

# Rural-Urban Poverty and Inequality in Thailand

## Summary Note<sup>1</sup>

The issues of poverty and inequality across regions as well as between urban and rural areas in Thailand are results of imbalanced development. Over the past three decades, Thailand has seen rapid economic growth, as the country pursued industrialization via centralized planning system. During the early development phases, the underlying assumption for such policy was that the benefits of economic development will be “trickle down” to everyone in the country. Accordingly, all the resources—both natural and human resources—were continuously pulled to support industrial production, which are concentrated in few major cities. With faster industrial growth, labors in agricultural sector migrated toward industrial sector in order to capture the benefits of its rapid growth. To support the industrialization and the business sector, infrastructure development had been given priority to the industrialized areas at a cost of rural areas. Not only that, institutions for higher education and tertiary health care services have also been concentrated in these major industrialized cities. In result, disparities in economic and social development across regions and between rural and urban areas widened, which, in turn, adversely affected poverty situation in Thailand.

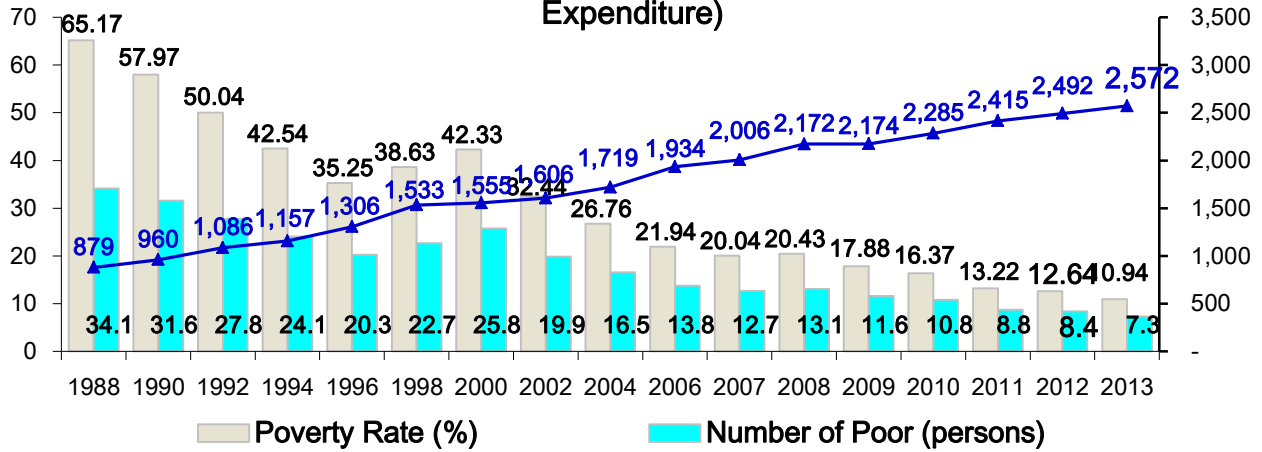
### 1. Current Poverty Situation in Thailand using National Poverty Line

**1.1 Overall poverty rate continuously declined over the past 10 years.** Share of population under poverty line, or poverty rate, fell from 32.4 percent in 2003 to 21.9 percent in 2006 and 13.2 percent in 2011. In 2013, the rate stood at 10.9 percent, with number of poor at approximately 7.3 million persons.

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<sup>1</sup> This note on rural-urban poverty linkages in Thailand was prepared by Piyanuch Wuttisorn, Director of Social Database and Indicator Development, Office of the National Economic and Social Development Board (NESDB), Thailand, and NESDB team (Suphannada Lowhachai, Wannee Wannachart, and Bhumisuk Khananurak) for the international policy workshop on rural-urban poverty linkages on 2-4 Sept 2014 in Zhejiang, People's Republic of China. The views expressed in this note are those of the authors, and do not necessarily reflect the views and policies of the organizers (Asian Development Bank [ADB] and International Poverty Reduction Center in China [IPRCC]), or ADB's Board of Governors, or the governments they represent. ADB and IPRCC do not guarantee the accuracy of the data and information in this paper.

