

# Economic Change of Lowest Income Households in Thailand

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## ABSTRACT

Lowest income households, the first quintile group at the bottom of the income distribution in Thailand, have been the only group to deal with situations of expenditure higher than income for decades. Due to the economic insecurity of these households, it was important to study the characteristics and economic status so that the government could track and monitor the standard of living for people in this group. The study from the household socio-economic surveys in the last decade (2011 to 2021) found that inequality has decreased as the dispersion of the proportion of household expenditure per household income from the five quintile groups tended to decrease, including Gini coefficient of income shares decrease. The study also showed that public policies changed the structure of household income over the decade as the growth of the share of income from the public assistance evidently rose.

**Keywords:** Lowest income households; Income Distribution; Inequality

## 1 INTRODUCTION

Inequality is one of the important issues in Thailand as the government has set the related policy in the wider 13th National Economic and Social Development Plan which is in line with the government's 20-year National Strategy. The purpose of this paper is to study changes in the economy which occur in the lowest income households in Thailand, the first quintile group includes households that had to deal with the economic insecurity situation which was easily influenced and possibly unable to recover. It was important to study the characteristics and economic status so that the government could track and monitor the standard of living for people in this group.

This paper presents the important issues related to economic change which have been studied in the analytical report of the household's lowest income. It was analyzed from the household socio-economic surveys (SES) in the last decade (2011 to 2021). These data are nationally-representative household surveys in Thailand conducted by the National Statistical Office of Thailand.

## 2 LOWEST INCOME HOUSEHOLDS

### 2.1 Definition of lowest income households in Thailand

The lowest income households are households that are easily affected by economic changes. These households are the first quintile group at the bottom of the income distribution in Thailand. Therefore, the study with economic change of lowest income households. In analyzing economic characteristics, households were equally divided into 5 groups of their average monthly income per capita. It was called 5 quintiles; lowest income households in Thailand (QU1), low income households (QU2), middle income households (QU3), high income households (QU4), and highest income household (QU5) respectively.

### 2.2 General Characteristics of lowest income households

#### 2.2.1 Distribution of households

Households in QU1 distributed in the Northeastern 42.4% including the households in QU2 and QU3 also distributed in Northeastern 32.7% and 25.7% respectively. Whereas the households in QU5 distributed in Bangkok and 3 nearest provinces (Pathum Thani, Nonthaburi, and Samut Prakan) 43.1% and the households in QU4 also distributed in the same location 34.6%. Most of lowest income households 73.2% located in rural areas although in the last decade was found that lowest income households increase in urban areas almost doubled (National Statistical Office, 2021).

However, increasing of the lowest income households in urban areas was possible by 3 causes; immigration of lowest income households from rural to urban areas, other income level groups of households in this area became the lowest income households, or the rural areas that the lowest income households have stayed was updated into urban areas by Department of Provincial Administration.

#### 2.2.2 Characteristics of lowest income households

According to data analyzed from the household socio-economic surveys, several of the lowest income households' characteristics in this study will come from characteristics of the head of households who are represented by the household. It was found that the most of household head gender was male (59.4%), the marital status was marriage, the average age was 59.5 years, the highest education was Primary Education, and working in the agricultural sector. For the structure of households, the average size of the lowest income household was around 4 persons per household, and when considering between age-group consist of 1 childhood, 2 working-age, and 1 old-age. In addition, the dependency ratio of the lowest income households was 2.09 (National Statistical Office, 2021)

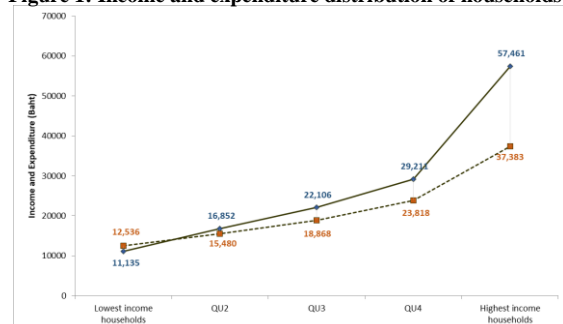
## 3 ECONOMIC CHANGE OF LOWEST INCOME HOUSEHOLDS IN THAILAND

The part of Economic Change of lowest income households in Thailand is divided into 2 sections. First, Income Inequality; illustrated about distribution and share of income and expenditure of households in Thailand, the proportion of expenditure per income of households, the average growth of income households, Gini coefficient of quintile's income share including the proportion of debt households' lowest income. Second, the structure of household income illustrated about the source of income of the lowest income households and the increased rate of income of the lowest income households over 10 periods (2011 to 2021).

