

EE460: Poverty in Thailand

Bhanupong

Lecture 27

Like cancer, poverty is not a single disease.

It is a scourge with many symptoms and causes.

And it is for that reason that, also like cancer, it is so difficult to eradicate.

Outline

- **Framework of inclusive growth indicators (Asian Development Bank)**
- **Growth and poverty reduction**
- **Employment and poverty**
- **Rural vs. urban poverty**
- **Global food crisis and the vulnerable**
- **Education, poverty, and politics**

Poverty incidence: 1962-1990

	Aggregate poverty	Rural poverty	Urban poverty
1962	57.0	61.0	38.0
1975	31.4	36.2	12.5
1990	17.0	20.5	5.3

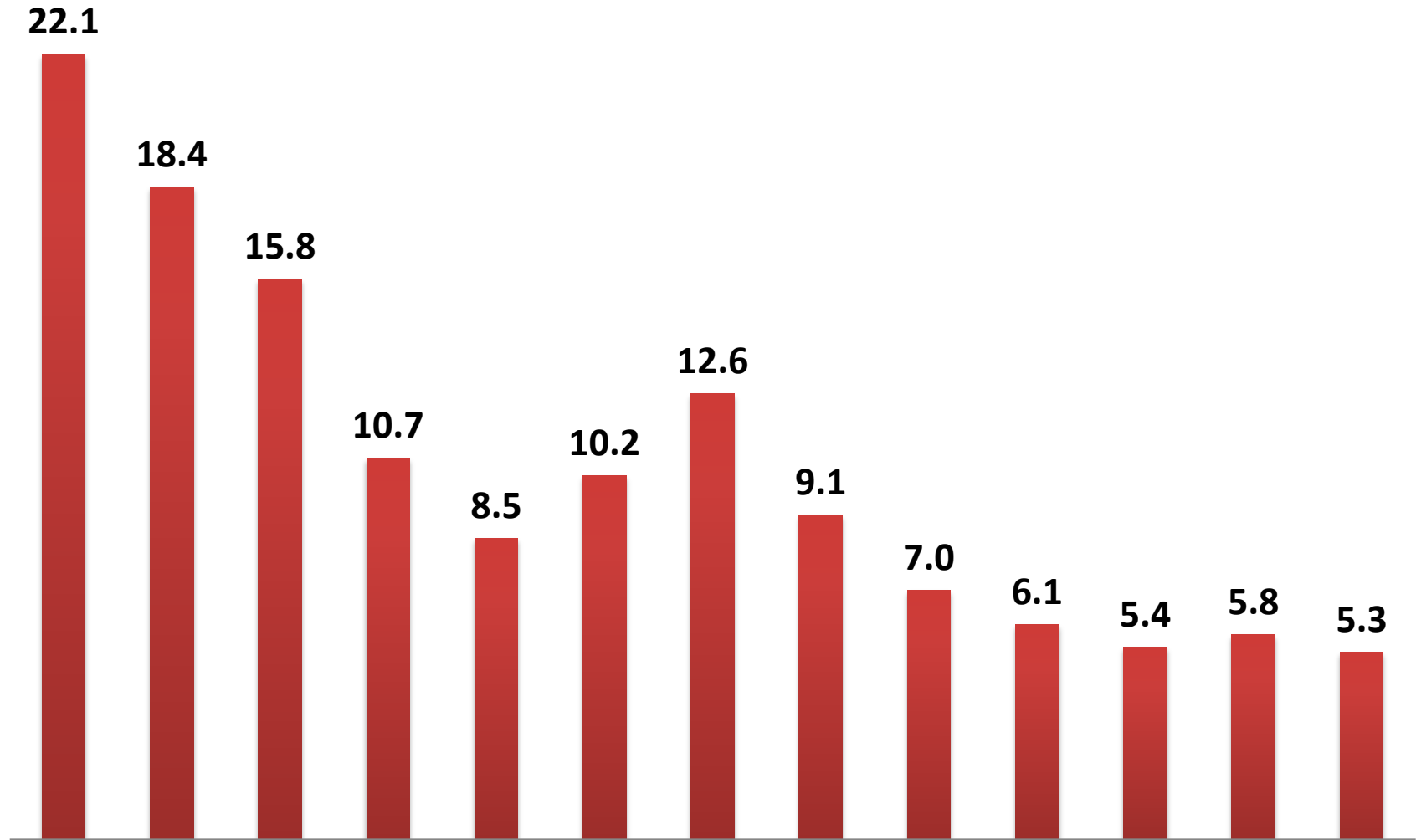
Aggregate poverty is the percentage of the total population whose income fall below poverty line (held constant over time in **real terms**).

After twenty years of economic development:
Slowing down growth of income per capita (1990-2010)
 Top (highest quintile) and bottom 20% (lowest quintile)

Annualized growth rate of GDP per capita at PPP (constant 2005 PPP\$)	1990-95 7.7	2005- 2010 2.8
Annualized growth rate of average per capita income or consumption (2005 PPP\$) ^c	1990-1999	1999-2009
Total	3.4	2.9
Lowest quintile	3.7	3.8
Highest quintile	2.9	2.3

Source: ADB Inclusive Growth Indicators

Declining number of the poor 1988-2011 (million)



Source: NESDB

Poverty and inequality

	1990	2009
Income poverty		
Proportion of population living below the national poverty line percent	33.7	7.8
by Residence		
Urban	20.5	3.0
Rural	39.2	10.4
Proportion of population living below \$2 a day at 2005 PPP\$ percent (WB Poverty line)	37.1	4.6
Inequality: Top-bottom ratios		
Ratio of income or consumption of the highest quintile to lowest quintile ^a	8.8	7.1
Lowest quintile income or consumption share	5.9	6.7
Highest quintile income or consumption share	52.2	47.2

Poverty lines drawn by ADB and World Bank

The poverty picture looks different upon thresholds set by the Asian Development Bank (ADB). The latest study by the ADB on poverty in Asia set the poverty line in Indonesia at \$1.25 based on purchasing power parity.

The World Bank's poverty threshold is \$2 a day.

Income poverty is part of the story

All these numbers seem to differ but have one thing in common. They are all based on monetary measures, revealing income or expenditure poverty. Why does this matter?

The figures only tell part of the story. They do not reflect other forms of poverty and the many overlapping disadvantages experienced by the poor, such as:

Malnutrition, poor sanitation, lack of electricity or limited access to schooling, let alone qualitative aspects such as empowerment and participation.

Growth and poverty: A positive correlation

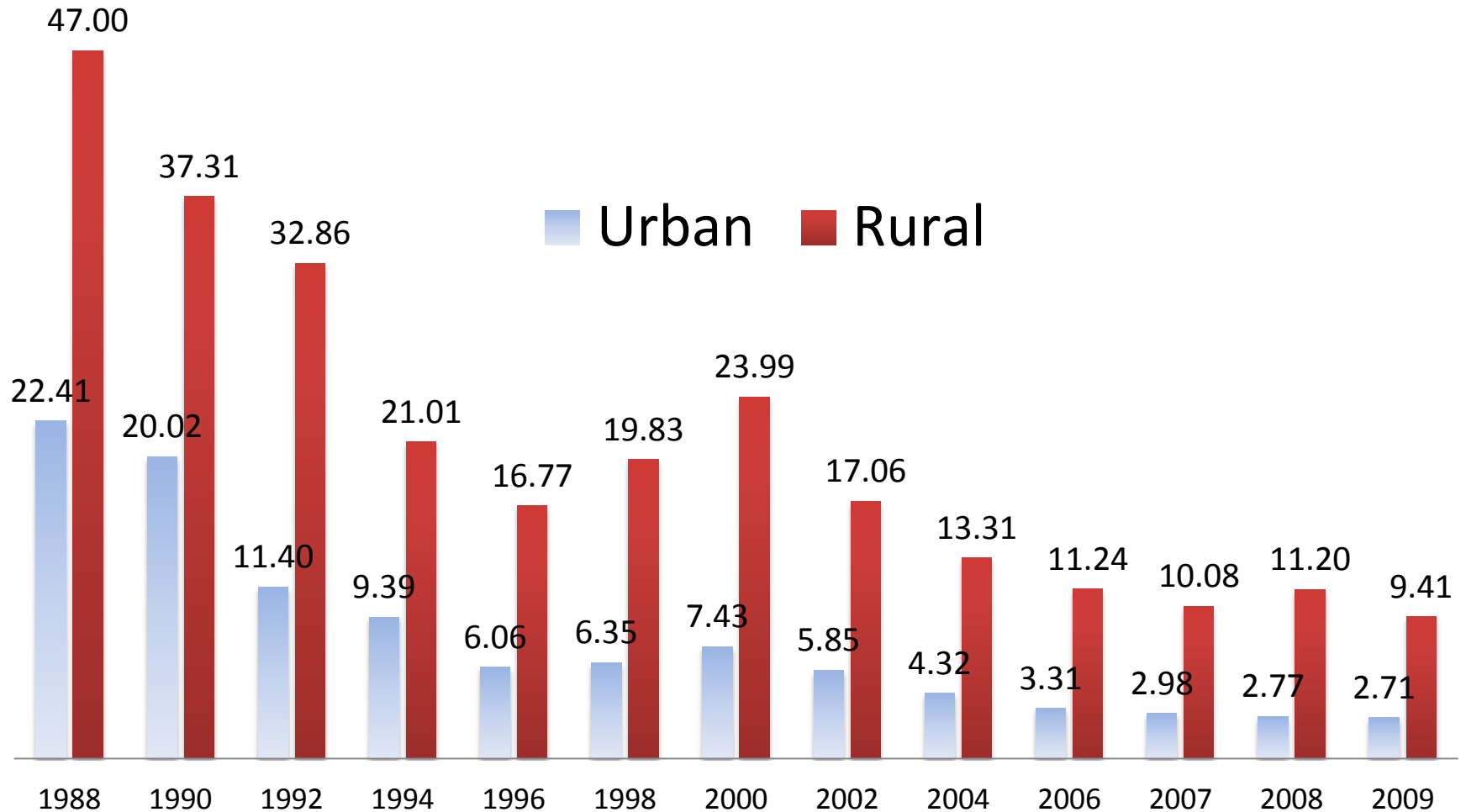
- Large reductions in absolute poverty incidence in Thailand, Indonesia, Malaysia, and the Philippines over the period from 1960s to 1999 were related to high rate of economic growth (Warr, 2000).
- In Thailand, the income share of the bottom 20% is correlated with the GDP growth.

Favorable impact of growth: poverty alleviation

- High growth years were followed by a drastic reduction of the number of the poor.
- The percentage of the poor, i.e. people who live below poverty declined from 32 % in 1988 to 11% in 1996.
- When growth rate fell below the trend growth path in 1982 and 1986, poverty alleviation in subsequent years was not as effective as during the boom years.
- During the financial crisis in 1998, the percentage of the poor rose to 13%.

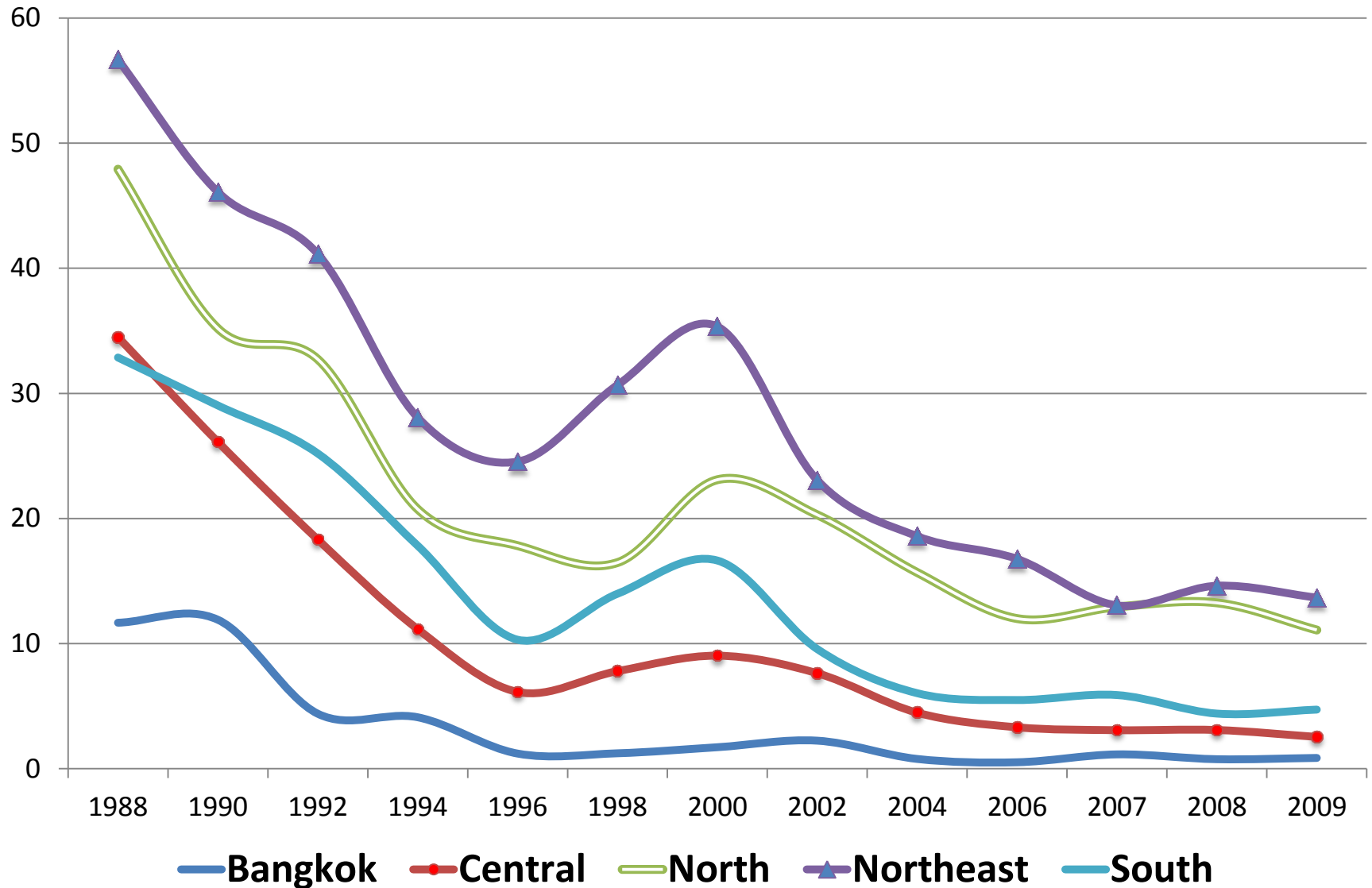
Poverty by residence: Urban vs. Rural Poverty