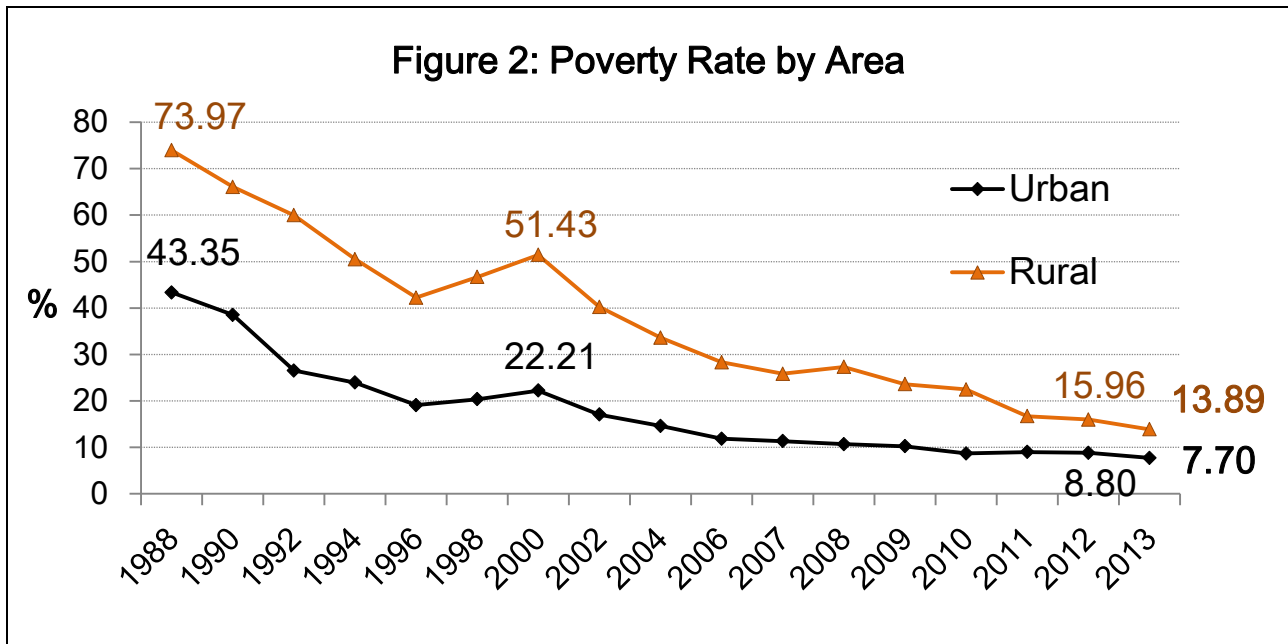
Figure 1: Poverty Line, Poverty Rate and Number of Poor (Consumption Expenditure)



Source: Socio-economic Survey (SES) by National Statistical Office, compiled by NESDB

**1.2 Poverty is more concentrated in rural than urban areas** with 4.8 million persons living in poverty and poverty rate of 13.9 percent in rural area. In contrast, there were 2.4 million poor persons, accounting for 7.7 percent share of total population in urban areas in 2013. When considering poverty across regions, **poverty was largely concentrated in the North and Northeast regions, both in rural and urban areas.**

Figure 2: Poverty Rate by Area



Source: Socio-economic Survey (SES) by National Statistical Office, compiled by NESDB

Table 1 : Urban Poverty Rate (%)

Region	2012	2013
Bangkok	1.91	1.06
Central	4.74	3.95
North	15.71	15.21
Northeast	19.13	16.39
South	9.02	7.98
<b>Total</b>	<b>8.80</b>	<b>7.70</b>

Table 2 : Rural Poverty Rate (%)

Region	2012	2013
Bangkok		
Central	8.92	6.72
North	18.43	17.77
Northeast	20.10	17.88
South	15.70	12.67
<b>Total</b>	<b>15.96</b>	<b>13.89</b>

