

EE460: Poverty in Thailand

Bhanupong

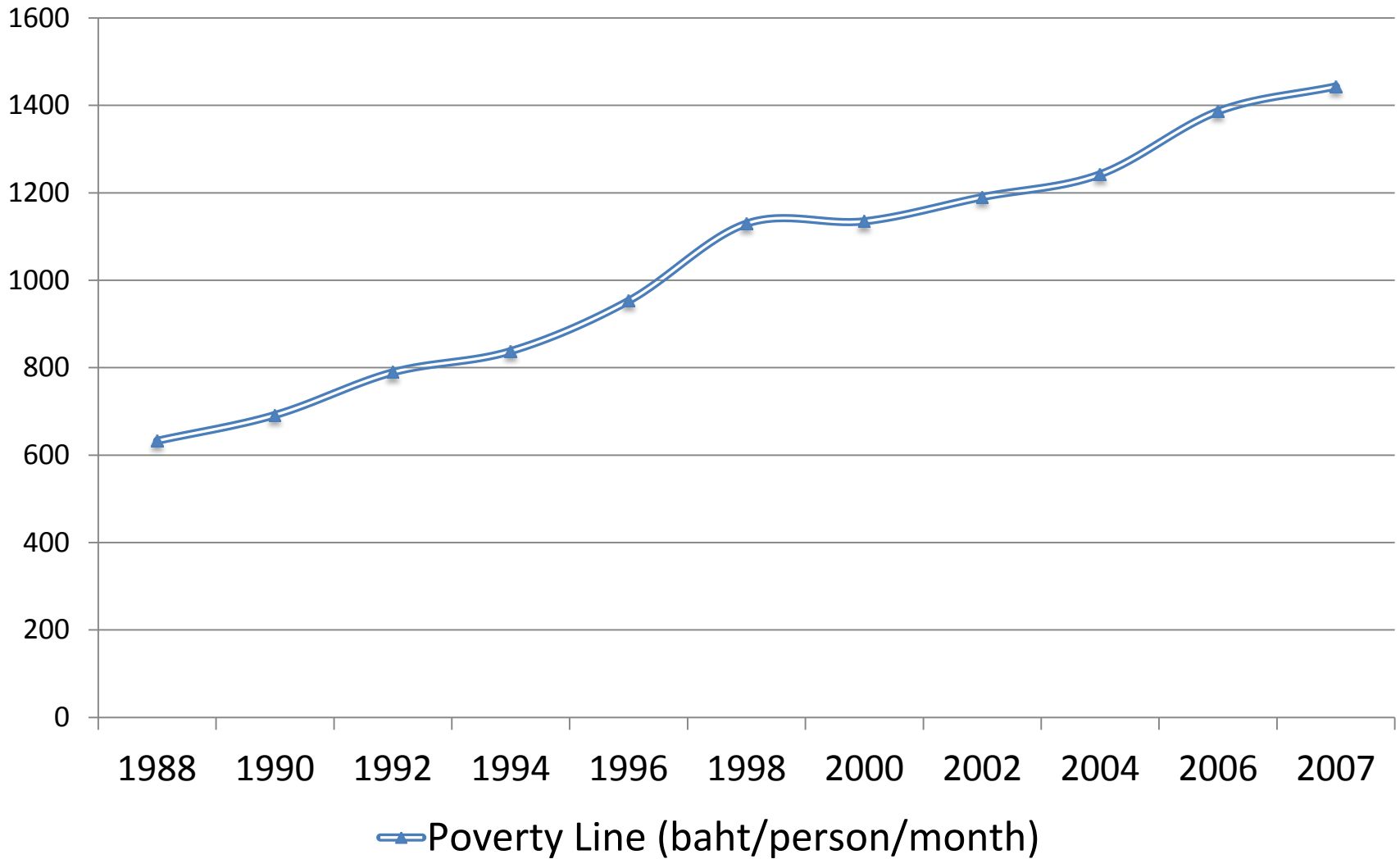
Lecture 27

**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 Line (baht/person/month)



Source: NESDB

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

Exchange Rates 25 November 2014

	Bill	Transfer	Selling
USD	32.5855	32.6770	32.9677
EUR	40.3749	40.4801	41.0831
JPY(100)	27.4635	27.5382	28.0899

[More >>](#)

Target Inflation Rates

Core Inflation 0.5-3.0 %

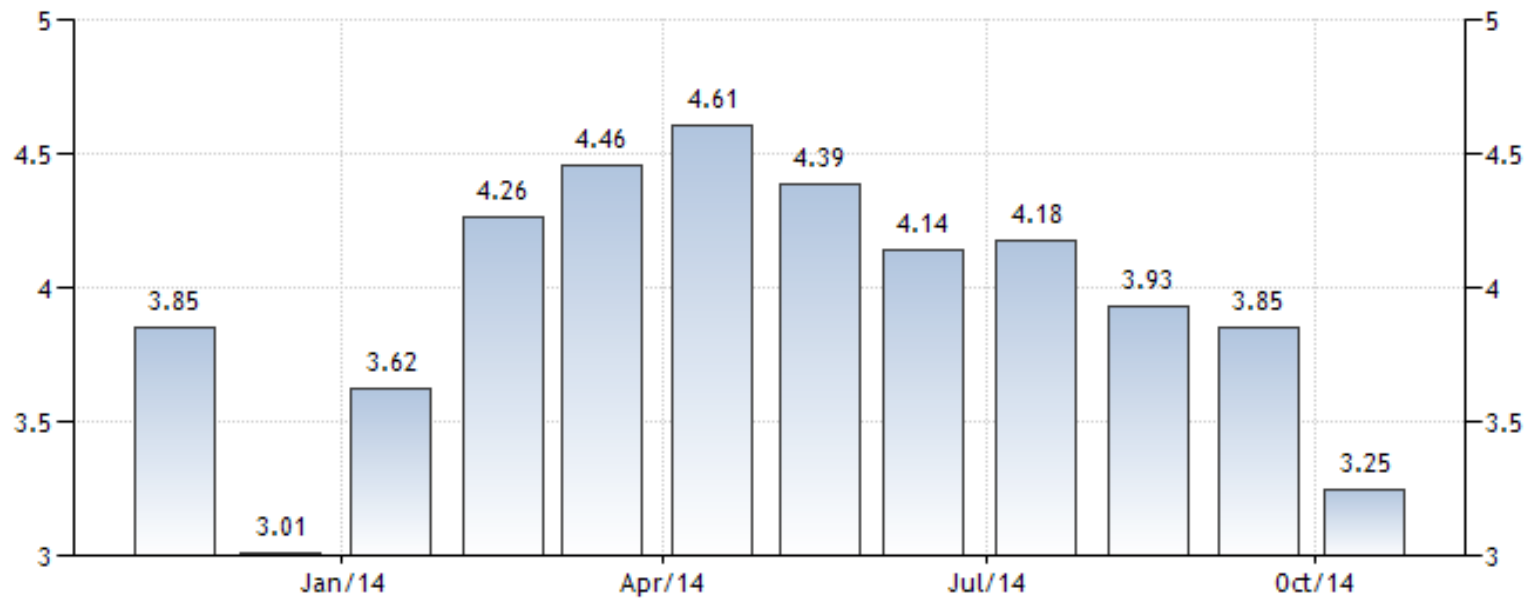
Latest Inflation : October 2014

- Core Inflation 1.67%
- Headline Inflation 1.48%

Policy Interest Rates

The 1-day repurchase rate at 2.00%

THAILAND FOOD INFLATION



SOURCE: WWW.TRADINGECONOMICS.COM | BUREAU OF TRADE AND ECONOMIC INDICES, MINISTRY OF COMMERCE, THAILAND

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

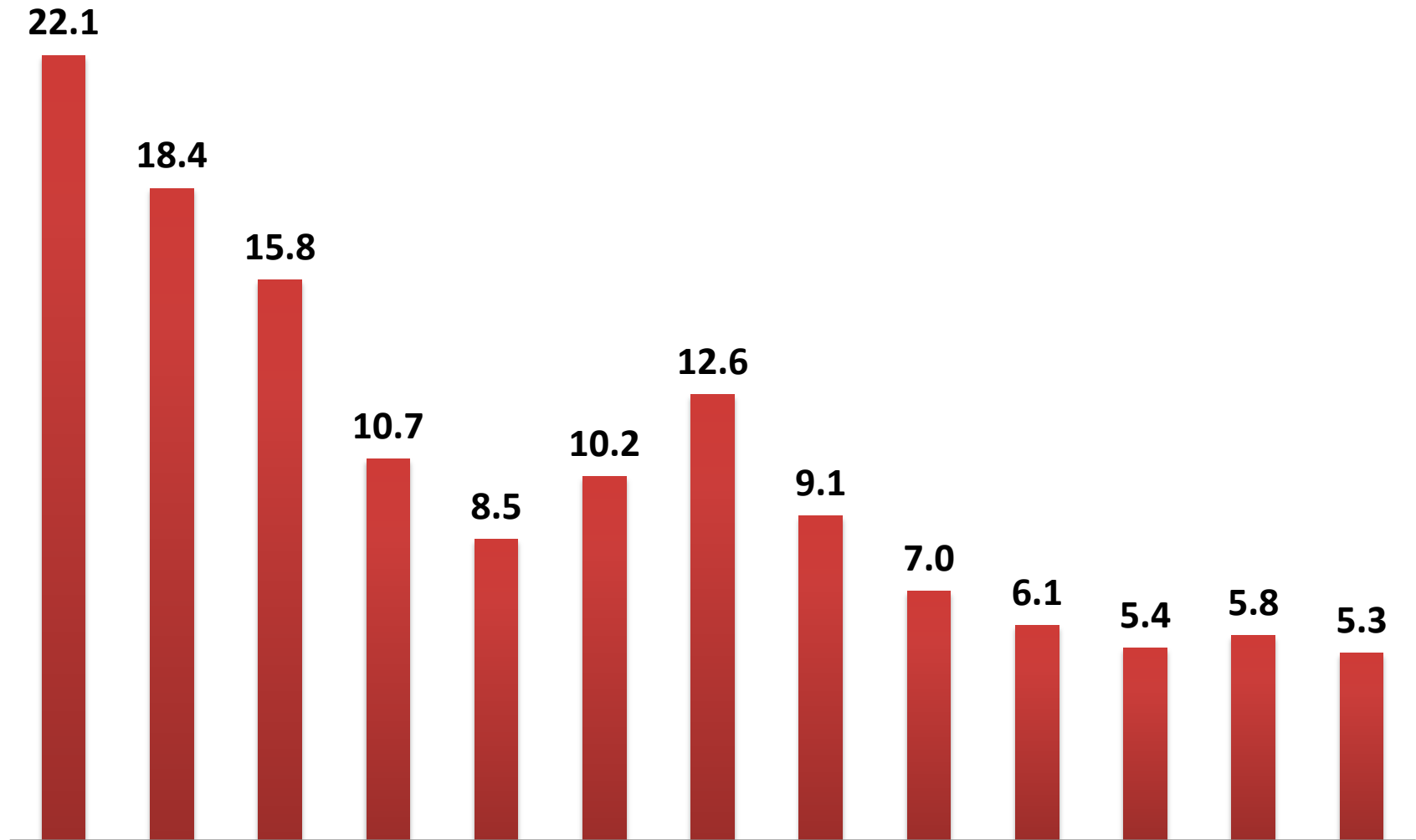
Aggregate poverty is the percentage of the total population whose income fall below poverty line (held constant over time in **real terms**).

After twenty years of economic development:
 Growth of income per capita (1990-2010)
 Top and bottom 20%

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

Income poverty is part of the story

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.