Unit: Percentage of the poor

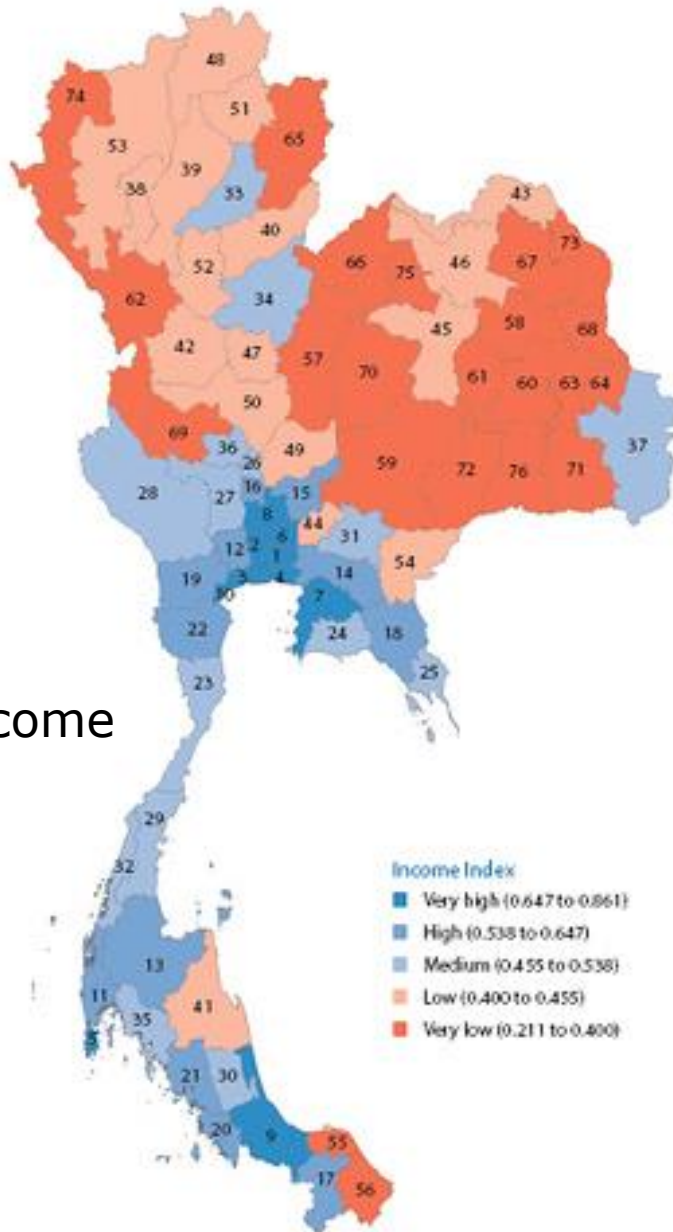


Source: NESDB

Poverty by Region



Source: NESDB



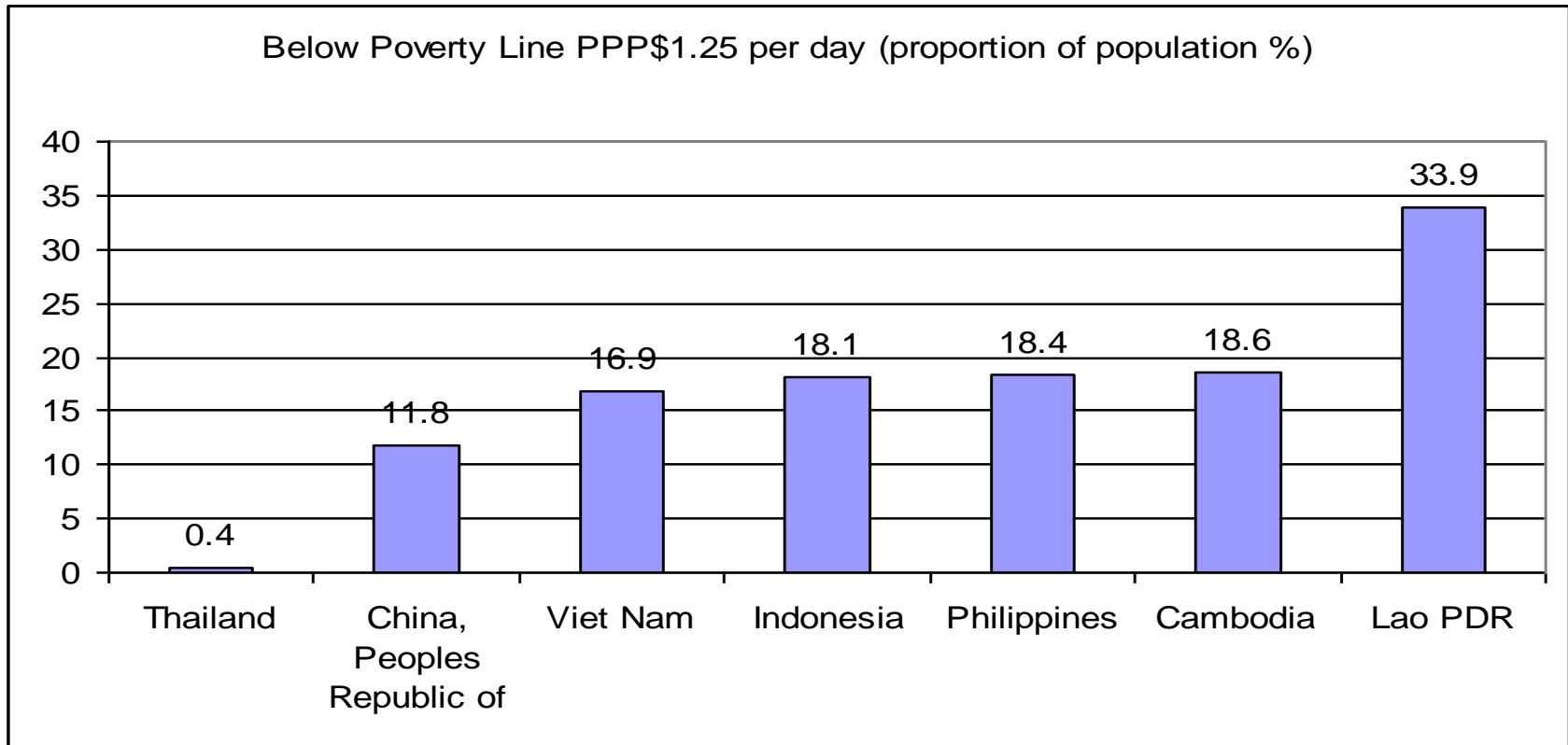
Rank

- 1 Bangkok
- 2 Northburi
- 3 Samut Sakhon
- 4 Samut Prakan
- 5 Phuket
- 6 Pathum Thani
- 7 Chon Buri
- 8 Phra Nakhon Si Ayutthaya
- 9 Songkhro
- 10 Samut Songkhram
- 11 Phangnga
- 12 Nakhon Pathom
- 13 Surat Thani
- 14 Chachoengsio
- 15 Saraburi
- 16 Ang Thong
- 17 Yala
- 18 Chanthaburi
- 19 Ratchaburi
- 20 Satun
- 21 Trang
- 22 Phetchaburi
- 23 Prachuap Khiri Khan
- 24 Rayong
- 25 Trat
- 26 Sing Buri
- 27 Suphan Buri
- 28 Kancharaburi
- 29 Chumphon
- 30 Phatthalung
- 31 Prachin Buri
- 32 Ranong
- 33 Phrae
- 34 Phitsanulok
- 35 Krabi
- 36 Chai Nat
- 37 Ubon Ratchathani
- 38 Lamphun
- 39 Lampang
- 40 Uttaradit
- 41 Nakhon Si Thammarat
- 42 Kamphaeng Phet
- 43 Nong Khai
- 44 Nakhon Nayok
- 45 Khon Kaen
- 46 Udon Thani
- 47 Phichit
- 48 Chiang Rai
- 49 Lop Buri
- 50 Nakhon Sawan
- 51 Phayao
- 52 Sukhothai
- 53 Chiang Mai
- 54 Sa Kaeo
- 55 Pattani
- 56 Narathiwat
- 57 Phetchabun
- 58 Kalasin
- 59 Nakhon Ratchasima
- 60 Roi Et
- 61 Maha Sarakham
- 62 Tak
- 63 Yasothon
- 64 Amnat Charoen
- 65 Nari
- 66 Loei
- 67 Sakon Nakhon
- 68 Mukdahan
- 69 Uthai Thani
- 70 Chalyapthum
- 71 Si Sa Ket
- 72 Burirum

