EE460: Poverty in Thailand

Bhanupong

Lecture 28

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

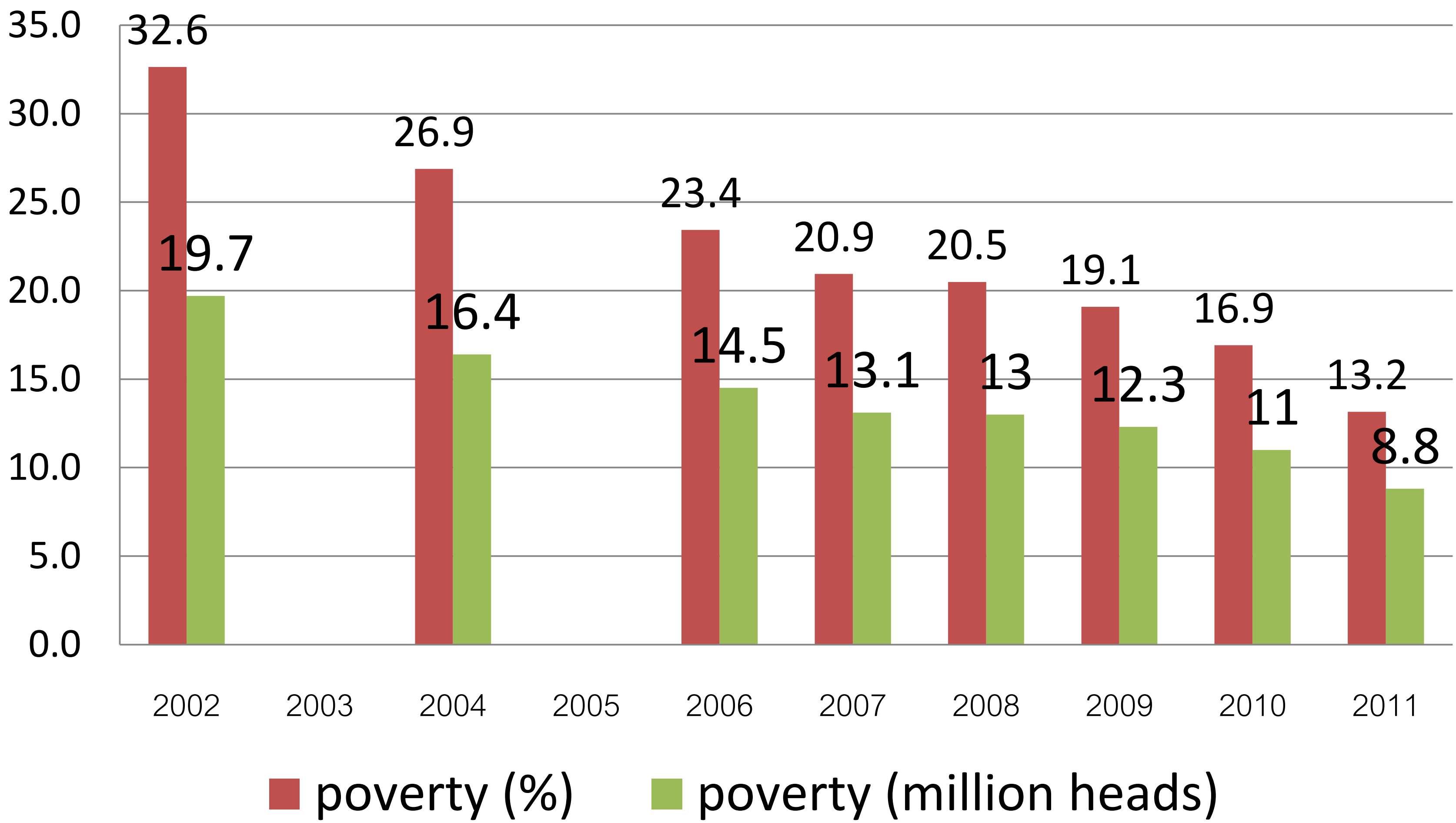
- **Framework of inclusive growth indicators (ADB)**
- **Growth and poverty reduction**
- **Inclusive growth**
- **Employment and poverty**
- **Rural vs. urban poverty**
- **Global food crisis and the vulnerable**
- **Education and poverty**

Poverty incidence

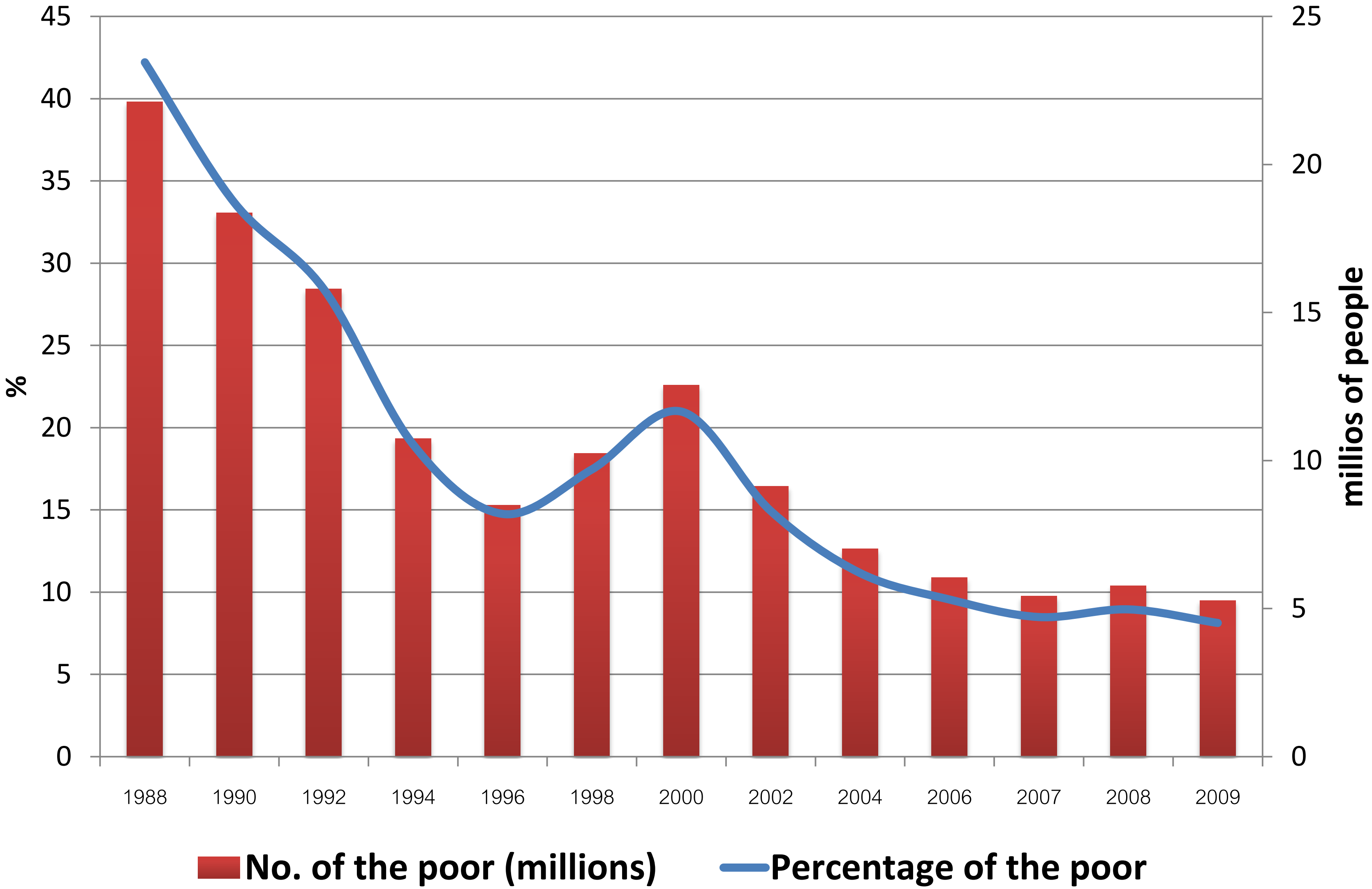
	Aggregate poverty	Rural poverty	Urban poverty
1962	57.0	61.0	38.0
1975	31.4	36.2	12.5
1990	17.0	20.5	5.3

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

Poverty still remains high in Thailand



Declining Poverty



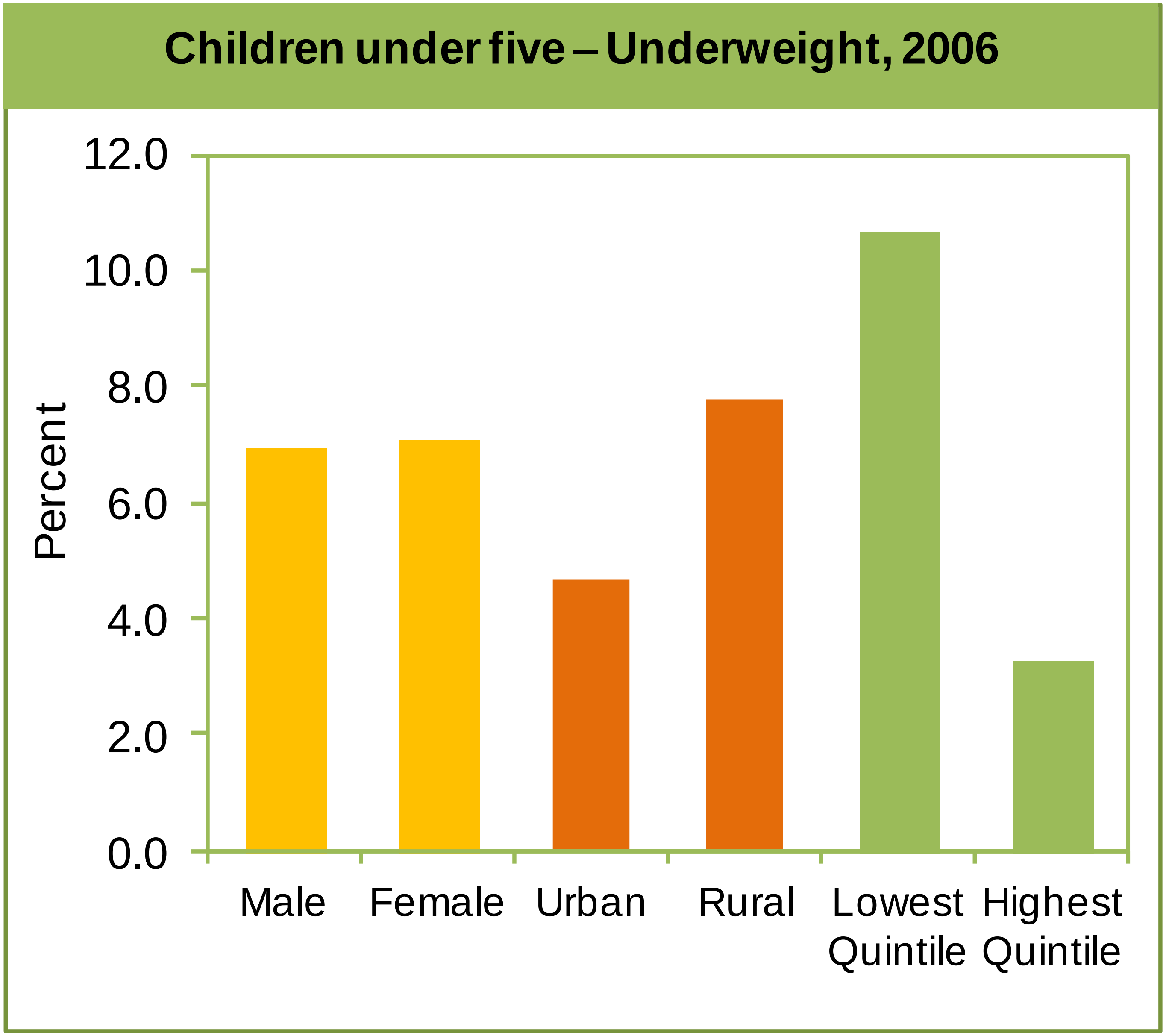
Source: NESDB

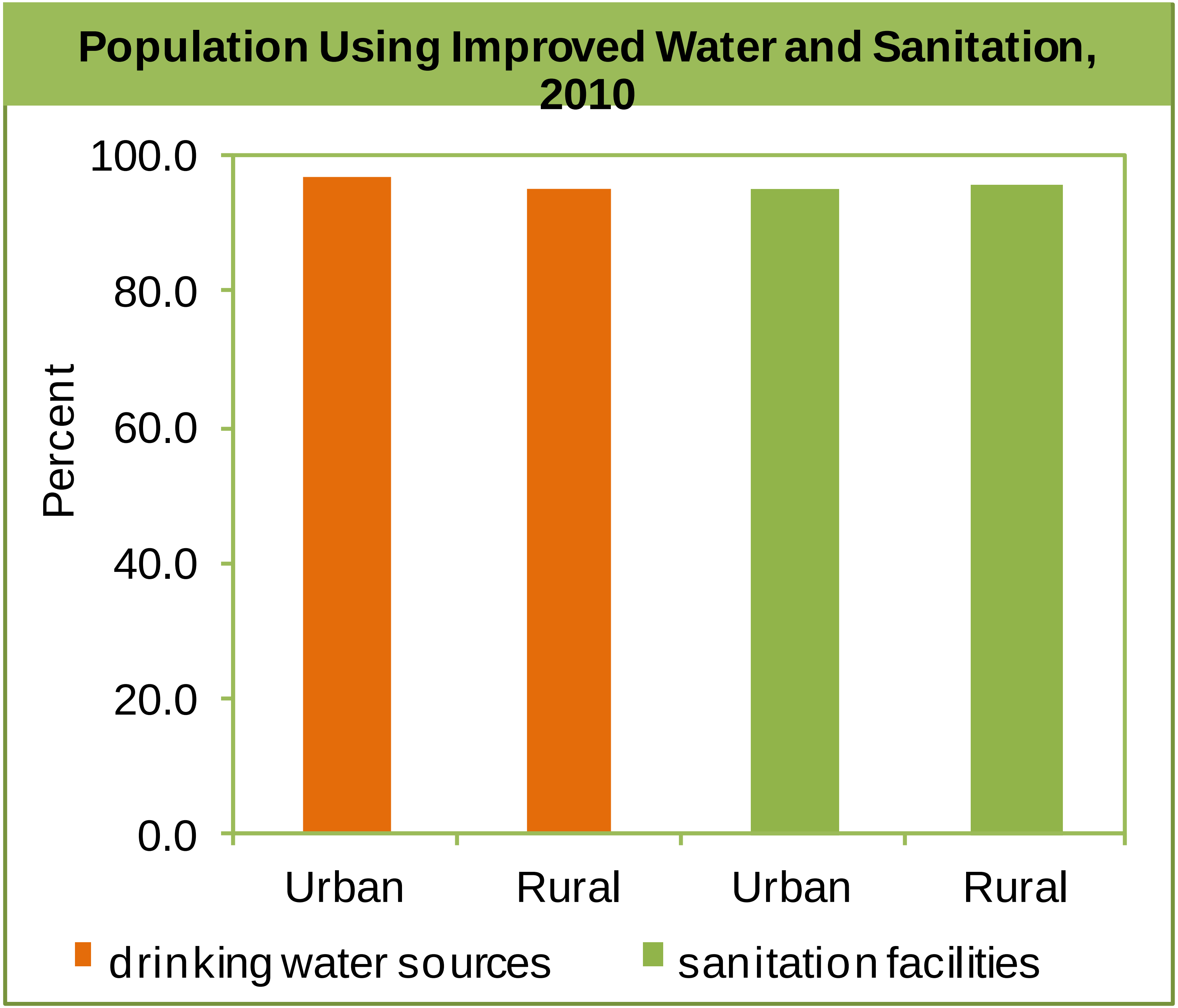
Poverty and inequality

Income	1990		**2009**
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	37.1		4.6
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