### 3.1 Income Inequality

The income inequality study focuses on the comparison of income and expenditure between 5 quintile groups. Income and expenditure distribution in Thailand (Figure 1) illustrated the distribution of 5 quintile groups in 2021 years. It was shown every quintile group had average income more than average expenditure except QU1 which only one had expenditure more than income as the cut point between income and expenditure found at the first quintile group or the lowest income households.

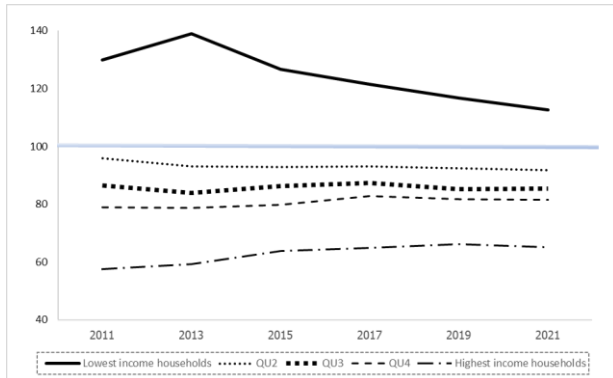
**Figure 1: Income and expenditure distribution of households**



Source: NSO. 2021. Household Socio-Economic Survey 2021.

Over the period of 2011 to 2021, all quintile groups had higher income than expenditure, except households in QU1 namely the lowest income households have been the only group to deal with situations of expenditure higher than income (Figure 2).

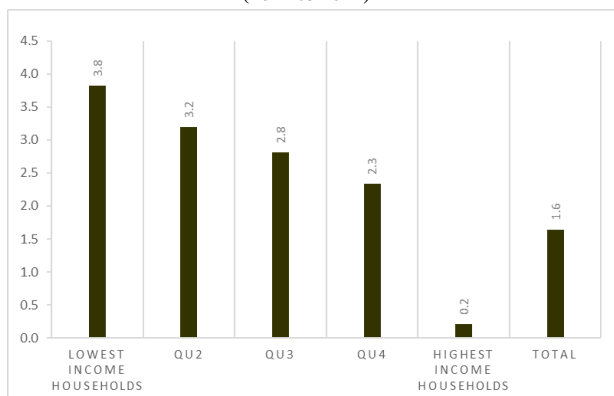
**Figure 2: Proportion of expenditure per income of households (2011 to 2021)**



Source: NSO. 2021. Household Socio-Economic Survey (2011 to 2021).

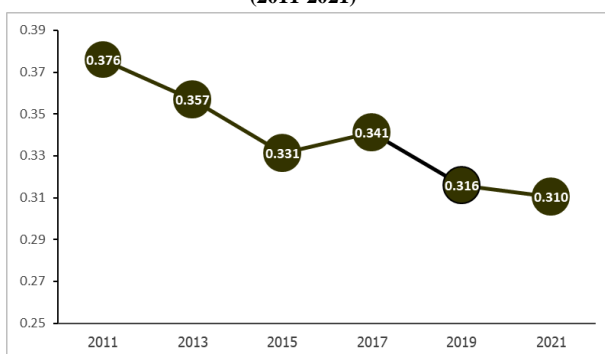
Despite income households of QU1 being less than expenditure, it was found the dispersion of the proportion of household expenditure per household income from the five quintile groups tended to decrease. Furthermore, the average growth of income households of QU1 and QU2 increased (Figure 3) so the Gini coefficient of the quintile's income share in the past ten years (2011 to 2021) decrease from 0.376 to 0.310 (Figure 4).

**Figure 3: Average growth of income households (2011 to 2021)**



Source: NSO. 2021. Household Socio-Economic Survey (2011 to 2021).

**Figure 4: Gini coefficient of quintile's income share (2011-2021)**



Source: NSO. 2021. Household Socio-Economic Survey (2011 to 2021).