Dark orange
Very Low income

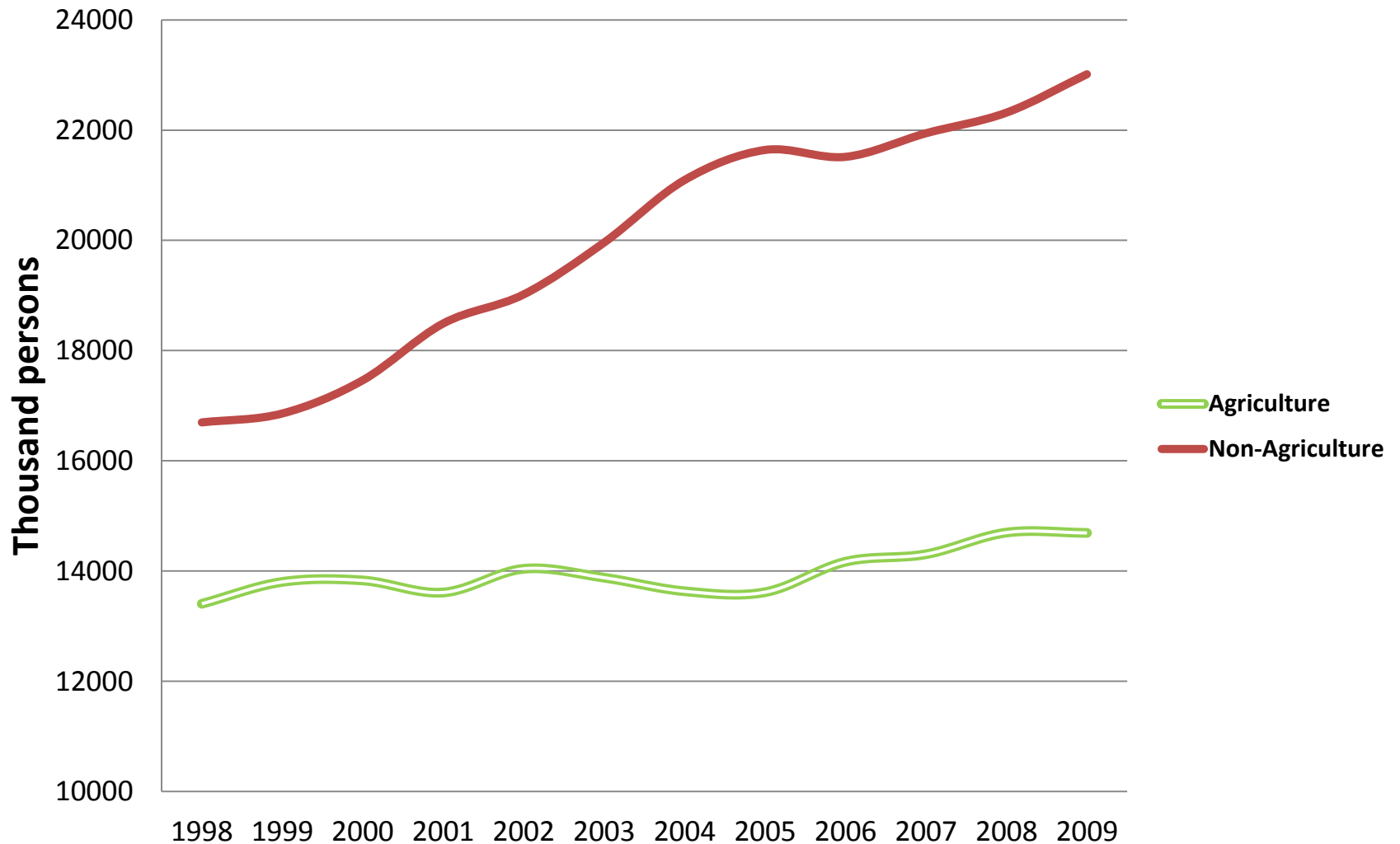
Dark blue
Very high income

Inclusive vs. exclusive growth

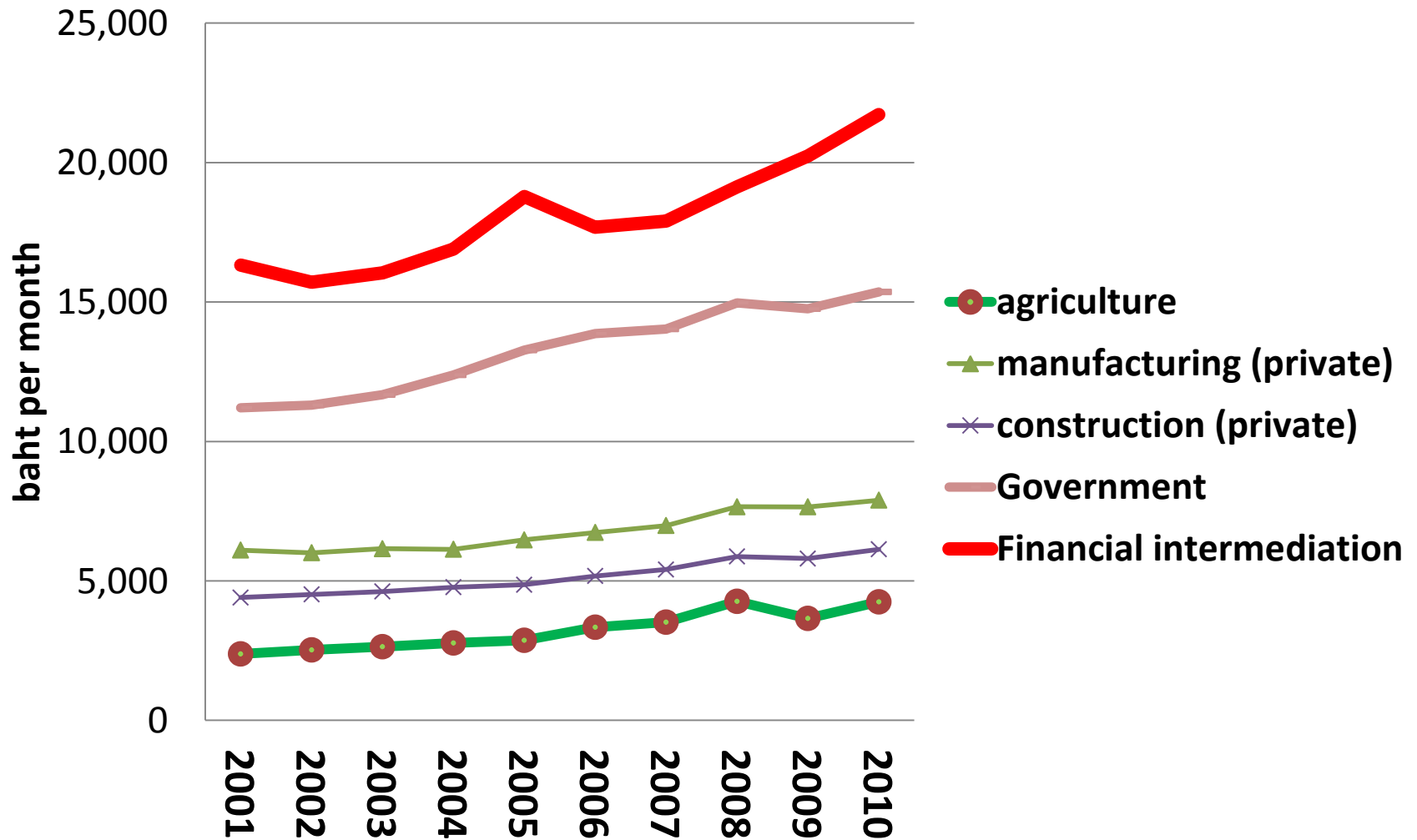


ADB poverty line: \$1.25 per day

Thailand's employment-generating sector: non-agriculture

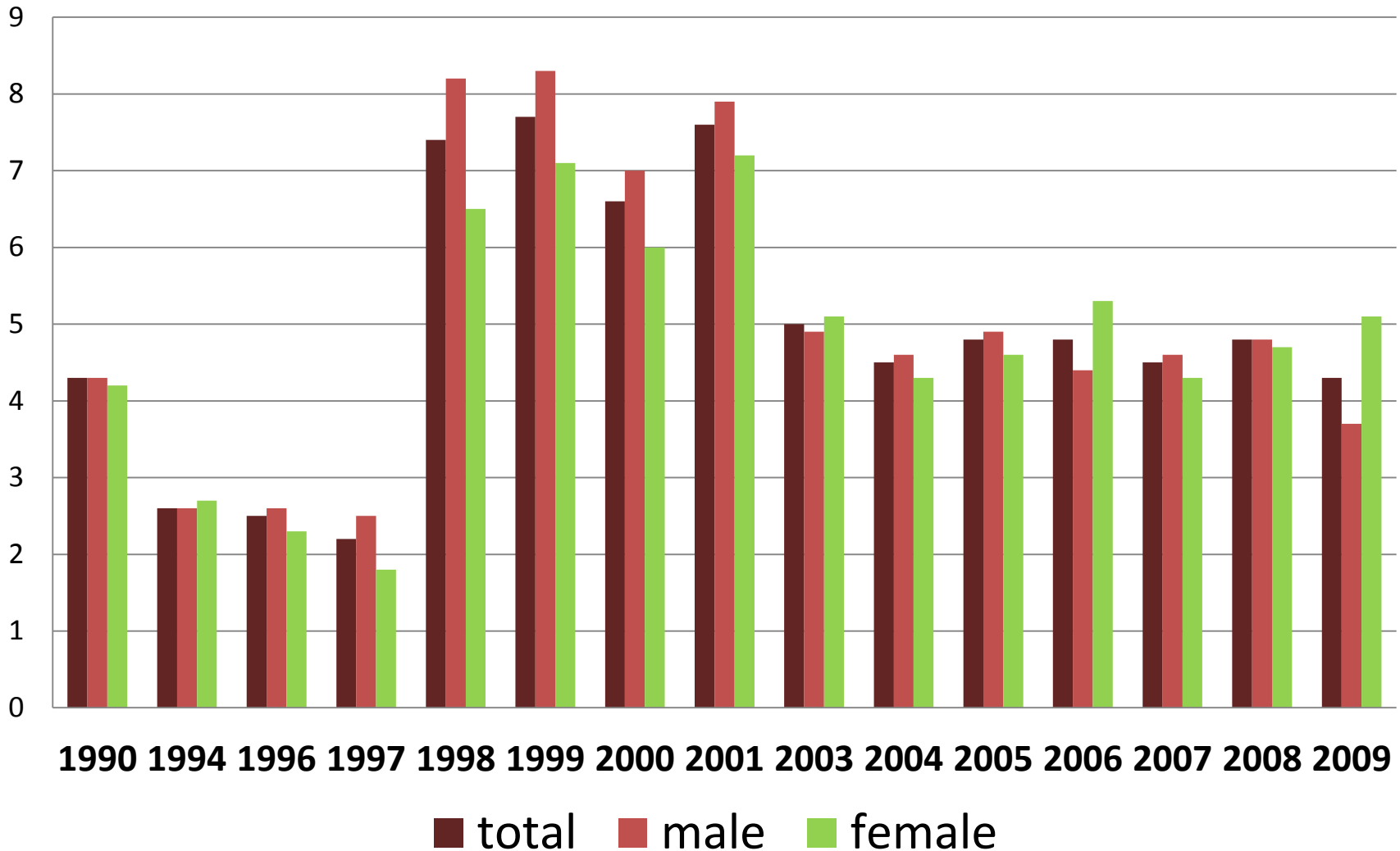


Limited upward mobility: From low to high income (productivity)



