

# A BRIEF NOTE ON POVERTY IN THAILAND \*

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## 1. Concept of Poverty

That poverty is a multi-dimensional concept is beyond dispute. Poverty can be looked upon as a state of powerlessness of a person in a normally functioning society, as a lack of capabilities of this person to fully participate in the normal livelihood of that society, as a deprivation from a normal standard of living of the people in that society, or as a lack of acceptable culture pertaining to that society. But one of the most powerful concepts of poverty is the lack of adequate income to acquire necessary food and non-food items for a normal living. Income is important because it reflects command over resources: it can be used as a means for a person to get what he is lacking. Lack of adequate income, therefore, is a convenient and easily understandable concept how people can be classified as poor.

But how inadequate? Many international organisations involved in international poverty comparison such as the World Bank used one US dollar a day in equivalent local currency as a minimum income to classify the poor from the non-poor. Although attempts have been made to make sure that the same purchasing power parity (PPP) is applied across countries, meaning that this one US dollar worth of income will buy the same commodity in all countries, differences across countries necessitate a need to have a country-specific poverty income that is relevant to the people in those countries, taking into account the structure of population, their living conditions in specific climate, their eating habits, the availability of food and other non-food items and their different prices, and so on. This is the main reasons why many countries including Thailand try to establish their own country-specific poverty income.

We want to reiterate that poverty is more than the lack of income. Overall, poverty can be understood as the lack of 'well-being' which is further defined to mean the lack of capability to benefit from seven component of normal livelihood. These seven components of well-being include ability to receive education, basic health, good family life, safe and comfortable working conditions, adequate income, good environment, good system of governance with full popular participation and adequate protection of life and property from the state.

## 2. How to Measure Poverty

In Thailand, poverty income has been established since the early 1970s. The approach used to establish this poverty income is called Nutritional Adequacy Approach. It starts from the establishment of nutritional requirements of the Thai people by different age and sex which can be summed up in a single caloric intake for

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each individual. These minimum nutritional requirements are then set against the actual food consumption of the Thai people in different regions to see if they meet these minimum requirements. The prices of these foods are then used to convert the costs of these foods into monetary terms. What results is the minimum income that is needed to get these nutritionally adequate food items. This income is sometimes called food poverty line. When the minimum income required to get non-food items is added to this food poverty line the final result is the total poverty line (or simply poverty line). We can compute the average poverty line for the whole population or population in different regions or locations, but as we have detailed survey data on household income, we can actually compute poverty line that is specific to a particular family. Chart 1 shows the steps involved in computing poverty lines in Thailand.

Once we know how much income an individual must have to be non-poor, we want to know how many of the poor there are in Thailand. Another statistical series is needed: the survey of income and expenditure of households in Thailand. The National Statistical Office (NSO) has been conducting household income and expenditure surveys in Thailand since the early 1960s, and these surveys which are now known as the Socio-Economic Surveys (SES), are now conducted every two years for the whole country. Because this survey is conducted from randomly selecting households from different regions and locations proportional to their population sizes, these samples can be blown up to represent the total population by applying appropriate sample weights. In short, we can line up everyone in Thailand from the poorest to the richest in a single file, then use our overall average poverty income or poverty line to cut the poor from the non-poor. If Q is the number of people below the poverty line, and N is the total number of population, then  $Q/N$  is the first measure of poverty that is most well known. This is often called a Head-Count Ratio (HCR) which shows the proportion of the total population who live below poverty line. Multiply this ratio by the total number of population will result in the total number of the poor in the country. A simple table below show the incidence of overall poverty in Thailand in various years.

**Table 1: Poverty Lines and Poverty Incidence in Thailand, 1988 to 2002.**

	1988	1990	1992	1994	1996	1998	2000	2002
Overall poverty line (bath/person /month)	473	522	600	636	728	911	880	922
Poverty incidence (%)	32.6	27.2	23.5	17.1	12.9	14.6	14.2	9.8
No. of the Poor (million)	17.9	15.3	13.6	10.1	7.8	9.0	8.9	6.2

Source: Computed from various Socio-Economic Surveys (SES) by NESDB

### 3. Profiles and Causes of Poverty

The poverty line has enabled us to separate the poor from the non-poor so that we can study the socio-economic characteristics of each group to see the profiles of the poor and the non-poor which may bring about further knowledge on what could be regarded as the correlates (if not the causes) of poverty in Thailand.

