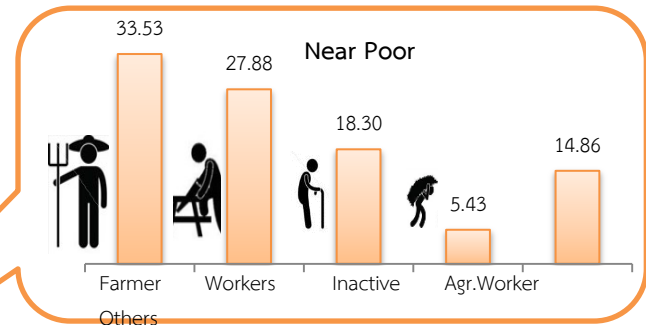
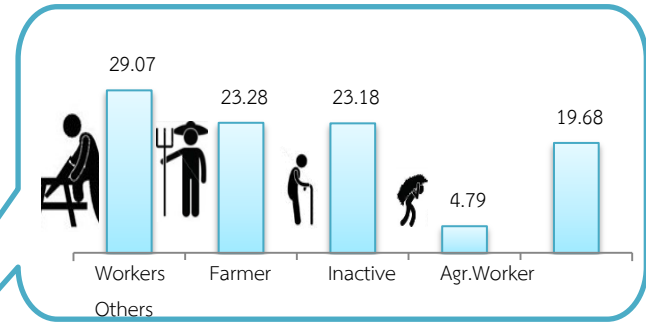


Highest education	Poverty incidence (%)					
	2010	2011	2012	2013	2014	2015
No education	35.9	29.1	32.3	28.6	27.6	14.4
Pre-primary level	23.9	19.7	18.0	14.2	16.2	10.5
Primary level	20.8	16.6	16.1	14.1	13.7	9.35
Secondary level	12.9	11.5	10.3	8.89	8.58	5.95
High school and diploma	6.65	5.25	5.19	4.39	4.67	2.40
Bachelor and higher	0.63	0.67	0.56	0.52	0.49	0.38

POOR & NEAR POOR INCOME LEVELS



 In 2015, there were 26.9 million persons who lived at bottom 40% and were vulnerable to poverty

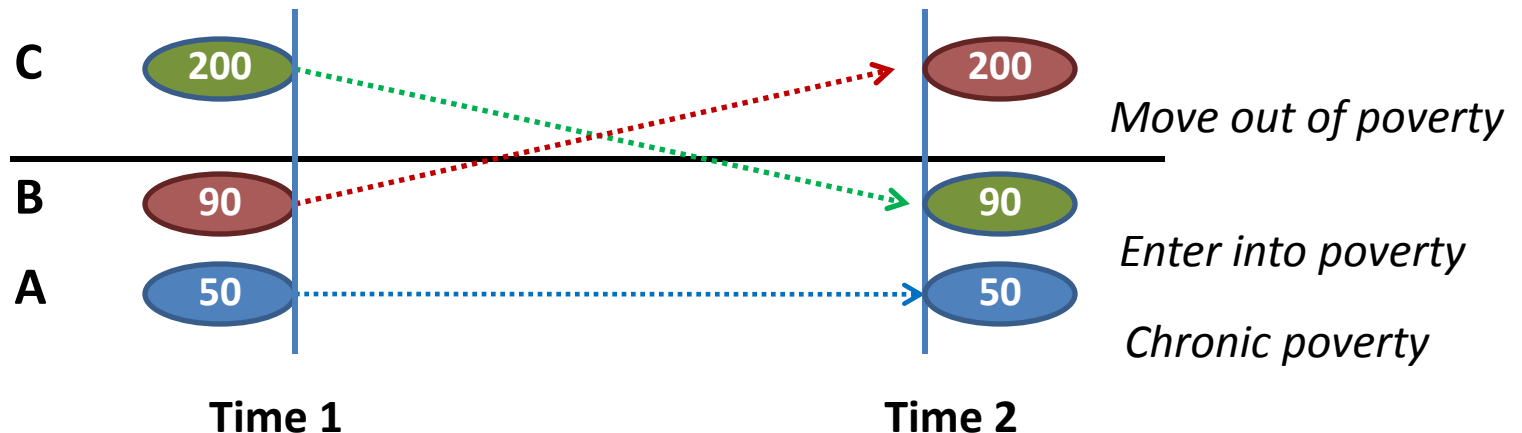


Why poverty dynamics?

- Comprehensive poverty studies need to include three key facets (Baulch and Hoddinott, 2000; Clark and Hulme, 2005; Addison et al., 2009);

Metric dimension	Temporal dimension	Methods used
<ul style="list-style-type: none">Income/ consumptionCapability approachParticipatory approachSubjective approach	<ul style="list-style-type: none">Static/cross sectionTrend comparisonDynamics	<ul style="list-style-type: none">QuantitativeQualitativeParticipatoryCombined methods

- Static/ cross-sectional poverty analysis can yield only poverty incidence (numbers of poor people) and represent only net changes in aggregate poverty of countries. They cannot explain about the patterns and the mechanism of poverty dynamics.



Poverty dynamics patterns in developing countries

Country	Year	Always poor	Sometimes poor	Never poor	% sometimes poor to ever poor	Source
Bangladesh	1987-2000	31.4	33.4	25.1	58	Sen (2003)
Bangladesh	1994-2006	16.0	49.0	44.0	72	Davis and Baulch (2009)
China	1991-1995	9.6	22.5	67.8	70	McCulloch and Calandrino (2002)
India	1970-1982	25.5	35.7	38.8	60	Bhide and Mehta (2004)
Indonesia	1993-1997	7.8	19.0	73.2	71	Alisjabahna and Yusuf (2003)
Vietnam	1992-1997	28.7	32.0	39.2	56	Justino and Litchfield (2004)

Poverty dynamics pattern

- The larger proportions of households that moved out of poverty than those move into poverty were in line with the decline in poverty incidence
- Households moving into or out of poverty were also higher than those remaining in chronic poverty.
- There were also important regional differences in the pattern of poverty dynamics.