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

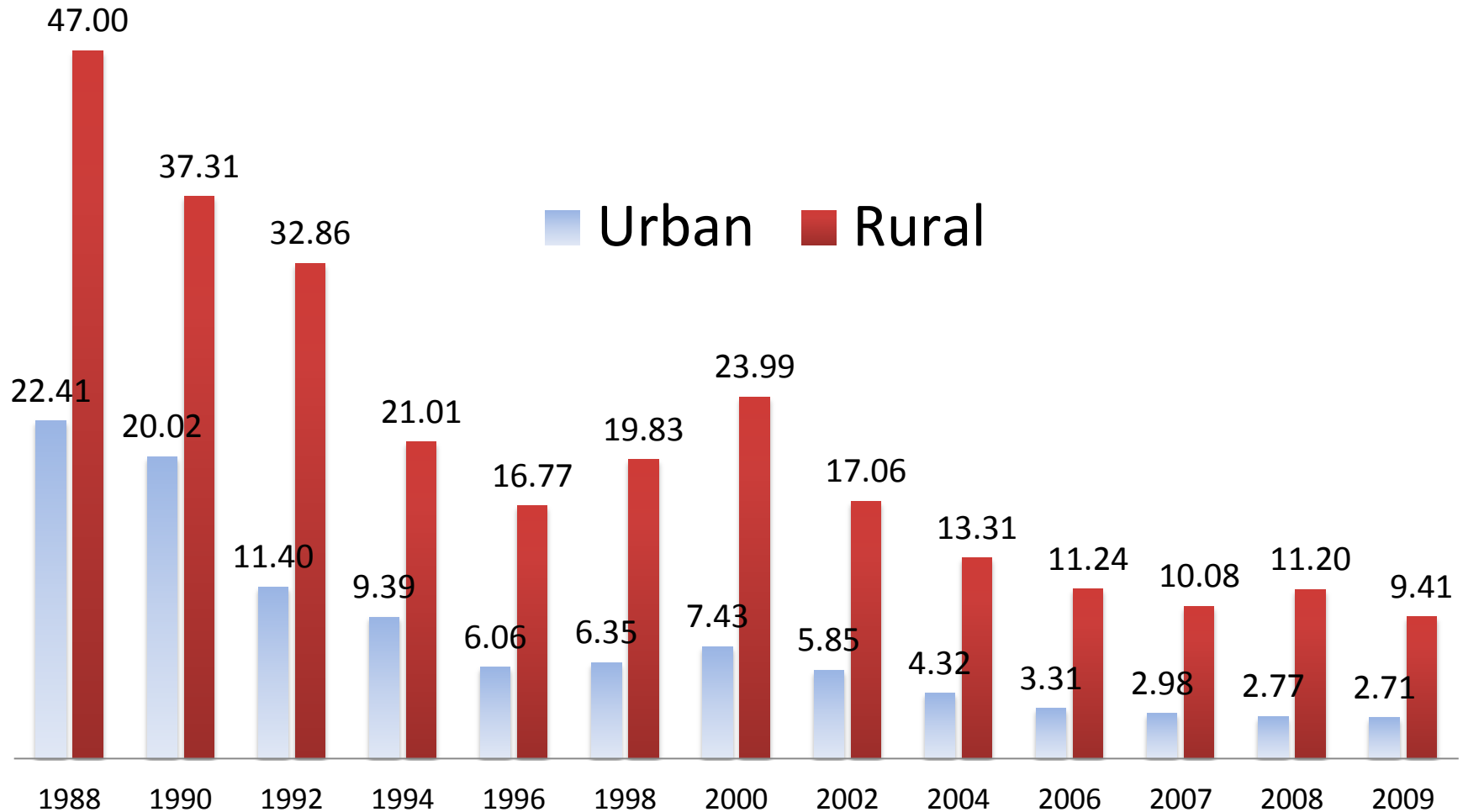
- Large reductions in absolute poverty incidence in Thailand, Indonesia, Malaysia, and the Philippines over the period from 1960s to 1999 were related to high rate of economic growth (Warr, 2000).
- In Thailand, the income share of the bottom 20% is correlated with the GDP growth.

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%.

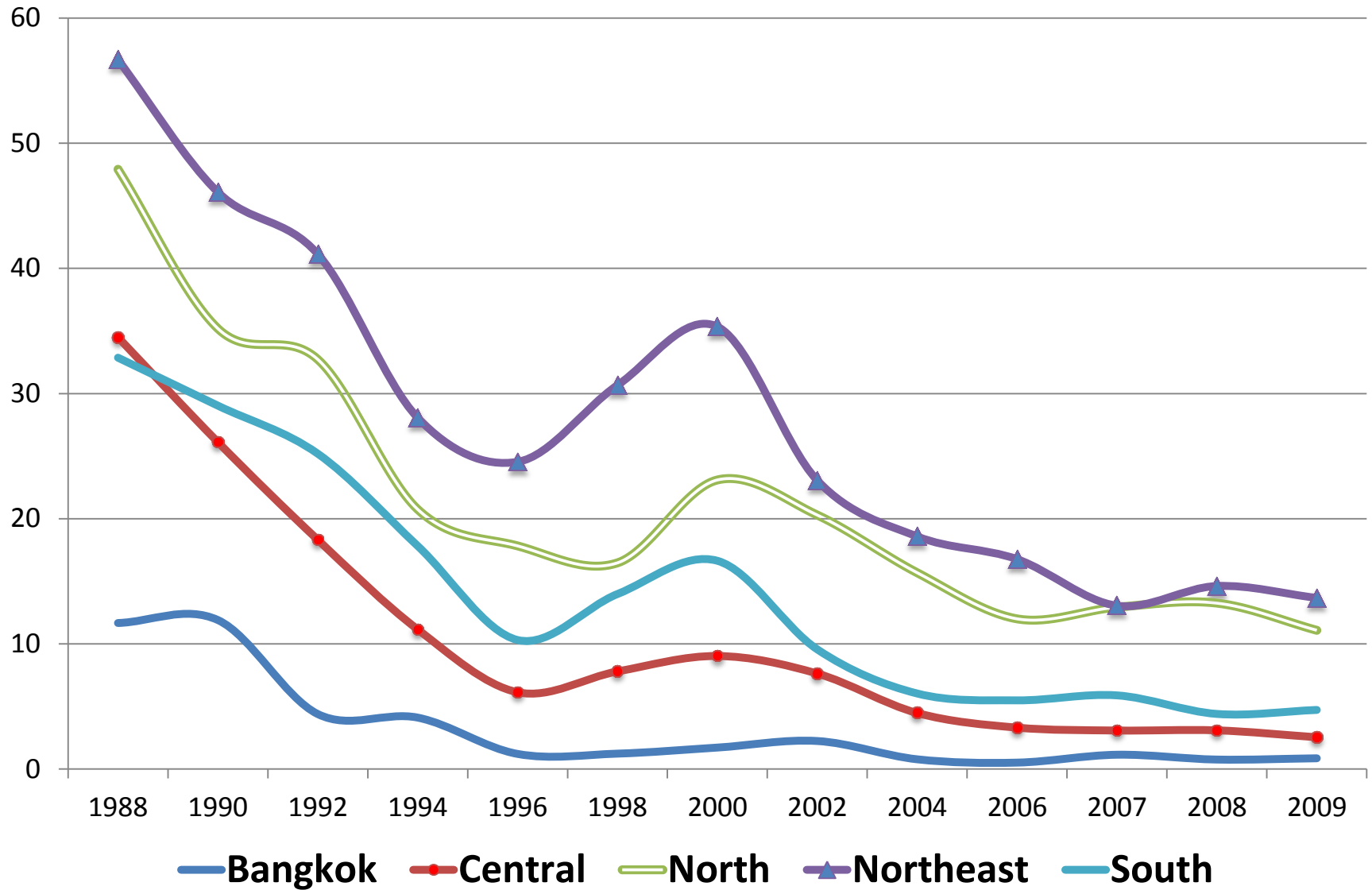
Poverty by residence: Urban vs. Rural Poverty

Unit: Percentage of the poor

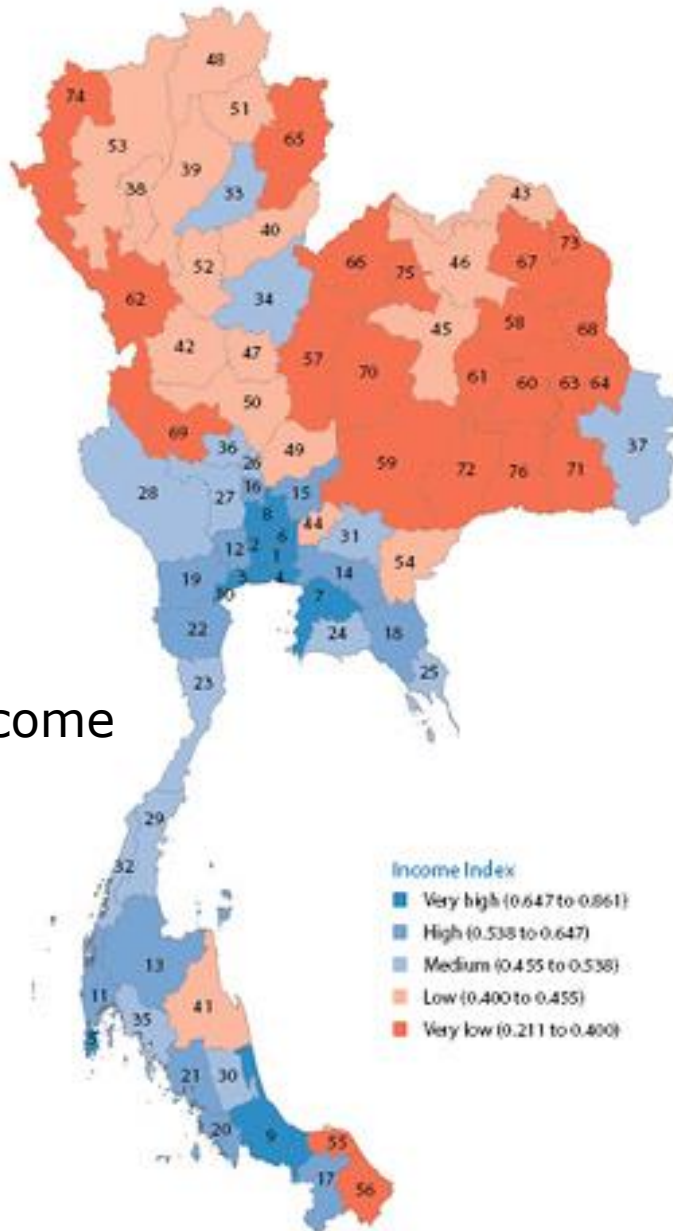


Source: NESDB

Poverty by Region



Source: NESDB



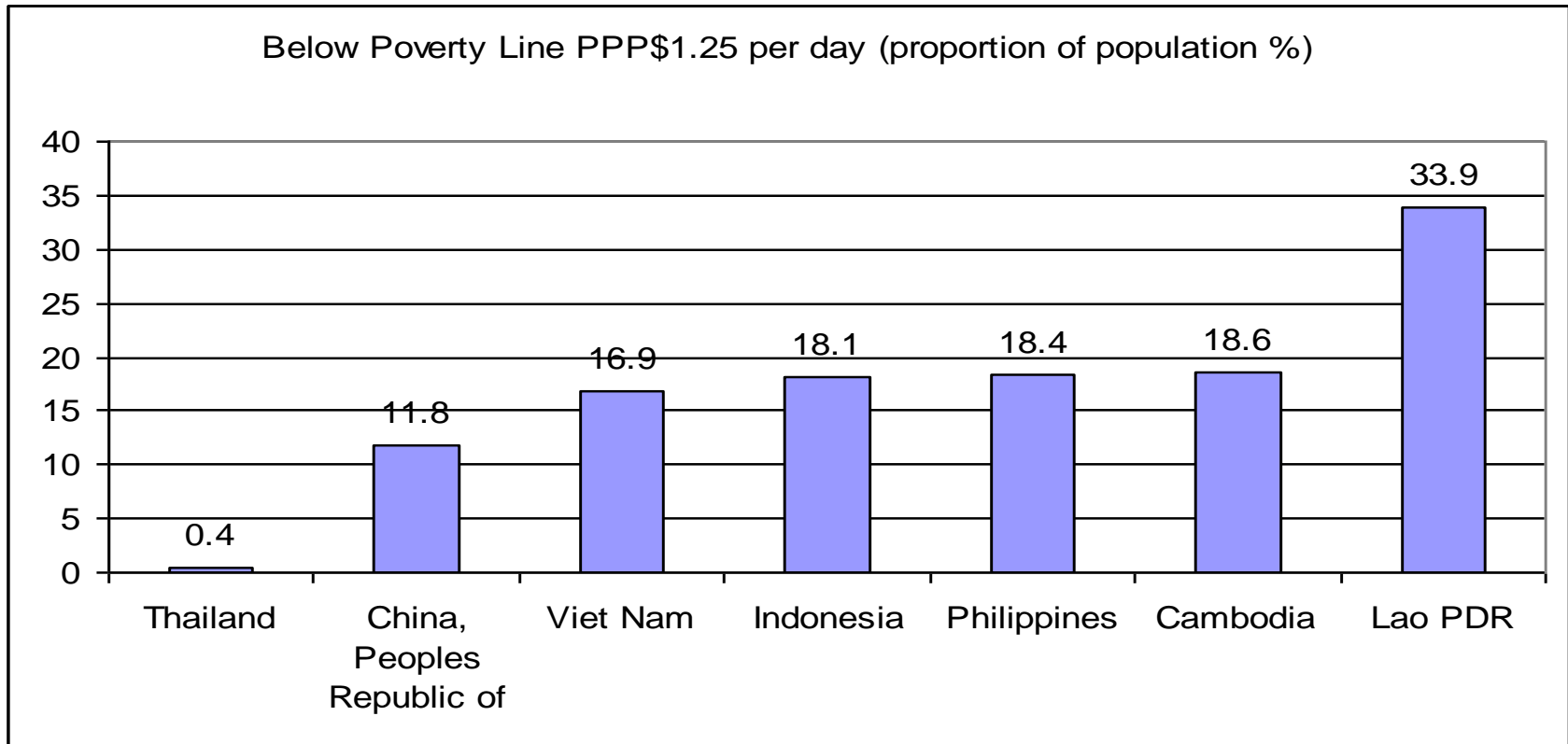
Rank

- 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 Nan
- 66 Loei
- 67 Sakon Nakhon
- 68 Mukdahan
- 69 Uthai Thani
- 70 Chalyapthum
- 71 Si Sa Ket
- 72 Buriram