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


Children under five – Underweight, 2006
Percent
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Male
Female
Urban
Rural
Lowest Quintile
Highest Quintile


Population Using Improved Water and Sanitation, 2010
100.0
80.0
60.0
40.0
20.0
0.0
Percent
Urban
Rural
Urban
Rural
drinking water sources
sanitation facilities

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

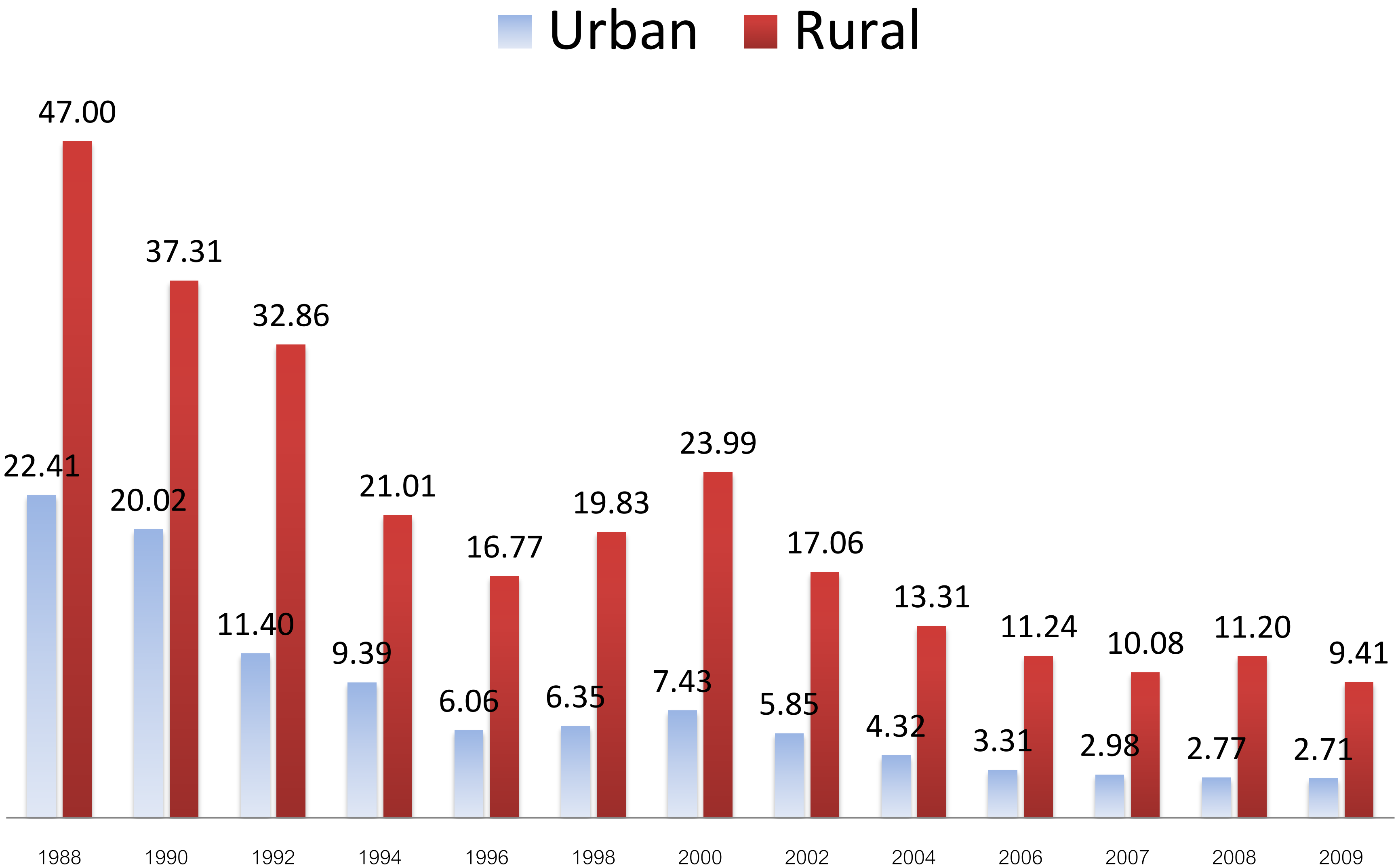
Growth and poverty: A positive correlation

- 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).
- The income share of the bottom 20% is correlated with the growth rate in Thailand.

Favorable impact of growth

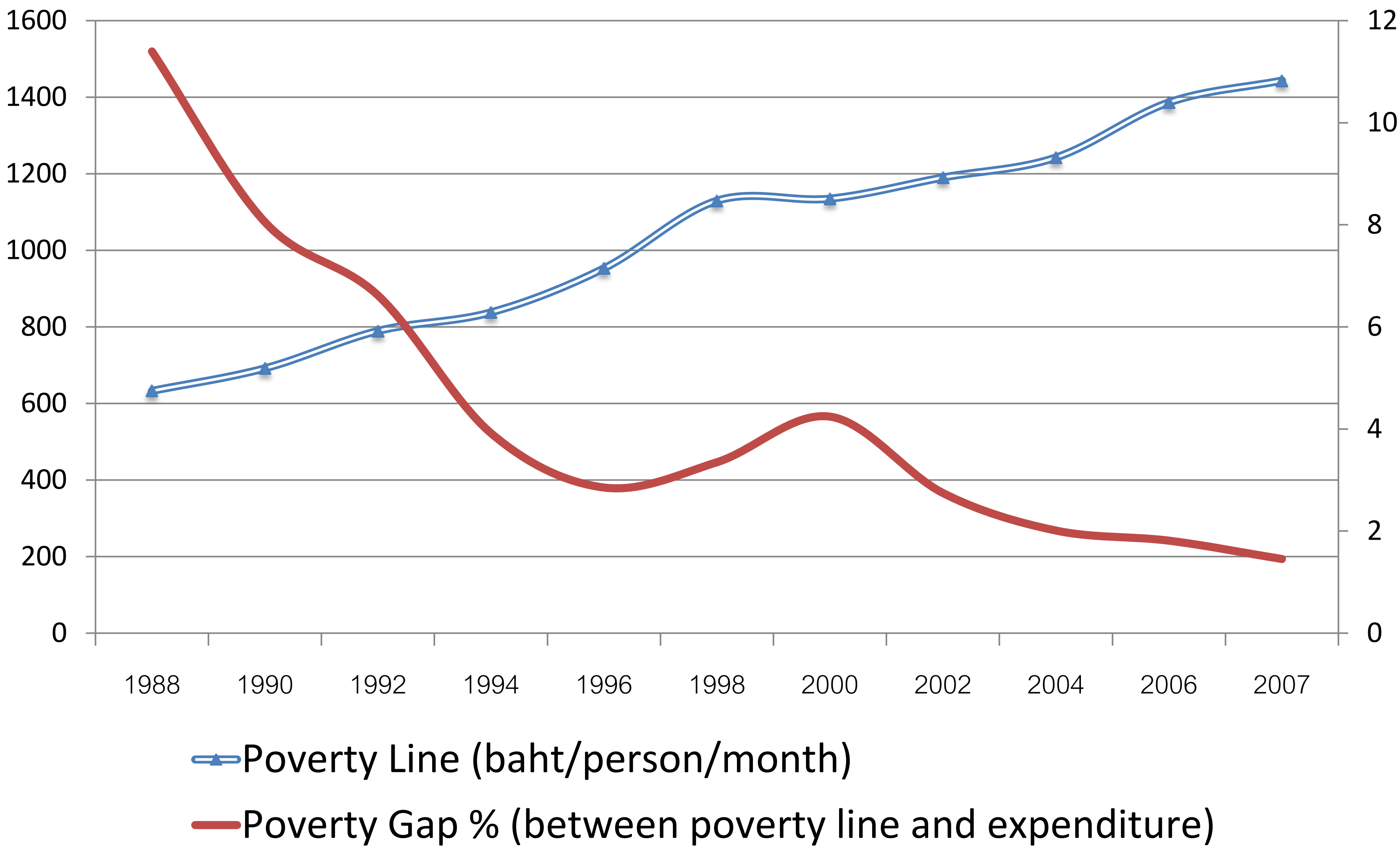
- **High growth years were followed by a drastic reduction of the number of the poor.**
- **The percentage of the poor, i.e. people who live below poverty declined from 32 % in 1988 to 11% in 1996.**
- **When growth rate fell below the trend growth path in 1982 and 1986, poverty alleviation in subsequent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