(%)	All area		Central		Northeast	
	1988	2009	1988	2009	1988	2009
Poverty incidence	51.7	16.7	30.8	11.2	68.4	21.1

(%)	All area		Central		Northeast	
Chronic poor	9.6		5.6		12.8	
Moving out of poverty	42.1		25.2		55.6	
Moving into poverty	7.9		7.5		8.3	
Never poor	40.4		61.7		23.3	

Factors explaining poverty dynamics in other developing countries

Country	Methods	Moving out	Moving into	Source
Bangladesh 1987-2000	Quantitative (Descriptive analysis)	HH asset base (asset accumulation, income diversification, occupational shift)	Lifecycle changes and crises and shocks (illness and natural disasters)	Sen (2003)
India 1970-1981	Quantitative (Probit model)	Literacy, ownership of a house, increase in cultivated area and income from livestock	-	Bhide and Mehta (2004)
Uganda 1980-2004	Participatory (Stage-of- progress method)	Income diversification, irrigation and land improvement	Illness and health- related expenses, social expenses, crop disease, drought and irrigation failure	Krishna (2007)

Key factors associated with chronic poverty

	Quantitative	Qualitative
Chronic poor	<p>1. Asset-based factors</p> <ul style="list-style-type: none"> • <u>lowest mean value of assets</u> at the initial period (including share of working members, land, rice yields, physical assets, loans) • largest decline in farm size <p>2. Life cycle factors</p> <ul style="list-style-type: none"> • highest increase in dependency ratio (due to higher proportion of elderly members) • highest age of household head at the initial period <p>3. Employment activities</p> <ul style="list-style-type: none"> • employed mostly as non-agriculture casual wage labours 	<p>1. Asset-based factors</p> <ul style="list-style-type: none"> • Sold lands and become landless <p>2. Life cycle factors</p> <ul style="list-style-type: none"> • children grew up migrate to other areas without sending back remittances. No one help working on farm. • getting older, were left alone and not be able to work <p>3. Crisis factors</p> <ul style="list-style-type: none"> • Ill health problem (physical disabilities)

Key factors associated with moving out of poverty

	Quantitative	Qualitative
Moving out of poverty	<p>1. Asset-based factors</p> <ul style="list-style-type: none"> • <u>highest asset accumulation</u> between two periods (including education, land and rice yields) • largest increase in post-secondary and college schooling <p>2. Life cycle factors</p> <ul style="list-style-type: none"> • most decline in household size (mainly from children members) • no significant change in dependency ratio <p>3. Employment activities</p> <ul style="list-style-type: none"> • engaged more in non-farm sector particularly salaried works and self-employed 	<p>1. Life cycle factors</p> <ul style="list-style-type: none"> • children grew up and thus increasing numbers of earners <p>2. Employment activities</p> <ul style="list-style-type: none"> • largely employed in secured non-farm sector (e.g. self-business, salaried jobs) <p>3. Social norm factors</p> <ul style="list-style-type: none"> • being economized, saving and hard working behaviors <p>4. Asset-based factors</p> <ul style="list-style-type: none"> • more lands (both from buying and inheriting)

Key factors associated with moving into poverty

	Quantitative	Qualitative
Moving into poverty	<p>1. Asset-based factors</p> <ul style="list-style-type: none"> • <u>highest asset depletion</u> between two periods (including land, irrigated areas and rice yields) <p>2. Life cycle factors</p> <ul style="list-style-type: none"> • largest increase in household head's age • highest share of female head <p>3. Employment activities</p> <ul style="list-style-type: none"> • more than half were employed in agriculture sector as farmers • farm income accounted for 70 percent 	<p>1. Crisis factors</p> <ul style="list-style-type: none"> • Ill health problem and health care costs • natural disasters • death of household head <p>2. Life cycle factors</p> <ul style="list-style-type: none"> • children migrate and were left alone <p>3. Asset-based factors</p> <ul style="list-style-type: none"> • smaller land size, high debts <p>4. Social norm factors</p> <ul style="list-style-type: none"> • negative behaviors such as excessive alcohol drinking, smoking and gambling addiction

Key factors associated with never in poverty

	Quantitative	Qualitative
Never poor	<ol style="list-style-type: none">1. Asset-based factors<ul style="list-style-type: none">• <u>highest mean value of assets</u> in both periods (including education, land, rice yields, agricultural assets, and loans)2. Life cycle factors<ul style="list-style-type: none">• smallest household size and lowest dependency ratio in both periods3. Employment activities<ul style="list-style-type: none">• earn mixed source of activities.• diversifying within agriculture to non-rice crops• diversifying to non-farm sector (mainly salaried works and self-employed)	<ol style="list-style-type: none">1. Life cycle factors<ul style="list-style-type: none">• children grew up, finished school and help working on farm as well as earn regular income to support family2. Asset-based factors<ul style="list-style-type: none">• own and be able to acquire more land3. Social norm factors<ul style="list-style-type: none">• hard working and saving behaviors

Policy implications

(1) Policies for enabling households to escape poverty and not to remain in chronic poverty need to deal more with structural factors that help sustain household assets and income

These include, for example;

- employment creation in rural areas
- education provision and quality of public school enhancement
- land consolidation for poor landless households
- Investment in agricultural research and technology and irrigation system

(2) Policies responses for preventing households not to enter into poverty are likely to be intervention that help tackle with vulnerabilities from critical events and changing demographics of the household.

For example, in different forms of targeted social protection especially for poor elderly left out by children or experiencing ill health as well as disabled people. The policies for safety nets can be for example

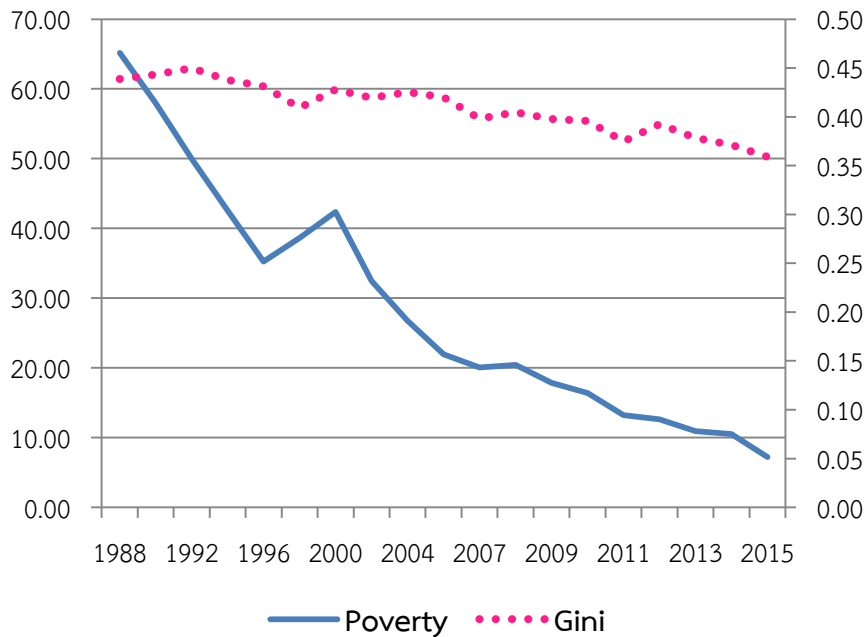
- welfare provision scheme for elderly and disabled people
- retirement fund for old farmers
- improving health care coverage and services