Dark orange
Very Low income

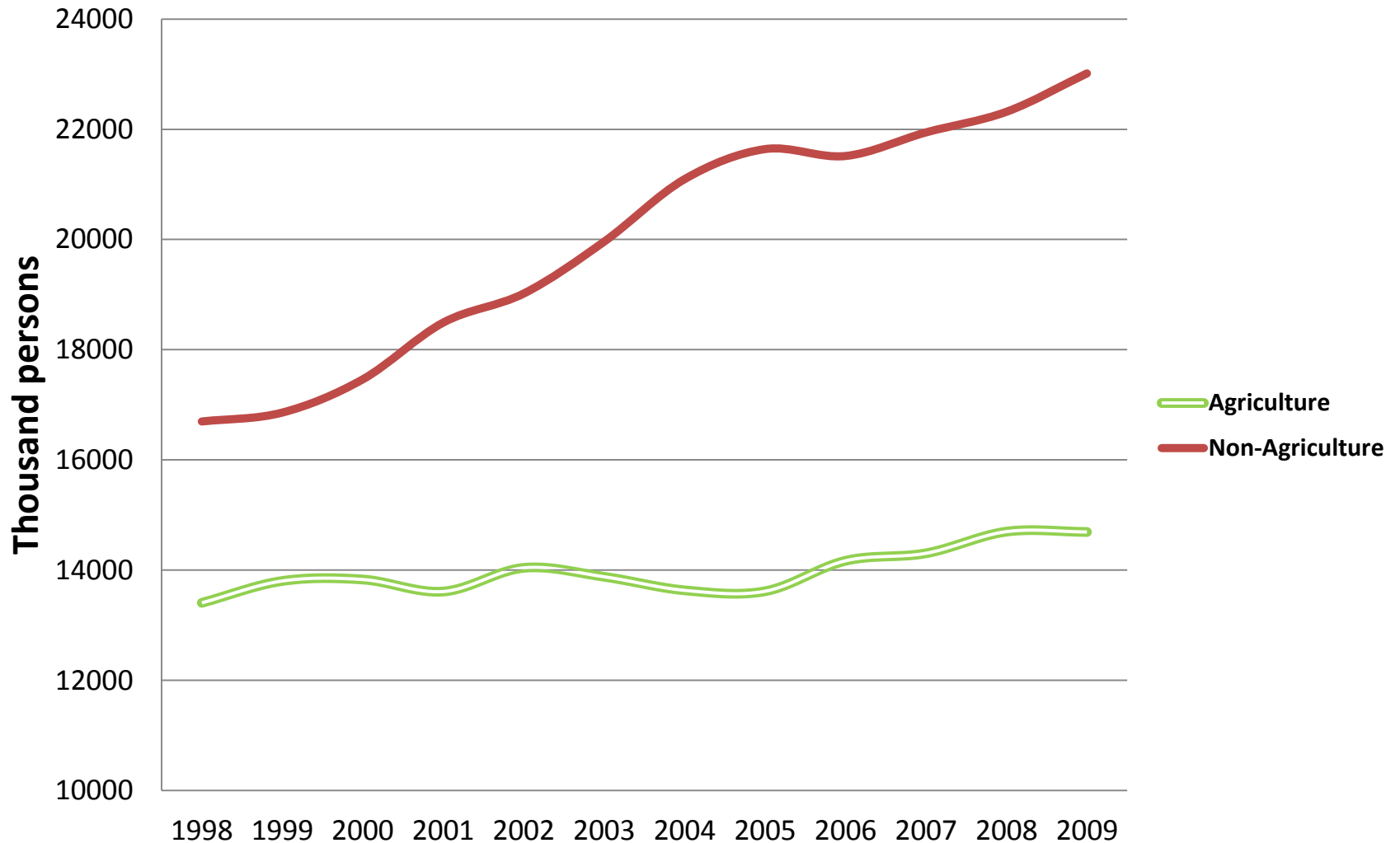
Dark blue
Very high income

Inclusive vs. exclusive growth

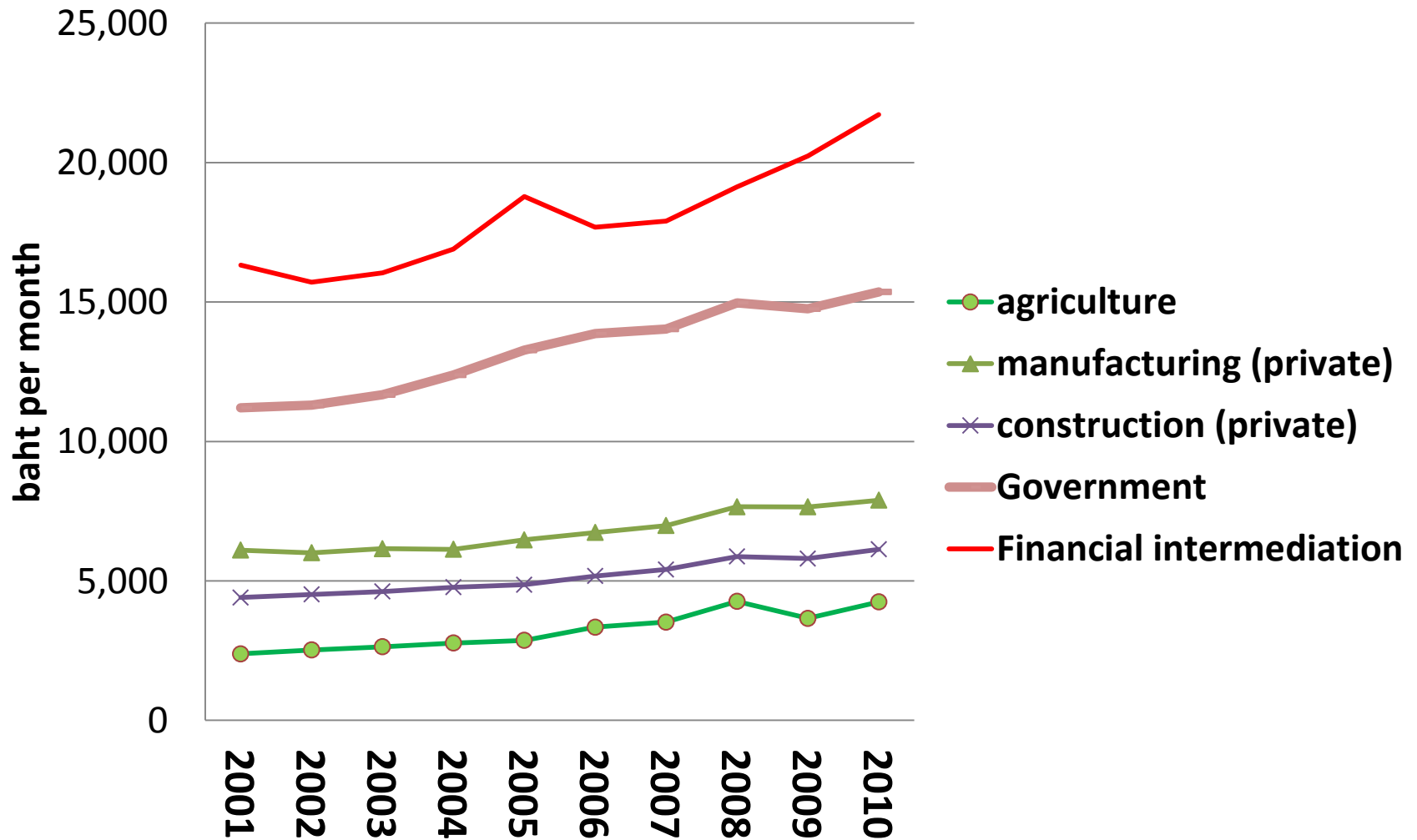


ADB poverty line: \$1.25 per day

Thailand's employment-generating sector: non-agriculture

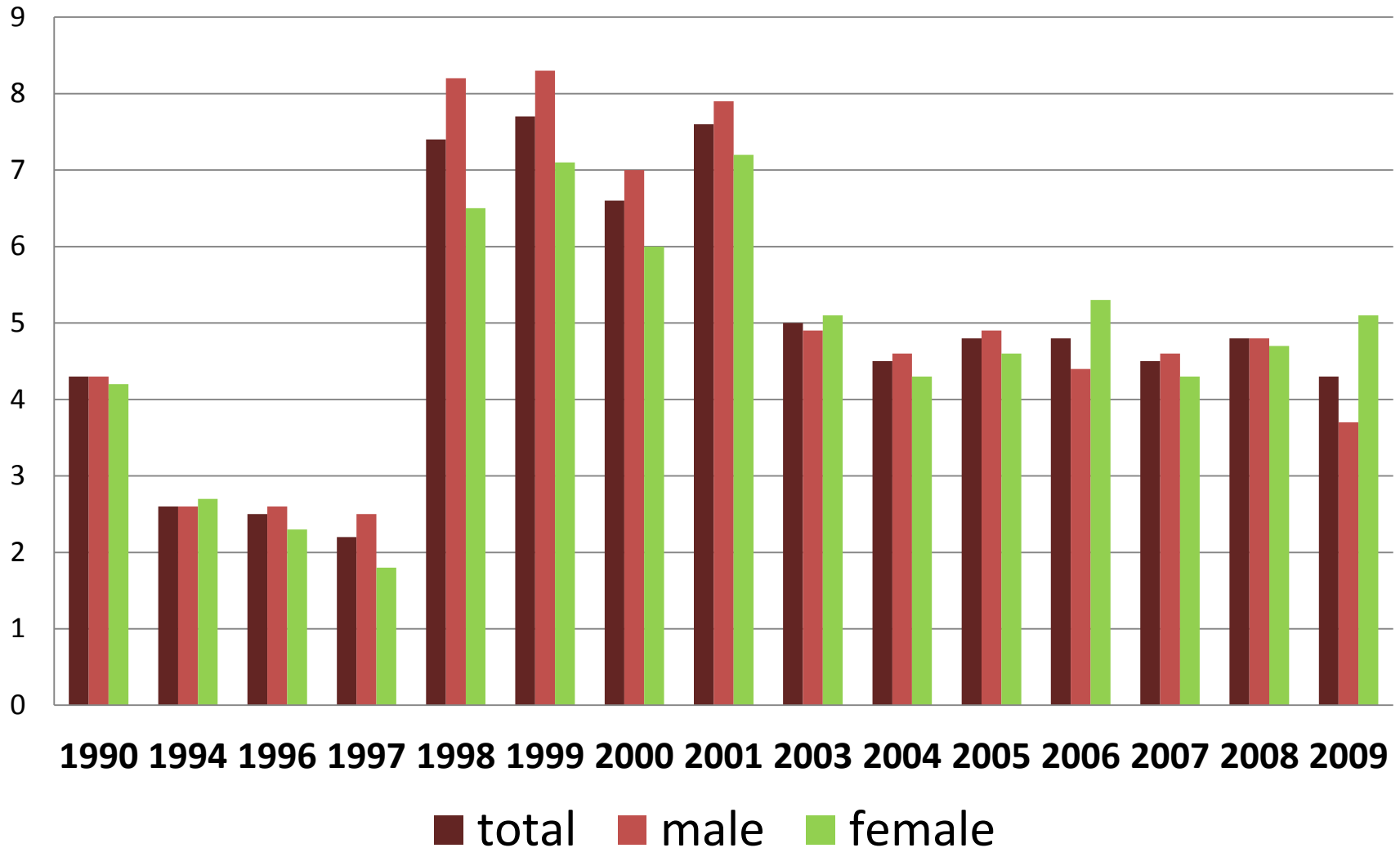


Limited upward mobility: From low to high income (productivity)