Urban vs. Rural Poverty



Source: NESDB

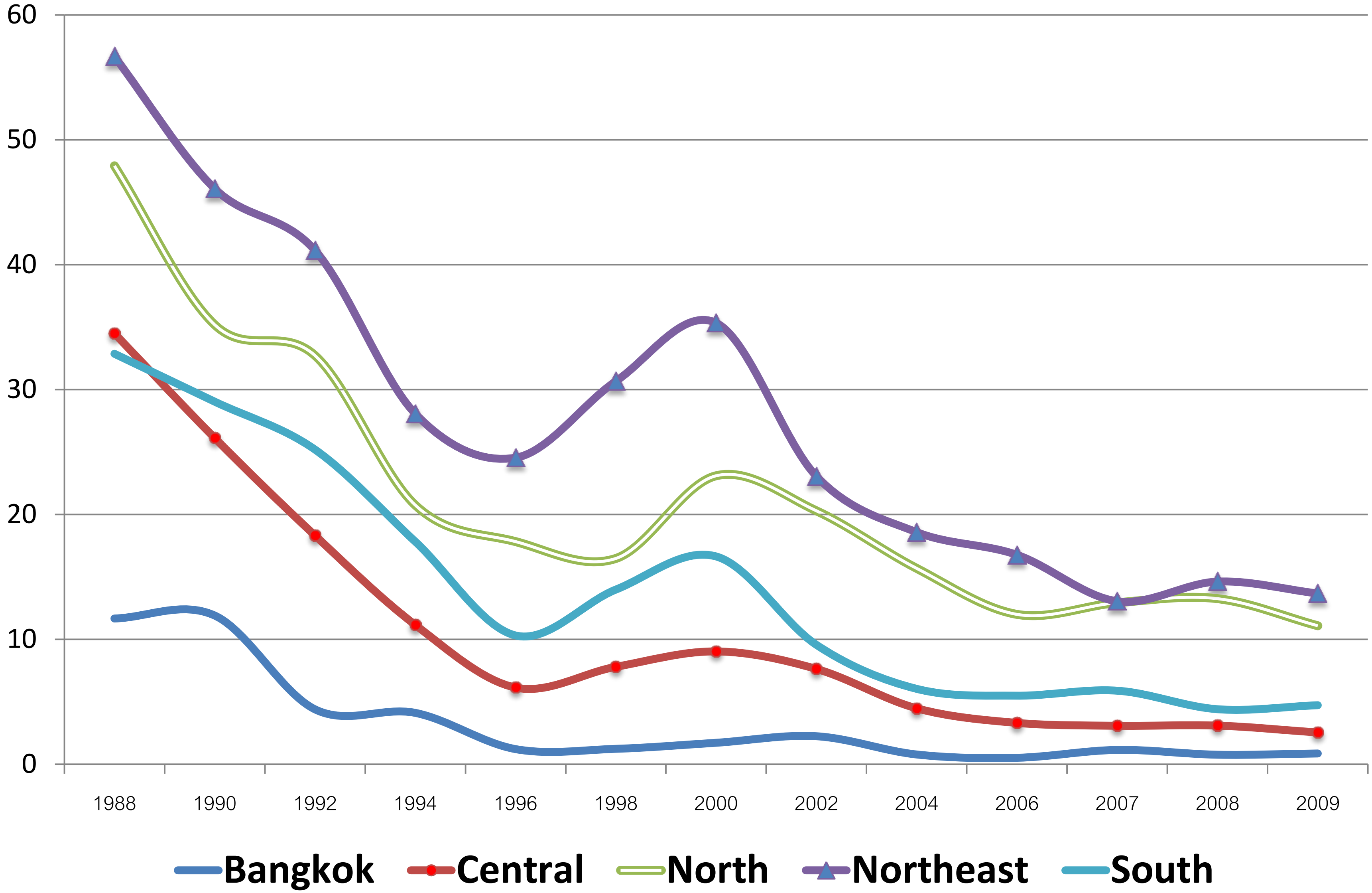
Debt, Expenditure, and Poverty



Source: NESDB

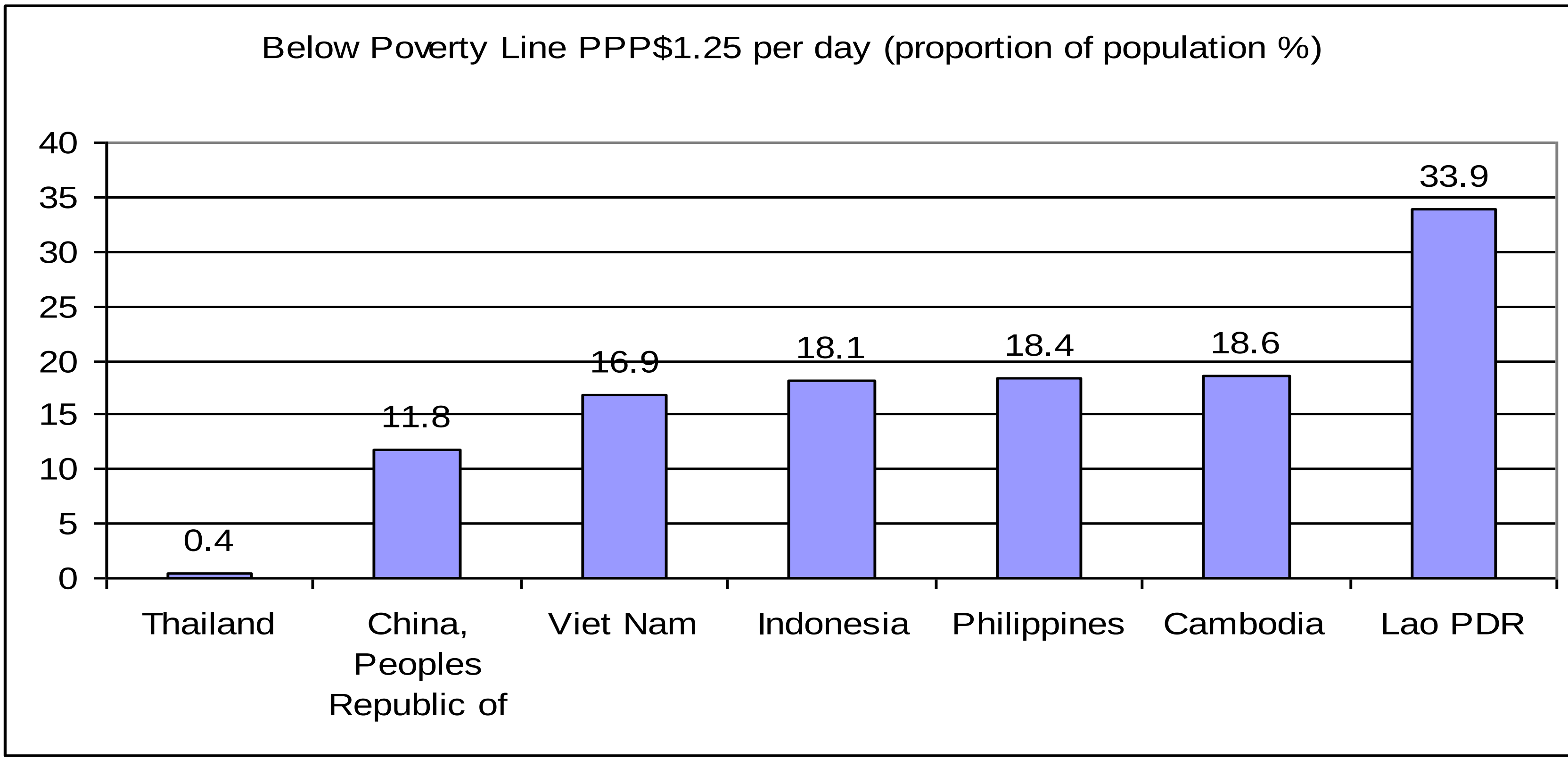
The national poverty line was 62 cents in 1988 and 78 cents in 1999.

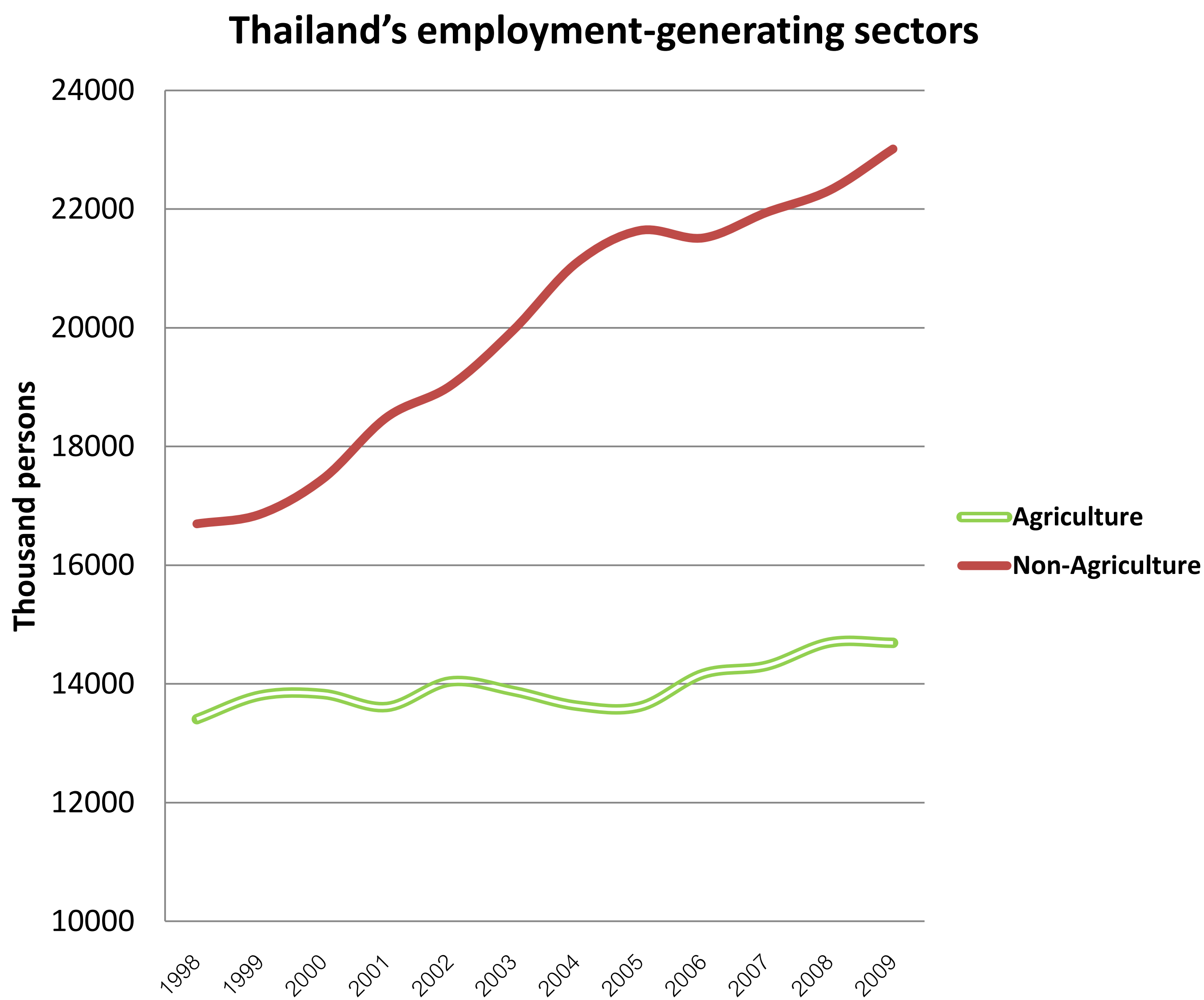
Poverty by Region



Source: NESDB

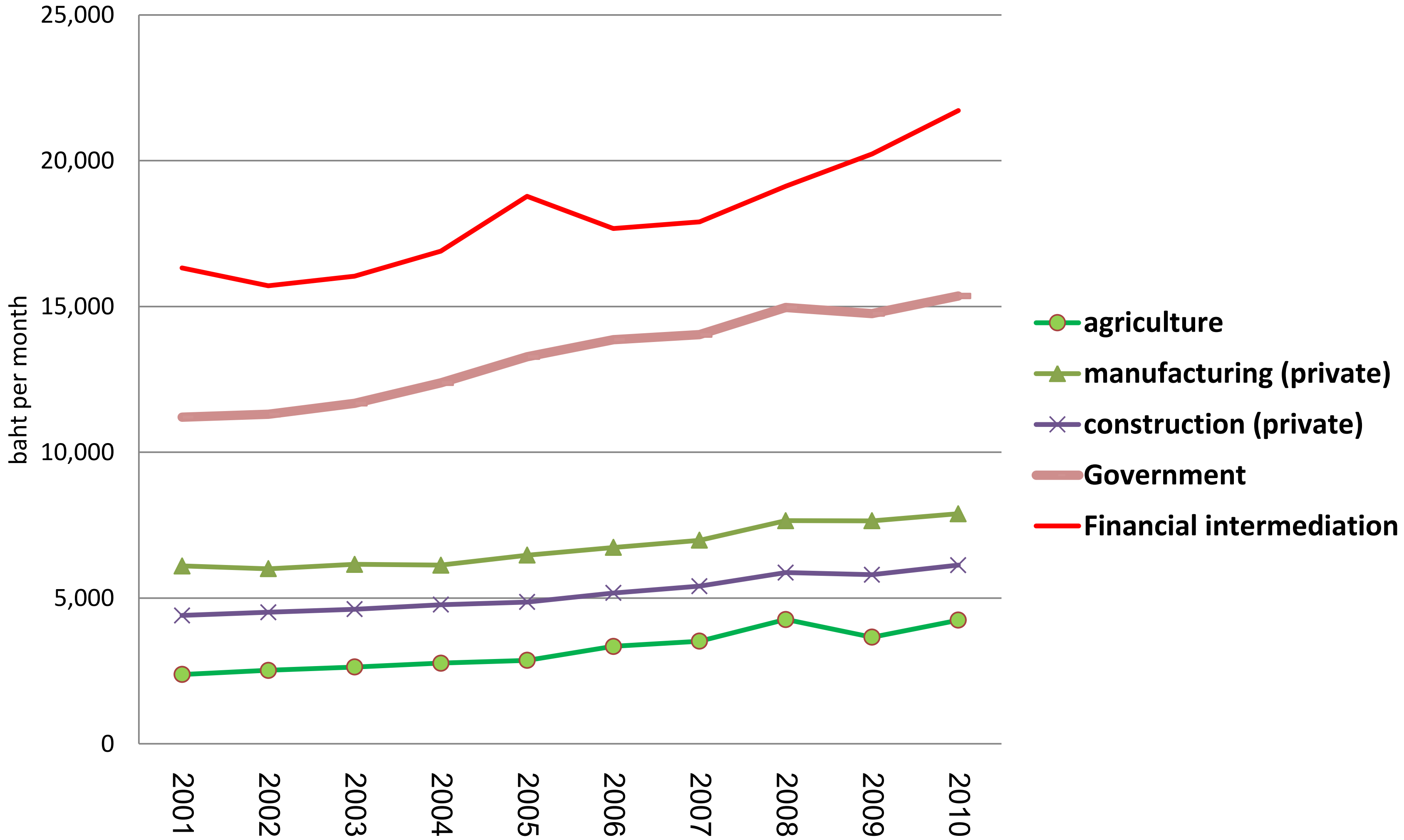
Inclusive vs. non-inclusive growth





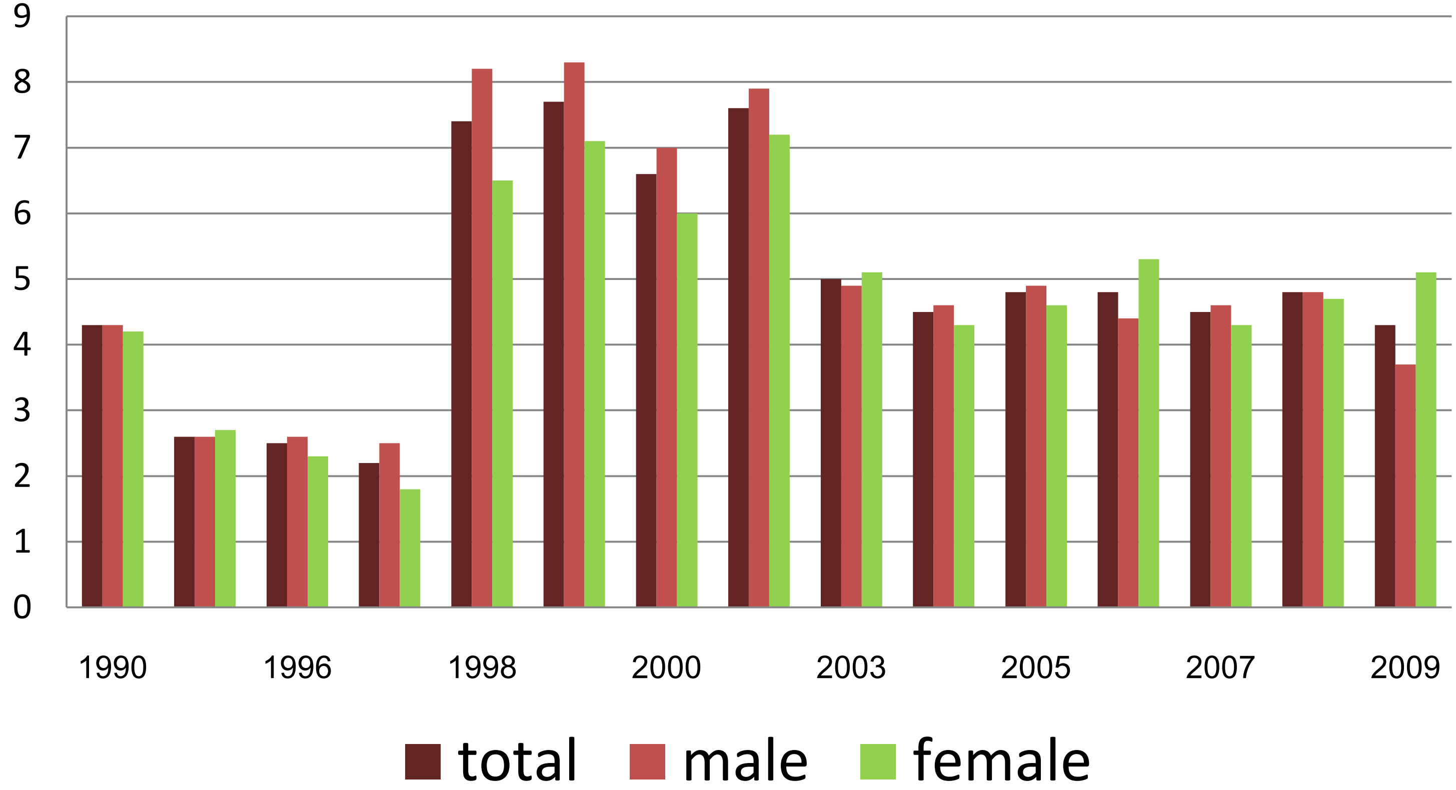
Thailand’s employment-generating sectors
Thousand persons
24000
22000
20000
18000
16000
14000
12000
10000
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Agriculture
Non-Agriculture