INEQUALITY

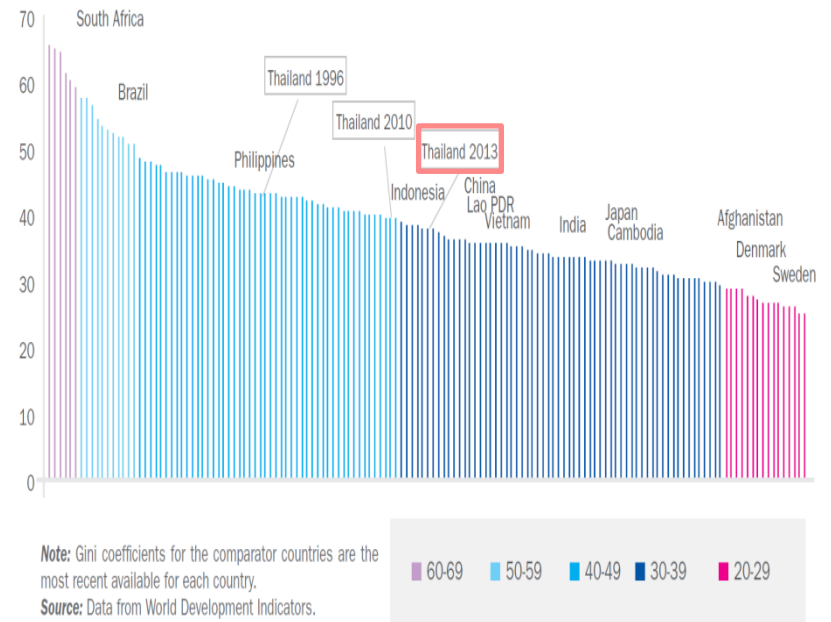


declined markedly but *inequality persisted at relative*

Thailand Poverty Ratio and Gini Index
1988-2015



Source: National Economic and Social Development Board



Source: "Getting Back on Track: Reviving Growth and Securing Prosperity for All" Report by World Bank (2017)