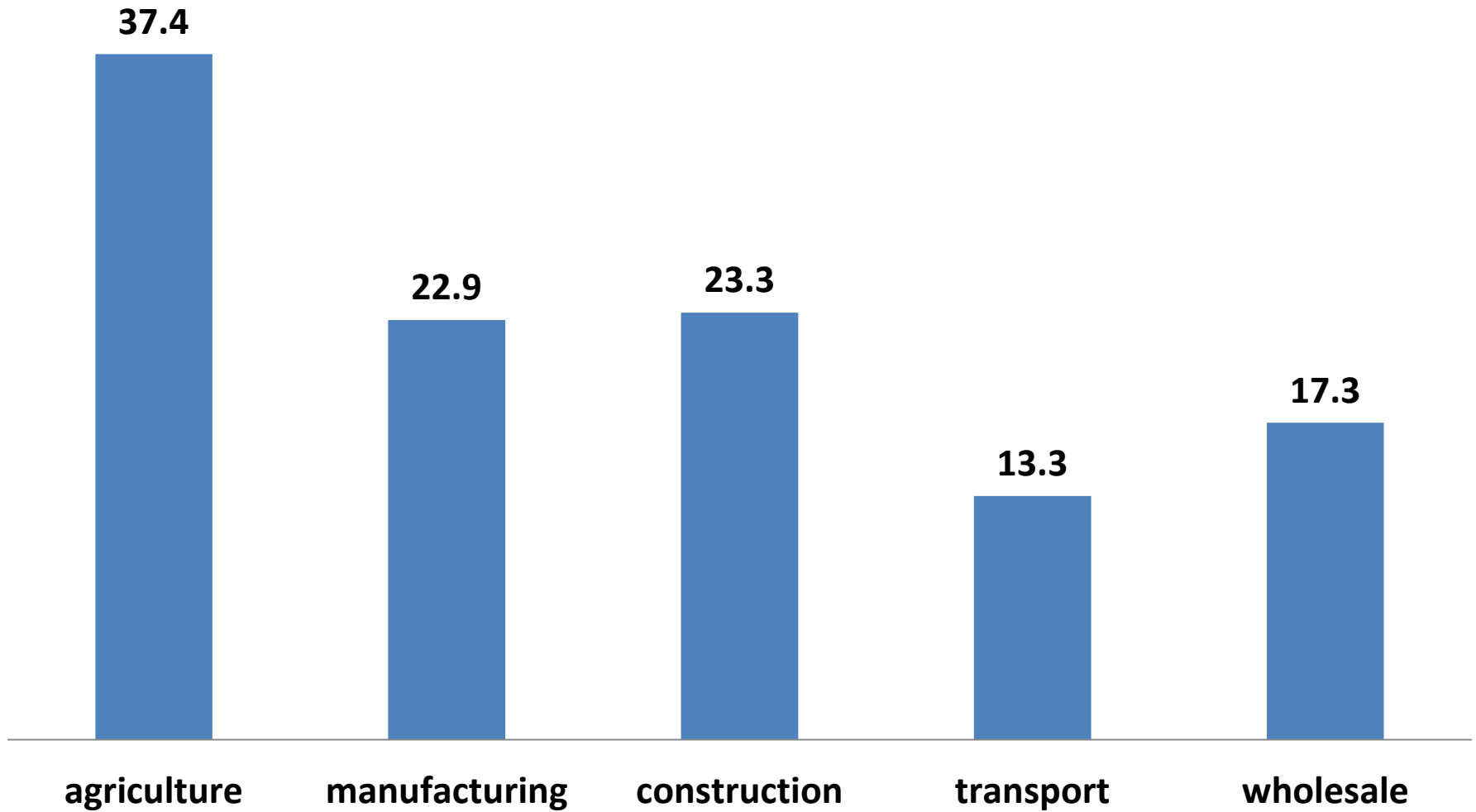
Growth is good for the young

Youth unemployment rate



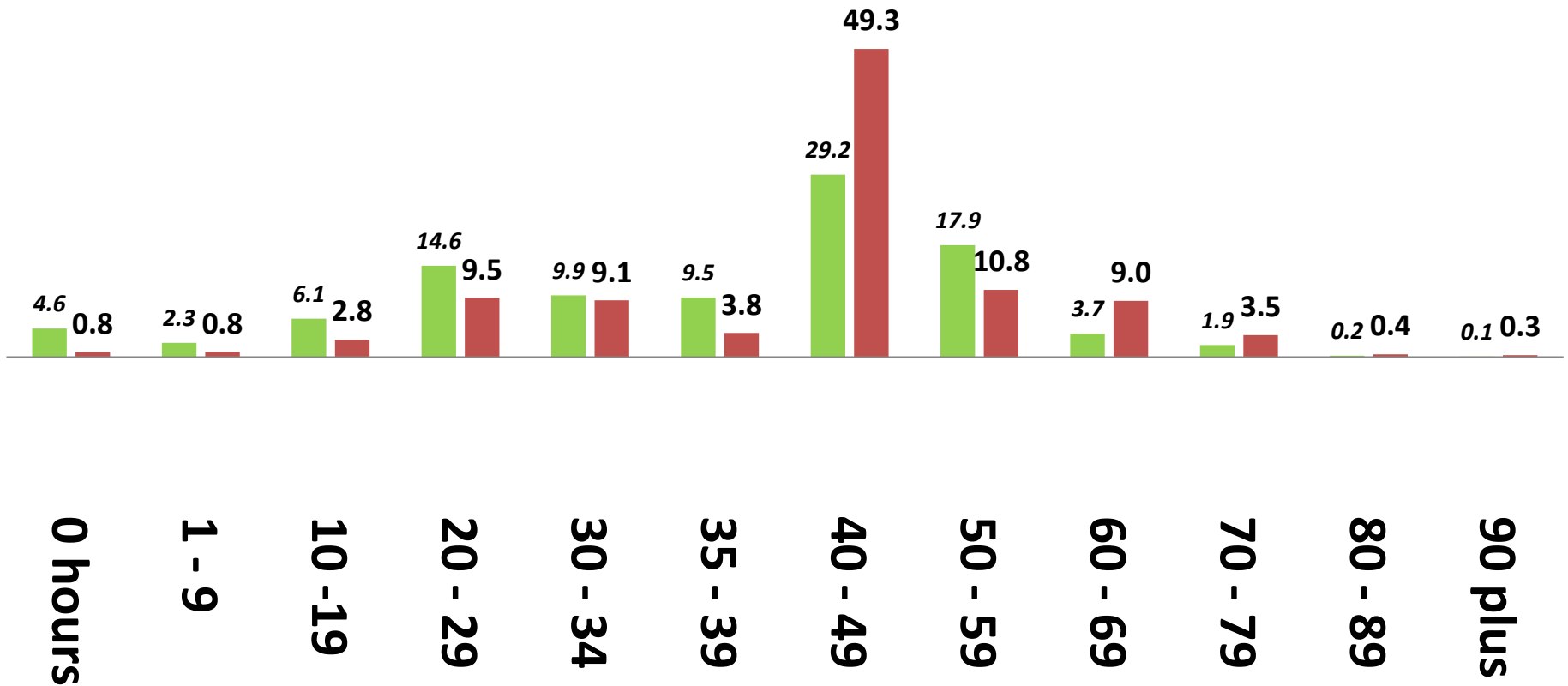
Underemployment

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

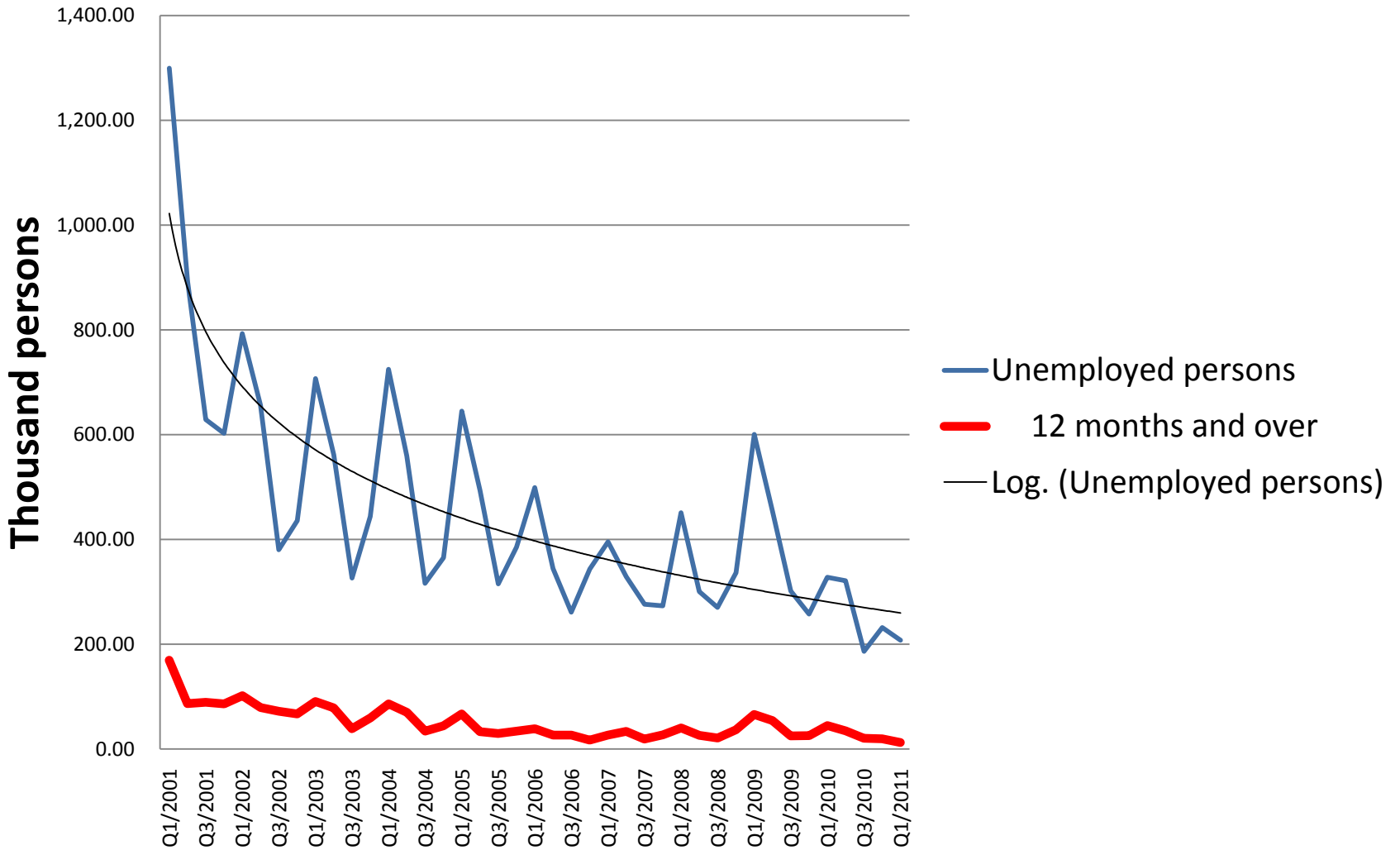


Employed person by hours per week (2011, percent)