Limited upward mobility from low to high productivity



Growth is good for the young

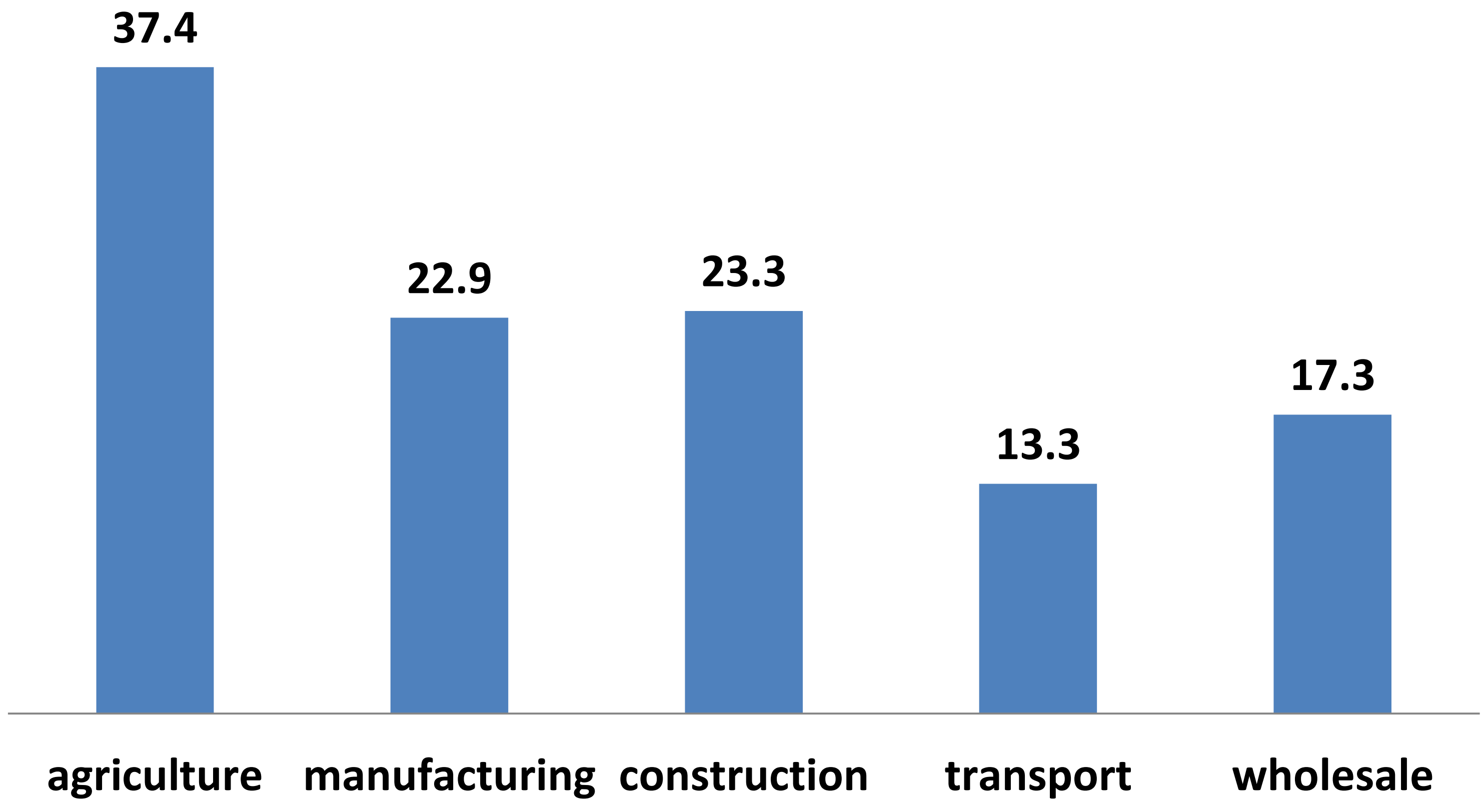
Youth unemployment rate



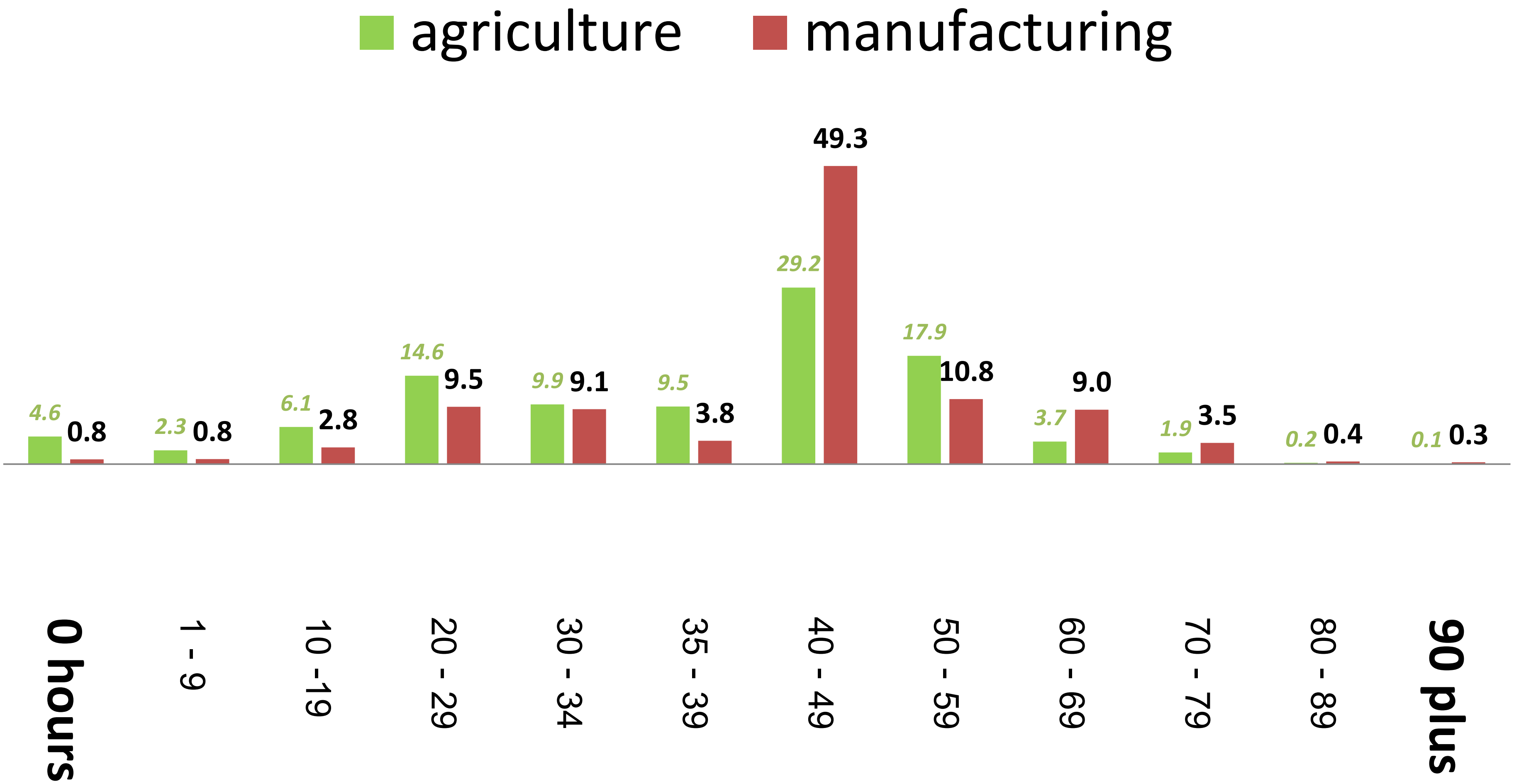
Underemployment

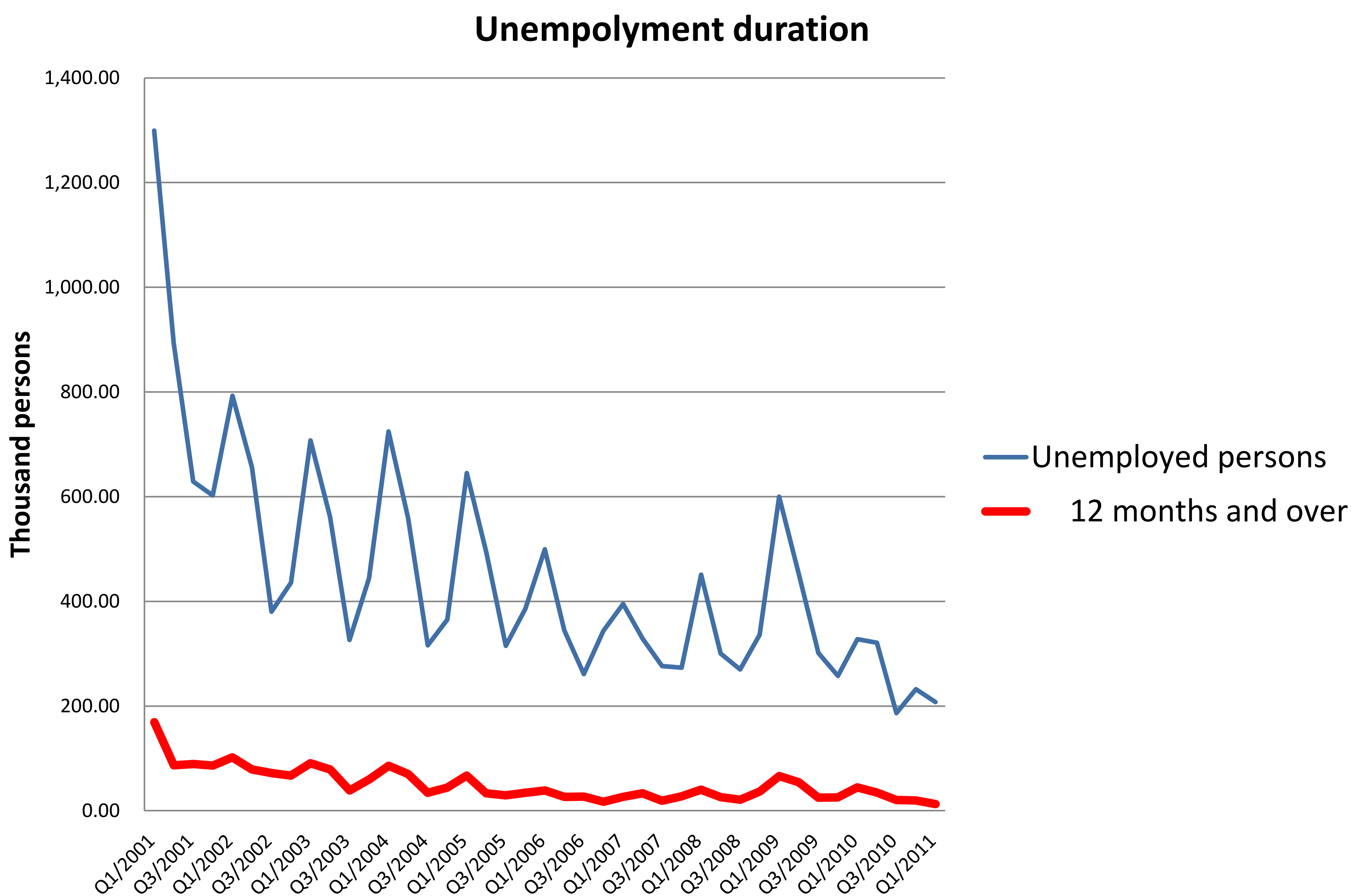
percentage of those who worked ***fewer*** than 34 hours a week

in 2011



Employed person by hours per week
(2011, percent)