Poverty studies in the past several years have shown the following important correlates:

- The poor often have larger family size than average, and relatively large number of family members often have to be looked after by the head of the household.
- The head of this poor household normally has little education. The majority of these poor heads has only four years of education.
- They are also to be found mainly in the agricultural sector, working and living in villages. Many of these poor heads do not own land or have access to the use of land and work as wage labourers.
- The number of older heads of poor households have increased in recent years.
- It is often discovered that there are chronic illness and disability among members in the poor households.
- The poor often stay in one place, unlikely to move or migrate to other places.
- Different regions exhibit difference characteristics and incidence of poverty. The Northeastern region is always the poorest region overall, followed by the North and the South. The Central region and Bangkok and vicinity are the better-off regions where the incidence of poverty is lowest.

Strictly speaking, it is difficult to say that large family size with dependency level, low education of household heads, their health status, their choice of occupation in the agricultural sectors, the lack of land ownership, and so on, are the causes of poverty because the non-poor also exhibit such characteristics. The causation of poverty may go deeper than what we have seen from the above findings of poverty studies. Nevertheless, the above poverty correlates can give us some ideas on the policy responses to correct or reduce poverty problems.

### 4. Policy Responses to Poverty Problems

Discussion on policy responses to poverty problems in Thailand could be made easier by our first grouping the correlates or possible causes of poverty referred above into two categories: (a) poverty on the demand side, and (b) poverty on the supply side.

#### (a) Demand-Side Poverty

In this first category, poverty is associated with, or caused by, the demographic or socio-economic characteristics of the poor themselves. For example, they have little education, are in poor health, have large and dependent family, select or engage in occupation that yields insufficient returns, and so on. In this case, the principle of policy response in general would be to correct or improve these demographic and socio-economic conditions pertaining to the poor so that they are in a better position to get more or better income or returns from their stock of human capital.

### (b) Supply-Side Poverty

Poverty can be caused, not by the lack of appropriate quality of human capital of the poor alone, but also by failures in the market systems as well as failures from government policies. The environment surrounding the poor can bring about supply-side poverty in the form of inadequate or low-quality productive inputs or their lack of access, distortion or discrimination in the markets against the poor, shortage or inefficiencies of public services to the poor, low returns for their production and services, and so on.

Under the framework of two groups of poverty mentioned above, policy responses can be designed to provide the two-pronged attack on the above poverty. Three general principles of poverty reduction can be considered, namely:

#### (1) General Economic Growth and Macroeconomic Stability

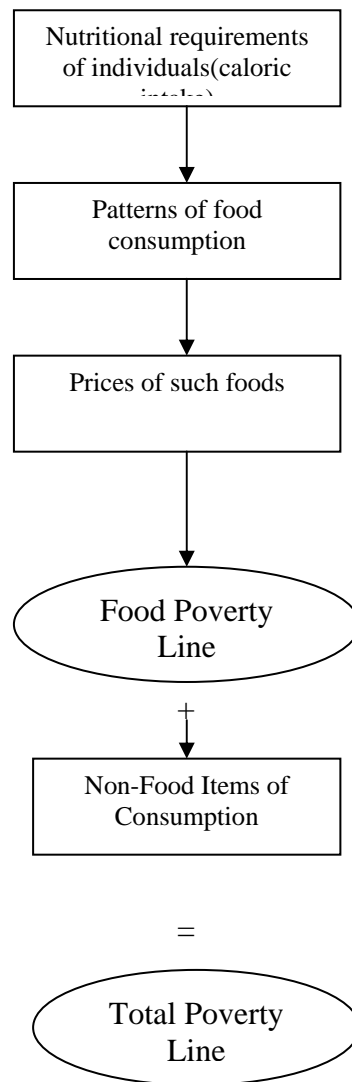
General economic growth provides an excellent condition for the poor to increase their income generally through increased employment and higher returns to their productive services. But this growth must occur within a framework of macroeconomic stability with low inflation and stable domestic and external balances. Development in various economic sectors should also be balanced and well coordinated so that we do not have weak sectors that slow down other sectors, or strong sectors that could go astray if not properly monitored or regulated.

#### (2) Specific Anti-Poverty Policies

While general growth can bring about higher income and reduce poverty, economic growth alone may not be sufficient. Specific anti-poverty policies targeted towards the poor themselves may be needed. These specific anti-poverty policies includes policies that raise the values of the stock of human capital such as more education, better skills, better health, and general increase in individual or personal human capacity, and also policies that general better working conditions or environment favourable to the poor in their work or livelihood such as opportunities to increase productivity of their work, improvement in access to quality inputs, better marketing opportunities and better prices, improvement in delivery systems of government services, and so on.

#### (3) Safety Net Programs for the Poor

When general economic growth and specific anti-poverty policies still fail to lift the poor from poverty, the society and economy must have in place a safety net program that provides temporary or short-term supports to the poor to enable them to cope with their short-term problems. Food, clothing, primary health, and shelter are some of the basic necessities that the poor in any society or economy must be provided either by the state, the private sector, or the civil society, or all of these.



**Chart 1: Steps Involved in the Computation of Poverty Line in Thailand**