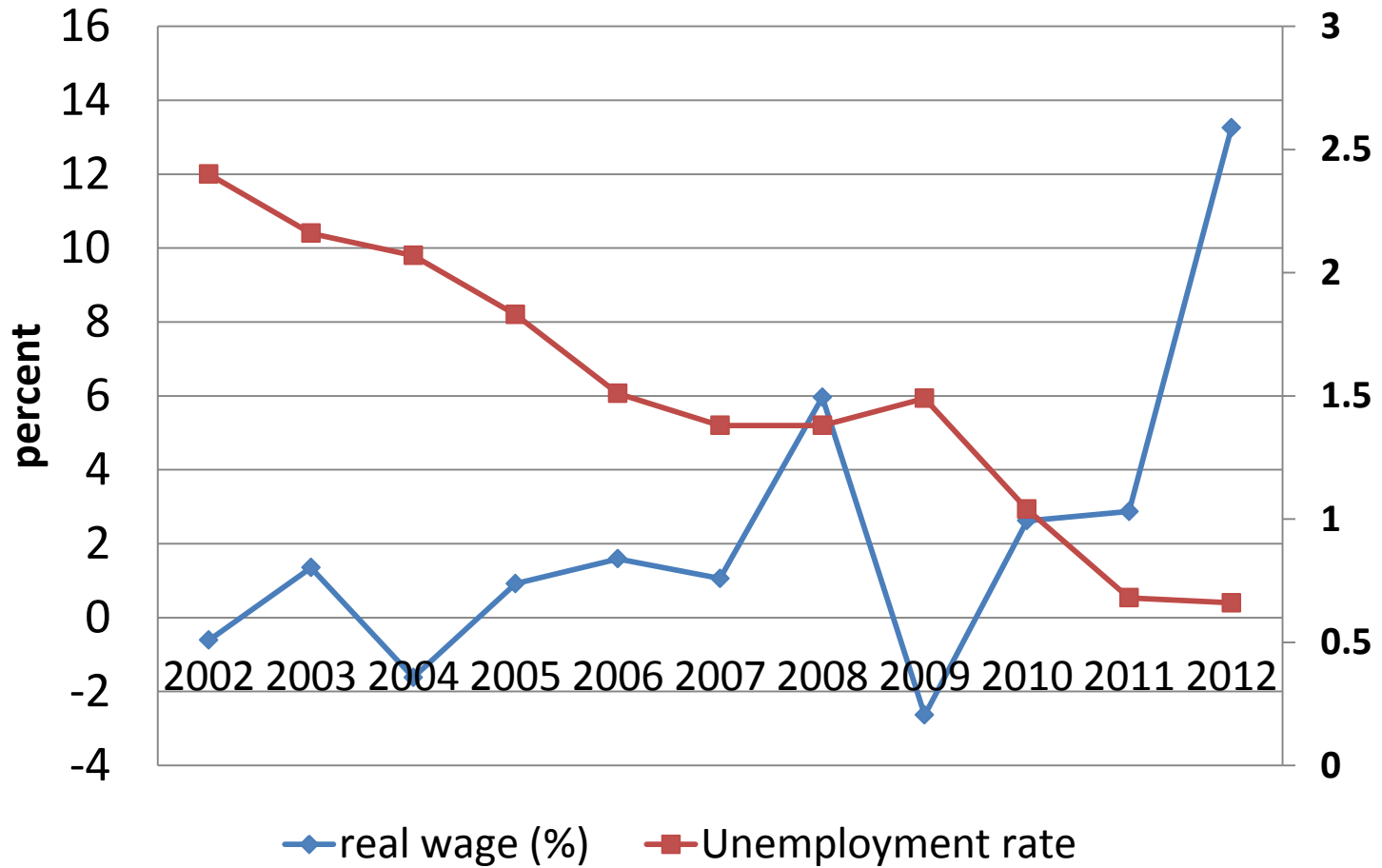
■ agriculture ■ manufacturing



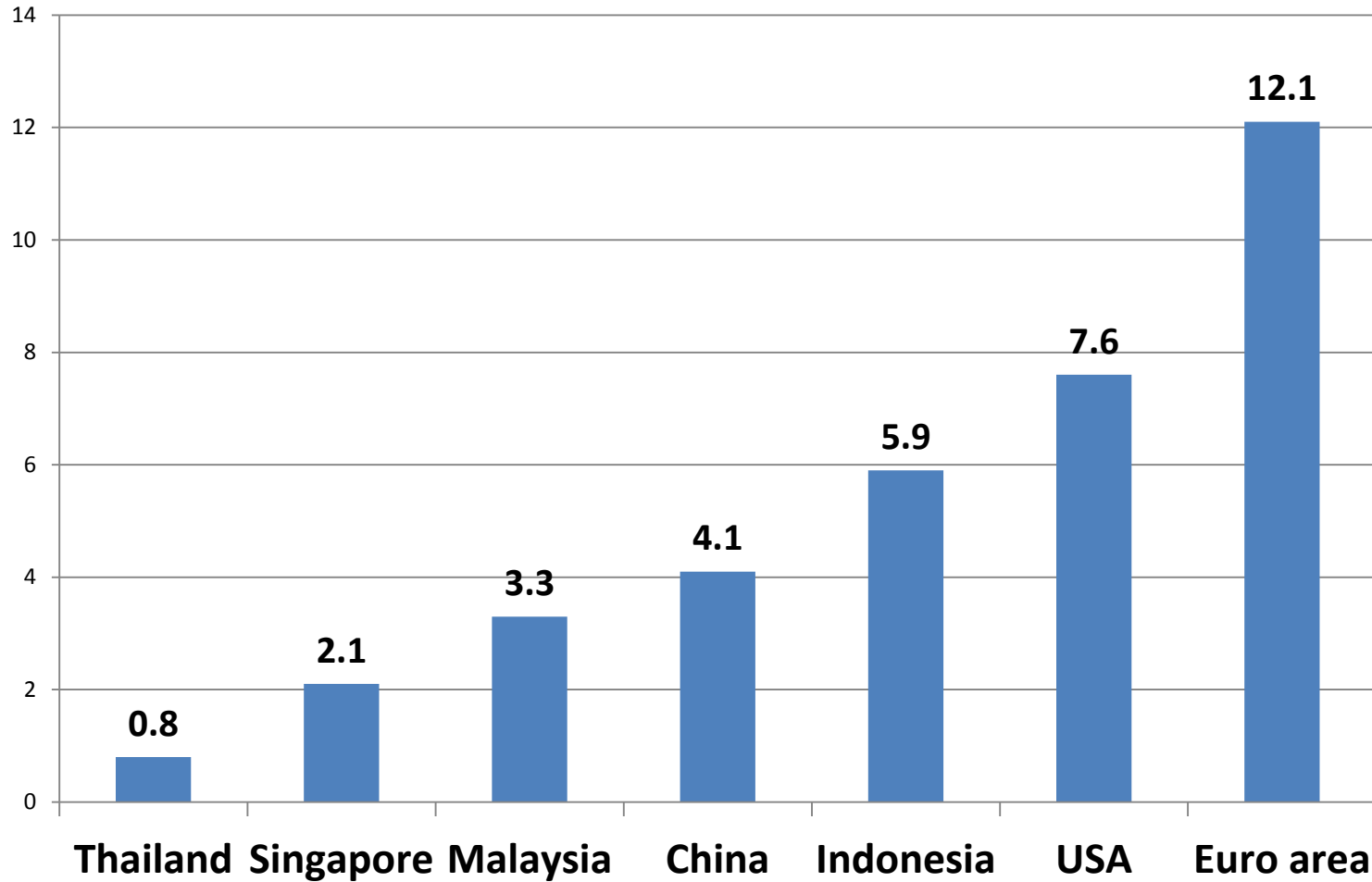
Number of unemployed and duration



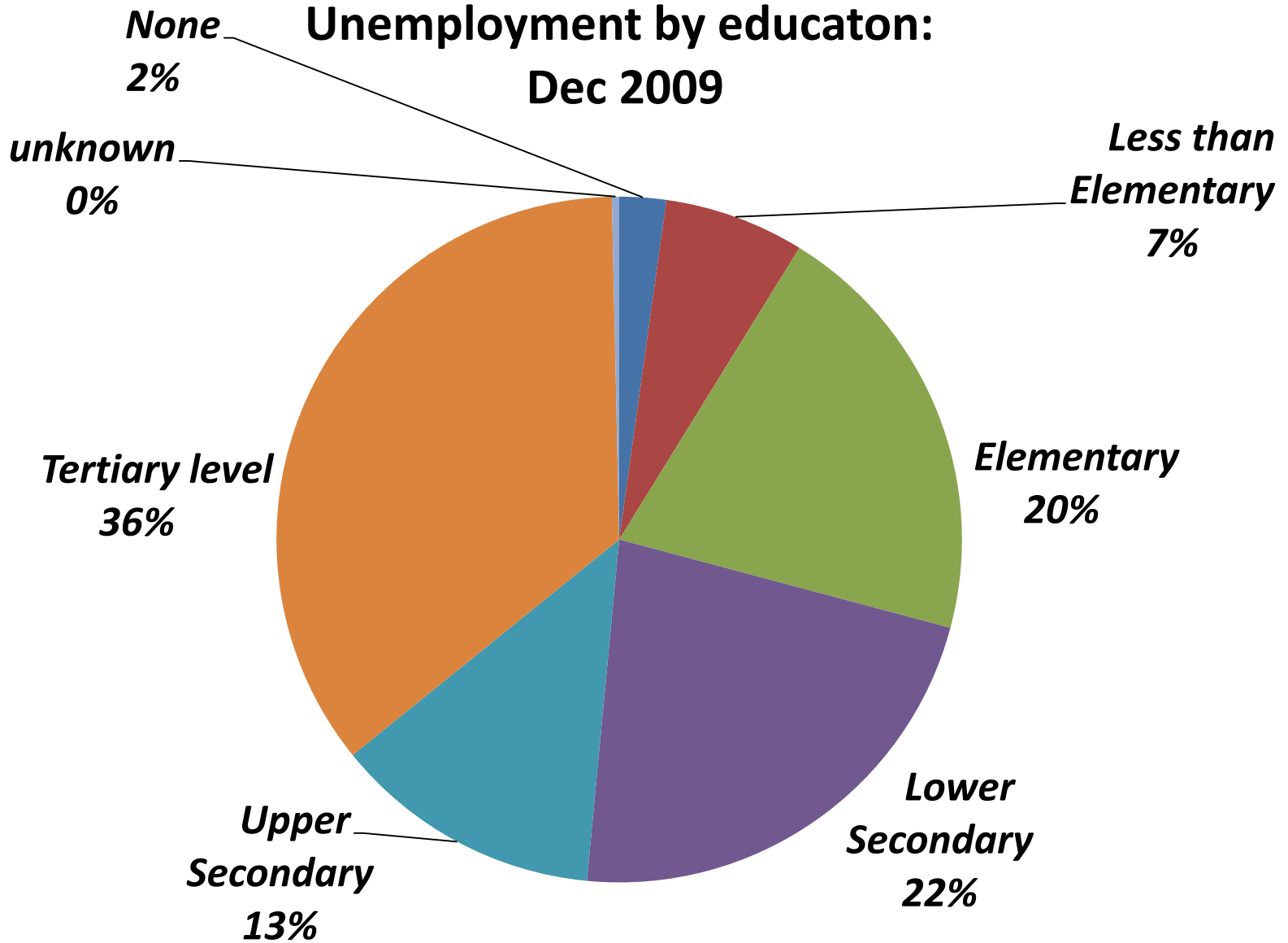
Benefits from Wage Flexibility



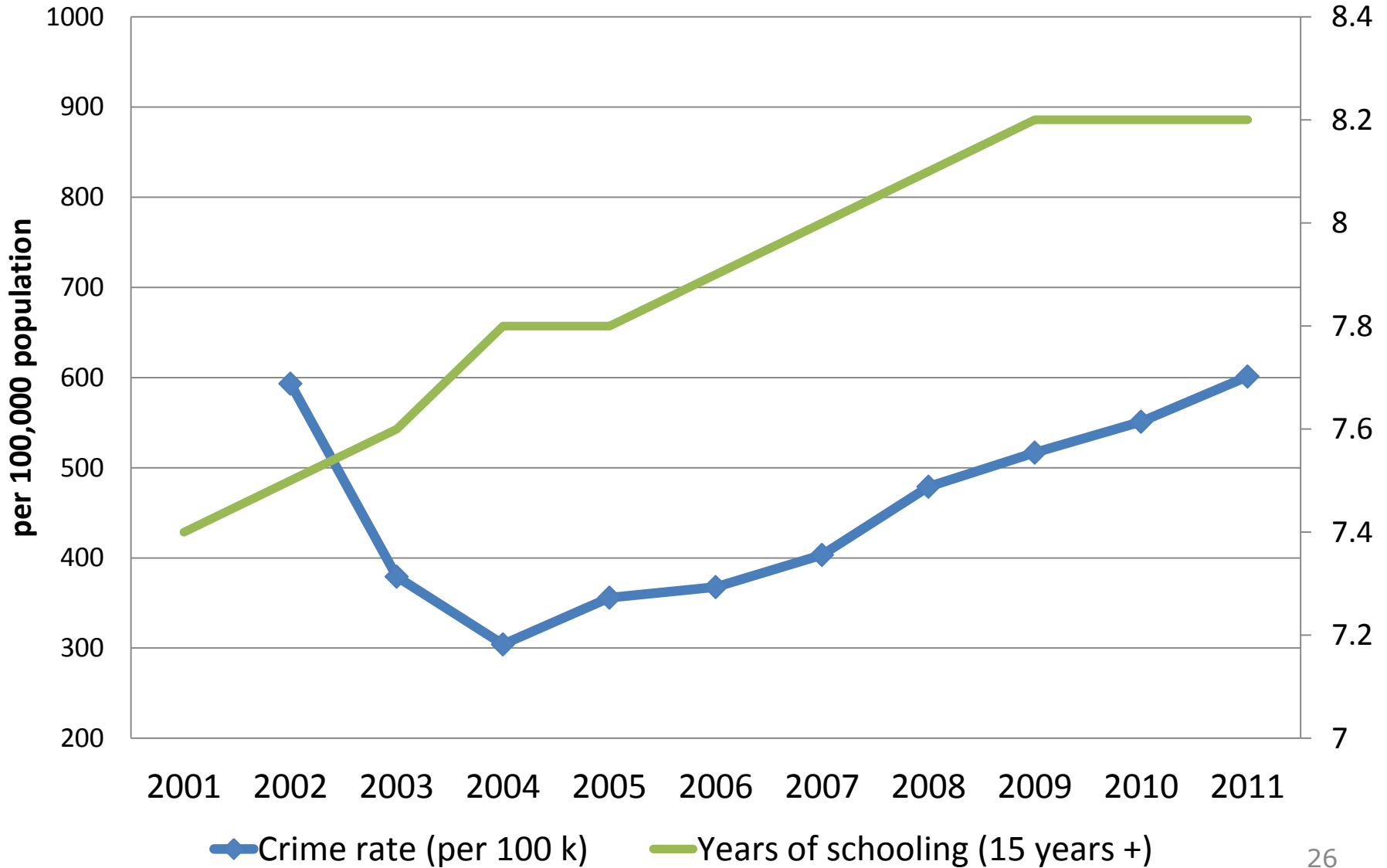