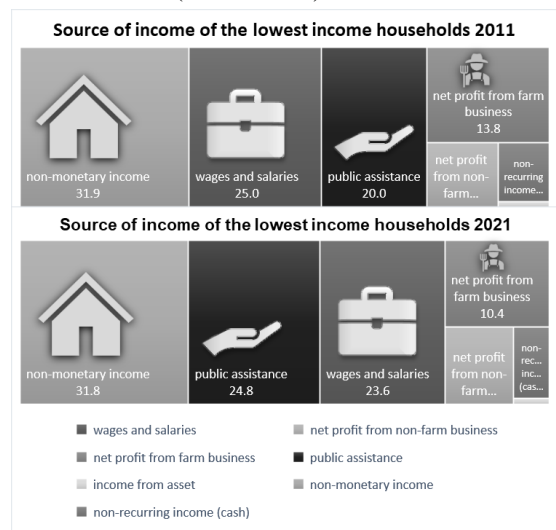
Consideration of expenditure share over decades in the lowest income household found that almost half of expenditure share was expense on food and beverages (excluding alcoholic beverages). Moreover, when the lowest income households have expenditures more than income so they must find a way for earning income by reach to loans and become in debt finally.

However, some households that are unable to access the formal loan sector must be accessed the informal loan sector instead. In years 2011, it was found that 54.2% of the lowest income households have household debt. The study demonstrated the lowest income households had a proportion of household debt higher than other quintile groups over a decade (2011 to 2021). For the year 2021, the lowest income household had a proportion of household debt highest was 54.2% (NSO, 2021) more than half of the households in this group have household debt.

### 3.2 Structure of household income

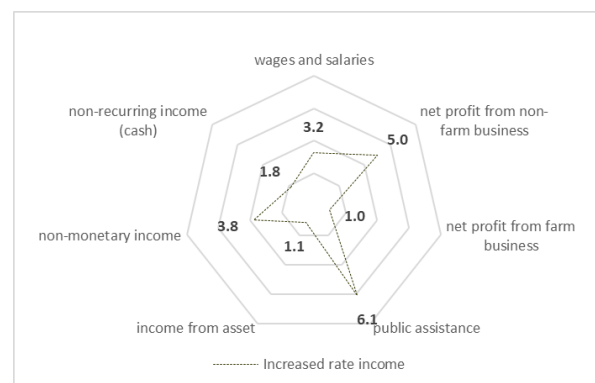
The 3 mains source of income of the lowest income households in years 2011 was non-monetary income 31.9%, wages and salaries 25.0%, and public assistance 20.0% whereas in years 2021 the source of income still came from 3 mains source but the second source changed from the wages and salaries switch order with the public assistance that is non-monetary income 31.8%, public assistance 24.8%, and wages and salaries 23.6% (Figure 5).

**Figure 5: Source of income of the lowest income households (2011 and 2021)**



Source: NSO. 2021. Household Socio-Economic Survey (2011 and 2021).

**Figure 6: Increased rate income of the lowest income households (2011 to 2021)**



Source: NSO. 2021. Household Socio-Economic Survey (2011 to 2021).

Considering the increased rate of income in the last decade, illustrated the lowest income households had an increased rate of households' income 6.1% received from public assistance which was the factor that increased rate highest. Public assistance such as income from pensions/ annuities/ other assistances from other people outside household and assistances from the government. The household income from net profit from the non-farm business had an increased rate of 5.0% and the non-monetary income had an increased rate of 3.8% respectively (Figure 6).

#### 4 CONCLUSION

The Lowest income households, the first quintile group at the bottom of the income distribution in Thailand. Due to the economic insecurity of these households has been faced with the situation of expenditure higher than income over decades. In addition, a dependency ratio of the lowest income households in 2021 was 2.09 that implies that there was only 1 working age must take care of 2 people who need assistance (childhood and old-age).

The result of studying the economic change of lowest income households helps to understand the financial situation which significantly issues for good living. As the result that the increased rate of income and the source of income in the last decade demonstrated that households' income received from public assistance, such as income from pensions/ annuities/ other assistances from other people outside household and assistances from the government, became a key factor was reflecting that the public assistance program in Thailand is the crucial factor for the average income of the lowest income households evidently rose over decades.

However, most of the assistance program implemented in Thailand was good policy, the government should have policies or plan to increase the potential of the lowest income households to earn income from other sources so as not to rely on government assistance for enhancing people and households' potential to good living and adequate for wellbeing.

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