Unempolyment duration
Thousand persons
1,400.00
1,200.00
1,000.00
800.00
600.00
400.00
200.00
0.00
Q1/2001
Q3/2001
Q1/2002
Q3/2002
Q1/2003
Q3/2003
Q1/2004
Q3/2004
Q1/2005
Q3/2005
Q1/2006
Q3/2006
Q1/2007
Q3/2007
Q1/2008
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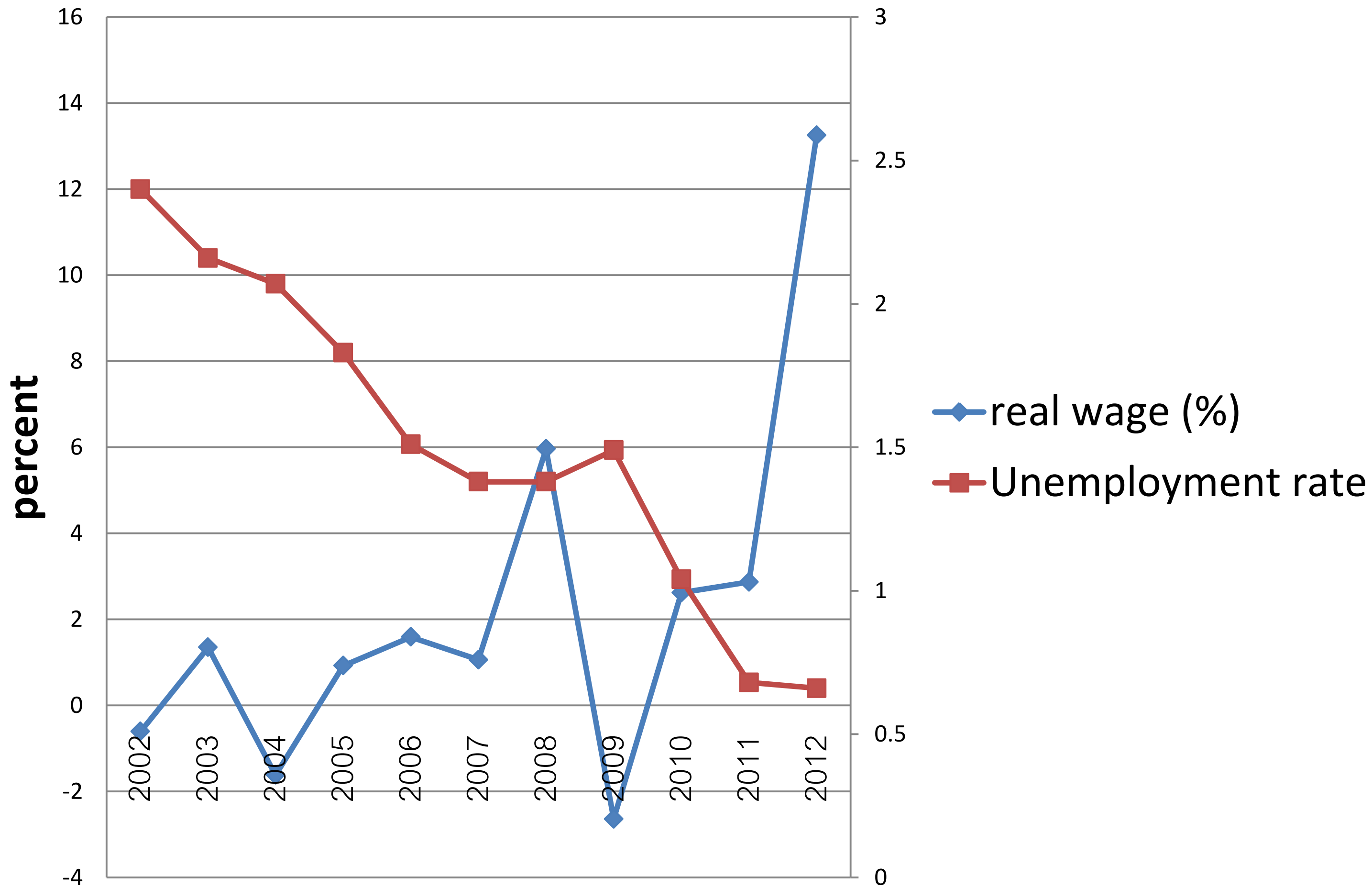
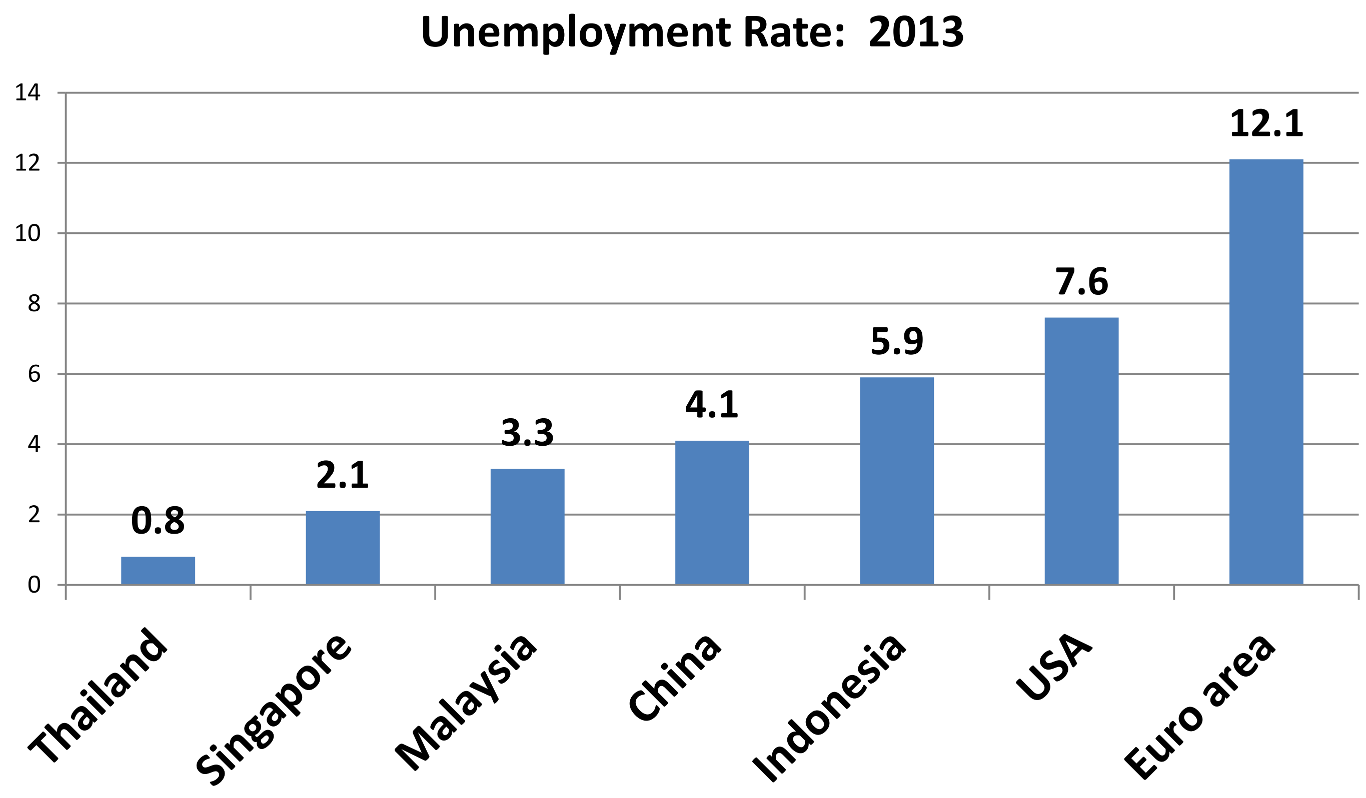
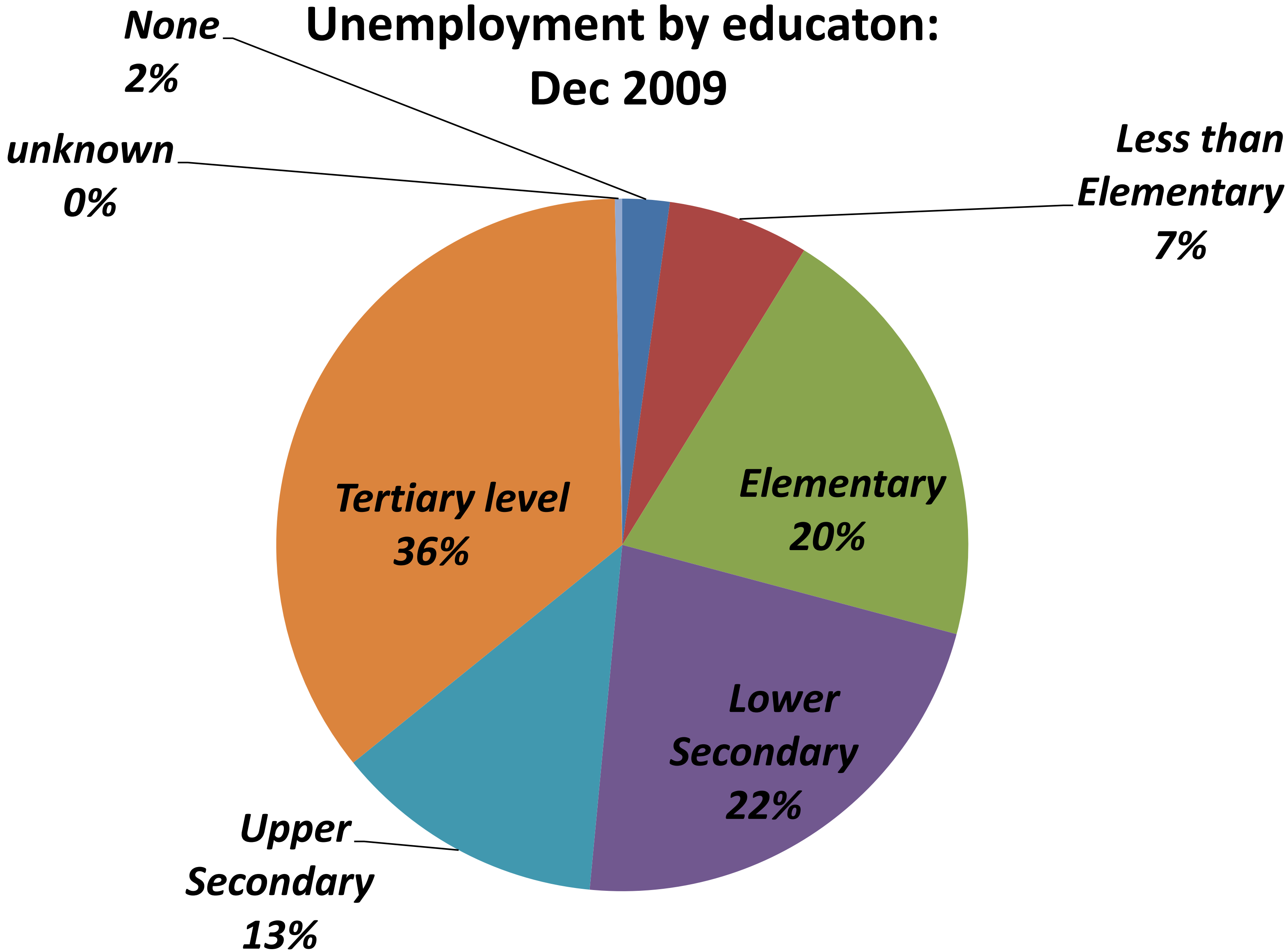
Q3/2009
Q1/2010
Q3/2010
Q1/2011
Unemployed persons
12 months and over