INEQUALITY – ECONOMIC DIMENSION



INCOME

34.98%
of all incomes

$\Delta =$
22.08 times

1.58%
of all incomes



LAND

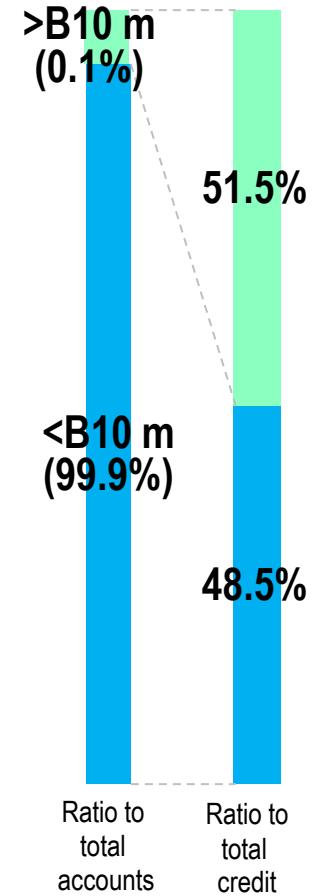
58.33m rai
Land ownership

$\Delta =$
853.6 times

=0.07m rai
Land ownership



SAVING



10%
richest/
own most
land

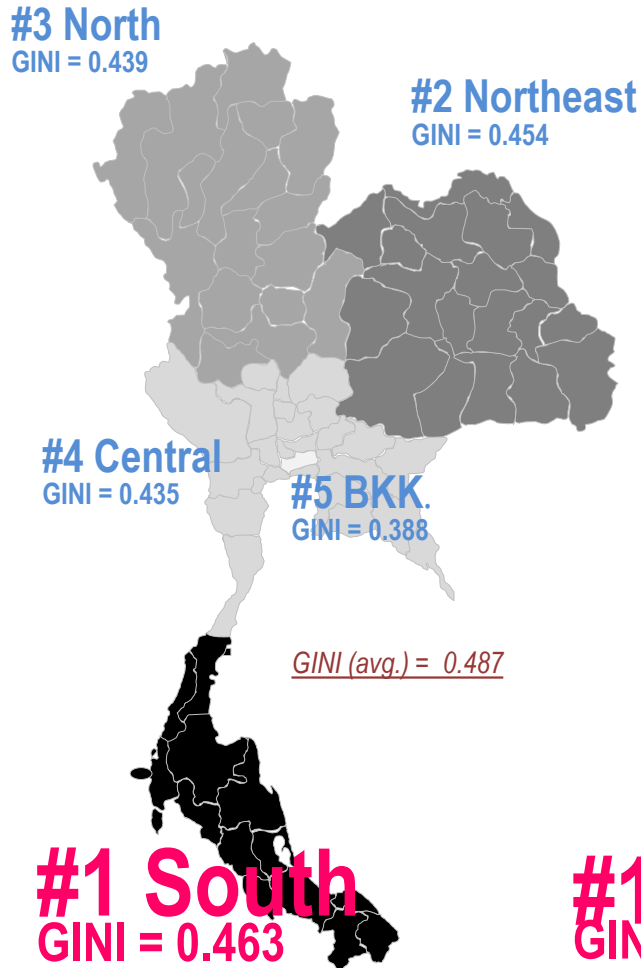


10%
poorest/
own least land

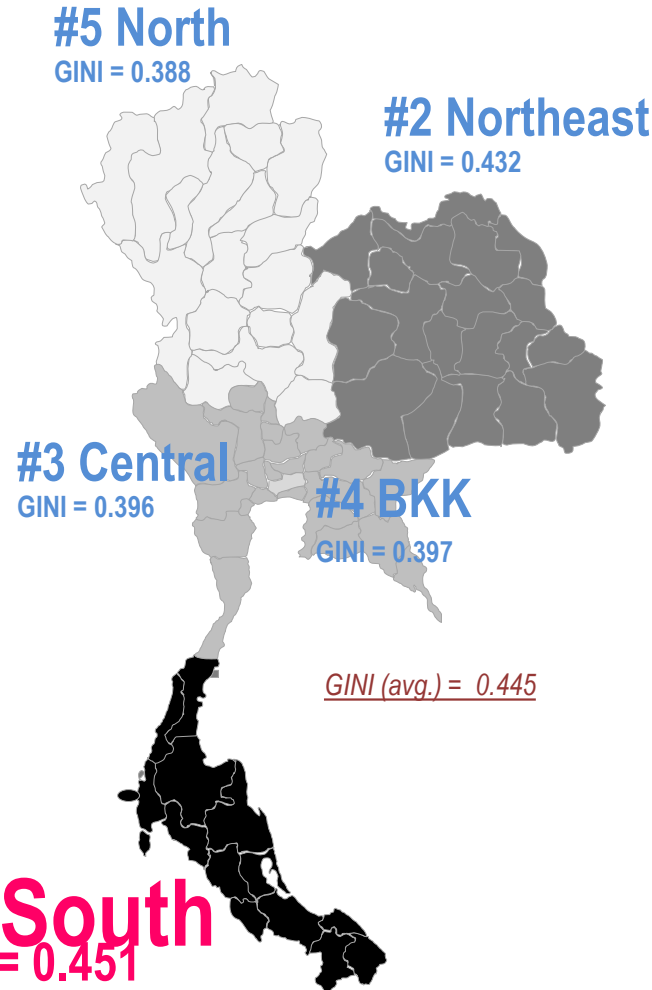


INEQUALITY BY REGION

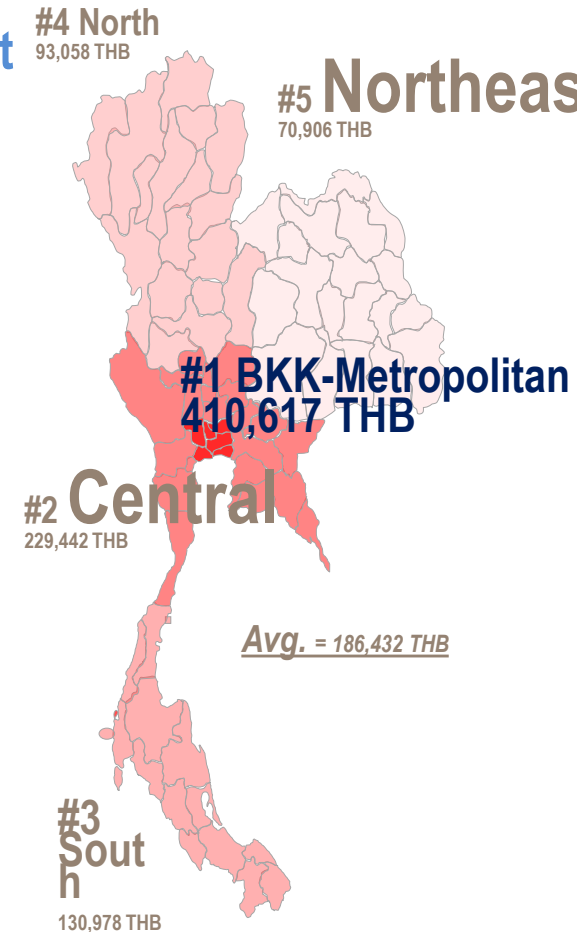
1988



2015

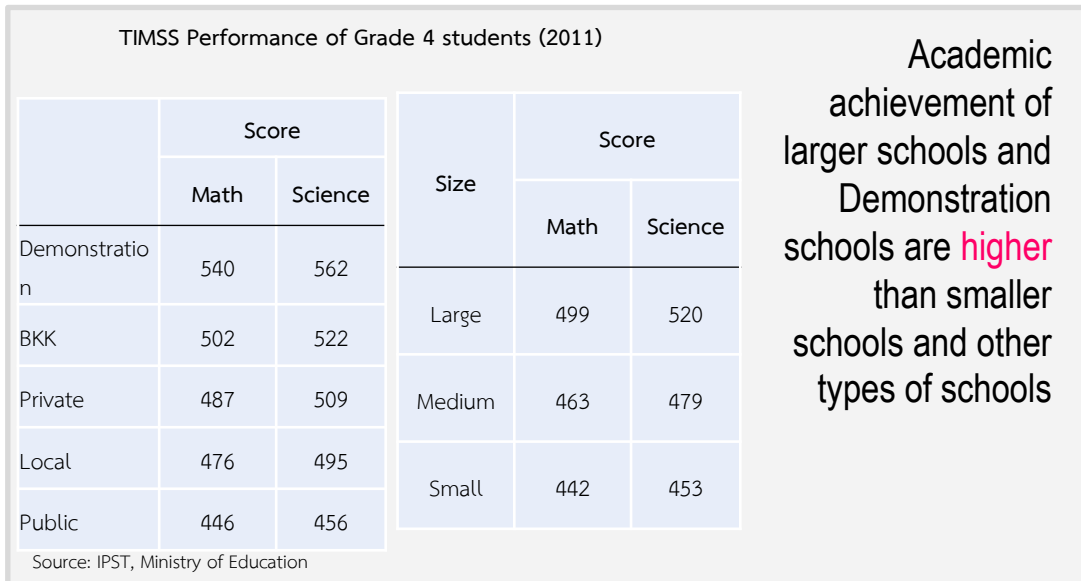
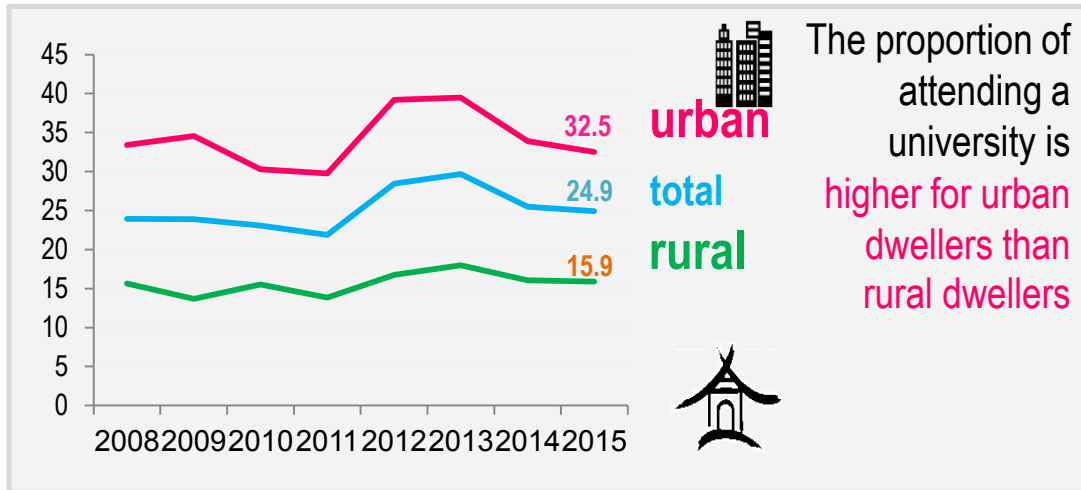
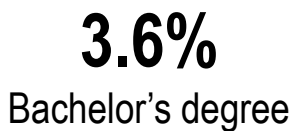
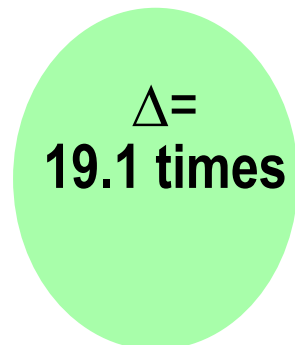
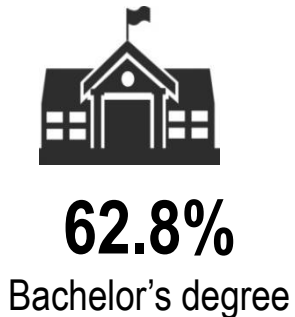


Average Income 2015



INEQUALITY – SOCIAL DIMENSION

The rich has higher access to university than the poor, and so do those in urban than those in rural area.



INEQUALITY – SOCIAL DIMENSION

- Medical staff are concentrated in Bangkok.
- Informal workers do not have social security.