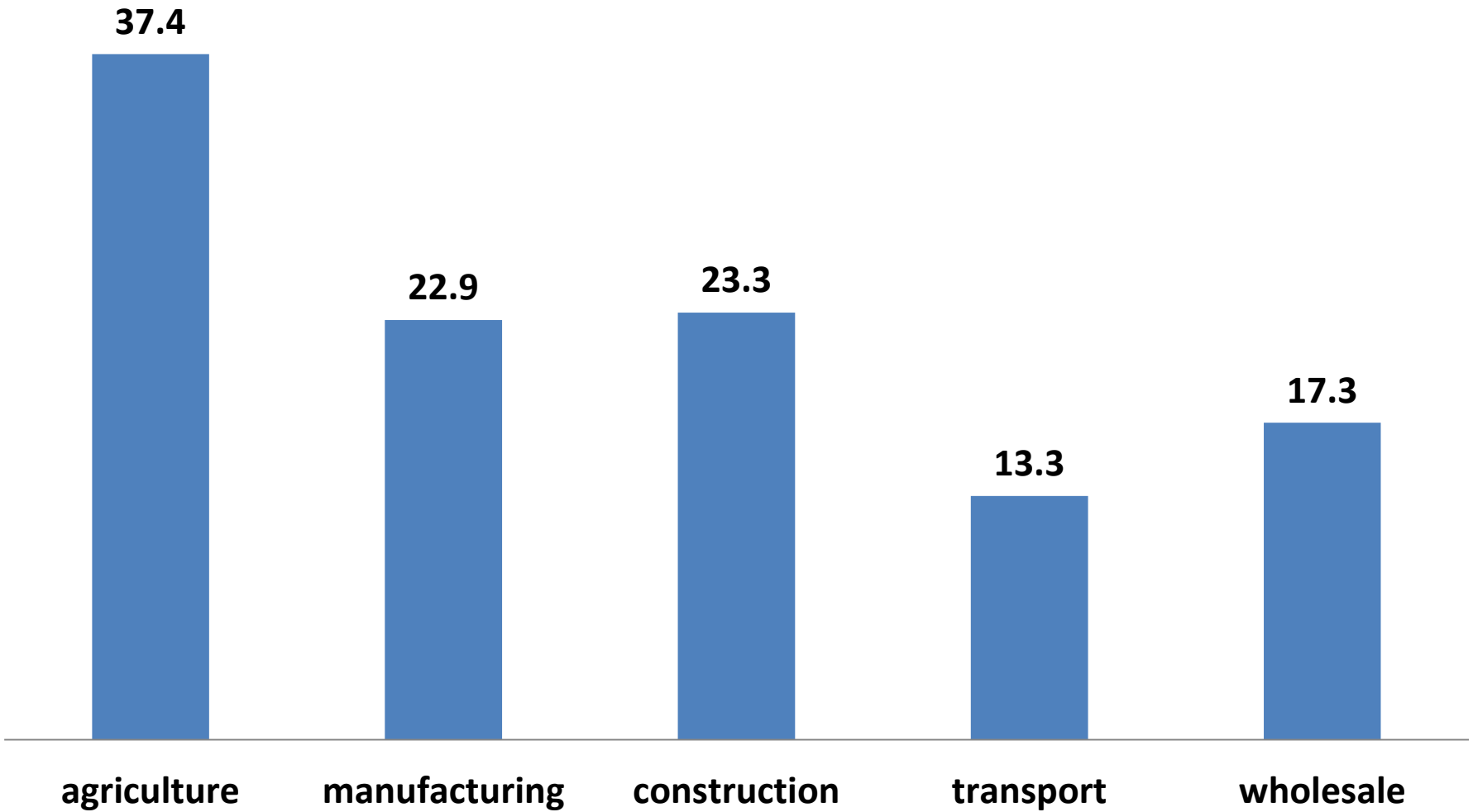
Growth is good for the young

Youth unemployment rate



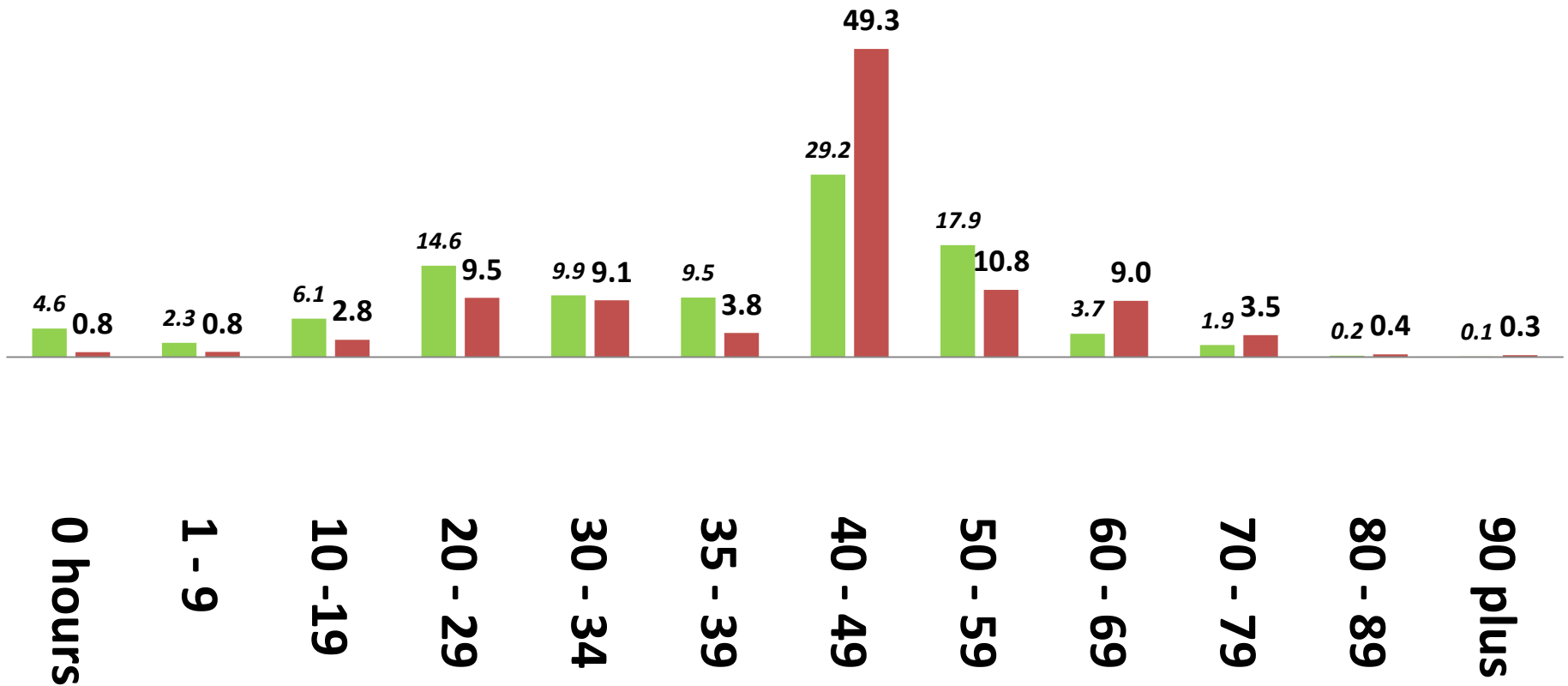
Underemployment

percentage of those who worked *fewer* than 34 hours a week in 2011

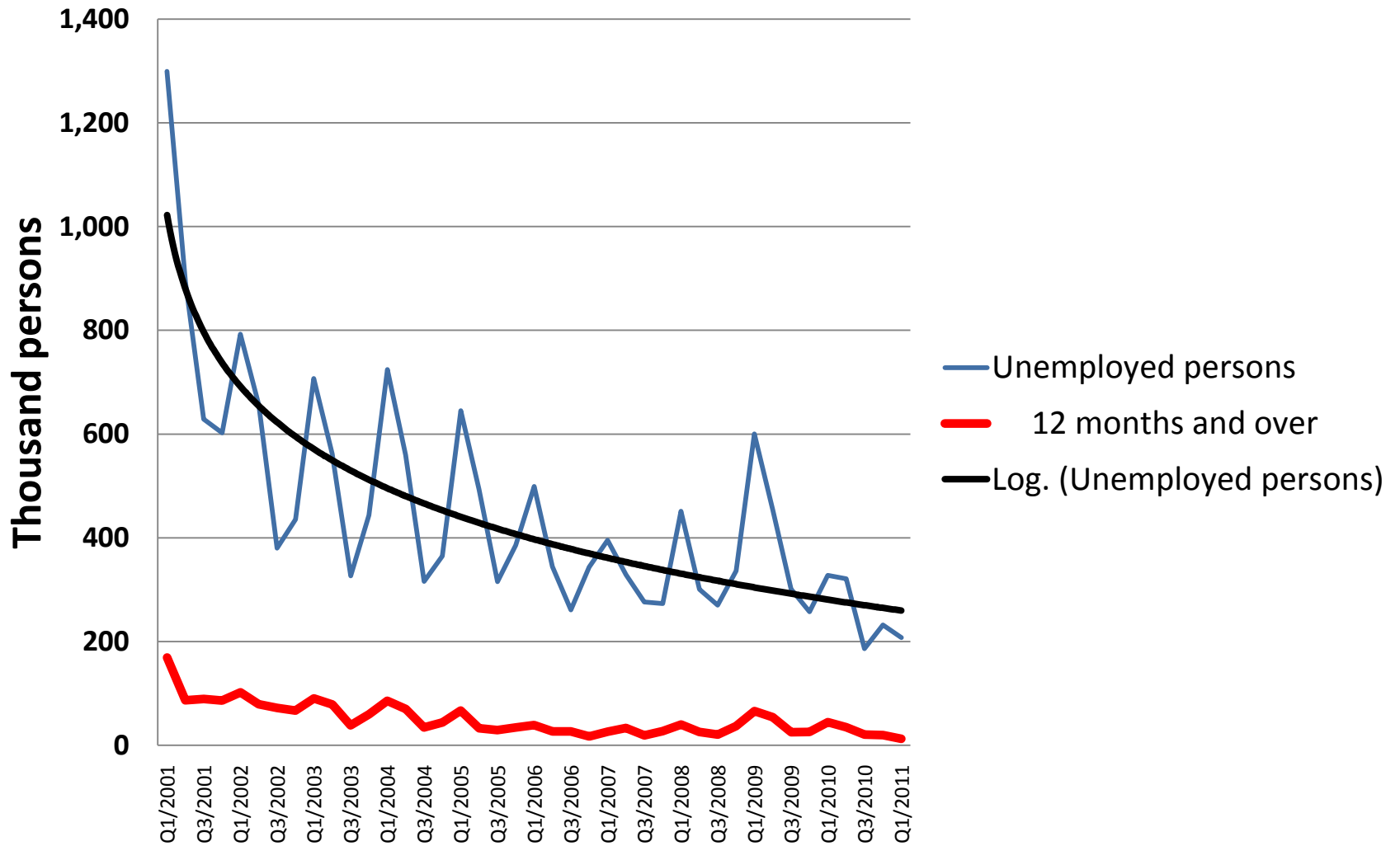


Employed person by hours per week (2011, percent)

■ agriculture ■ manufacturing



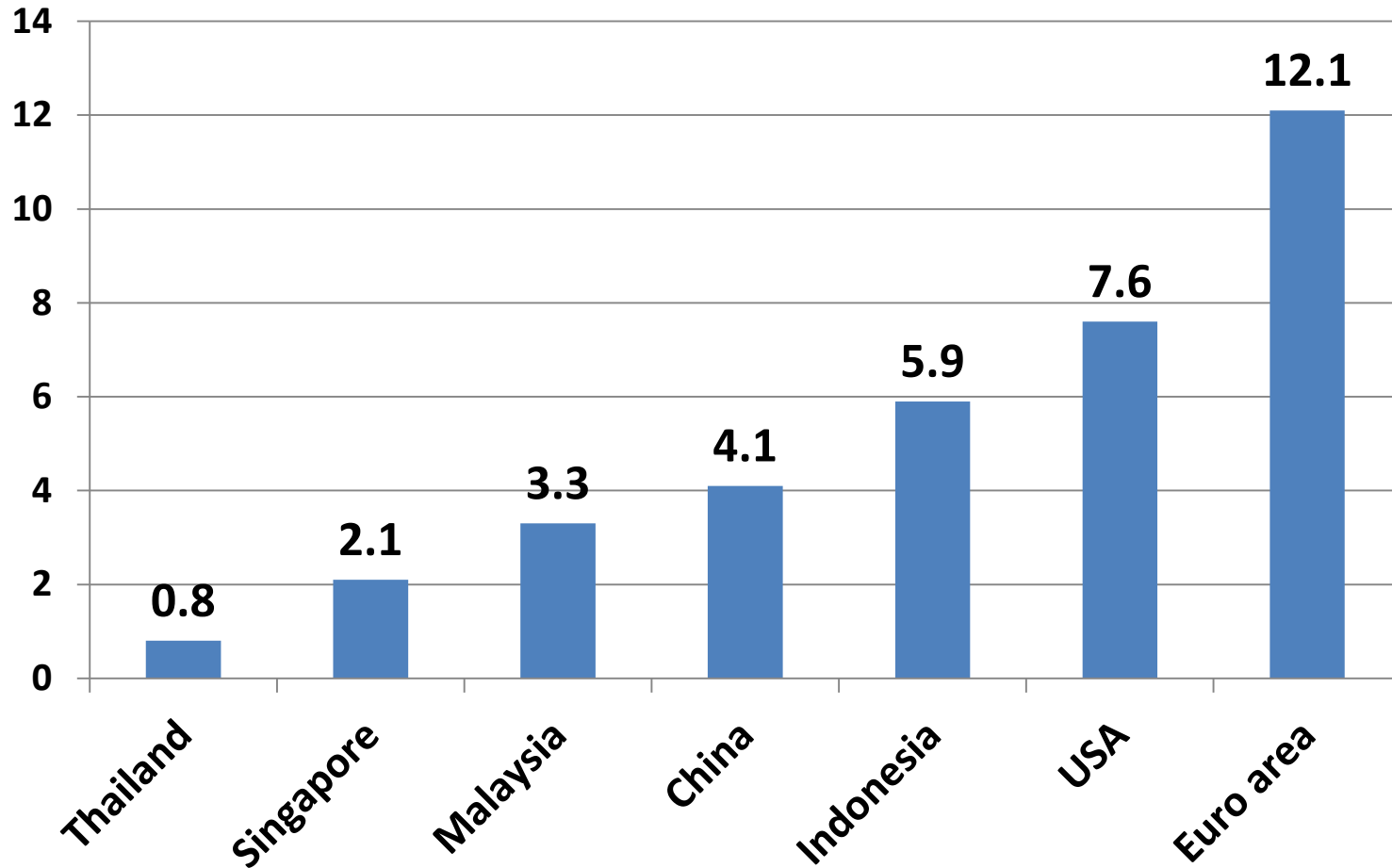
Number of unemployed and duration



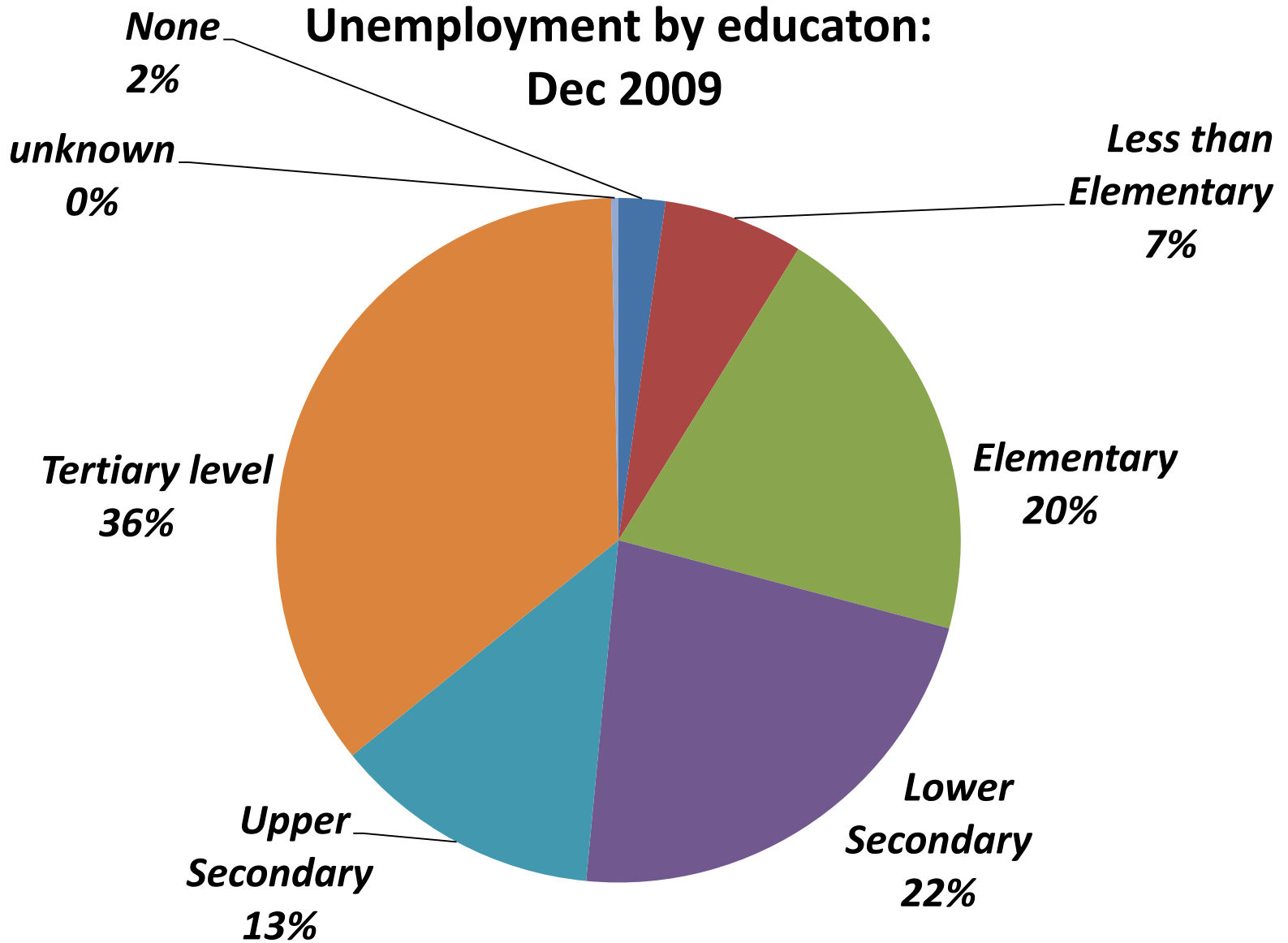
Unemployment and rate of change in wage rate