Comparative Unemployment Rates in 2013



Unemployment by education: Dec 2009



Schooling and Social Illness



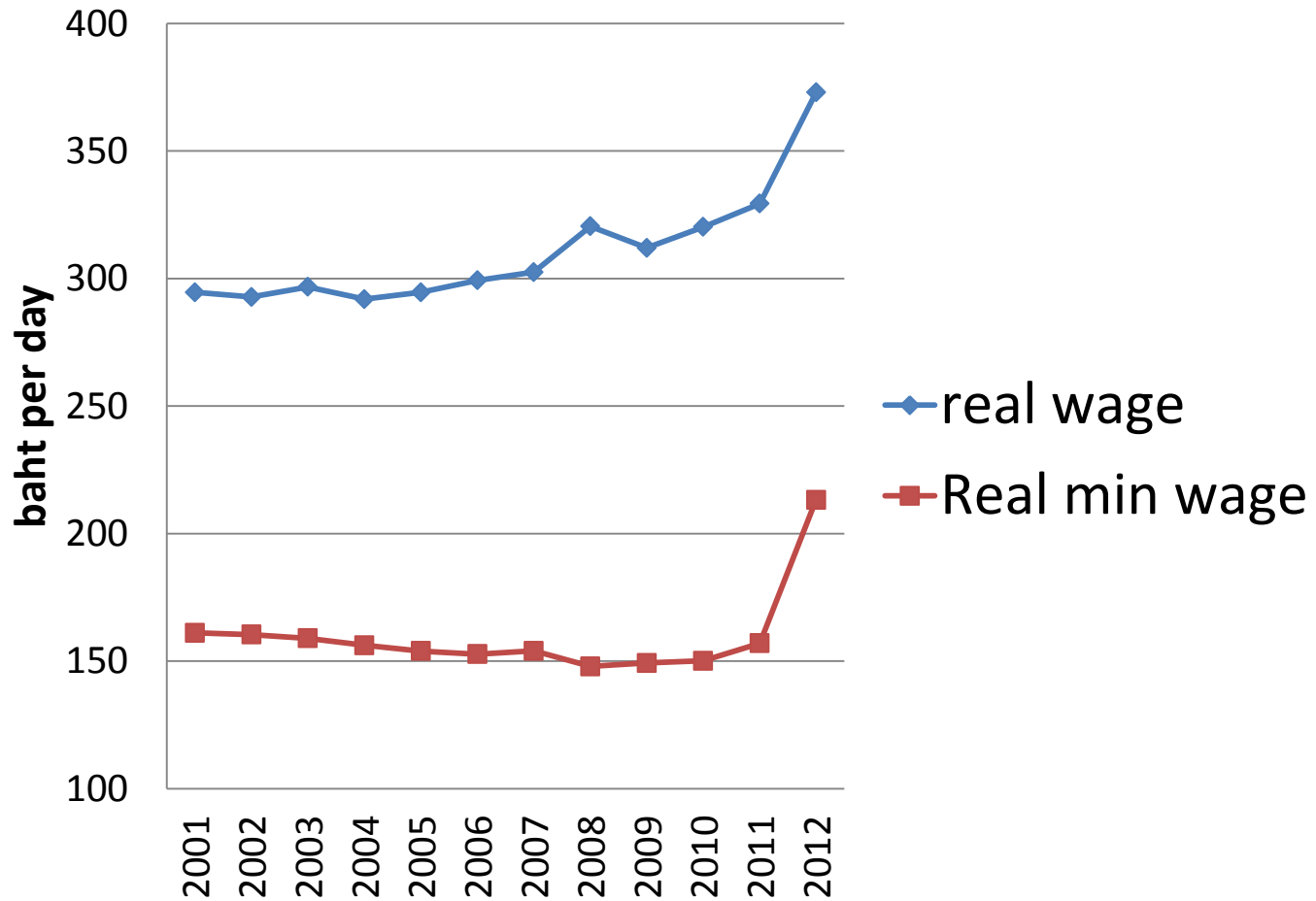
The importance of the service sector: employment effect

- 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.

