

ความเหลื่อมล้ำทางรายได้ ความยากจนและความเจริญเติบโตทางเศรษฐกิจในบริบทประเทศไทย
Income Inequality, Poverty and Economic Growth in Thailand

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Abstract

This study analyzes the empirical relationship between income inequality, poverty and economic growth in Thailand. Regression is applied on data set on urban and rural area in Thailand covering the period 1988-2011. The main finding indicates that income inequality has positively related to the poverty in nature, and has adverse effect on economic growth for Thai growing economy. The result seems to suggest that economic growth while leading to poverty reduction has exacerbated income inequality. We also evaluate the linkage of income distribution to the fractions of social and spatial inequality. Changes either social or spatial inequality represented as one of the major impact on income inequality change in the above discussed period.

Keyword: Inequality Poverty Economic Growth Regression

Introduction

Thailand National Income Per Capita had grown rapidly from the 1988-2012 period at 6.5 percent annually. During the 1988-1996 period, the average annual growth rate of 11.8 percent even exceeded those of neighboring ASEAN economies. However, growth dropped to virtually less than zero in 1999 and suffered serious hit by economic crisis until 2002. As it recovered from the Asian financial crisis, Thailand enjoyed solid growth with an average annual growth rate 8.6 percent for 2003-2008 period. Since 2005, however, a prolonged political crisis has weakened the economy. Investor and consumer confidence eroded, and Thailand's international image was damaged. The global financial crisis of 2008-09 severely cut Thailand's exports which accounted for as much as three-quarters of GDP. Following the political disturbance in 2009 and the severe flooding in 2011, Thailand needs to focus more on development strategies such as well-developed infrastructure, skill development, innovation, the management of structural shift industries and services required to revive the economy for the recent rising living standard and persistent inequality to achieve the country inspiration to reach high income country status (CIA, ADB 2012)

Thailand has been much more successful in poverty reduction since 1980s. The significant poverty decline, from the 1980s to 2000s, could be explained by the wage employment in manufacturing and other non-agricultural sectors expanded dramatically as a result of export oriented industrialization. The benefit from poverty reduction slightly fell in the rural area compared to the urban area. This was mainly because of out migration and remittances by urban wage labor. The northeast remained the poorest area not only because of unfavorable resource endowments, but also due to low investment in productive capital. (Samtisant 1999)

Though poverty in Thailand has declined remarkably over the last three decades, income inequality generally deteriorated, as indicated by a rise in the Gini index from 0.487 in 1988 to 0.507 and slightly decline to 0.484 in 1998 and 2011 respectively. This reversal of trend most likely indicates the country's tight labor market, as the real wage in real sector increased in the mid 1990s. However in 2000 the Gini rose to 0.52, suggesting that recent improvement was reversed by financial crisis. Furthermore, the World Bank found that the Asian economy crisis during 1997-1998 had the hardest impact on workers in small enterprises, young wage earners, and the less educated workers. (World Bank 2012)

Therefore, this study attempts to analyze this interdisciplinary knowledge about the structure of inequality and distributional change using the elements of economic, sociological, and geographical theory and regression is established to examine the relationship between inequality, poverty and economic growth.

Literature Reviews

Various studies in the literature debate topics that the exploration of economic growth as the result of globalization could reduce inequality and have been the significant steps in the fight against poverty whereas the numerous other studies claim that economic growth increases the inequality. Freeman et al. (2002) indicate that wages have been rising faster in more globalized developing economy. Growth is related to the decline in the gender wage gap, however, trend toward wage inequality are larger between the pay for skilled and unskilled workers.

Jeong (2005) indicates that growth and income distribution dynamics in Thailand for 1976-1996 period are linked through occupation transformation, financial intermediaries and education. Financial deepening and educational expansion increased inequality while occupational transformation contributed to poverty reduction. Change in demographic composition of age and gender and structural transformation of urbanization turn out to be less important.

Charoentrakulpeeti and Sakolratanametee (2010) argued that the income and educational differences of urban residents have significant impact on the spatial and social changes in Bangkok where the upper-middle income groups occupy single houses in urban area whereas the low-income people can only afford to live in deteriorated areas. The upper-middle income groups are influenced by individual preference, higher social status, and the incentives from government policies on residential decision making but low-income people having similar socio-economic characteristics such as low wages and lower level of education remain relatively restricted to live along the underdeveloped local roads and canals. The average household income of the upper-middle income urban residents in the selected communities is six times greater than that of low-income people enhanced by the imperatives of social segregation and growing spatial separation of the residential areas would be a result of mechanism impacted by government policies.