Wage Flexibility

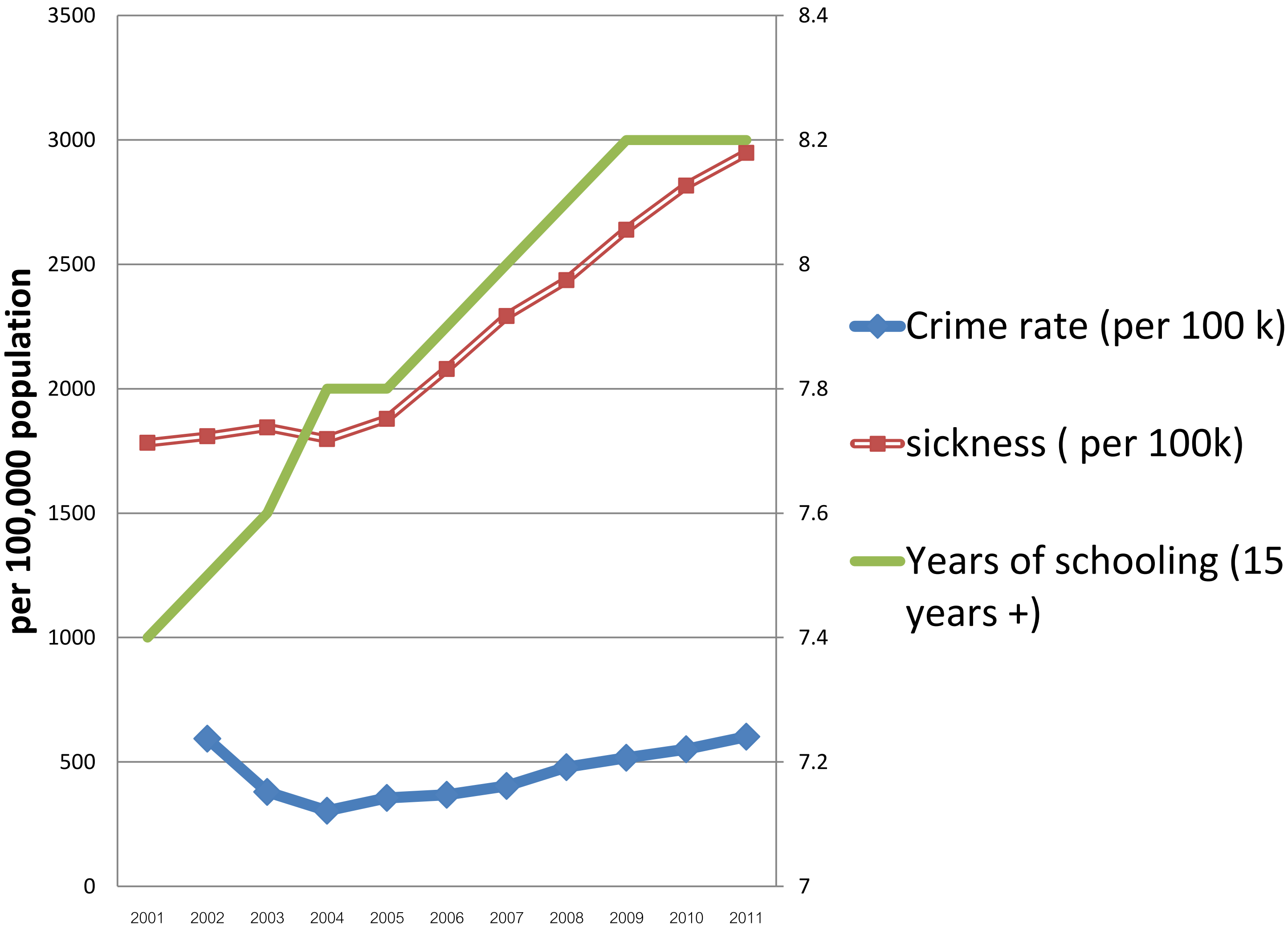


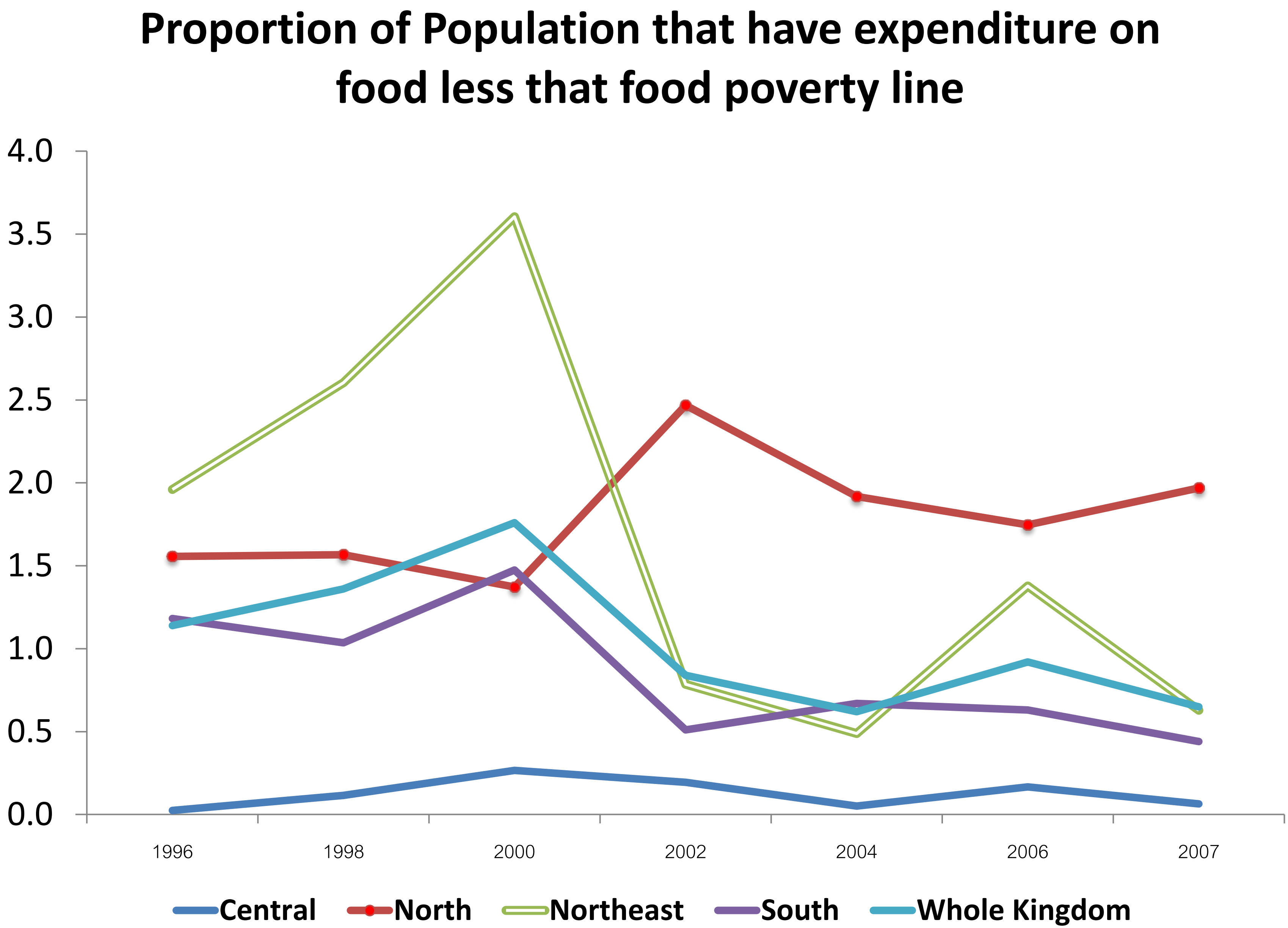

Unemployment Rate: 2013
14
12
10
8
6
4
2
0
0.8
2.1
3.3
4.1
5.9
7.6
12.1
Thailand
Singapore
Malaysia
China
Indonesia
USA
Euro area

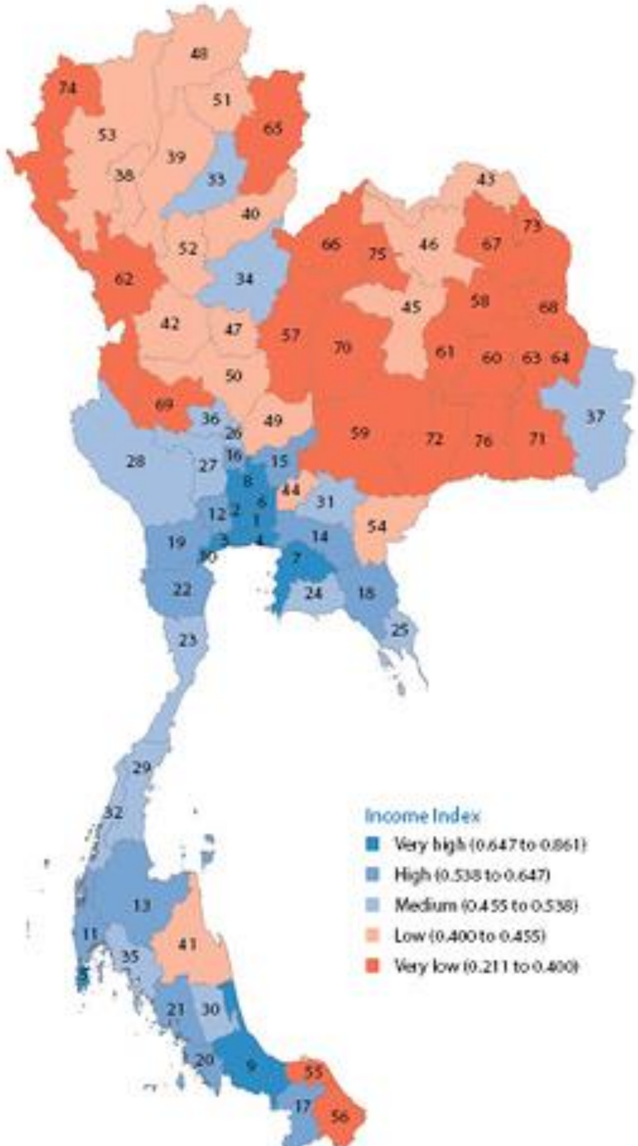
Unemployment by educaton: Dec 2009



Schooling and Social Illness




Proportion of Population that have expenditure on food less that food poverty line
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1996
1998
2000
2002
2004
2006
2007
Central
North
Northeast
South
Whole Kingdom



Rank	
1	Bangkok
2	Nonthaburi
3	Samut Sakhon
4	Samut Prakan
5	Phuket
6	Pathum Thani
7	Chon Buri
8	Phra Nakhon Si Ayutthaya
9	Songkhla
10	Samut Songkhram
11	Phang-nga
12	Nakhon Pathom
13	Surat Thani
14	Chachoengsao
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	Kanchanaburi
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	Nan
66	Loei
67	Sakon Nakhon
68	Mukdahan
69	Uthai Thani
70	Chaiyaphum
71	Si Sa Ket
72	Buri Ram

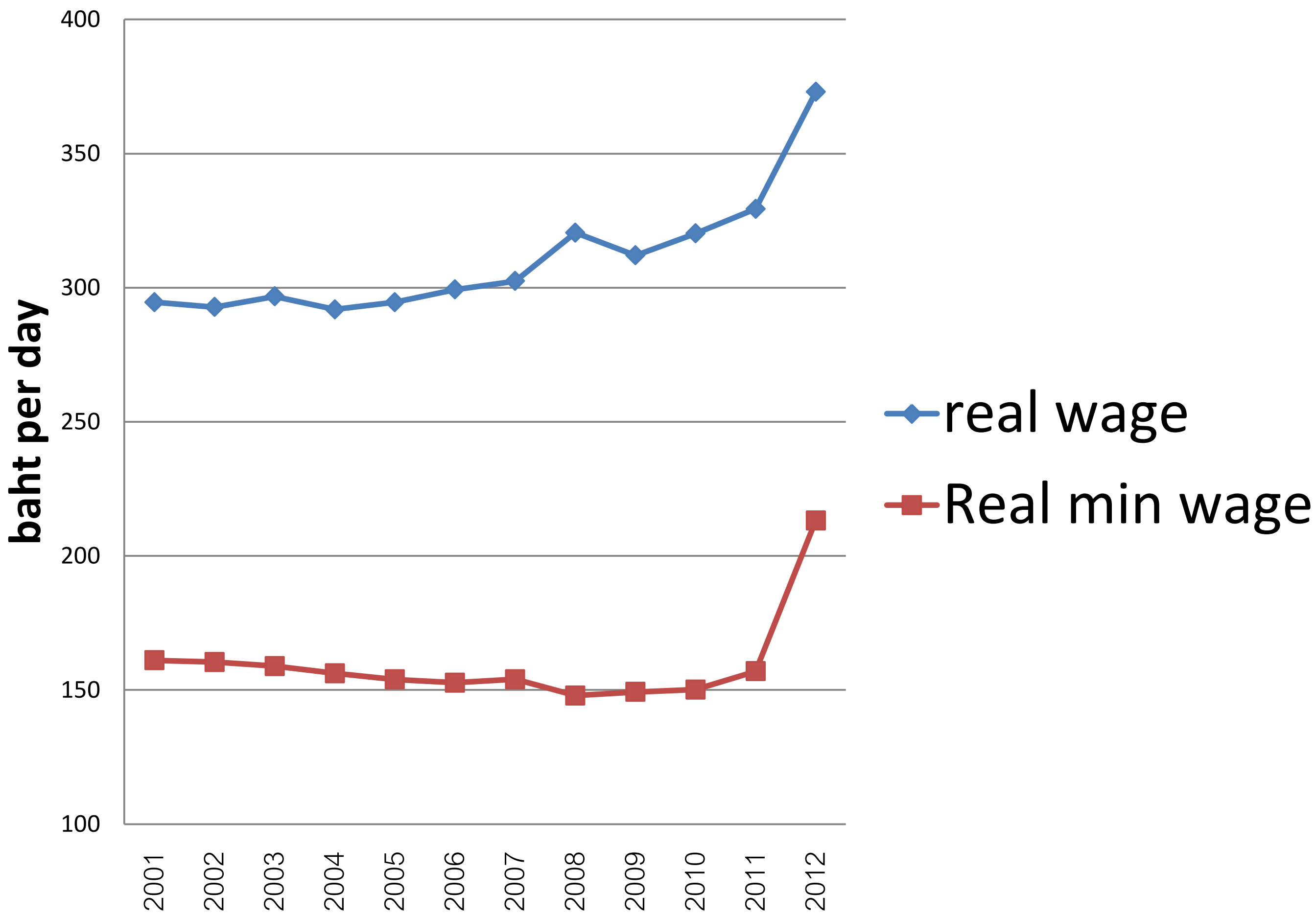
The importance of the service sector

- 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.

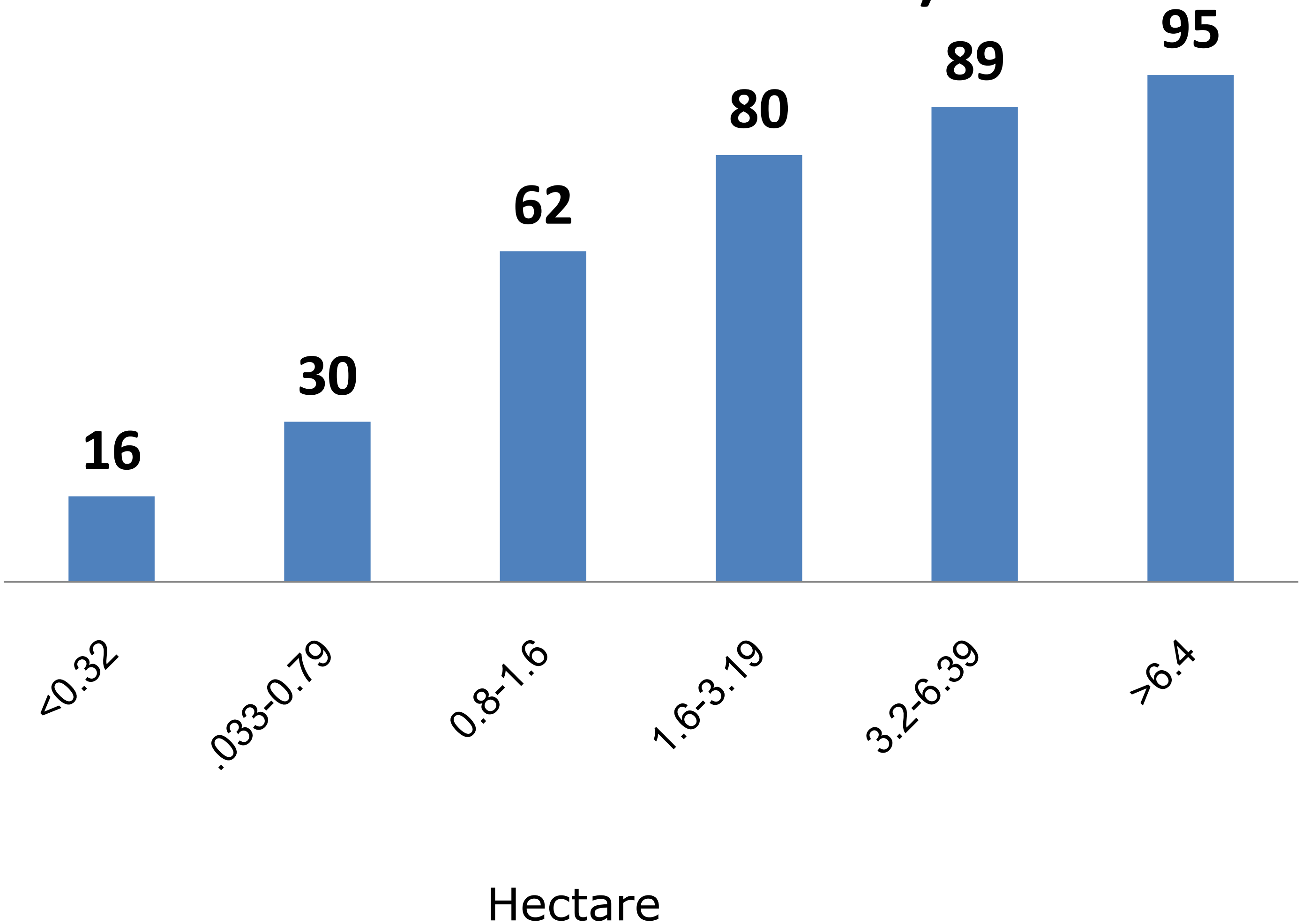
Principal income sources of the poor

- 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.