Comparative Unemployment Rate in 2013



Unemployment by education: Dec 2009

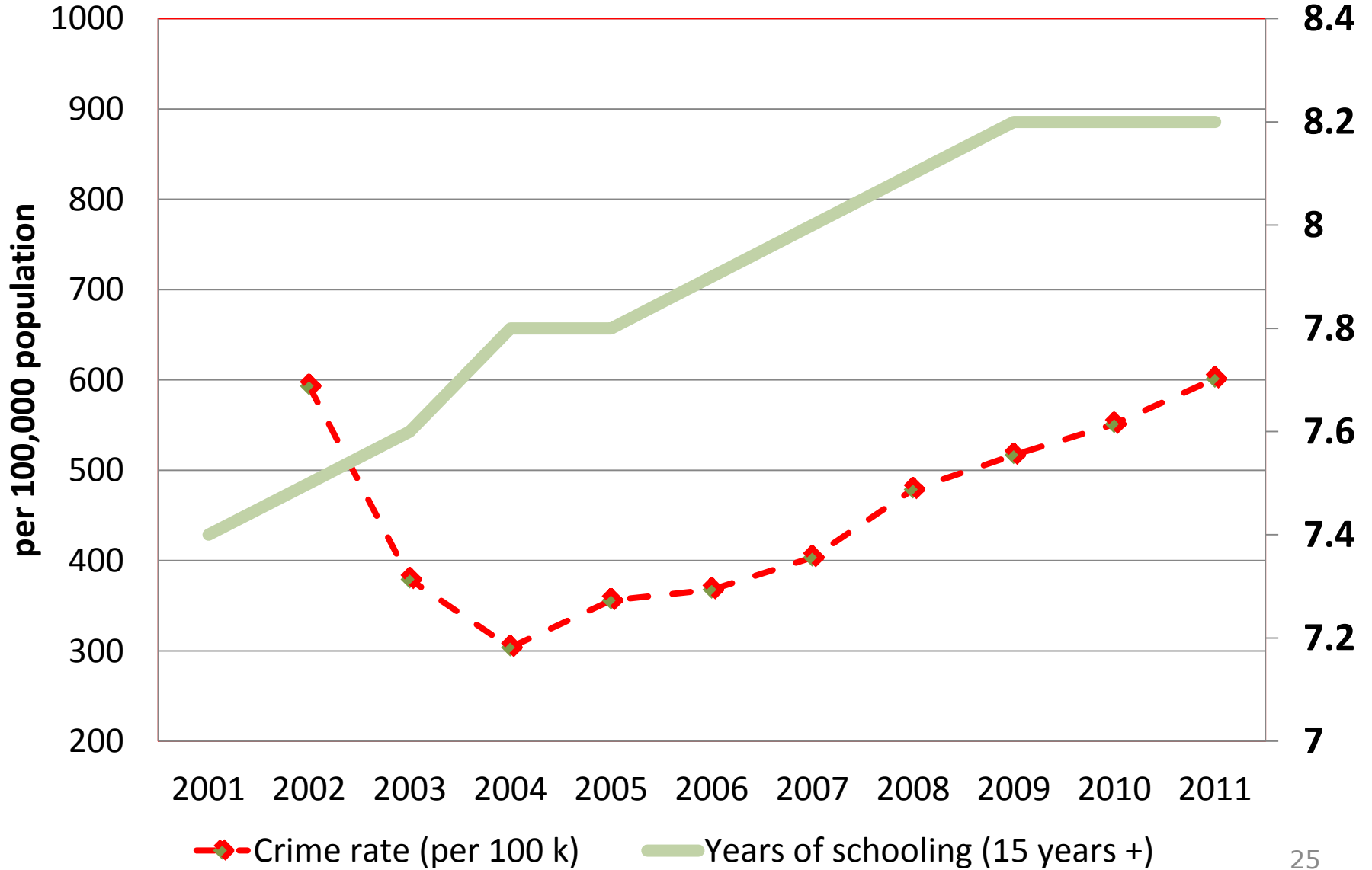


Latest unemployment statistics

March 2015: u= 1%

- สำนักงานสถิติแห่งชาติ (สสช.) ว่า ผลการสำรวจภาวะการมีงานทำของประชากรเดือน มี.ค. 2558 พบว่า ผู้มีงานทำมีอยู่ทั้งสิ้น 37.62 ล้านคน จากจำนวนผู้ที่อยู่ในกำลังแรงงานทั้งสิ้น 38.37 ล้านคน เป็นแรงงานที่รอฤดูกาล จำนวน 369,000 แสนคน หรือ 1% ของประชากรที่อยู่ในกำลังแรงงาน ส่วนจำนวนผู้ว่างงานนั้นอยู่ที่ 378,000 คน หรือคิดเป็นอัตราการว่างงานอยู่ที่ 1% ของประชากรที่อยู่ในวัยแรงงาน เพิ่มขึ้นจาก 316,000 คน หรือ 0.8% ในเดือนก่อนหน้า หรือเป็นการว่างงานที่เพิ่มขึ้น 62,000 คน
- เมื่อแยกพิจารณาเป็นรายภูมิภาค พบว่า ภาคกลางว่างงานเพิ่มขึ้น 67,000 คน ภาคเหนือเพิ่มขึ้น 3,000 คน ภาคตะวันออกเฉียงเหนือการว่างงานลดลง 8,000 คน และภาคใต้การว่างงานลดลง 16,000 คน อย่างไรก็ตาม เมื่อพิจารณาจากลักษณะผู้ว่างงานเป็นผู้ว่างงานที่ไม่เคยมีงานทำมาก่อน 183,000 คน หรือ 48.4% ของผู้ว่างงานทั้งหมด และผู้ว่างงานที่เคยทำงานมาก่อน 195,000 คน หรือ 51.6% โดยเป็นผู้ว่างงานนอกภาคเกษตร 177,000 คน ประกอบด้วยภาคการผลิต 96,000 คน และภาคบริการ การค้า 81,000 คน ส่วนผู้ว่างงานในภาคเกษตร 18,000 คน

Schooling and crime rate



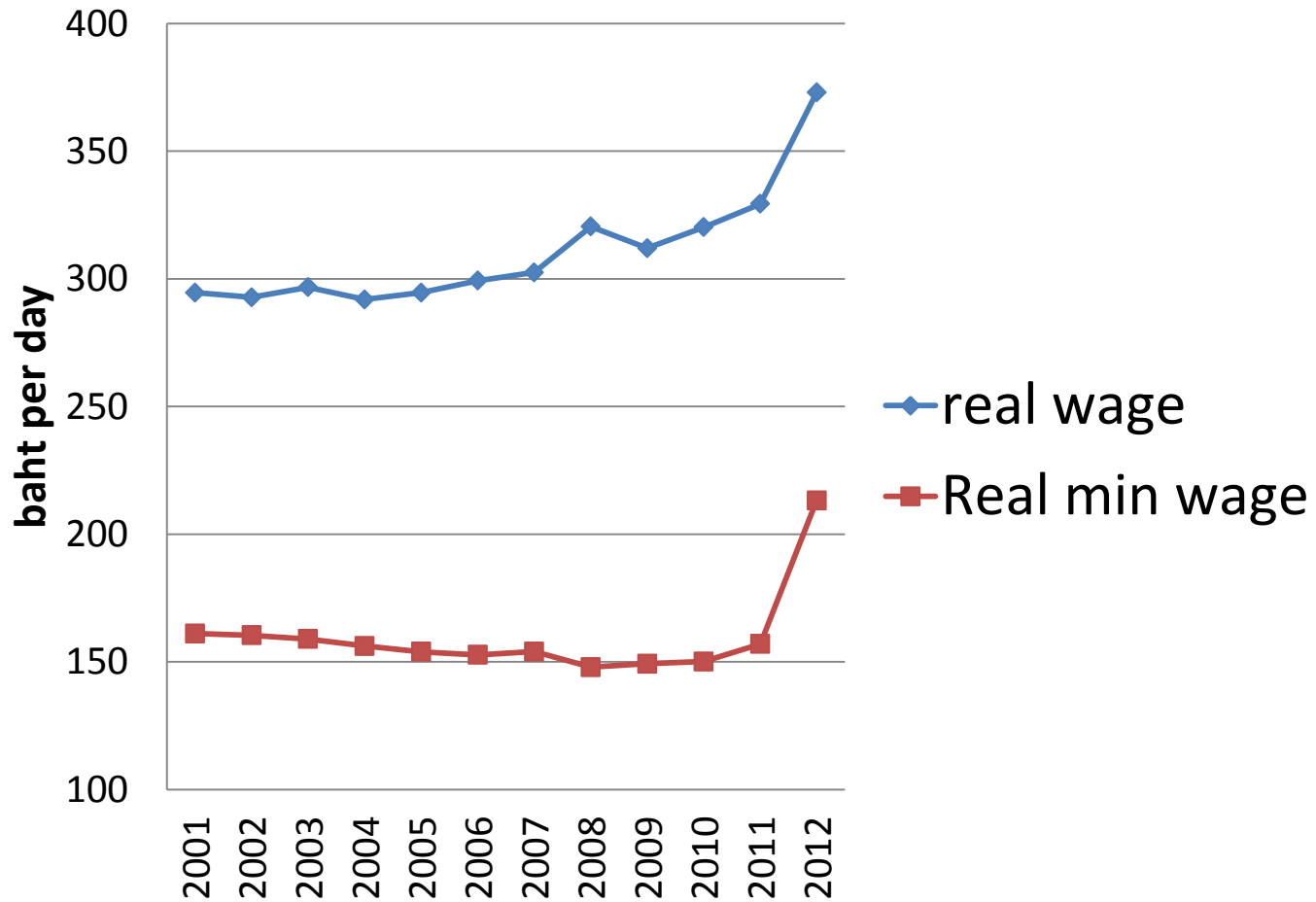
The importance of the service sector: employment effect

- Poverty reduction was strongly related to growth of **agriculture and services**, but not to the growth of manufacture.
- Except for Indonesia, growth of **services** in the three countries has made a larger contribution to poverty reduction **than** growth of agriculture, because growth of services has made the overall growth much larger.