Jitsuchon (2003) mentioned that several policies seem to be inconsistent to bridge the gap of social and spatial inequality and reduce poverty, for instance, housing for the poor program. The poverty's problem is mostly severe in rural area where by the house is less problematic. Majority of the poor have not been able to access any scheme of government social protection. In particular, the scope of insurance is limited to only a small group of government and public enterprise officials. The government projects may create other

social problems such as the congestion and migration to urban area. However, there has been a large disparity in housing condition between urban and rural households. It is essential for the local government not only to accelerate low price housing projects but also to introduce more comprehensive housing policy for the low income urban households. In the long run, improvement in the wealth and inheritance tax system is required.

Chakravorty, S. (2006) elaborated that the Income inequality is a result of its combination of social and spatial fragmentations. Social inequality is one of the important factors to determine the level of income inequality. Individuals, Groups, and Institutions are the key element of the framework of social inequality. Individuals are organized into groups which are heterogeneous distributed within and between a group in term of health, resource, capacities and income. Institution affects income distribution through laws and norms generate constraint and externalities on individual level of human capital acquisition, and thereby on individual income. Social interactions are inscribed with the relation of power in the society among gender class, social groups and between citizens such as the high income group create norm to maintain or increase mobility gap whereas Low Level Income Group is to decrease or at least not increase mobility gap. Income inequality level may be sensitive to between group inequality change more than within group inequality change. However, there are recently some reasons that between group inequalities have relatively declined, for instance, Thailand adopting the marketization as a basic policy platform results in less divergence in between group inequality and gender inequality is declined. Furthermore, social and economic policies adopted such as land reform and investment in primary education are likely to be effective. In the developed nations, the effect of spatial inequality cannot persist so long because the return in capital in high income region would be diminished because capital and labor are relatively mobile. Then, the productive investment would flow to lower income region and raise its growth in lower income region more than high income region. Nevertheless, the expected outcomes, in developing countries, of the spatial development driven by economies of agglomeration which lead regions to derive the benefit from modernization and technical changes are not recently reached.

Data Analysis

The main data source for poverty and income inequality is the Socio-Economic Survey (SES) conducted by National Statistical Office (NSO) of Thailand every five years between 1957-1986 and in every two years since 1986. The data for real per capita income is collected from the National Economic and Social Development Board (NESDB). The variables in this study are as follows: poverty measure using head count ratio as the proportion of people below the expenditure poverty line; economic growth measured in term of growth of real income per capita; and income inequality is considered in term of conventional measures of Gini coefficient: the aggregate inequality measures that can vary anywhere from 0 (perfect equality) to 1 (perfect inequality).

Result and discussion

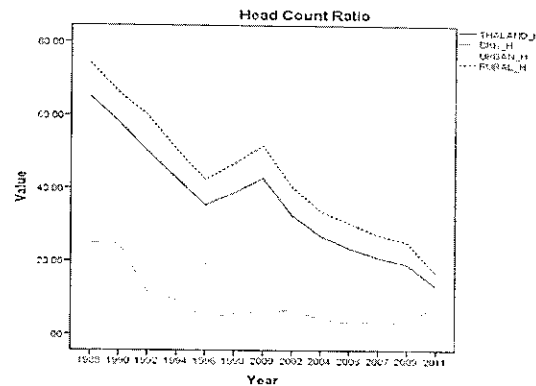


Figure 1 Headcount Ratio by Expenditure

Figure 1 exhibits the poverty incidence measured by the head count ratio of people lived below poverty line by expenditure in each region. The poverty line defines the minimum basic need of the people and indicates the threshold income below which one is considered to be poor in each region. Poverty incidence in Thailand is the highest absolute value in rural area which the head count ratio decline consistently from 65.26% in 1988 to 13.15% in 2011. The comparable data of the poverty indicator for the urban and Bangkok metropolitan area is 43.38% and 24.80% in 1988, decline to 8.95% and 7.83% respectively in 2011. Furthermore, in figure 2, the poverty line in urban area is higher than the rural one. It seems that Thailand made an enormous progress in poverty reduction in the past three decades.