**1.3 Characteristics of rural and urban poor persons differ noticeably.** The rural poor persons mostly work in agricultural sector. Most of them also live in remote areas, where accessibility to public services—infrastructure, education, health as well as administrative services—is limited. As these services are available to them at relatively long distance, they normally face higher transport cost in order to receive the services. Urban poor persons, on the other hand, can easily access public services, particularly now that compulsory education and health services are universally covered. Unlike rural poor, urban poor persons are mostly low-skilled workers in labor-intensive non-agricultural sectors such as construction, manufacturing, etc. The most critical issue for urban poor is their living conditions. Most of them live in slums with lack of proper infrastructure and waste system. Also, without family supports in term of safety-net system, they became both victims and culprit of crimes.

## 2. Inequality in Thailand

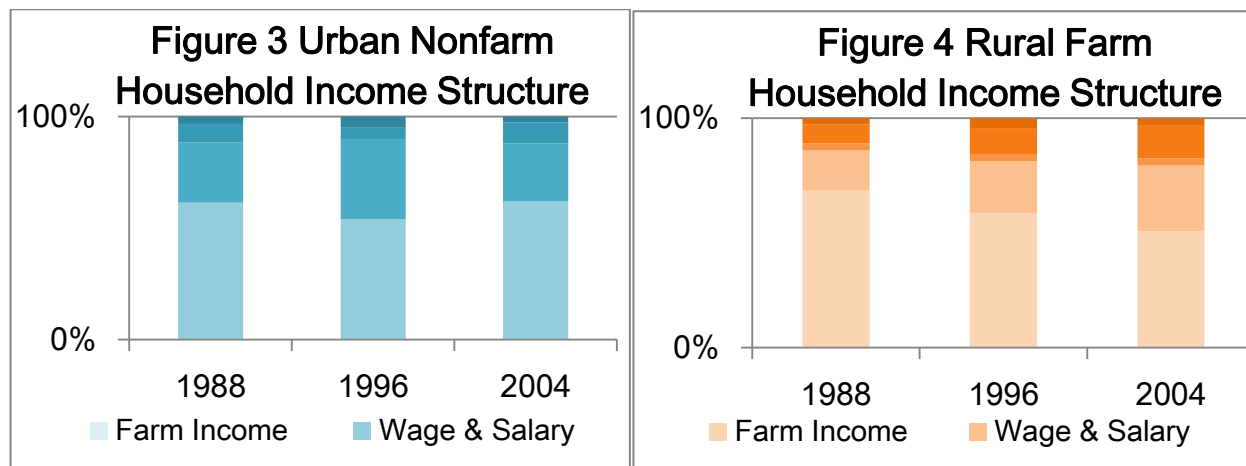
**2.1 Income inequality has slightly improved.** At present, income inequality is considered to be moderate, reflected by the Gini coefficient on income at 0.465 in 2013. Considering across areas, income inequality was slightly higher in urban area compared to that in rural. Gini coefficient was 0.452 in urban area while that for rural was 0.445 in 2013.

**2.2 Considerable inequality in education between urban and rural areas** as tertiary education is more accessible in urban area. Net enrollment rate for tertiary education was 39.5 percent in urban, compared to 18.0 percent in rural area. This implies that opportunity to attend tertiary education (including higher vocational/technical level) for population in urban area was 2.2 times higher than population in rural area. As most tertiary institutions are located in the urban area, it is more convenient and incurs lower cost for people in the cities to pursue tertiary education.