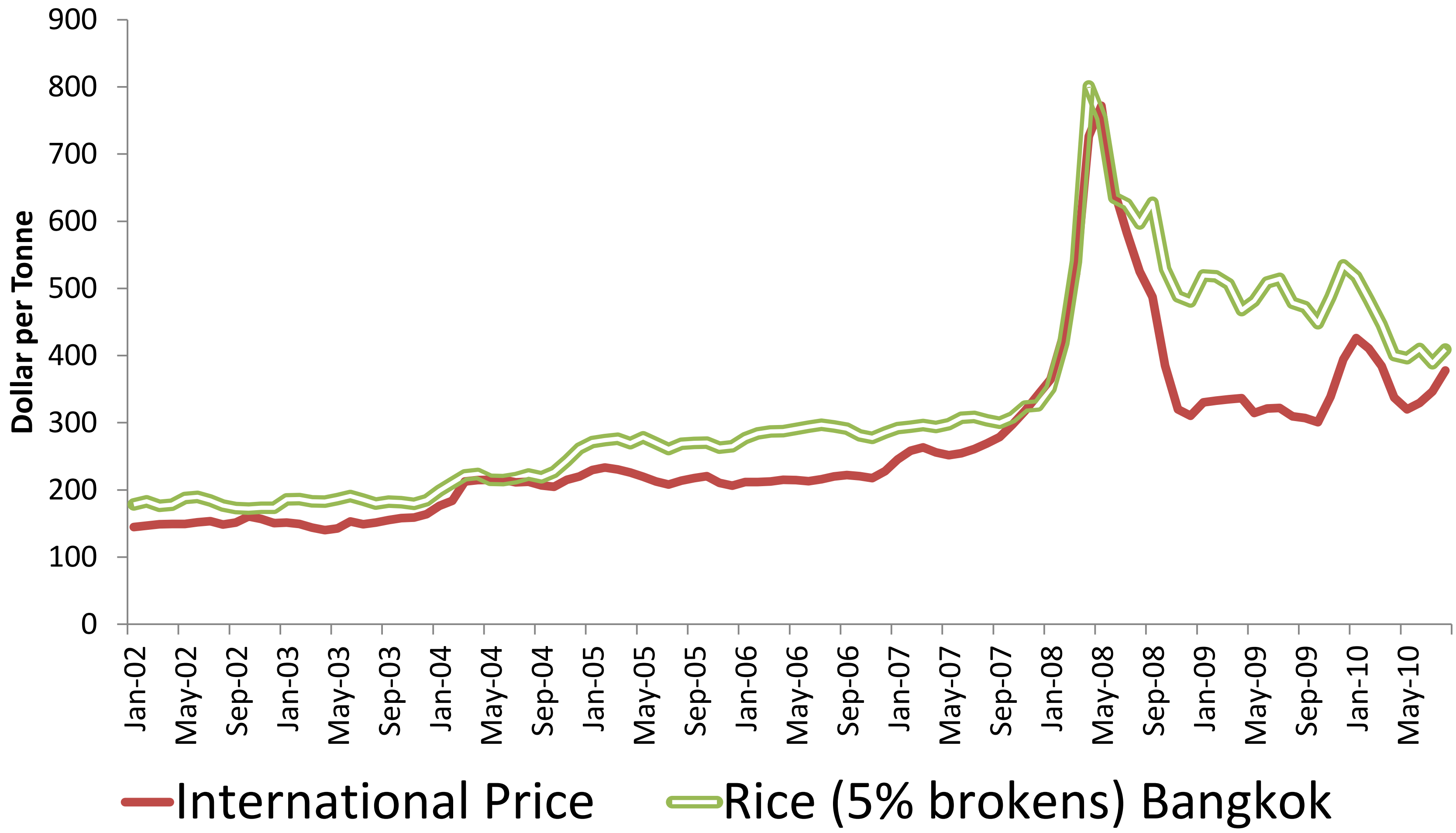
Real Wage Rate



Net food seller (% of total household in each farm size)



Rice prices from Jan 2002 to Aug 2010



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

Rich people don't just eat more than poor people, they eat differently.

- As countries like China, India, Brazil and Russia have got richer they have begun eating more.
- ***The demand for meat in developing countries has doubled since 1980. In India it is up 40 per cent.***
- ***In China the rise is 150 per cent.***
- ***And because cattle and chickens are fed on corn – it takes 8kg of grain to produce 1kg of beef – the price of all cereals has been forced up.***

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 argument

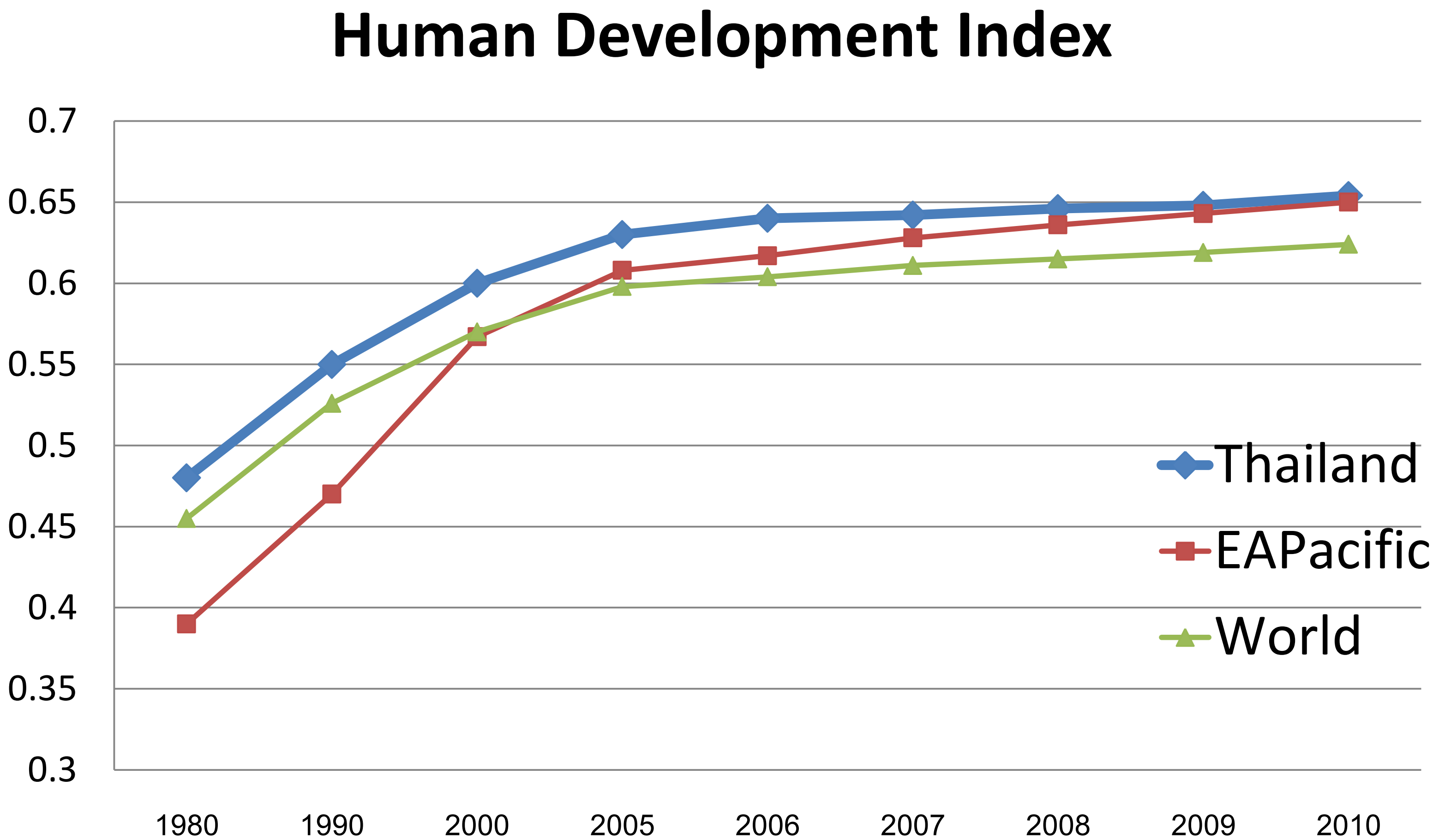
- World poverty and income inequality fell over the past two decades due to rising density of economic integration across national borders.
- Over the past 20 years, the number of people living on less than $1 a day has fallen by 200 million.
- With 38% of the world's population, China and India *shape*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

Anti-globalization view

- 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 lessen, more non-market influence on resource allocation to counter the tendency of free market should come into public and political attention.

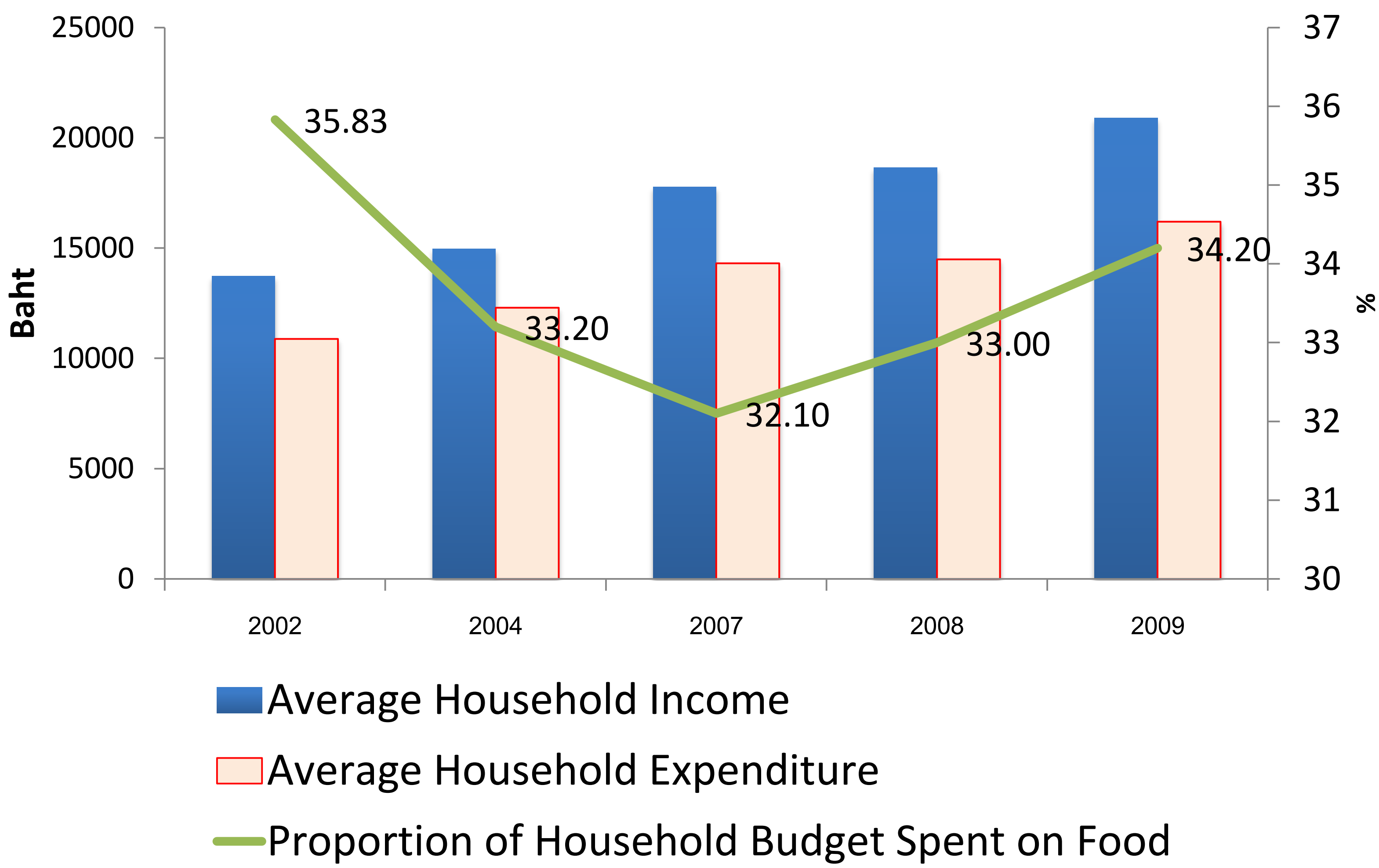
The role of the government

- 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.



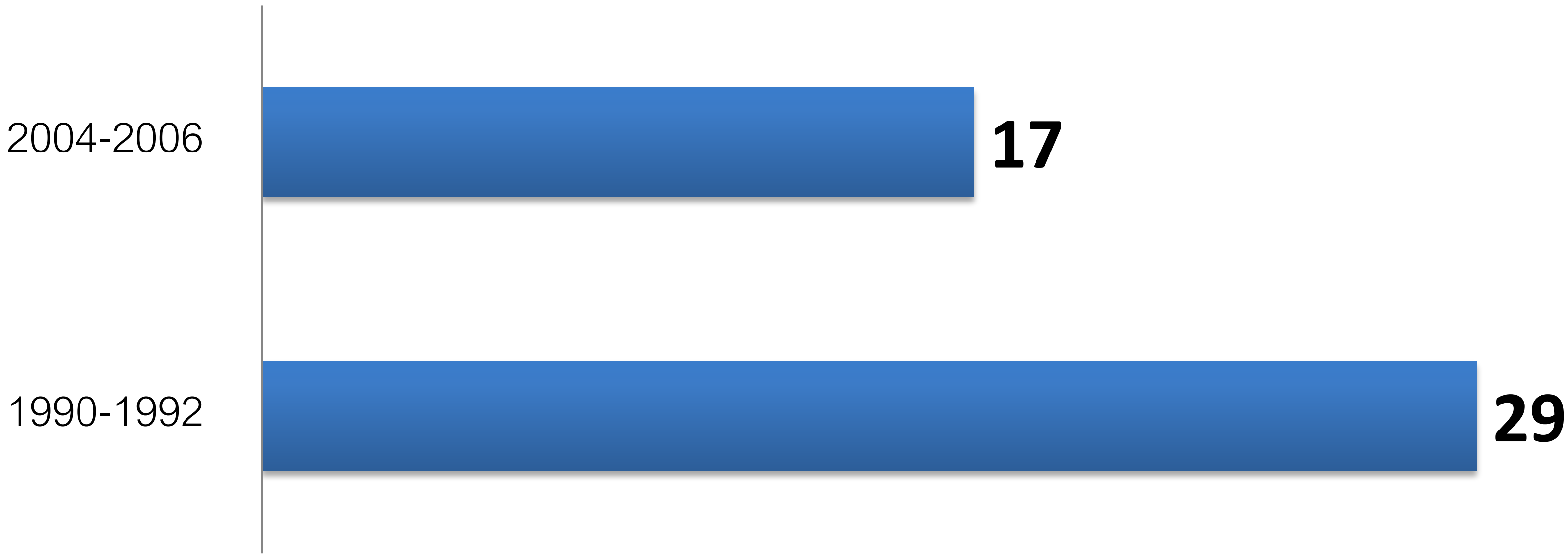
GNI per capita (constant 2008 PPPUS$: 8,000
GDP per capita (2008 PPP US$): 8,328