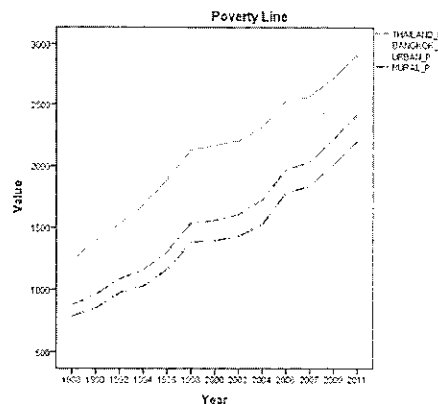


Figure 2 Poverty Line

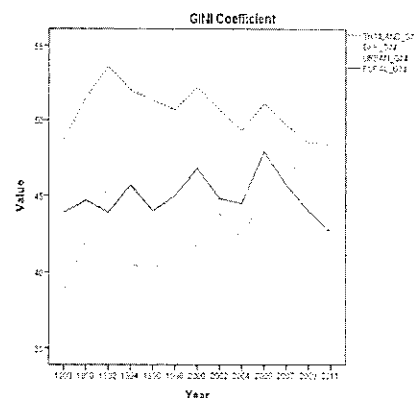


Figure 3 GINI Coefficient

The income inequality represented by Gini coefficients in figure 3 seems to slightly decline over time in the whole kingdom of Thailand and the rural area, but not in urban area, particularly in the Metropolitan Bangkok where it appears to be much greater. The coefficient for our hypothetical distribution in figure 3 is relatively unequal distribute between 0.48-0.54. Gini index trend indicates that Thailand has the relatively increase during 1990-2006. Furthermore, table 1, provides an illustration that the richest 20 percent of Thailand's population earn 13.22-13.38 times more than the poorest 20 percent during 1996-2010. The annual comparable

ratios of fifth quintile to first quintile is about 11.8 in 1988 and in 2011 indicated that the average relative income received in each group continue to be unchanged.

Table 1 Quintile by Expenditure

Average Income Quintile	Time Period			
	1991-1995	1996-2000	2001-2005	2006-2010
AIQ(1 st)	372.67	672.5	832.33	1295.67
AIQ(5 th)	5264.67	8914.5	11000.67	16948.33
Quintile by income	14.08	13.29	13.38	13.22

AIQ = Average Income Quintile

Followed from table 1, table 2 classifies the poor by the educational background. More than 75% of poor are not attend high school. The lack of high school education may affect the lifetime effect of adverse social condition because the education enhances the quality of human life and ensures the economic and social progress. Because of the access to education systems seem to unevenly distribute especially for the poor, Thailand face many challenges to improve education to help the poor escape from the cycle of poverty traps, otherwise, the education itself would be the source of inequality.

Table 2 Poverty (by Educational Background)

Level of Education	Year 2007		Year 2009		Year 2011	
	Ratio (%)	Total (Thousands)	Ratio (%)	Total (Thousands)	Ratio (%)	Total (Thousands)
Never attend	9.2	1,101	9.3	1,043	9.6	777
Preschool	3.7	447	3.7	415	3.6	289
Primary	70.4	8,450	67.4	7,594	65.7	5,299
Secondary (level I)	11.2	1,341	12.7	1,430	13.6	1,100
Secondary (level II)	4.6	556	5.7	639	5.6	453
Diploma	0.5	56	0.6	71	0.7	60
Undergraduate	0.3	40	0.5	60	0.5	43
Graduated	-	-	-	-	-	-
Other	0.1	9	0.1	14	0.5	37
Don't know	0	4	0	0	0.1	5
Total	100%	12,004	100%	11,267	100%	8,065

Source: National Statistical Office and National Economic and Social Development Board 2013

The result of estimation is presented in table 3 in which the dependent variable is growth of real income per capita and the independent variables are Gini coefficient and poverty. The included estimations on whole kingdom of Thailand and urban and rural region make the spatially reference on the impact of the inequality and poverty on the economic Indicator. The Gini and Poverty are positively related but the correlation is not statistically significant with conventional P value at 0.05. The regression coefficients indicate that growth on real income per capita is positively and negatively correlated to Gini index and poverty respectively. The finding also reflects that the income inequality tends to increase but the poverty decrease in rural area than in urban area.

Table 3 Regression Results, Dependent variable is Economic Growth (T value in the parentheses)

** = P value < 0.05, * = P value < 0.1

Variables	Thailand	Urban	Rural
Constant	0.69	0.16	-0.02
Gini	(1.62)	(1.24)	(-0.80)
Poverty	1.03	0.284	0.07
	(1.28)	(1.56)	1.08
	-0.006	-0.002	-0.008
	(-2.28)**	(-2.01)*	(-2.06)*
F	5.01 **	2.99 *	3.28 *
Adj. R2	.68	.47	.52

Conclusions

The incidence of many contexts of inequality and poverty is an ongoing concern not only in Thailand but also among other developing nations in the world. The past economic performance has not been able to trickle down to all beneficial groups equally. The empirical outcomes derived in the preceding studies point out that change in spatial inequality represented as one of the major impact on income inequality change in Thailand. The results show that the spatial disparities offer the increasing return to capital and labor in urban regions with differentiation in economic and social resources lead to the efficient in division of labor and use of input and raise productivity and wage. The individuals and groups with higher income are able to invest more in acquiring human capital which increasingly influence the inequality of life chance and thus leading to inequalities. The results confirm the hypothesis that growth has significantly influenced the poverty to be reduced whereas the inequality may increase. The efficient and effective implementation of policies in a holistic approach is crucial to bringing about structural changes such as the distribution of income earning opportunities and the access to education to achieve the equality of income, poverty alleviation, and better standard of living.

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