

- Thailand's progress in poverty reduction has slowed from 2015 onwards, mirroring a slowing economy and stagnating farm, business, and wage incomes. In 2019, the country witnessed the largest decline in poverty since 2015 even as average household income stagnated, thanks to expanded social assistance programs.
- In 2019, the poor, the economically secure and the middle class made up 6.2, 56.3, and 37.5 percent of the population, respectively. Poor households are disadvantaged by low education and low levels of asset ownership. They are trapped in low productivity employment and have to rely heavily on public assistance and remittances.
- As COVID-19 struck an economy already suffering from several structural weaknesses, poverty rose by 0.2 percentage points to 6.4 percent in 2020. In the absence of the compensation package introduced by the government, poverty would have increased to 7.4 percent.
- Despite the large social assistance, problems persist. Substantial income declines have forced households to resort to negative coping strategies. Nearly half of households are unsatisfied with the Government response to the COVID-19 crisis.
- A fourth wave of COVID-19 in 2021 has slowed the recovery with vulnerable groups bearing a disproportionate burden. Slow vaccination rates and high levels of vaccine hesitancy could hamper the economic recovery and stall progress in poverty reduction.
- To ensure an inclusive recovery and bring back momentum for poverty reduction, policy priorities would need to focus on expanding social assistance benefits for vulnerable populations as well as addressing vaccine hesitancy while accelerating vaccination coverage.



Thailand's progress in poverty reduction has slowed from 2015 onwards. Prior to 2015, Thailand made remarkable progress in poverty reduction, with the poverty rate falling from 48.6 percent in 2000 to 7.0 percent in 2015. Since then, real farm and business incomes have declined nationwide while wage income has also declined in urban households. Household income and consumption growth have stagnated, stalling poverty reduction progress. Poverty rose twice in 2016 and 2018, before falling to 6.2 percent in 2019 (Figure 1a).

¹ This brief draws upon the poverty note "Thailand Trends and Drivers of Poverty 2017-2019" and results from Thailand's COVID-19 rapid phone survey.

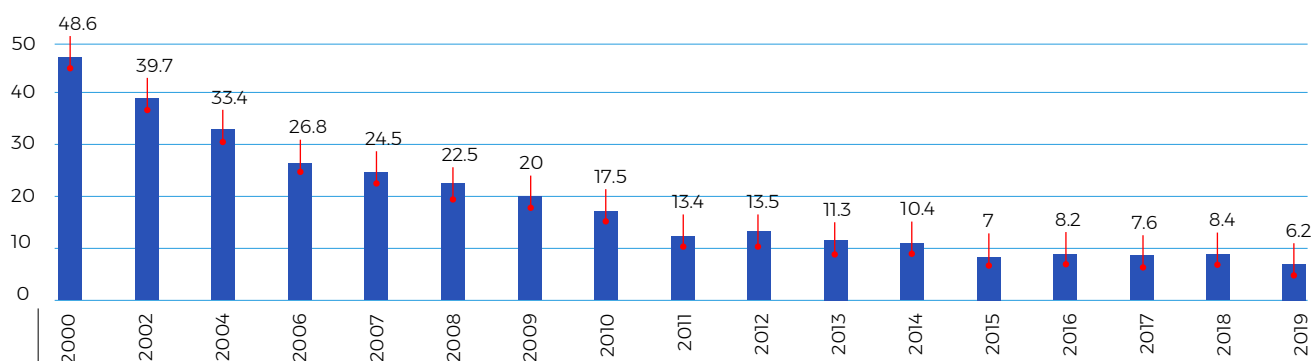
In 2019, Thailand recorded the largest decline in poverty since 2015, coupled with a reduction in inequality. Thailand's poverty rate fell by 2.2 percentage points to 6.2 percent in 2019, offsetting a 0.8-percentage point increase in 2018 (Figure 1b). As a result of this trend, the number of people living in poverty slightly declined from 3.6 million in 2017 to 3.3 million in 2019. The decline in poverty was coupled with a reduction in inequality-- the consumption-based Gini coefficient fell from 36.4 percent in 2017 to 35 percent in 2019, and the income-based Gini coefficient declined from 45.1 percent in 2017 to 43.1 percent in 2019 (Figure 1c).

The decline in poverty was largely driven by transfer income as labor income growth was sluggish.