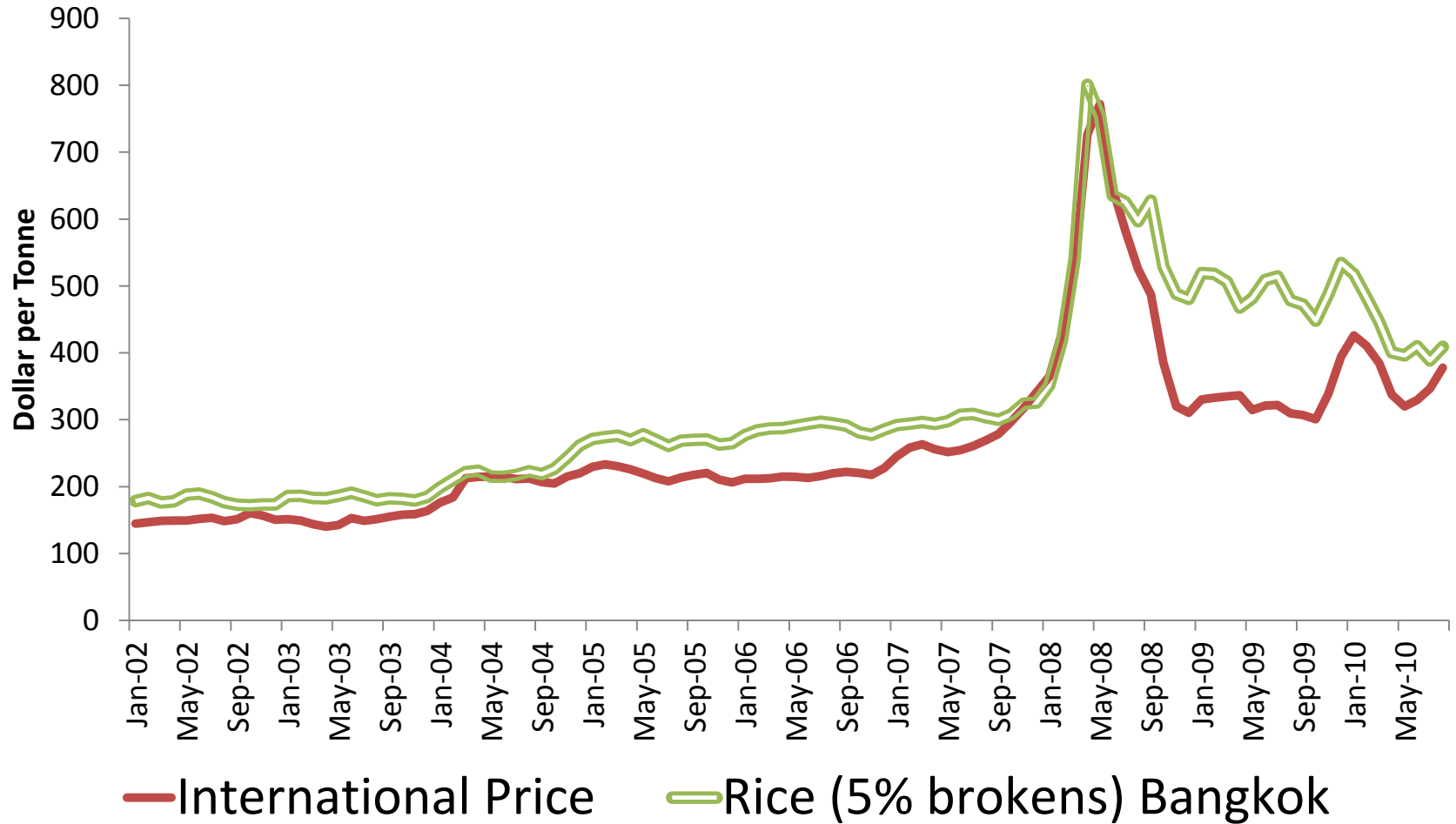
Principal income sources of the poor

- Their own labor—largely unskilled
- Agricultural land (not as important as labor)
- Economic development that increases the demand for labor and land raises the income of the poor and consequently reduces the poverty incidence.
- ***Import substituting industrial policy*** does not advance the welfare of the poor since it does not significantly increase the demand for the principal resource which they own—unskilled labor.

Real Wage Rates

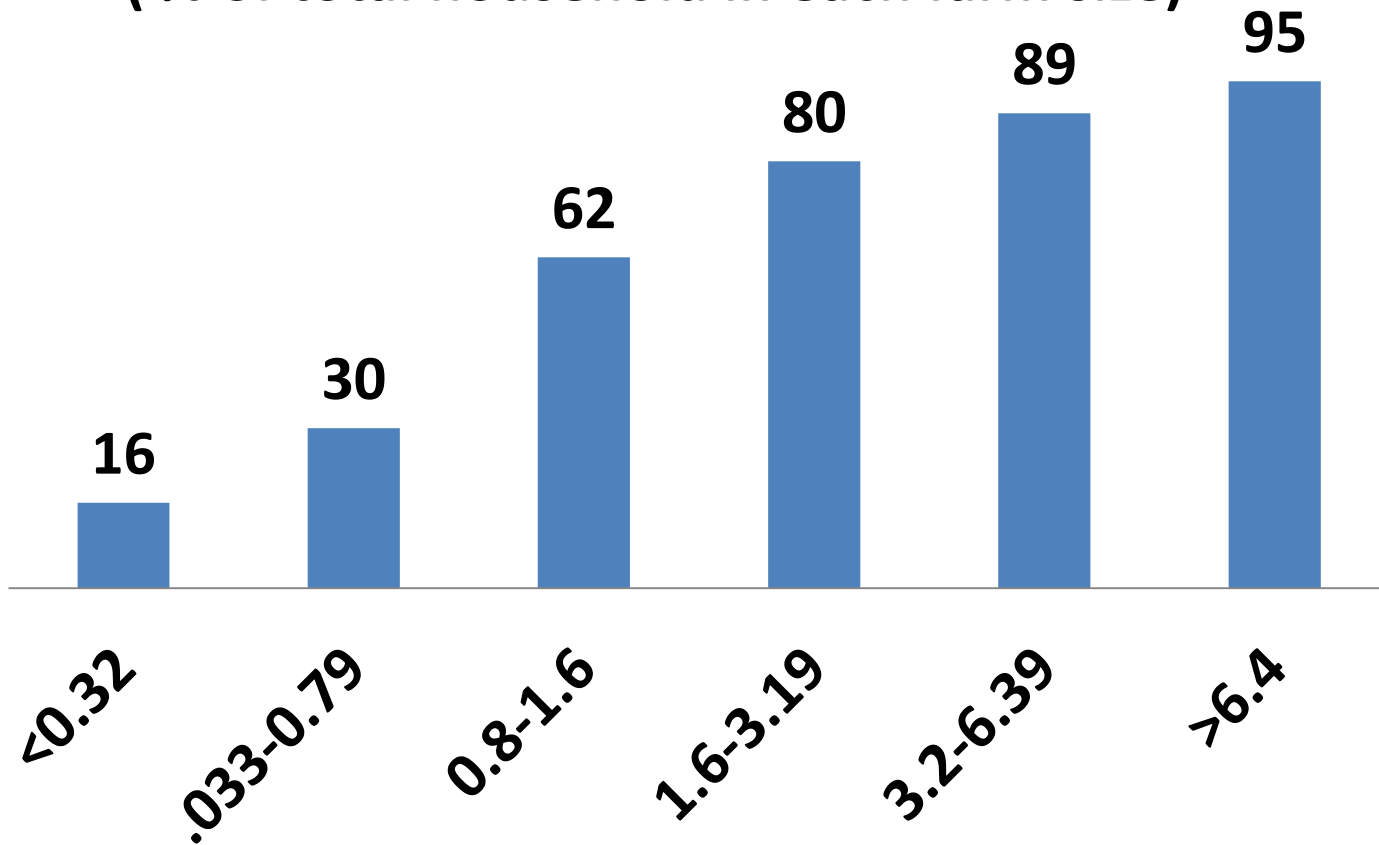


Rice prices from Jan 2002 to Aug 2010



Source: Jackson Son & Co. (London) and BOT

Thailand's net food sellers (% of total household in each farm size)



Farm size by hectare

Size matters

- The small farmers' distress — the unrelenting rise in input costs, which the small farmers are unable to cope with while the big ones, though affected, can still take in their stride.
- This is happening in India.

Spend more, earn less

- "All input costs — water, fertilizer, seeds, machines, labour and fuel — have gone up, while prices obtained for the final produce have not risen commensurately.
- Withdrawal of subsidies by public authorities has further aggravated the burden. This has made small holdings unviable."
- Does it sound familiar?

Large farmers are thriving

- VK Ramachandran, professor at Indian Statistical Institute, who has carried out extensive village studies in different parts of India, stresses that this is not a generalized crisis affecting all farmers.
- "The crisis affects the small and marginal farmer, and less severely, the medium one.
- Large farmers are thriving

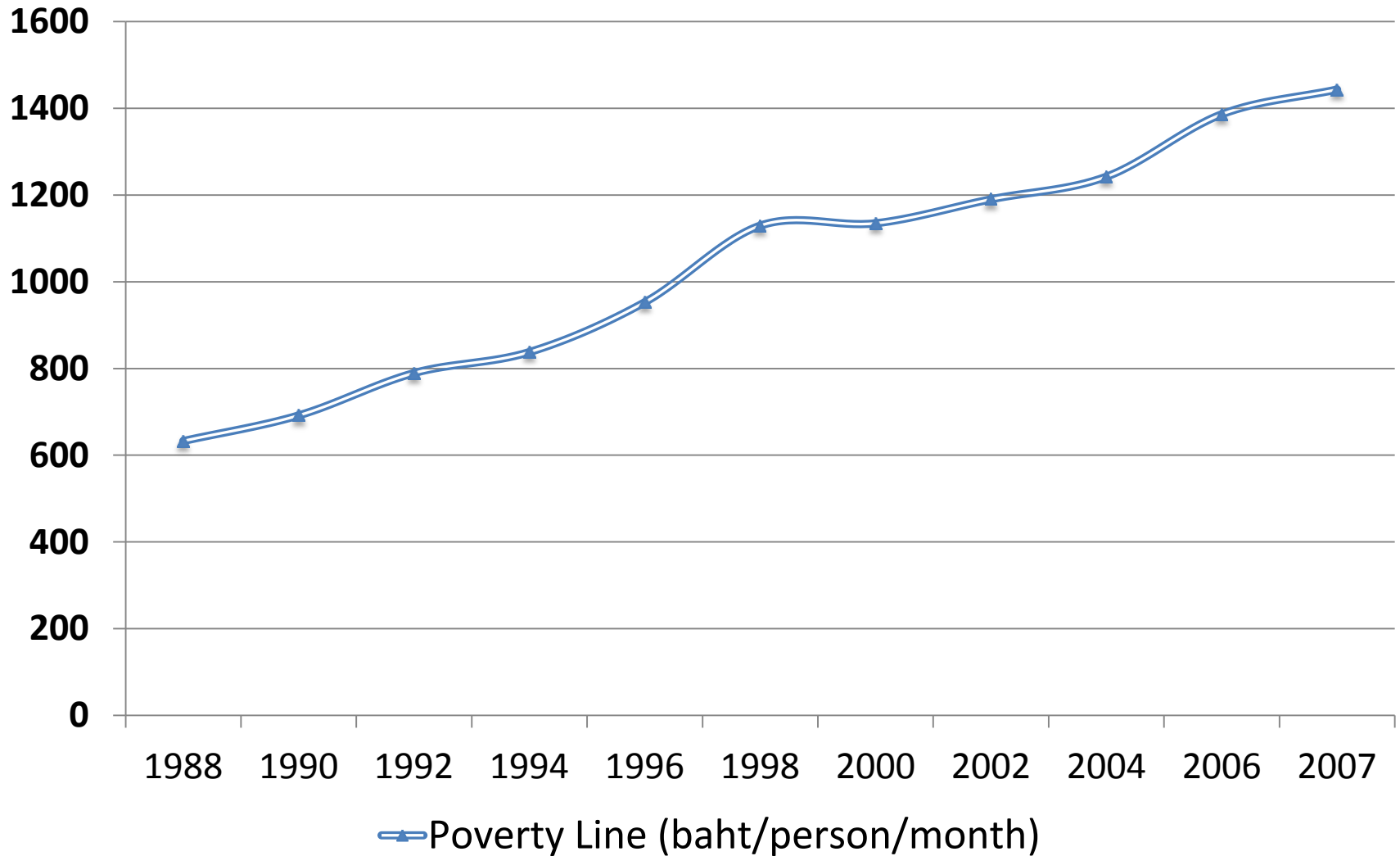
Why can large land-holders do well while the smaller ones fail?

- Pramod Kumar Joshi of the International Food Policy Research Institute, an international think tank, says that they succeed because the big farmers have a large area under cultivation, yielding more marketable surplus and they can bargain for more remunerative prices for their produce.
- "Small holders have low production (due to less area) and, thereby, less marketable surplus. Their transactions costs are very high. Large farmers also have access to credit, extension, technology, which the small holders do not,"

Indian Farmers

- There are nearly 120 million cultivators and 144 million landless agricultural labourers.
- Between 2001 and 2011, 9 million people quit cultivation but 38 million joined the ranks of agricultural labourers.
- Although by all economic logic, agriculture should be unable to sustain this huge population, but the lack of industrial jobs leaves people with no option.
- Migration to cities, a vicious cycle of poverty and even unconscionable suicides are the result.