Ratio of 1 medical staff to total population by region in 2014

Region	Doctor	Dentist	Pharmacist	Registered Nurse	Technical Nurse
Whole Kingdom	2,131	9,902	5,476	434	7,445
Bangkok	722	5,961	2,742	203	1,572
Central (exc. Bangkok)	3,488	10,524	7,902	610	18,328
Northeast	3,496	13,402	7,730	590	11,676
North	1,446	7,031	3,598	333	7,956
South	2,630	9,330	5,737	413	10,609

Source : Statistics report of public health, 2015, Policy and Strategy Office, Public Health Ministry



Ratio of formal and informal workers in labor force 2005 – 2015

Year	2005	2007	2009	2011	2013	2015
Formal sector	37.9	37.3	36.6	37.4	35.8	36.3
Informal sector	62.1	62.7	63.4	62.6	64.2	63.7

3. Thailand's inequality and poverty-reduction policies

Inequality and poverty-reduction policies

The UN Department of Economic and Social Affairs (DESA) has published a report *“The Inequality Predicament”* in 2005.

- *“Inequalities in income distribution and in access to productive resources, basic social services, opportunities, markets, and information can cause and exacerbate poverty”*
- *“The goal of sustained poverty reduction cannot be achieved unless equality of opportunity and access to basic services is ensured and stresses that the goal of reducing inequality must be explicitly incorporated in policies and programs aimed at poverty reduction”*

In Thailand, income inequality had usually been approached indirectly via poverty reduction and rural development policies



Inequality and poverty-reduction policies in Thailand (cont.)

- The targeted anti-poverty policies in Thailand began in 1982. Anti-poverty policies were first clearly stated in the Fifth National Economic and Social Development Plan (1982-1986)

Rural Job Creation Program (RJCP)

People's Bank

Low-income cards for free medical

**MDGs/
SDGs**

Tambon Development Program (TDP)

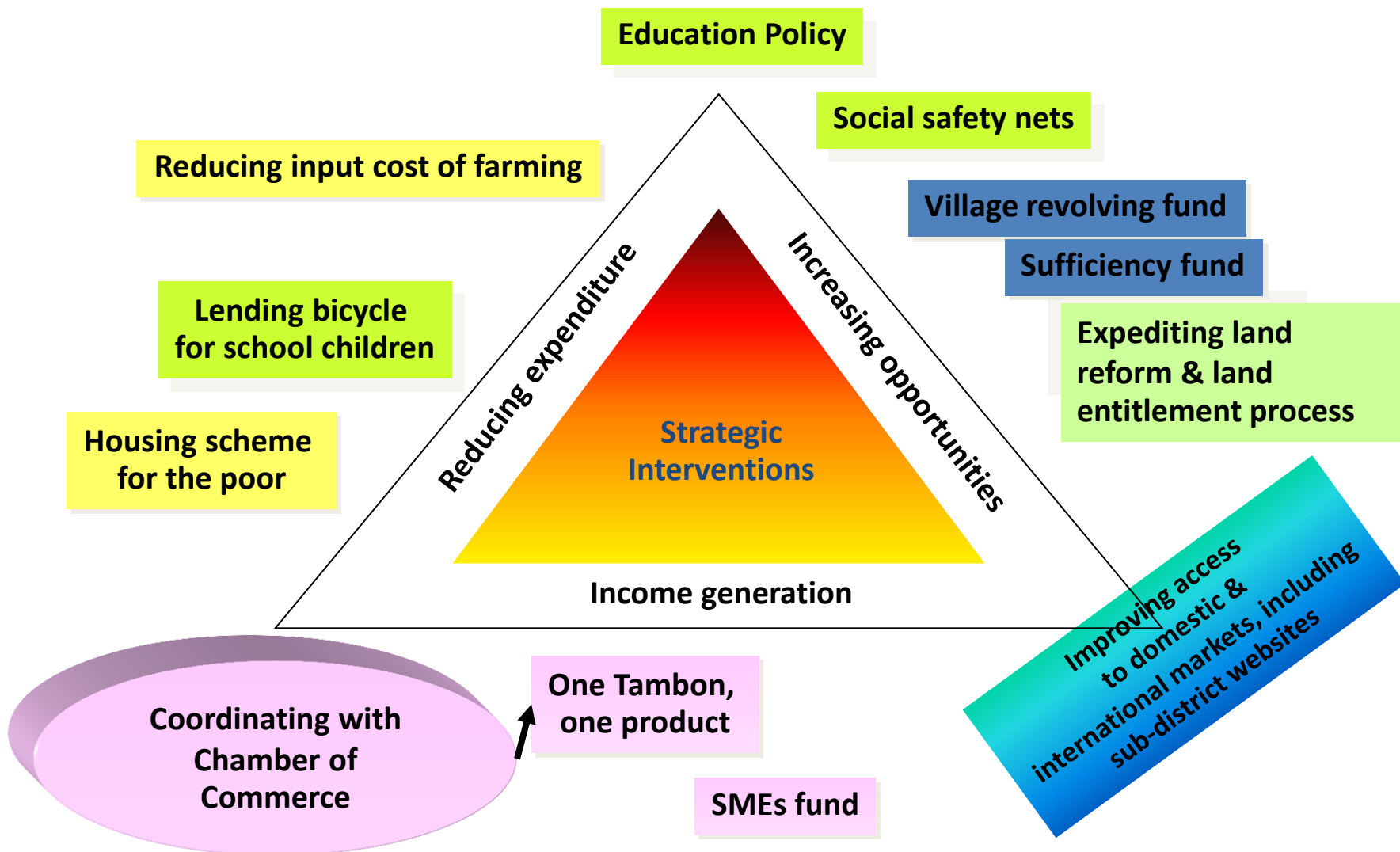
Universal Health Care

School lunch program

Village Funds

Interest-free loans for poor

Grassroots Policy for Poverty Eradication



Government Policies that support poverty-reduction

Increase Income

**Minimum Wage THB
300 per day**

- Effective countrywide on 1st Jan 2013
- Salary increase for government officials

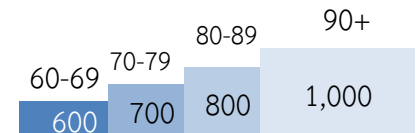


THB 15,000 Minimum Income

For public servants with Bachelor degree

Incremental elderly pension

Over 6.79 million senior citizen benefitted from the program



Reduce Expense

Debt Moratorium for farmers with outstanding debt below THB 0.5 million

- Total outstanding debt of THB 46.6 million (0.4 million eligible NPL farmers)
- Total outstanding debt of THB 263.73 million (2.3 million eligible farmers)



Farmer Credit Card

Credit extension via credit cards (2.1 million cards approved with aggregate credit of THB 40 billion and cumulative spending of THB 2 billion)



Energy Credit Card

- 60,400 holders of Energy Credit Card for Taxis
- 2,934 holders of Energy Credit Card for Motorcycle Taxis



Recent Flagship Project

“The Welfare Card”



B41.9 Billion Aid Package

Overview

- Registered 11.7 million poor
- Pre-loaded with 200 or 300 baht a month, to buy low-priced consumer products at Thong Fah Pracha Rat and other designated shops.