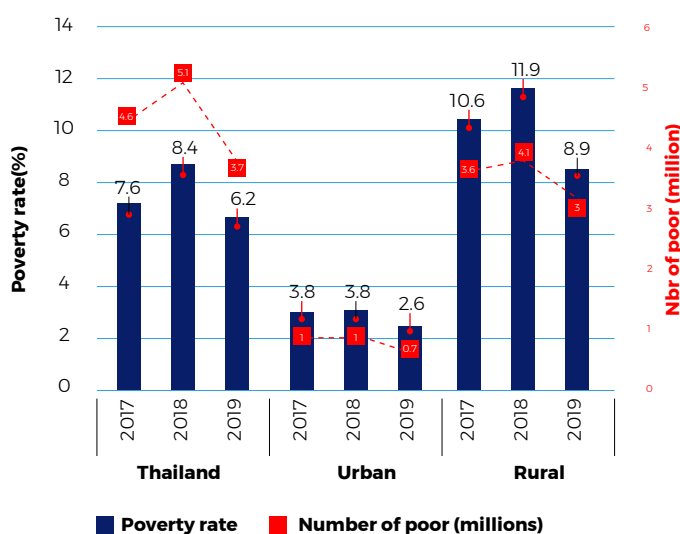
Public assistance was the most important driver of poverty reduction during 2017 – 2019, followed by financial and in-kind income, and remittances². Meanwhile, declining farm and business income slowed poverty reduction. Wage growth was positive in Bangkok and the central region but negative in the rest of the country. With the falling share of employed people, the labor market had a negligible impact on poverty reduction overall. Poverty reduction would have stagnated during 2017 – 2019 in the absence of public assistance, financial and in-kind income, and remittances.

Figure 1. International Poverty Rate, US\$ 5.5 a day in 2011

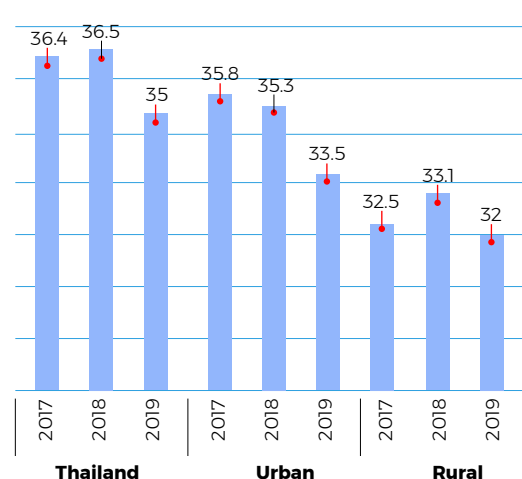
a. Poverty rate 2000 - 2019 (Percent)



b. Poverty Rate and Number of Poor, 2017-19



c. Consumption Gini, 2017-19



Source: World Bank staff estimates based on SES 2000 – 2019.

Consumption-based poverty using the upper-middle-income poverty line (US\$ 5.5 a day in 2011 PPP).



² Income data is not available for 2018.

Income

Social assistance programs acted as a redistributive mechanism, driving poverty reduction and improving shared prosperity when average household income stayed flat. Over the period of 2017 to 2019, average household income per capita hardly improved. The average annual growth rate of household income per capita was -0.1 percent, falling behind the average growth rate of GDP per capita of 3.2 percent. In the absence of overall income growth, social assistance programs acted as a redistributive mechanism that largely benefited the poor and vulnerable. Low-income households also benefited from increased returns to education, as well as increased ownership and productivity of communication and transportation assets such as smartphones and motorcycles; in conjunction with social assistance, these two factors drove the redistribution of income in Thailand from 2017 to 2019. Income per capita among the bottom 40 percent of the income distribution grew by 3.4 percent per year while overall it slightly declined by 0.1 percent per year. Likewise, shared prosperity improved, with average per capita consumption increasing by an overall 0.4 percent from 2018-2019 but by 5 percent for the bottom 40 percent of the consumption distribution.

Poverty fell faster in poverty-stricken areas – the North and Northeast regions. While the North and Northeast remain poorer than the rest of the country, they recorded the fastest decline in poverty between 2017 and 2019, with the poverty rate falling from about 12.1 percent to 8.6 percent in the North and from 12.8 percent to 10.3 percent in the Northeast. Between 2017 and 2019, poverty declined faster among households whose head was employed (from 7.7 to 5.5 percent) or worked in agriculture (from 13.3 to 10.1 percent) than households whose head was unemployed (from 2.8 to 3.1 percent), and among female-headed households (from 7.2 to 5.5 percent) than male-headed households (7.8 to 6.5 percent).