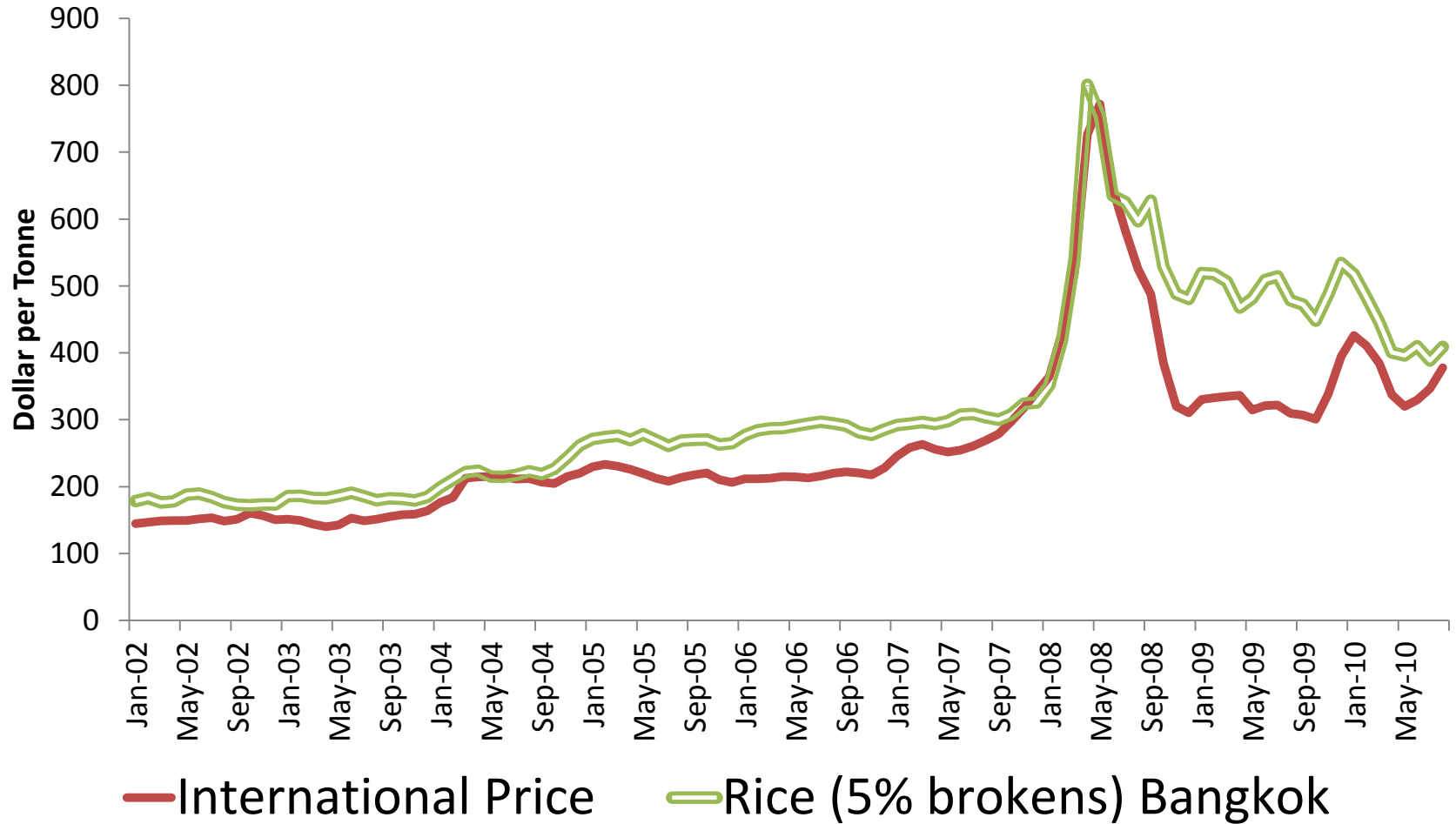
Principal income sources of the poor

- 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

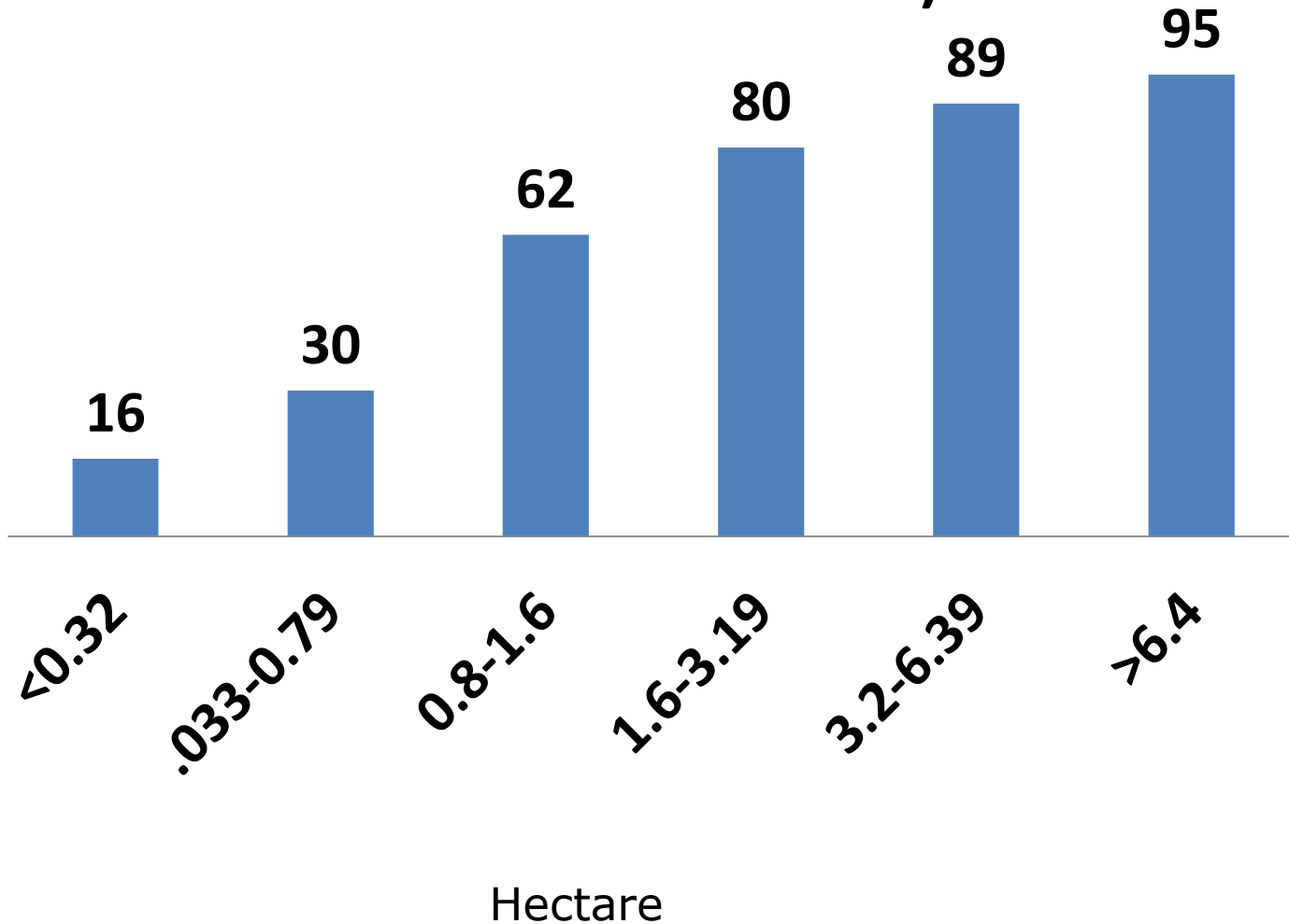


Rice prices from Jan 2002 to Aug 2010

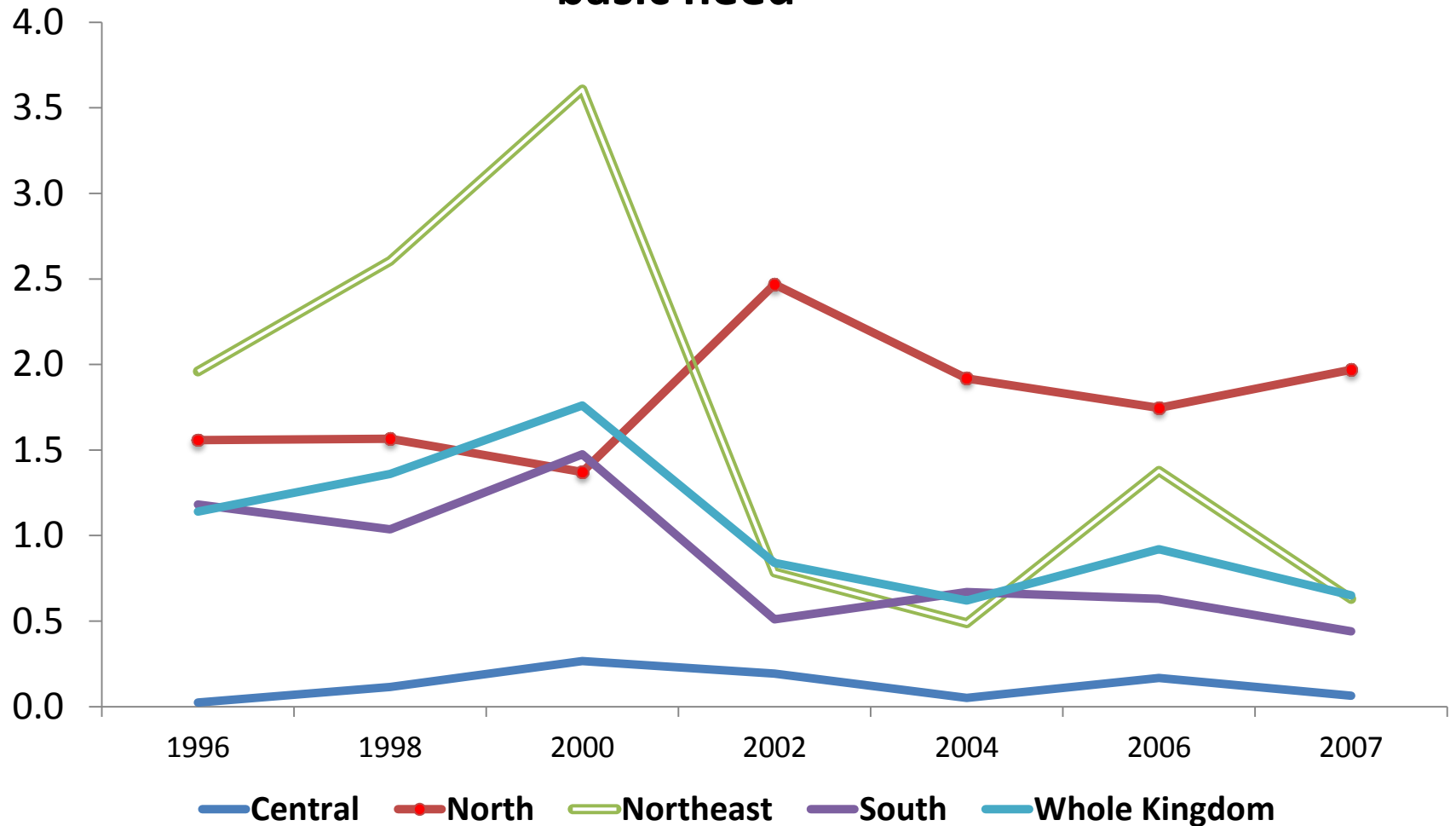


Source: Jackson Son & Co. (London) and BOT

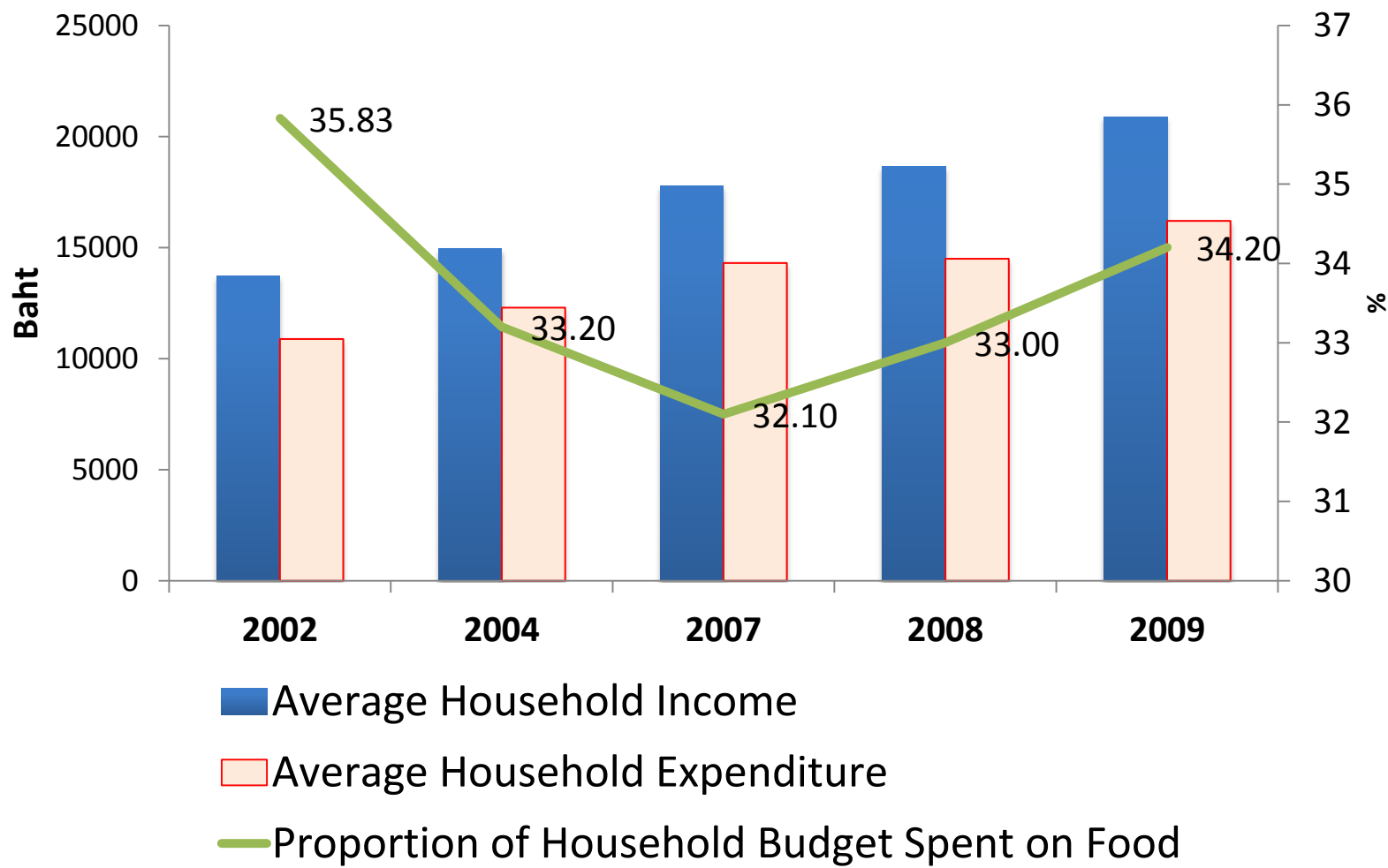
Net food seller (% of total household in each farm size)



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

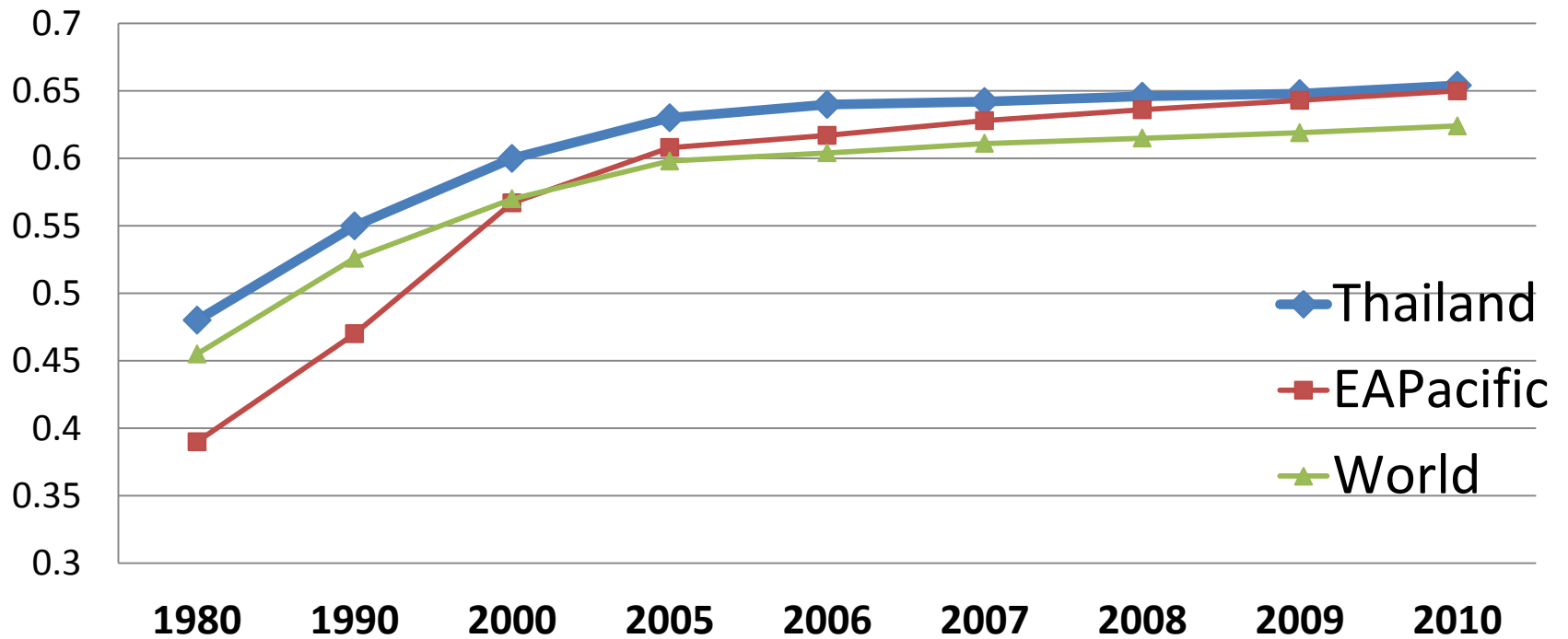
- Poverty, as asserted by Amartya Sen in his famous book, *Development as Freedom* (2000), must be seen “as a deprivation of basic capabilities, rather than merely as low income”.

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.