300 baht
 earning under 30,000 baht/ yr
 or unemployed

200 baht
 earning 30,000-100,000
 baht/ yr



500 baht
 Inter provincial bus



500 baht
 3rd class train



500 baht
 Public transport for
 Bangkokians and 6
 adjacent provinces






Critiques & problems during implementation

- There are not many electronic data capture (EDC) machines , only about 20,000 stores designated by the government; merely a quarter of them are now equipped with EDC (Thailand has around 75,000 villages)
- The card is only good for purchasing any of the 252 consumer goods . Local stores and fresh market vendors are excluded.

‘Giving the poor more freedom what to buy’

Source: Bangkok Post

Social Protection Policy for All Age Groups

Age (yrs.)	Workers in formal sector (37.4%)	Workers in informal sector (62.6%)
 0-3	Cash transfer: 400 baht/person/month	400 Baht, Child Support Grant for newborns babies on 1 Oct 2015 - 30 Sept 2016 (Registration 15 Sept 2015-30 Sept 2016)
 4-6	400 baht Cash Transfer & Free education for 15 years	Free education for 15 years
7-18		
Free education for 15 years		
 19-59	Social security scheme	Some forms of social security scheme (Article 40),
 60 up		National Saving Fund
 Disability	Pension Schemes	Universal Pension Scheme: 600 to 1,000 baht/person/month
	<ul style="list-style-type: none"> 50% compensation of regular income Disability fund: 800 baht/month 	Disability fund: 500 baht/month transfer
All age groups	Social Cash Transfer: 500 baht/month	
	Universal Health Coverage/Social security/Compulsory migrant health Insurance	

Education policy, Education-for-All



- 15 years free tuition fee: kindergarten to high school level
- Uniform
- School activities
- Textbooks
- Tablet



Health policy



	Civil Servant Medical Benefit Scheme (CSMBS)	Social Health Insurance (SHI)	Universal Coverage (UC)
Target beneficiaries	Govt employees & dependents, retirees	Private sector employees	The rest of pop who are not covered by CSMBS and SHI
Pop Coverage	9%	16%	75%
Funding	Govt budget	Payroll contribution Tripartite	Govt budget
Payment to providers	Fee-for-service, reimbursement	Capitation	Capitation
Access to service	Free choice	Registered providers	Registered providers
Benefit	Comprehensive package	Comprehensive package	Comprehensive package with P&P
Exp per capita, 2006	8,785 baht	1,738 baht	1,659 baht
Tax subsidy, 2006	8,785 baht plus adm cost	579 baht plus adm cost	1,659 baht plus adm cost

Policy interventions in Thailand to reduce Inequality

1. Early Childhood Development and Nutrition

Parents' School Program (started in 2013) offered by the Department of Health, encourages parents to provide quality childcare for **children aged 0-5** as the foundation for children's physical, mental, emotional, social and intellectual development. This project teaches parents during the antenatal and postpartum phases. Parents are educated in various areas such as **breastfeeding**, **age appropriate foods**, reinforcing **child development** and first aid.

Through **Child Support Grant program** (started in 2015), mothers also receive quality antenatal care focused on the **antenatal health preparations** since mothers need sufficient amounts of nutrition to support their fetuses.

Privilege services for pregnant women through **Universal Health Coverage** (started in 2001). Pregnant women receive antenatal care until childbirth that is free of charge with immediate care under the newborn care program. In addition, children aged 0-5 years old also receive free health care and disease prevention under the **National Health Security Office's benefit package**.

Long-Term Policy and Strategy for Early Childhood Care and Development (0-5 Age Group) 2007-2016 implemented by the ministries of Education, Public Health, Interior and relevant agencies. This has resulted in children from three to those under age six years having opportunities to attend **pre-school education programs**, with the family as the main unit and all sectors of society participating in care and development of the children



Policy interventions in Thailand to reduce Inequality

2. Health care and Education



Universal Health Coverage Scheme (30Baht Scheme) In 2001, “30 Bath Scheme” was launched, where people can use ‘gold card’ as access to medical treatment with co-payment cost of 30 baht per illness.



The 15-Year Free Education with Quality Policy : The National Education Act of B.E. 2542 (1999 A.D.) specified that the government must provide no less than 12 years of basic education (from Grade 1 to upper general and vocational secondary education) with quality, free of charge. Since 2016, The National Council for Peace and Order enforced the **Article 44** order to provide 15 years of free education

3. Conditional Cash Transfer



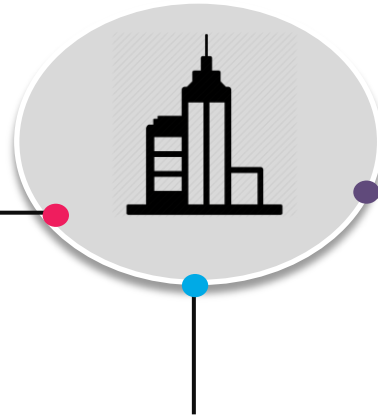
Child Support Grant: On October 2015, infants of poor households born in October 2015 – September 2016 receive financial support in the amount of 400 baht per month for 1 year. Since 2016, the government **increased financial support to 600 baht per month**, including extended the length from 1 to 3 years. Qualifications for beneficiaries:
Newborn: 1. Infants born from 1 October 2015 – 30 September 2016 2. Hold Thai nationality 3. Not eligible for any other welfare scheme
Pregnant Women: 1. Delivery period is between 1 October 2015 and 30 September 2016 2. Living in poor and near-poor families



Policy interventions in Thailand to reduce Inequality

4. Rural Infrastructure

The Remote Rural Household Electrification Project (RRHEP) 2013 – 2017 in area under the PEA (74 provinces). This project is led by the Ministry of Interior for the provincial Electricity Authority (PEA), it aims to expand electricity distribution to approximately 11,600 remote households.



Progressive Tax Rates

Free Wifi for nationwide education (2017-2018): Provide Free Wifi in remote schools so that students have access to valuable information to enhance their knowledge which will be helpful for them to adjust to changes.