The poor, the economically secure and the middle class made up 6.2, 56.3, and 37.5 percent of the population in 2019, respectively. The population are classified into three economic classes: i) the poor with per capita household consumption below \$5.5 a day, 2011 PPP; ii) the economically secure with per capita household consumption between \$5.50 and \$15; iii) and the middle class with per capita household consumption above \$15. The economically secure class represented 56.3 percent (33.5 million) in 2019, up from 55 percent in 2017, suggesting that those who escaped poverty moved to this class. Thailand's economically secure and global middle classes are significantly larger than developing East Asia and Pacific (EAP) averages - estimated at 47 and 17 percent, respectively.

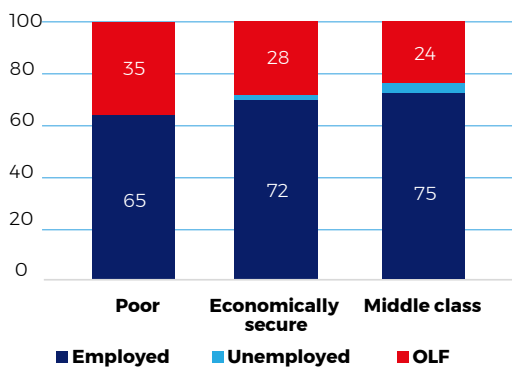
The poor are disadvantaged by low levels of education, which also limit social mobility. Educational attainment is very low among the poor; about 13 percent of poor household heads have no education, and 77 percent did not complete further than primary school. This is in sharp contrast with the middle class, for whom about half of household heads have upper secondary or university degrees. Among the economically secure, only 22 percent of household heads went beyond primary education. Education remains the best shield against poverty, though primary and lower secondary education no longer seem

sufficient to open up opportunities. While the education gap between the poor and other groups is smaller among younger populations, it is prominent in higher levels of education. Only 2 percent of poor individuals 18 to 25 years old have university education and above compared to 41 percent of members of the middle class in the same age group, suggesting a constraint to future opportunities among young people.

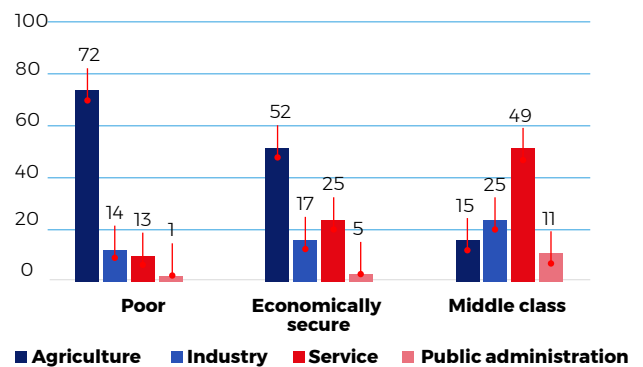
Asset ownership among the poor is significantly less common than the middle class, especially valuable and productive assets. Ownership of smartphones, motorcycles, refrigerators, and television sets is high among the poor. Nevertheless, there remains a large gap for smartphones, computers, Internet, cars, and air conditioners. Although 74 percent of the poor own a smartphone, about 95 percent of the middle class does. Less than 1 percent of the poor has computers, compared to 37 percent of the middle class. Air conditioners are owned by 59 percent of middle-class households compared to only 2 percent of poor households, the largest difference in any asset ownership.

Figure 2. Employment and Income Sources of the Poor, Economically Secure and Middle Class, 2019 (Percent)