Proportion of Household Budget Spent on Food



Source: NSO

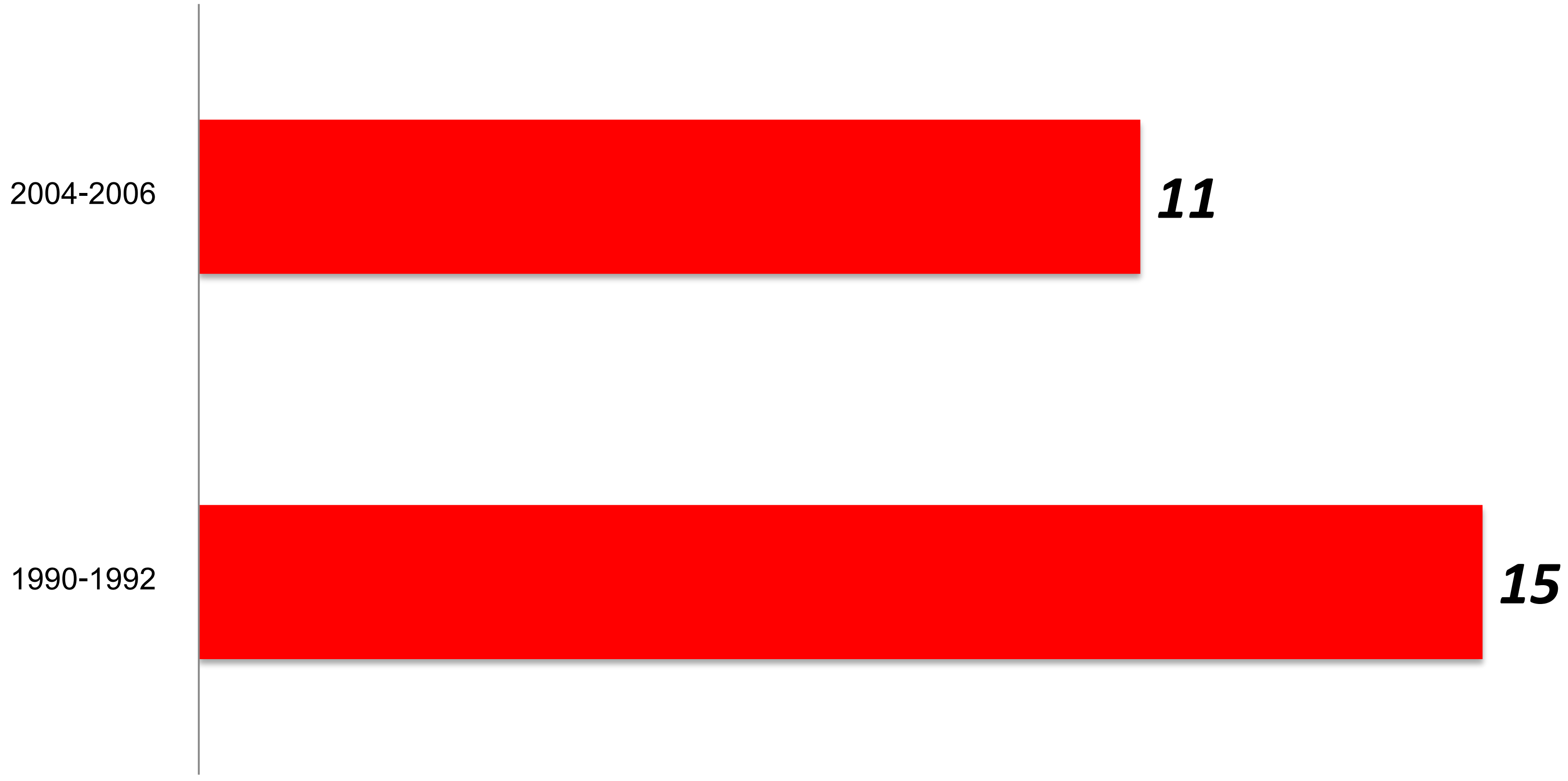
Prevalence of Undernourishment (% to total population)



- 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.

Intensity of food deprivation

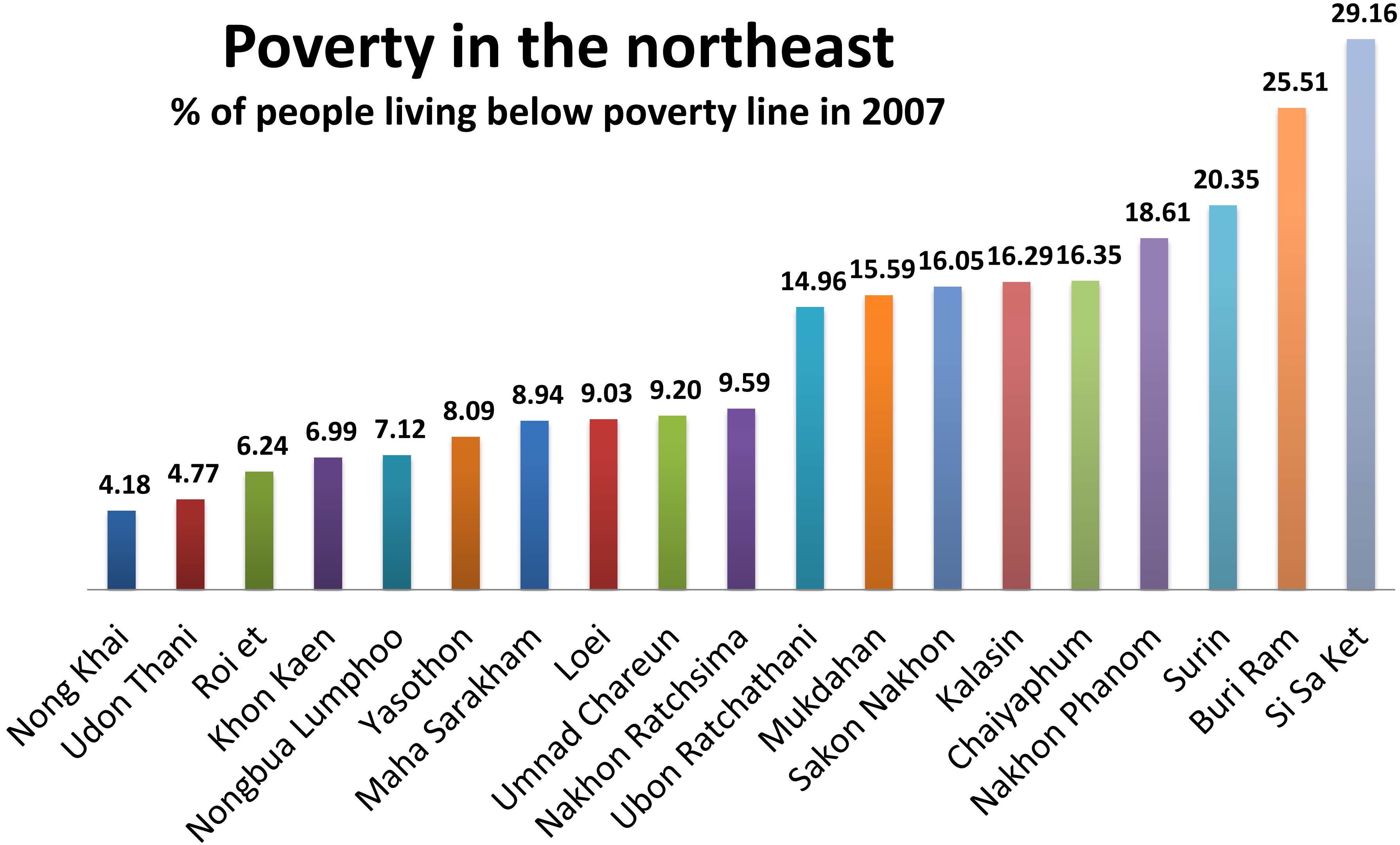
(average % shortfall in minimum dietary energy requirement)



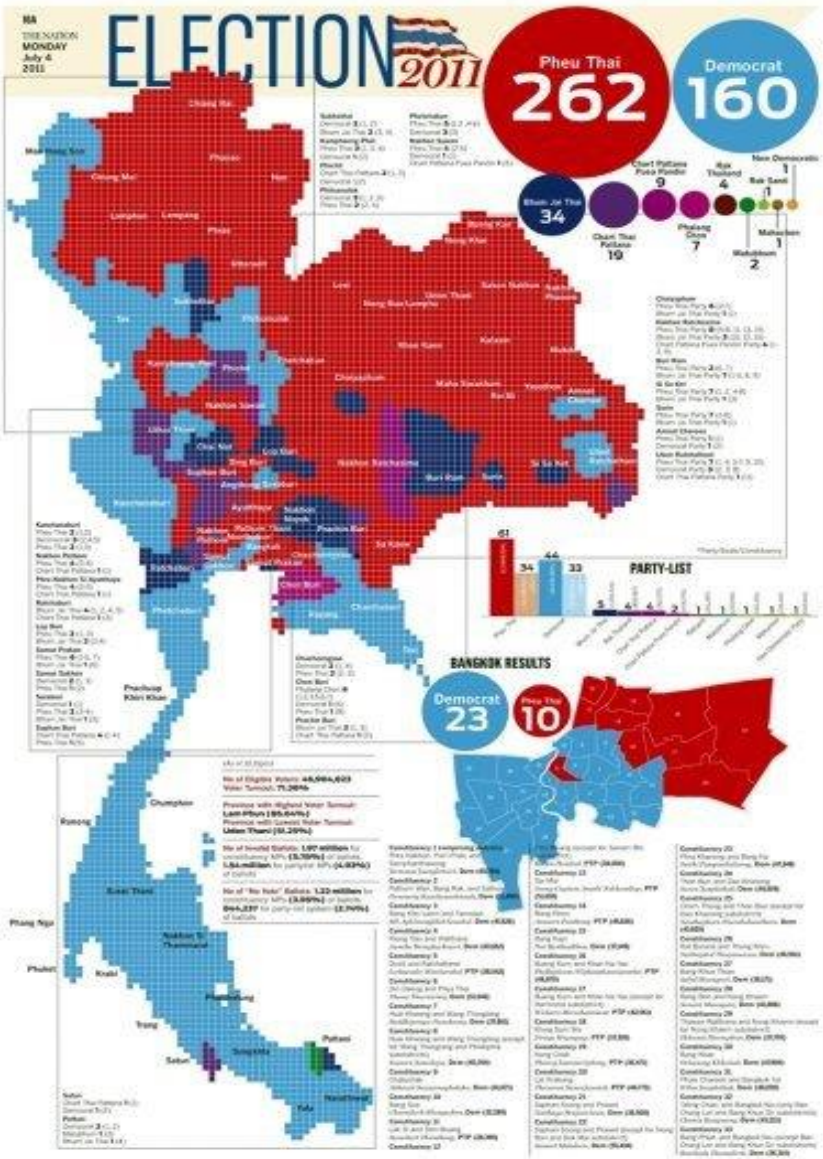
Source: UNDP

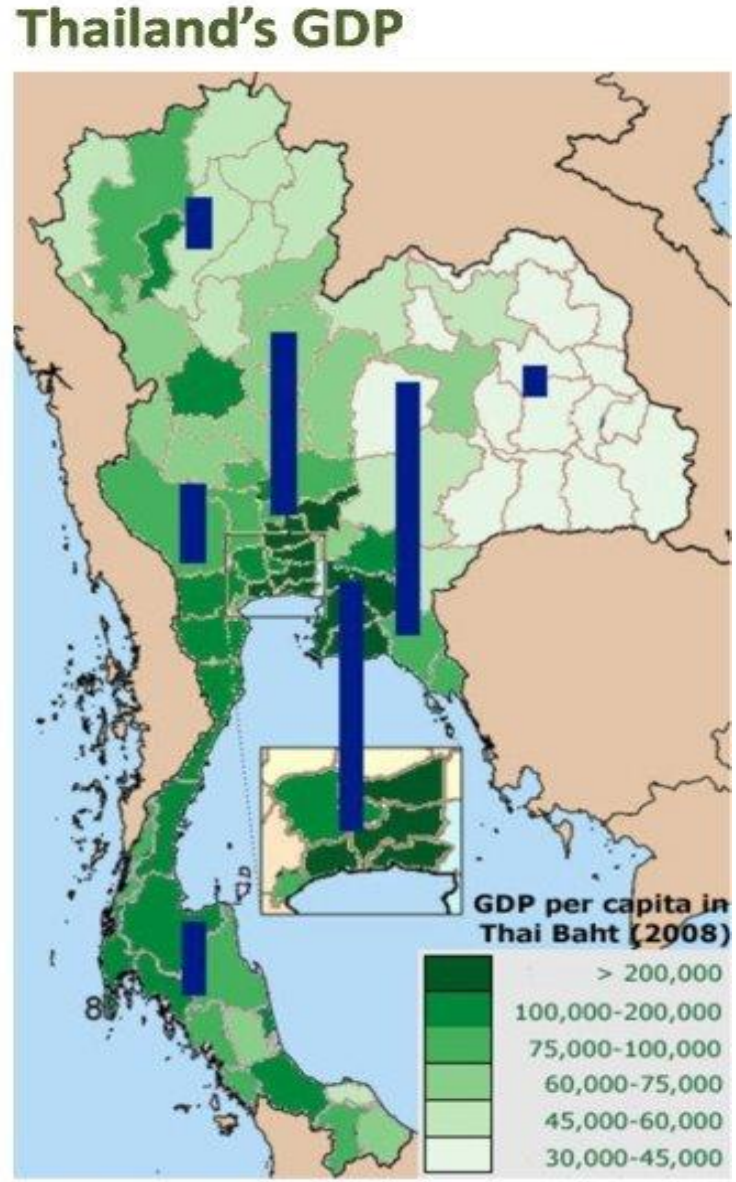
Poverty in the northeast

% of people living below poverty line in 2007



Poverty and Politics





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 GDP growth slowdown in 2014?