Taxable Income (baht)	Tax Rate (%)
0-150,000	Exempt
more than 150,000 but less than 300,000	5
more than 300,000 but less than 500,000	10
more than 500,000 but less than 750,000	15
more than 750,000 but less than 1,000,000	20
more than 1,000,000 but less than 2,000,000	25
more than 2,000,000 but less than 4,000,000	30
Over 4,000,000	35

SP in The 12th National Economic and Social Development Plan

From the 10 strategies, the main focus on social protection are in



Strategy 1

**Strengthening and Developing the
Potential of Human Capital**

*Thai people of all ages will
have higher levels of essential
skills, knowledge, and
capabilities + capacity for
continuous self-learning*



Strategy 2

**Creating a Just Society and
Reducing Inequality**

*Enhancing income-generating
opportunities for the bottom 40
to access quality public services
and to have decent jobs and
strengthening communities*

SP in The 12th National Economic and Social Development Plan



Strategy 1

Thai people of all ages will have higher levels of essential skills, knowledge, and capabilities + capacity for continuous self-learning



'Well being'

PROMOTION



• Parenting education



• Quality education



• labor demand and supply database + consultation



young-old elderly people's employment opportunity

Childhood development

Labour training center

• Saving encouragement



PROTECTION

• measures designed to protect and care for vulnerable families

• health insurance systems

• private sector partnership

• elderly care system

SP in The 12th National Economic and Social Development Plan



Strategy 2

Enhancing income-generating opportunities for the **bottom 40** to access quality public services and to have decent jobs and strengthening communities

PROTECTION

- **Additional social welfare** for the bottom 40 in a sufficient and appropriate manner e.g. provide additional disability allowances and old-age allowances for the poor group
- **Additional mechanisms to ensure accessibility** to public health services, particularly those in remote areas e.g. transportation expenses
- Foster **community participation in providing welfare**, social services through partnerships with government agencies and local administrative organizations

PREVENTION

- **Raise awareness among informal workers of the benefits of the social security system and income security after retirement**

PROMOTION

- **Holistic measures to support disadvantaged children and youths to uninterrupted quality education**
- Enhance **land-ownership opportunities** along with provision of income-generating measures
- Foster **communities' capacity in economic development and strengthen microfinance** e.g. community-level entrepreneurship, supporting community training centers

more wealth-based taxation / enhancement of the efficiency of tax collection / proper budget allocation

The reform movement

The National Reform Council: NRC (2014)



Welfare system

- Legal corrections of social security and fund administration to be more effective
- Establish universal welfare act
- Set up national mechanism to integrate all pension system in Thailand and estimate the fiscal burden.
- Promote saving act and the financial literacy
- Community welfare act



Aging society

Propose conceptual framework covering aspects of economic, environment, health, and social issues.



Children

Establish Early childhood development act



Habitats

Promote habitat for the poor act' and affordable real estate development

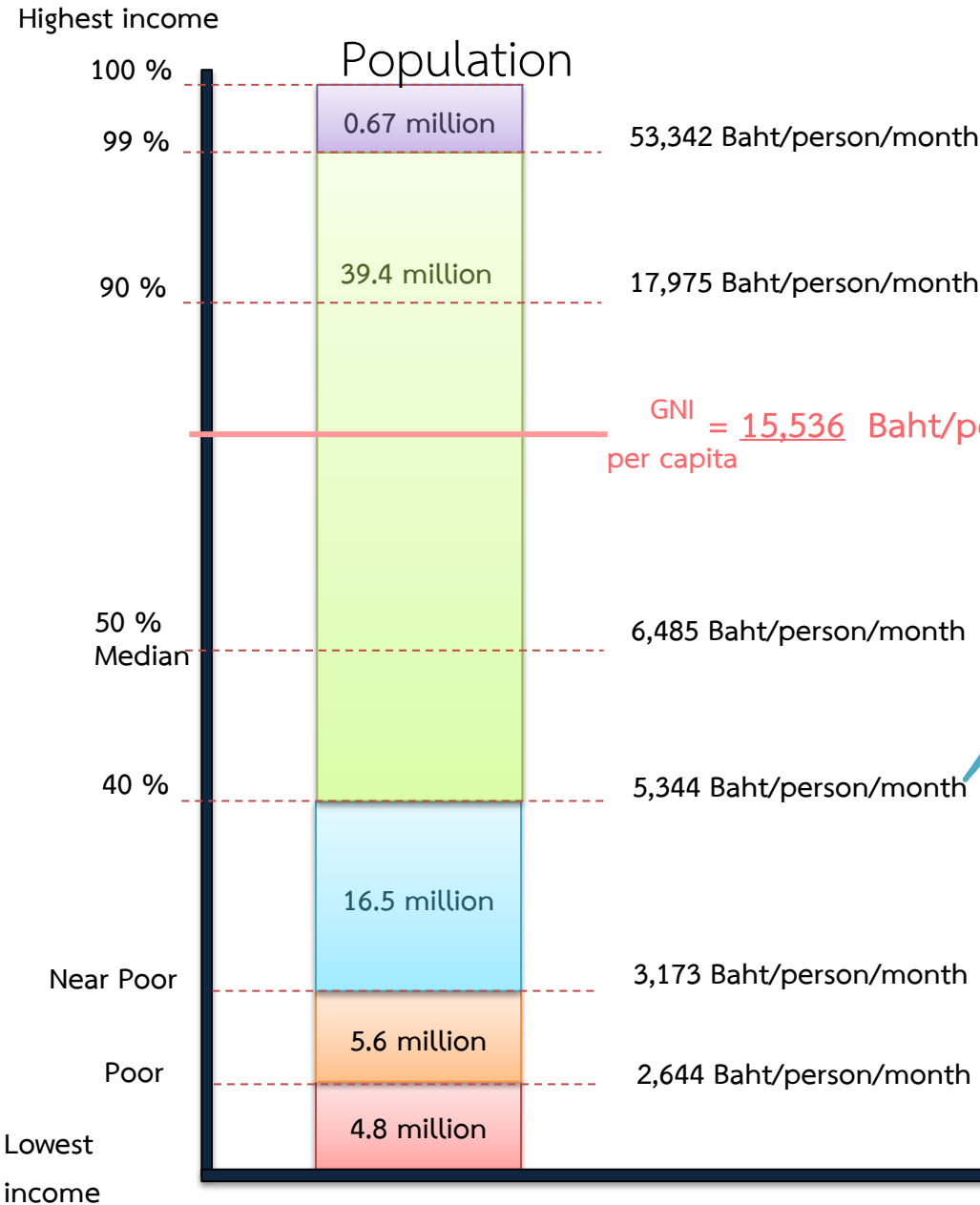



Social enterprise/civil society

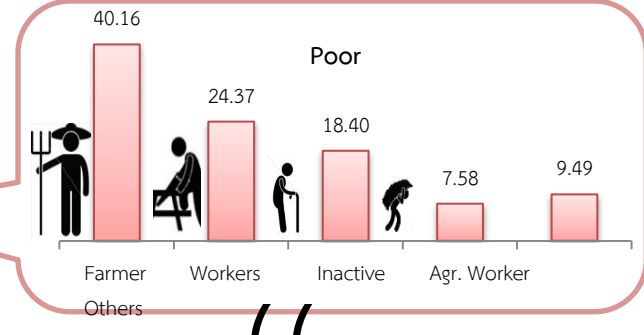
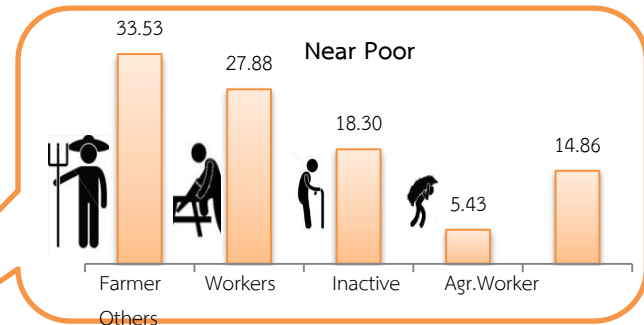
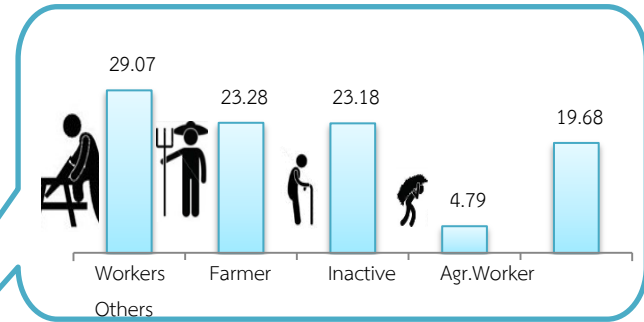
- Strengthen the mechanism of the civil society
 - Support social enterprise act