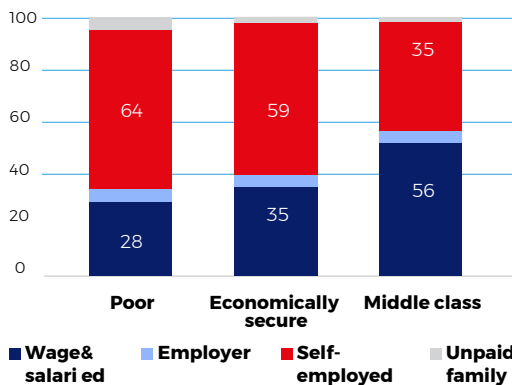
a. Employment Status



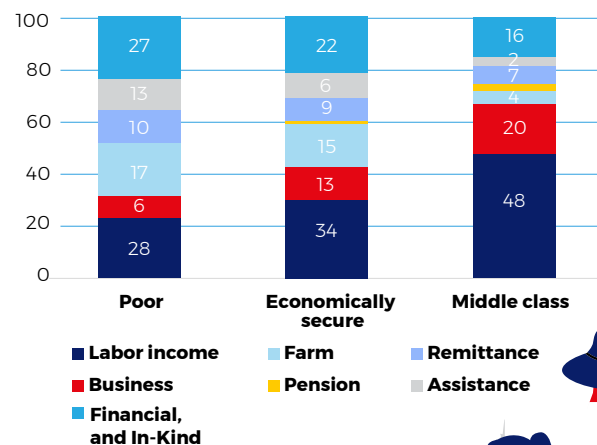
b. Employment Sector



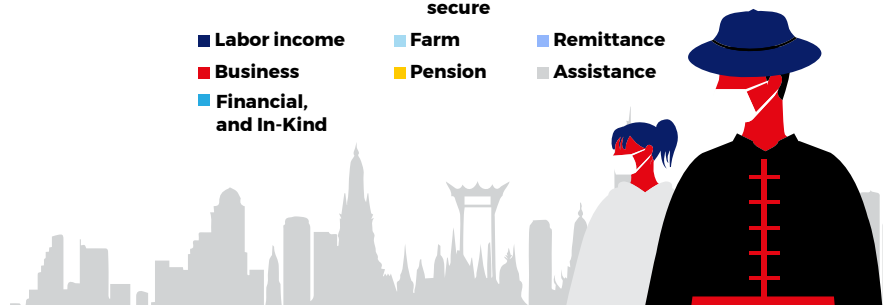
c. Employment Type



d. Income Source



Source: Thailand SES 2019. OLF: Out of the labor force.



The poor are trapped in low productivity employment. About 35 percent of poor household heads are out of the labor force, 11 percentage points more than the middle class (Figure 2a). Those in the labor market are predominantly self-employed (64 percent) and in the agricultural sector (72 percent). Middle class household heads work mostly in commerce and services, with only 15 percent in agriculture (Figure 2b). They are also primarily in wage and salaried employment, which offers more stability and security (Figure 2c). Less than 2 percent of the heads of poor households are in high or medium skilled occupations (such as managers, professionals or clerical support workers) compared with 29 percent for the middle class.

Poor households rely on vulnerable income sources, public assistance, and remittances. Labor income represents only about 28 percent of poor households' average income. Public assistance and remittances represent, respectively, around 13 and 10 percent of poor households' income (Figure 2d). In contrast, the middle class rely mostly on income from labor (48 percent of their average income) and income from business (20 percent). Income from remittances and from public assistance represent a small proportion of these households' income, accounting for 7 percent and 2 percent, respectively, of their total incomes.



COVID-19 has resulted in a severe economic contraction, leading to widespread job and income losses which could hamper poverty reduction. Thailand's economy is predicted to be most negatively impacted in the ASEAN region. GDP contracted 12.1 percent in the second quarter of 2020 and an overall 6.1 percent in the full year, representing one of the most dramatic declines in the region (TEM 2020, TEM 2021). Tourism businesses are struggling; only 49 percent of tourism MSMEs believe that they can make it through the COVID-19 crisis and 23 percent of these businesses are on the verge of closing or have closed for good (Thomas 2020). During the onset of the pandemic - from March to May 2020 - about 70 percent of the national workforce saw their income fall by nearly half, with informal sector workers and low-income households being hit the hardest³. Over 500,000 jobs were lost in manufacturing, wholesale & retail trade and accommodation & food services, and there was a progressive return of workers back to agriculture.

Thanks to massive social transfers, poverty only slightly increased by 0.2 percentage points in 2020, representing an additional 200,000 people falling into poverty. The Thai government quickly responded to the arrival of COVID-19 in the country, passing a 1-trillion Baht Borrowing Decree in April 2020 to address health needs, relief, and economic recovery; a majority of this package (555 billion Baht) was set aside for relief, including cash transfers and subsidies. An estimated more than 44 million Thais have benefitted from social assistance and social insurance programs during the pandemic. In the absence of the compensation package, poverty would have increased to 7.4 percent⁴.

³ Surveys of Thai workforce and micro and small businesses conducted by the Asia Foundation in May and September 2020.