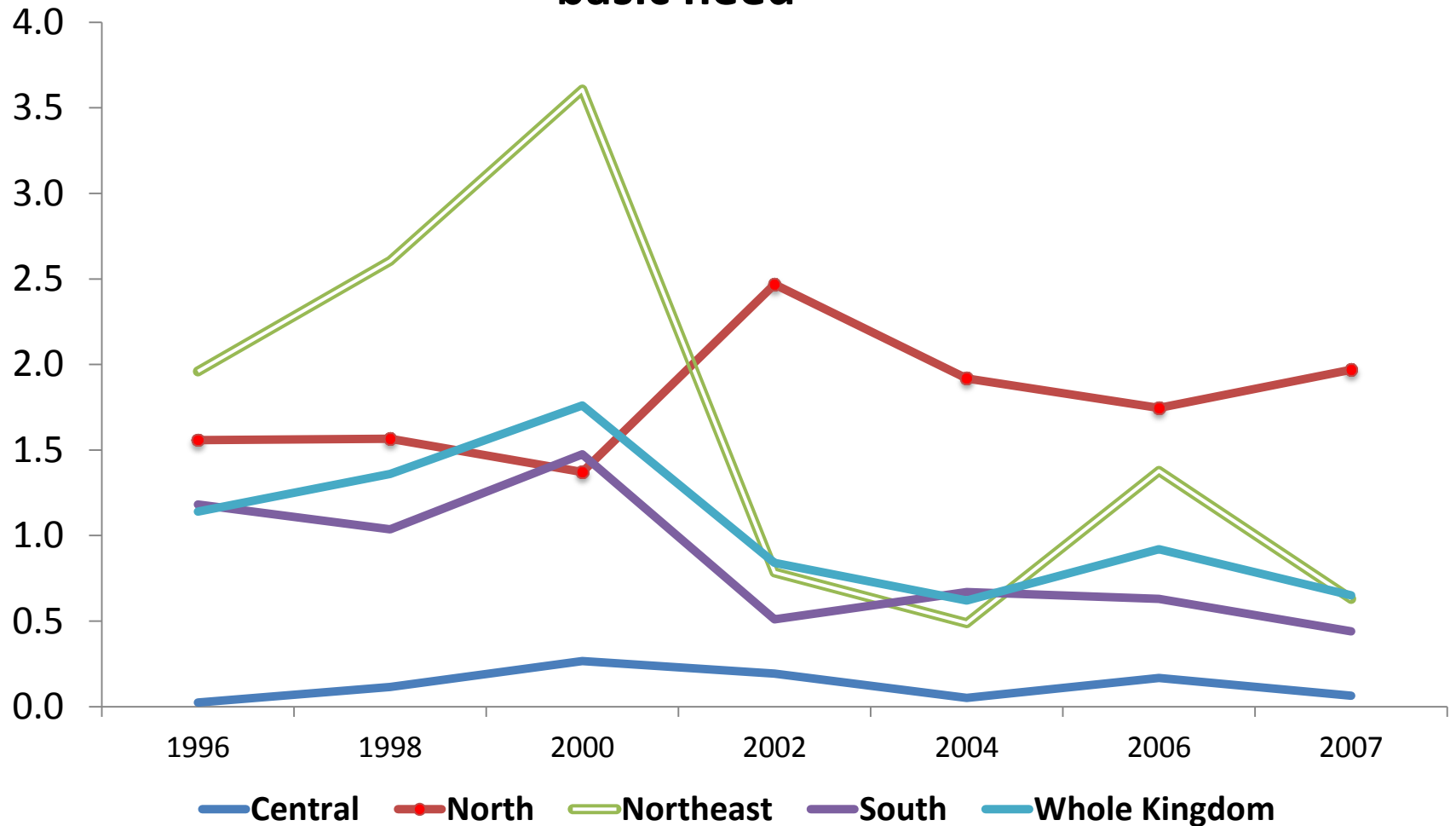
Poverty Line (baht/person/month)



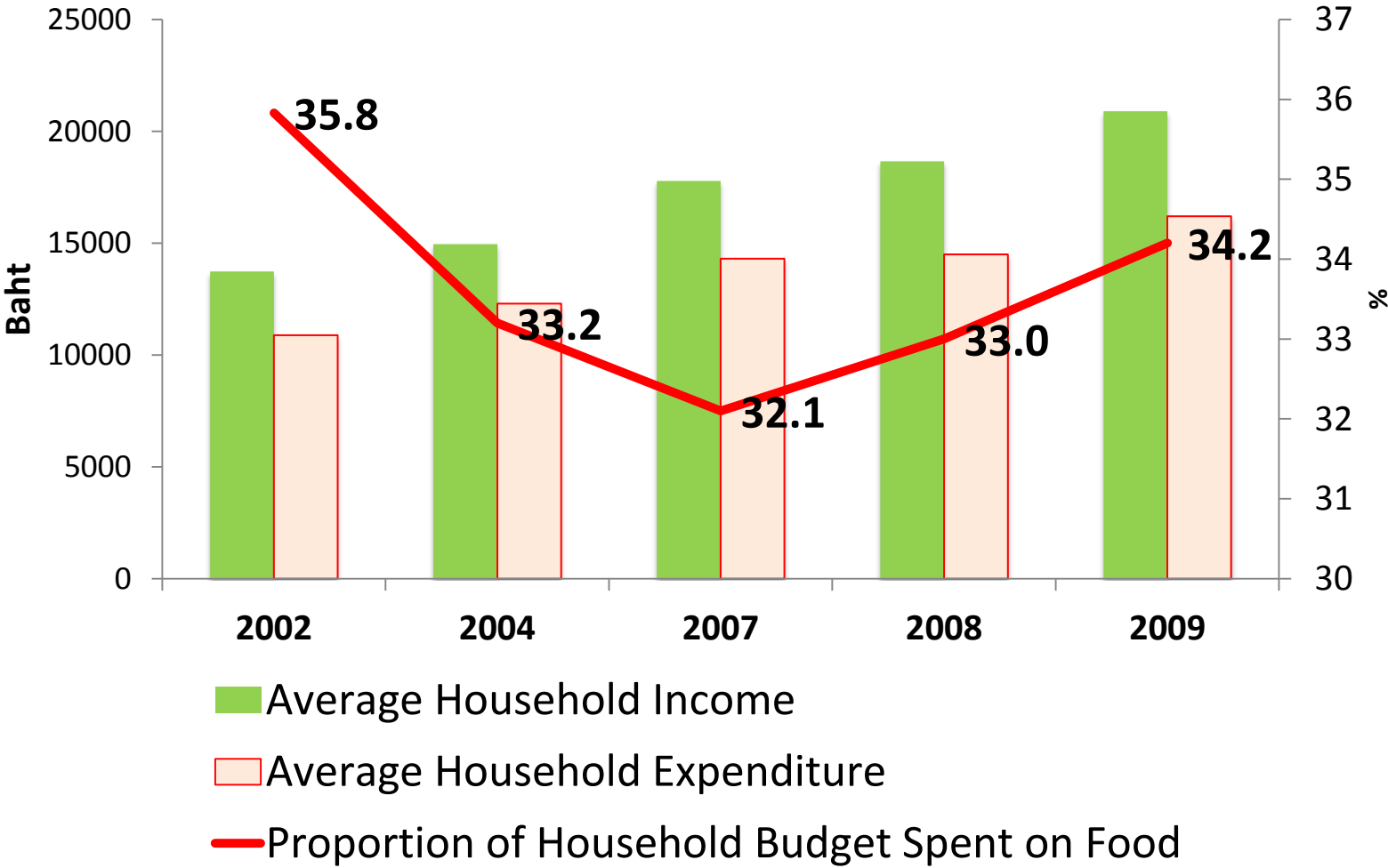
Source: NESDB

The national poverty line was 62 cents per day in 1988 and 78 cents in 1999.

Percentage of population whose expenditure fell short of the food poverty line: Lack of the first basic need



Proportion of Household Budget Spent on Food



Source: NSO

Inclusive Growth

- Economic growth must generate employment, reduce poverty, and mitigate inequality.
- Virtuous cycle of growth can reduce poverty through increasing employment with rising productivity.
- Growth may not impact the poor due to segmented labor markets and labor immobility.

Neo-Liberal View on Growth

- **World poverty and income inequality fell over the past two decades** due to rising density of economic integration across national borders (One of the deep determinants of economic development).
- Over the past 20 years, the number of people living on less than \$1 a day has fallen by 200 million.
- With 38% of the world's population, China and India *shape* the world trends in poverty and inequality.

Anti-globalization view: Counter argument

- World poverty and inequality have been **rising** not falling due to force unleashed by globalization.
- There is no systematic relationship between openness and poverty reduction.
- To promote equality, market rules in favor of the rich should be lessened, **more non-market influence** on resource allocation to counter the tendency of free market should come into public and political attention.

A.K. Sen

- Poverty, as asserted by Amartya Sen in his famous book, *Development as Freedom* (2000), must be seen “as a deprivation of basic capabilities, rather than merely as low income”.

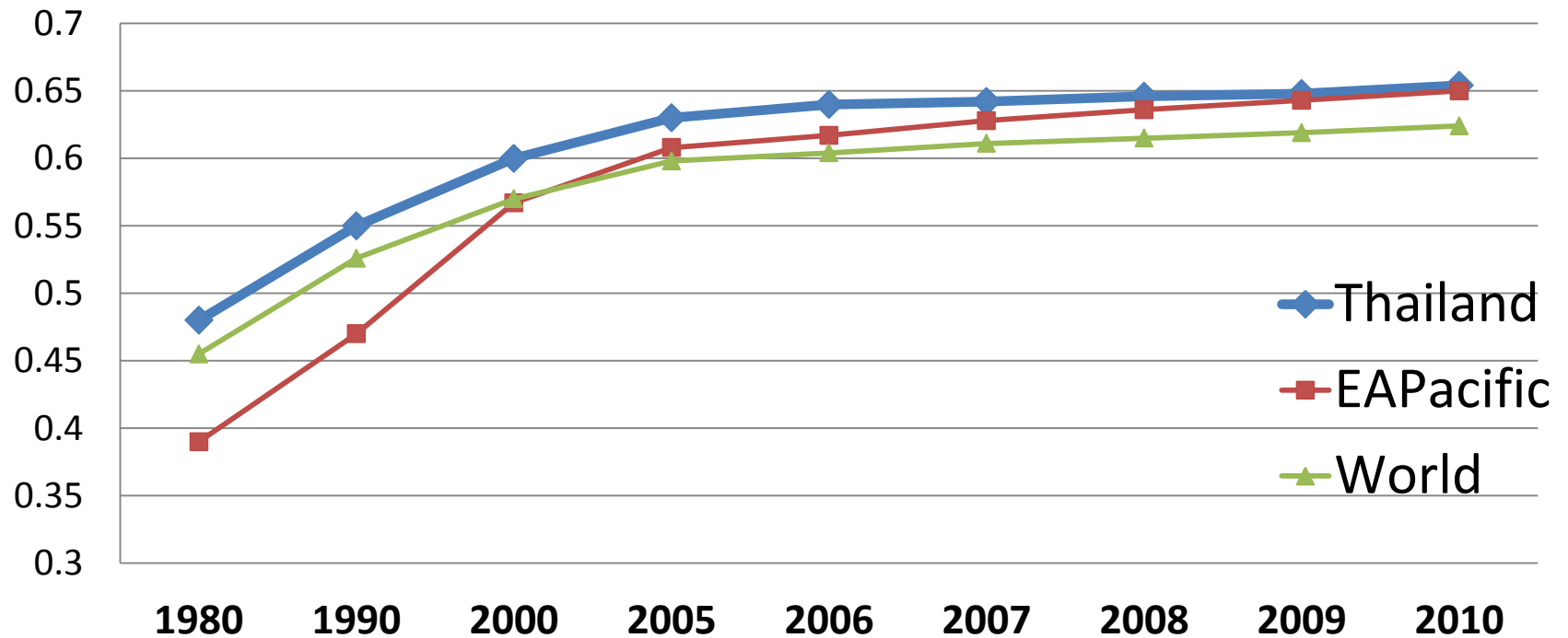
Poverty represents more than a low standard of living; the national poverty line does not capture the other vital and multiple dimensions of necessities required by the poor.

The role of the Thai government

- Public spending on education, health, welfare services can mitigate the plight of the poor.
- Public spending on health and welfare increased gradually during the past three decades, from 1.2% of GDP to 2.4% during 1997-2000.
- Thailand was ranked 29 by the **Human Poverty Index (HPI)** which measures the deprivation of knowledge, economic provisioning, and long and healthy life.

Reaching a plateau

Human Development Index

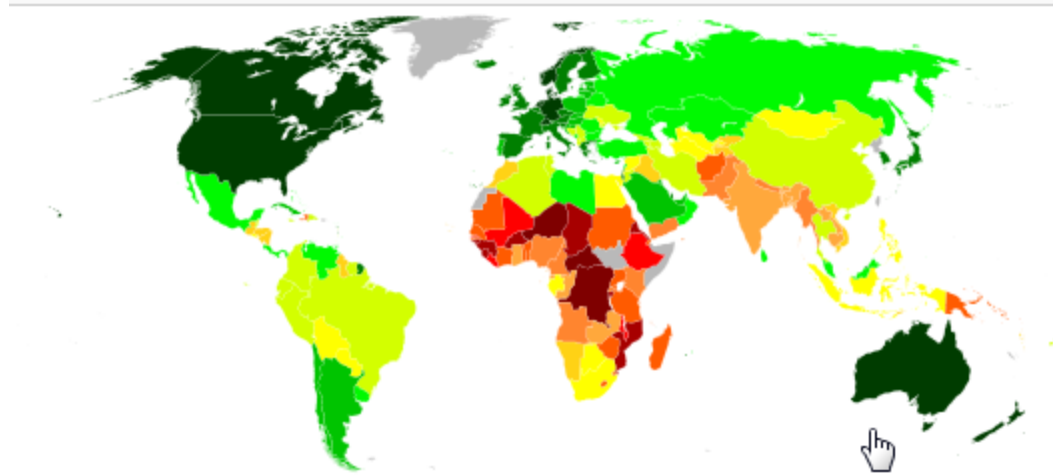


East Asia and the Pacific

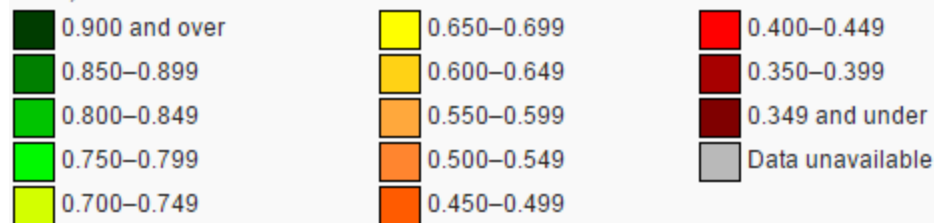
10 highest HDIs

Rank	Country	HDI
		New 2014 estimates for 2013
Very high human development		
1	 Australia	0.933
2	 New Zealand	0.910
3	 Singapore	0.901
4	 Hong Kong	0.891
4	 South Korea	0.891
6	 Japan	0.890
7	 Brunei	0.852
High human development		
8	 Palau	0.775
9	 Malaysia	0.773
10	 Thailand	0.722