## 3. Rural-urban Linkages: Economic Linkage and Effects on Poverty Reduction

Economic and social development in Thailand since the First National Plan in 1961 onward has focused on industrial sector development. The aim was to promote economic growth through economic structural change from agriculture-based to industrial-based economy. Rapid growth in industrial sector caused the demand for labor to increase dramatically. Given that these industrial jobs offered higher and more-stable income than did agriculture, rural workers

migrated to urban centers. Not surprisingly, Bangkok and its periphery—where the industries concentrated—have been major destinations. This in turn, stimulated more growth to industrial sector and to the Thai economy. The migration from rural to urban areas—both seasonally and permanently has brought change to the structure of household income. Such change was particularly apparent in farm households, with share of incomes other than farm income growing consistently (see Figure 3-4). This allows rural farm households to receive benefits from industrial economic growth, which ultimately reduced overall poverty effectively.



*Note:* A farm household is a household with an agricultural enterprise (Krongkaew, 1985)<sup>2</sup>.

*Source:* All primary data are from Socio-Economic Surveys, conducted by NSO. For year 1975/76, data are obtained from Krongkaew (1985, Table V). For other years, data are from author's own calculation

Migration has been perceived as means to escape poverty and achieve better living standards in Thailand. The seasonal migrants bring back income to home regions while many of the long-term migrants send remittances home. According to the 2002 Migration Survey by the National Statistical Office (NSO), as much as 85 percent of households in the lowest income quintile received remittances from migrated members. Also, the share of remittance to total income became smaller as household income increased. In addition, Osaki (2003: 215-216)<sup>3</sup> compared household income before and after remittances and found that remittances significantly helped bring households out of poverty. Share of households with income lower than 500 Baht per month declined from 13.8 percent before remittances to 3.7 percent after remittances.

On the other hand, migration from rural to urban areas to seek jobs in non-agricultural sectors has been one of the main factors causing urban poverty. Although both number and share of urban poor population has been declining since 1988, income gap between urban and rural

<sup>2</sup> Krongkaew, M. (1985). Agricultural Development, Rural Poverty, and Income Distribution in Thailand. *The Developing Economies*, 23(4), 325-346.

<sup>3</sup> Osaki, K. (2003). Migrant Remittances in Thailand: Economic Necessity or Social Norm? *Journal of Population Research*, 20(2), 203-222.

economy constantly increased. This has continuously attracted more rural-urban migration. Migrant workers are mostly low-skilled and, therefore, receive comparatively low wage (College of Population Studies at Chulalongkorn University, 2013: 20)<sup>4</sup>. With higher living cost in urban area than that in rural, these internal migrant workers ended up living in poverty. The most critical problem is the lack of housing. These workers usually have to live in slums. Aside from urban poverty, internal migration also posted adverse effect on family ties. As working-age population migrated from rural to urban areas, elderly and children have been left behind in rural areas.

#### 4. Policy Implications

Poverty-reduction has been a part of National Plan in Thailand all along. Anti-poverty policies were first clearly stated in the Fifth National Economic and Social Development Plan (1982-1986). Since then, poverty-reduction policy has become one of the major targets of the Plans. Policies implemented during the current plan, 11<sup>th</sup> Plan (2012-2016) to combat poverty include measures to reduce living expenses, 300-Baht nationwide minimum-wage, rice-pledging scheme, debt-suspension program for the low-income farmers, set up several activity-specific funds (e.g. education loan fund, SML development fund), expand coverage and amount of elderly allowance.

It is clear that rural and urban poverty issues differ significantly in Thailand. While the abovementioned policies and measures can be applied throughout the country, some area-specific issues should also be addressed. For example, expansion of public services or policies to reduce transport cost for the poor in remote areas may be imposed in rural areas. On the other hand, for urban poor, housing provision or improvement of living conditions should be considered. Furthermore, the linkage between rural and urban poverty also needs policy response. Large disparities between rural and urban areas attracted rural-urban migration, which adversely created urban poverty and weakened family ties. Accordingly, policies to reduce rural-urban disparities should therefore be imposed (e.g. job-creation and public services development rural areas, and policies to promote family living together) to ultimately solve both rural and urban poverty in a long term.

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<sup>4</sup> College of Population Studies at Chulalongkorn University. (2013) *Urban Poor: Living-cost Adjustments in Urban Low-income Persons* (in Thai). Bangkok.