Human Development Index

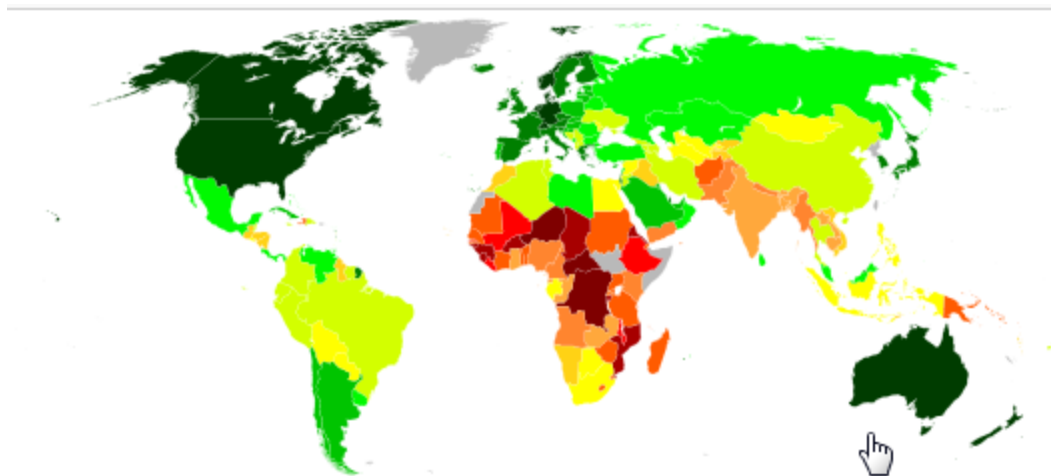


East Asia and the Pacific

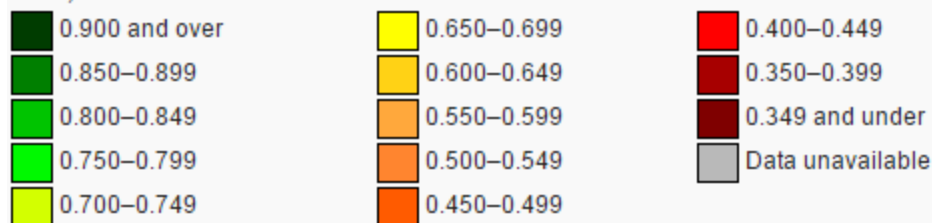
10 highest HDIs

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



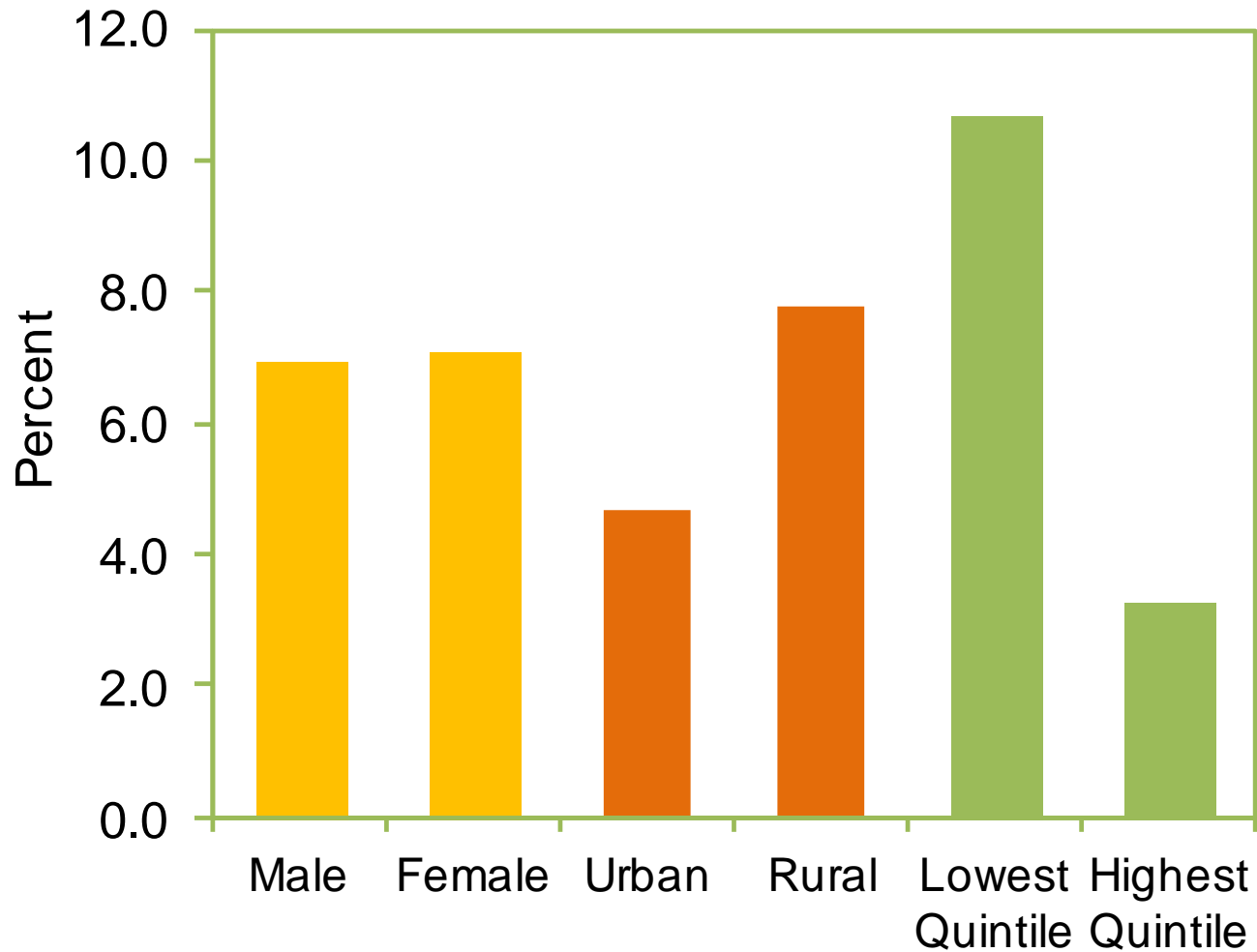
World map indicating the [Human Development Index](#) (based on 2013 data, published on July 24, 2014).^[1]



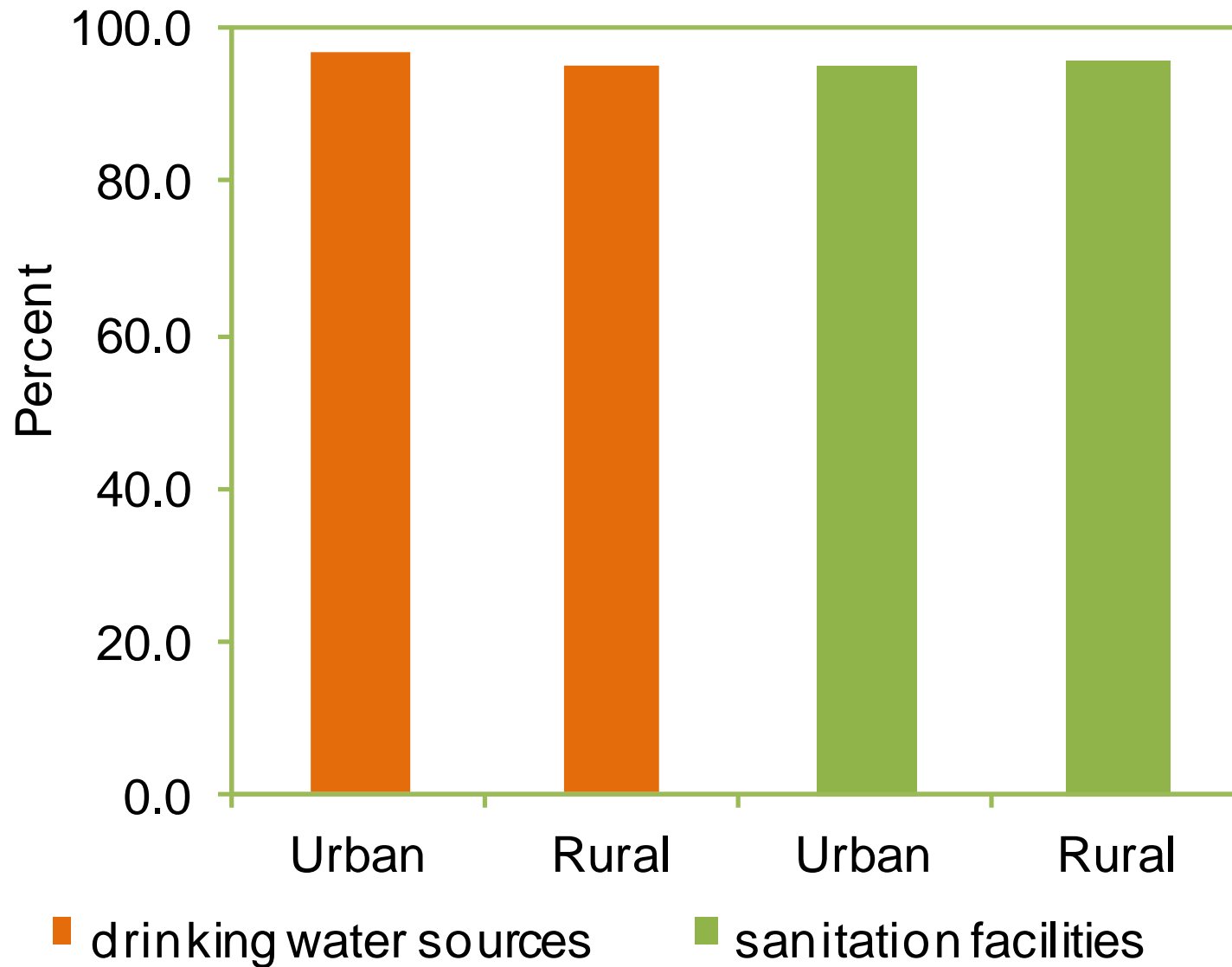
Average years of total schooling

	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

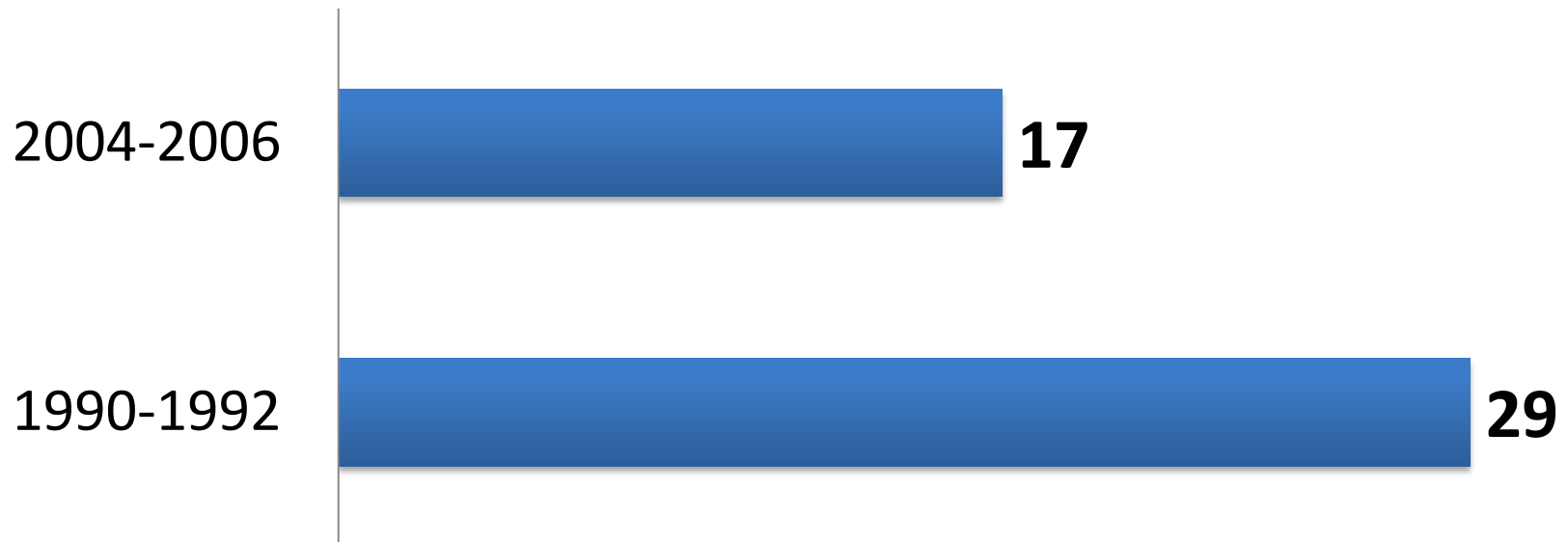
Children under five – Underweight, 2006



Population Using Improved Water and Sanitation, 2010



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.

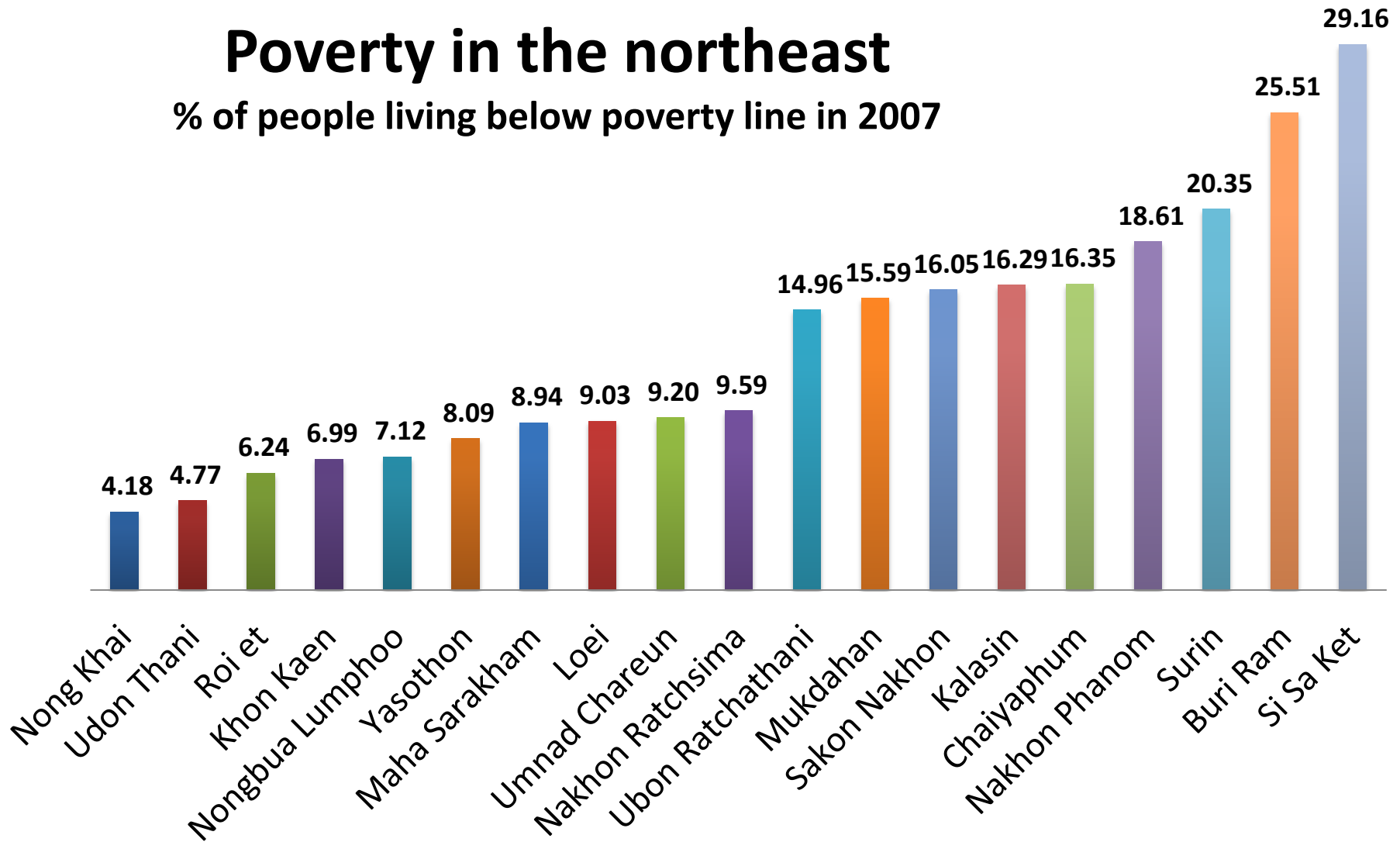
Intensity of food deprivation (average % shortfall in minimum dietary energy requirement)



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?