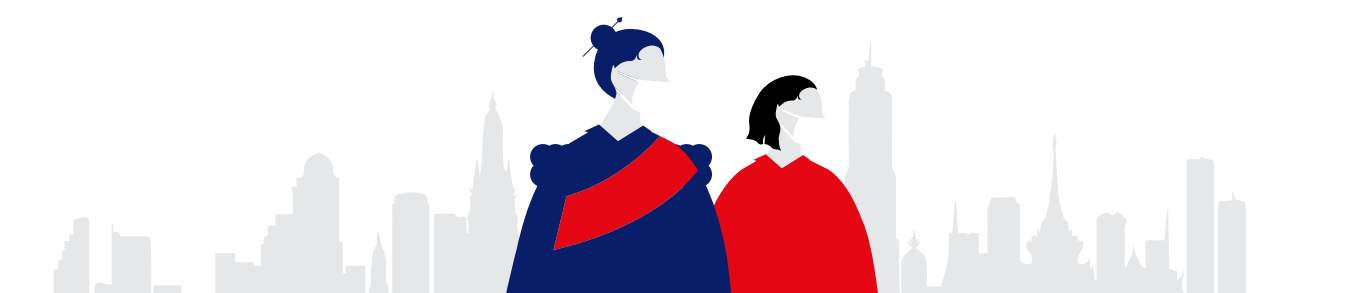
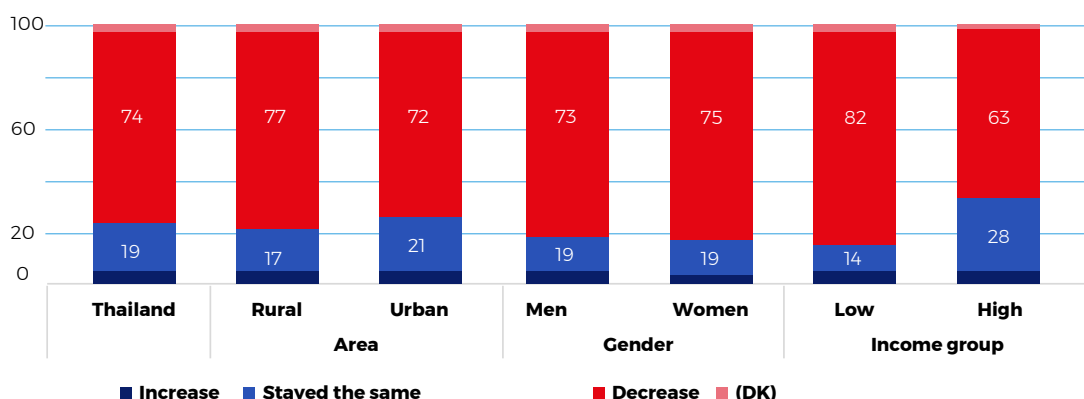
⁴ World Bank staff estimates based on the macro-micro simulation model.

Despite the large social assistance, problems persist. A Thailand rapid phone survey implemented from April to June 2021 showed that around 80 percent of households received government assistance during the pandemic. The proportion is higher among low-income households (86 percent) than high-income households (71 percent), and among those experiencing negative income shocks (84 percent) than those not experiencing (66 percent). Despite a high coverage of social assistance, substantial income declines have forced households to resort to negative coping strategies: 82 percent and 69 percent of households reduced their non-food and food consumption, respectively, with rates increasing to 89 percent and 78 percent of households in low-income group. Meanwhile, 26 percent of households reported seeking assistance from government programs but have not been able to register or were turned down. Around 46 percent of households were unsatisfied with the Government response to the COVID-19 crisis, with proportions reaching 57 percent among better-off households and 63 percent among households in Bangkok.