The National Reform Steering Assembly (2015) had been selected some issues from NRC proposals to reinforce actions such as the National Strategy for Financial Literacy and Discipline Committee, the Social enterprise act. Moreover, concerns on aging society had been another big push in NRSA. It suggested setting regulation for living quality of the old age, reform on old age employment and welfare

POOR & NEAR POOR INCOME LEVELS



 In 2015, there were 26.9 million persons who lived at bottom 40% and were vulnerable to poverty



Objectives

1. To enhance income-generating opportunity for the 40% of population with lowest income (bottom 40%)
2. To ensure universal access to quality public services.
3. To strengthen community's capacity

Targets

1 Reduce income inequality across socio-economic groups and tackle poverty

- 1.1 Growth rate of per capita income of the bottom 40% is no less than 15% per annum
- 1.2. Income Gini coefficient is reduced to 0.41 at the end of the Plan.
- 1.3 Share of financial assets held by the bottom 40% has increased.
- 1.4 Share of population under national poverty line is lower than 6.5% at the end of the Plan.
- 1.5 Ratio of debts to household income of the poor households has reduced.

2 Enhance accessibility to basic social services

- 2.1 Adjusted net enrollment rate for basic education reaches 90% with no disparities across population groups and geographical areas
- 2.2 Share of students that pass national test score benchmark of 50% has increased and educational outcome disparities across areas and regions has reduced.
- 2.3 Share of insured persons under Social Security Article 40 and share of national savings fund members to total labor force have increased.
- 2.4 Disparities in the ratio of population per health personnel across geographical areas has decreased.
- 2.5 Access to justice by poor population has increased.

3 Foster community's capacity and strengthen grassroots economy toward self-reliance and inclusiveness

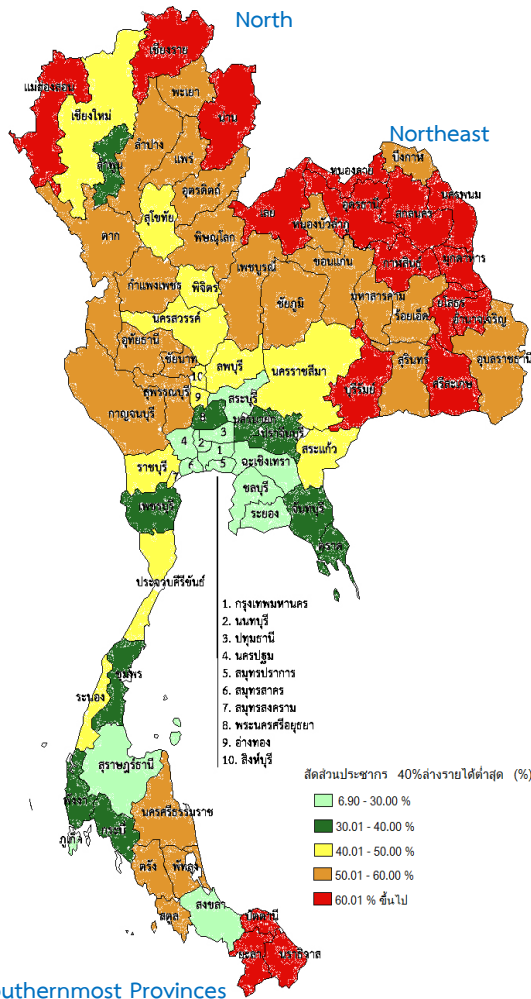
- 3.1 Share of households with access to financial sources has increased.
- 3.2 Community empowerment index has increased in all regions.
- 3.3 Value added of the community products has increased.

Indicators





Covers 26.9 million persons



39%

of which are considered poor and near-poor persons

Income

Below 5,344 Baht/month/person
(Average income of 4,074 Baht/month/person)



Education

75.9 % Primary or lower

12.9 % Secondary



Occupation

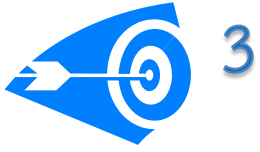
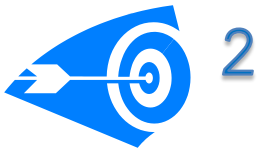
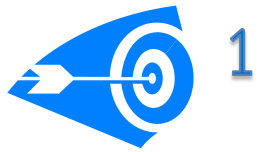
59.1 % Agricultural

15.6 % Manufacturing and construction



12th Plan
Target

Raise income level of the Bottom 40%
to the average of 7,755 Baht/month/person,
equivalent to a 15% growth per annum,
by the end of 12th Plan



Policy Directions



Enhance income and job opportunities of the Bottom 40%

- 1.1 Enhance disadvantage children's access to quality education
- 1.2 Provide additional mechanisms to ensure accessibility of the bottom 40% to public health services
- 1.3 Enhance land-ownership opportunity along with provision of income-generating measures
- 1.4 Impose a more-redistributive fiscal policy that effectively favor the low-income population
- 1.5 Provide additional social welfare for the Bottom 40%

Distribute quality public services more evenly

- 2.1 Promote more equal distribution of quality education across geographical areas by providing incentives, setting up educational accountability system and using technology as a tool for expanding quality education
- 2.2 Ensure full coverage of quality public health services and promote the use of technology in providing distance health assistance
- 2.3 Advocate the benefits of social security system and income security after retirement including the National Savings Fund. Expand coverage of housing for low-income earners.
- 2.4 Foster the universal-designed infrastructure emphasizing the appropriateness for children, women, disabled persons, elderly and disadvantage groups.
- 2.5 Improve the business environment, including the rule of laws, toward a fair competitive environment.

Foster community's capacity in economic development and strengthen microfinance

- 3.1 Build and empower change leaders at community level
- 3.2 Promote learning community through research and knowledge transfer system.
- 3.3 Strengthen community's economy by promoting community-level entrepreneurship, supporting community training center, connecting industrial networks with community and foster tripartite cooperation (private sector, educational institution and community).
- 3.4 Provide financial-management knowledge to community, restructure community's financial organization toward fully-functioned local-level financial institution and set up microfinance network
- 3.5 Foster community's role in providing welfare, social services and resource-management



Thank you
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