World Map indicating the HDI



World map indicating the [Human Development Index](#) (based on 2013 data, published on July 24, 2014).^[1]

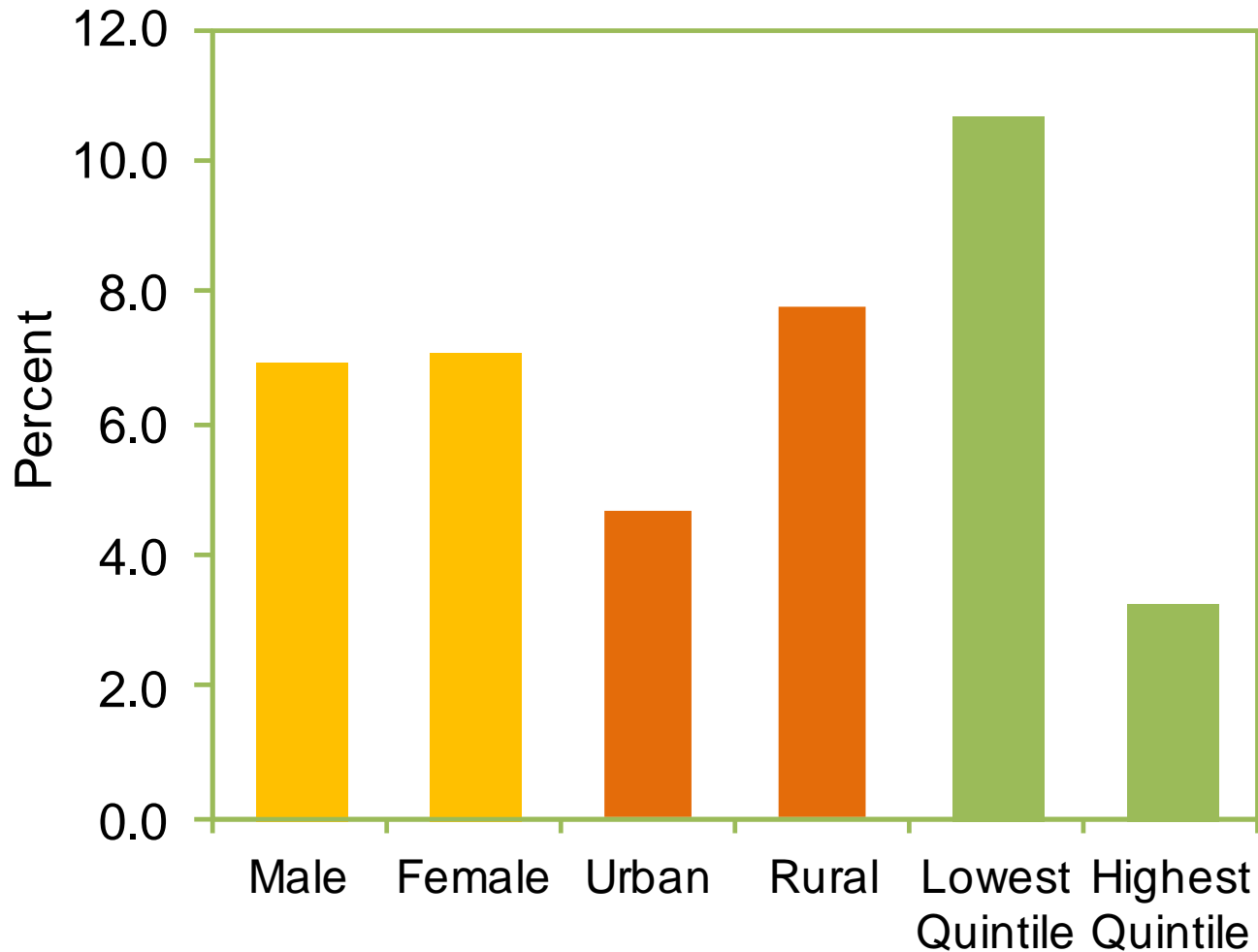


Average years of total schooling

	1990	2009
Youth (Aged 15–24)	7.2	10.6
Male	7.0	9.8
Female	7.5	11.4
Adults (Aged 25 and over)	4.6	6.6
Male	5.0	6.9
Female	4.1	6.2

The first five years of our lives

Children under five – Underweight, 2006



Cognitive abilities

- **Cognitive abilities** are brain-based **skills** we need to carry out any task from the simplest to the most complex.
- They have more to do with the mechanisms of how we learn, remember, problem-solve, and pay attention rather than with any actual knowledge.



Height as a Proxy for Cognitive and Non-Cognitive Ability

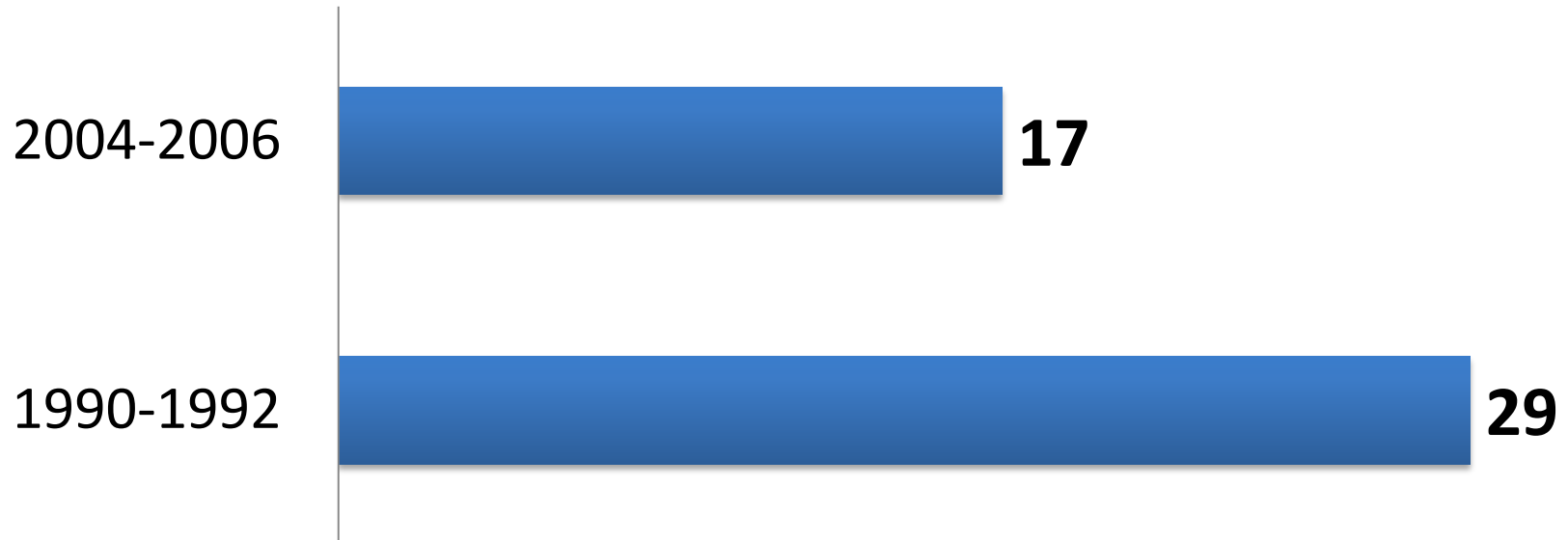
[Andreas Schick](#), [Richard H. Steckel](#)

NBER Working Paper No. 16570

Issued in December 2010

- Taller workers receive a substantial wage premium.
- Studies extending back to the middle of the last century attribute the premium to non-cognitive abilities, which are associated with stature and rewarded in the labor market.
- More recent research argues that cognitive abilities explain the stature-wage relationship.

Prevalence of Undernourishment (% to total population)



Undernourishment

- Undernourishment fell across the world throughout the 1980s and early 1990s.
- But then in 1995 things went into reverse.
- Today there are more hungry children, women and men than at any time since 1970.
- Last year 46 million extra people fell below the UN poverty benchmark of having less than \$1.25 to live on every day.

Height as a Proxy for Cognitive and Non-Cognitive Ability

[Andreas Schick](#), [Richard H. Steckel](#)

NBER Working Paper No. 16570

Issued in December 2010

- Their work reconciles the competing views by recognizing that **net nutrition**, a major determinant of adult height, is integral to our cognitive and non-cognitive development.

Height as a Proxy for Cognitive and Non-Cognitive Ability

- Using data from Britain's National Childhood Development Study (NCDS), they show that taller children have higher average cognitive and non-cognitive test scores, and that each aptitude accounts for a substantial and roughly equal portion of the stature premium.
- Together these abilities explain why taller people have higher wages.

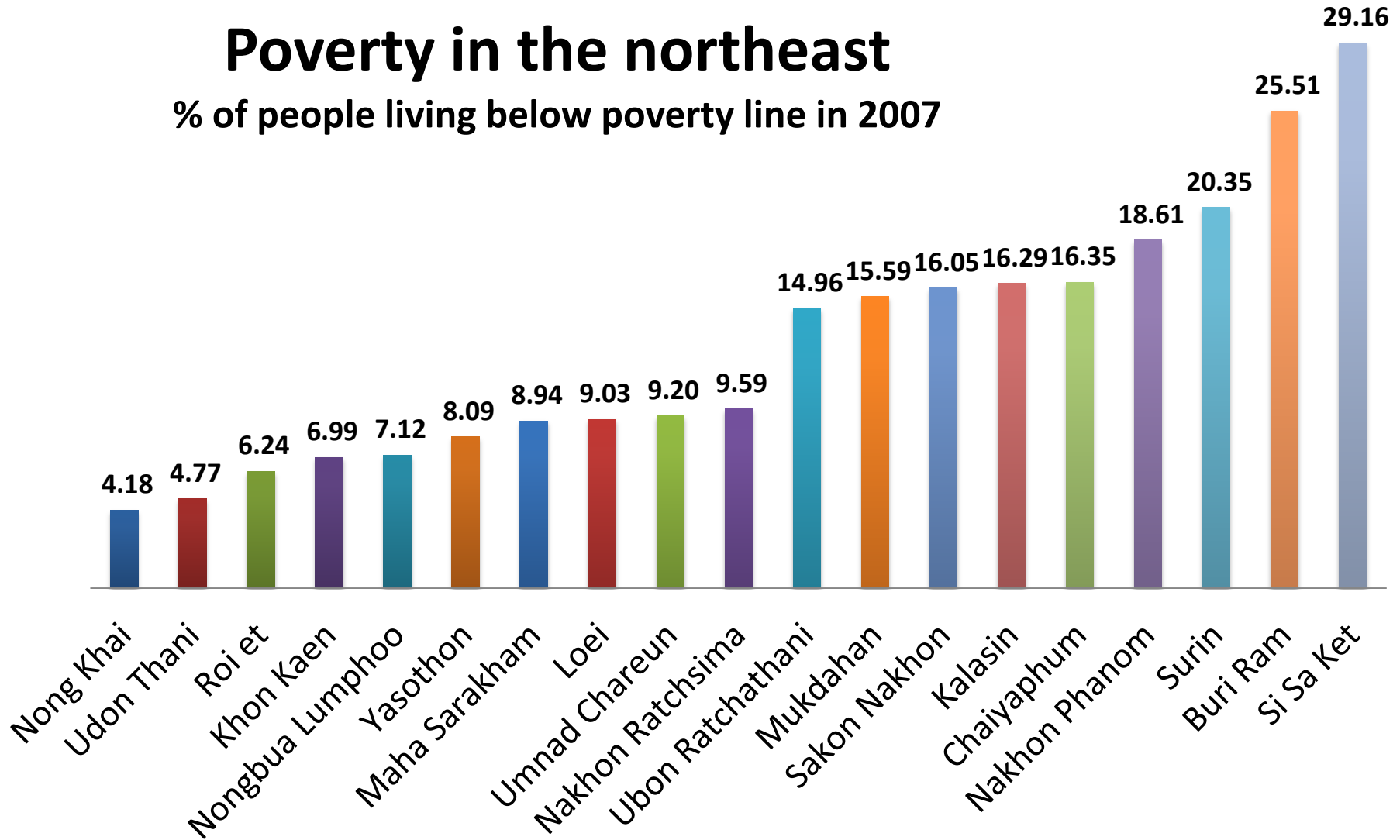
Intensity of food deprivation (average % shortfall in minimum dietary energy requirement)



Source: UNDP

Poverty in the northeast

% of people living below poverty line in 2007



Questions

- How did global economic crisis *affect* poverty in Thailand?
- How were the poor affected by the global food crisis in 2008?
- What would be the impact on poverty from the growth slowdown in 2014?