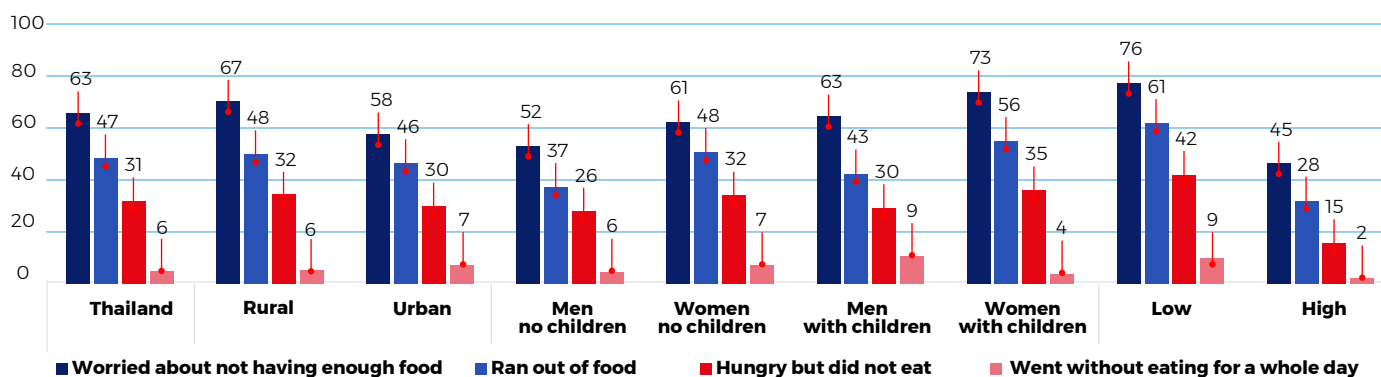
A fourth wave of COVID-19 in 2021 has slowed the recovery with vulnerable groups bearing a disproportionate burden. The survey also showed that while national employment remained stable at 68 percent between March 2020 and June 2021, there were significant differences across regions and certain demographics, with employment declining in urban areas and Bangkok but increasing in rural areas and Northern zones as many individuals who lost employment shifted into the agricultural sector. Overall, 50 percent of survey respondents reported being affected by job loss, temporary work stoppage, or reduced hours or pay. Individuals in low-income households, women, those in low education groups, and those in the South were the most negatively impacted. Furthermore, the burden of care work during the pandemic has negatively affected the employment status of married women and those in households with children, especially in urban areas. In addition to challenges in employment, the survey indicated that over 70 percent of households have experienced a decline in income, with rates increasing to around 80 percent of households in rural areas and low-income groups (Figure 3a).

Figure 3. COVID-19 impacts on households

a. Income



b. Food insecurity



Source: Thailand's COVID-19 rapid phone survey.

Income losses have resulted in rising food insecurity, particularly among vulnerable populations.

Around 60 percent of respondents reported food security concerns due to lack of resources. Vulnerable groups were highly likely to experience food insecurity -- around 60 percent of low-income households and women in households with children reported running out of food, while nearly 40 percent of each group reported not eating despite being hungry (Figure 3b). Prevalent coping mechanisms for households to manage the economic shock of COVID-19 included government assistance and reducing food and nonfood consumption, while low-income households in particular also relied on support from family and friends. However, despite government assistance, around 50 percent of households reported being concerned that they would be unable to purchase enough food for the next week.

The pandemic has also posed challenges for children's education, leaving persistent negative effects on human capital, and consequently poverty and inequality.

Around 90 percent of households had school-aged children enrolled last semester, with about one half of children attending school in a hybrid model and about a quarter attending in person. However, enrollment numbers were lower among rural households, low-income households, and those in the Southern region. Primary reasons cited for not enrolling children included concerns about catching the virus, lack of financial means, and lack of school readiness. Over 50 percent of households noted that children have faced learning difficulties, primarily due to an inability to focus without adult supervision and lack of access to learning devices. Given differences in asset ownership and access to the internet, children in low-income and rural households may face disproportionate educational challenges, negatively impacting human capital accumulation and consequently poverty and inequality.

Slow vaccination rates and high levels of vaccine hesitancy could hamper economic recovery and disrupt progress in poverty reduction.

The survey indicated that a majority of people are aware of the availability of the COVID-19 vaccine and where to get it because of traditional and social media. However, only 6 percent of respondents were vaccinated, with the rate nearing 40 percent among health and social workers. Ineligibility in the current phase, followed by shortage of vaccines, is among the main difficulties people encounter for getting vaccinated. Moreover, about 30 percent stated that they do not plan to get vaccinated; this number increases to around 36 percent among low-income, low education, and younger groups. The main reason cited for not planning to get the vaccine was a general concern about vaccine side effects. This vaccine hesitancy may prolong the pandemic and resulting economic crisis longer than expected in Thailand.

To ensure an inclusive recovery and bring back momentum for poverty reduction, policy priorities would need to focus on vulnerable populations and vaccination coverage. An expansion of social assistance benefits for vulnerable populations, who have been disproportionately affected by COVID-19 with limited coping strategies, would prevent them from resorting to negative coping strategies, e.g. reducing consumption and accumulating debts, that could have persistent negative effects on human capital, and consequently poverty and inequality. Given high levels of vaccine hesitancy in Thailand, interventions and communications to reduce hesitancy are as critical as acceleration of vaccination rollouts

