

What Is Poverty And How To Measure It?*

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INTRODUCTION

The true meaning of poverty has become a subject of intense debate over the last few years. This is particularly the case in Thailand, where there is a growing criticism of the past and present path of economic development and its alleged ability to bring true welfare to the country's people, especially the less fortunate ones. Naturally, this kind of criticism calls for a re-examination of the definition of poverty in the Thai context. The participatory approach, which has recently gained momentum in the policy planning forum as evident in the formulation of the Ninth National Economic and Social Development Plan (2002-2006), requires that a serious effort is made at reconciling various meanings of poverty. This would also be instrumental for constructing future poverty reduction policies.

This paper is an initial step to reconcile the seemingly different definitions of poverty. It does so by gathering in one place the poverty definitions, or the characteristics of the poor, proposed by three distinct groups of stakeholders: the poor, the academics, and the policy makers.

WHAT IS POVERTY? THE POOR'S VIEWS

Tables 1 and 2 present the characteristics of the poor described by the representatives of the poor and the poor themselves. The first results (Table 1) are obtained from the surveys conducted by the representatives of the poor. The surveys were organized and facilitated by the Community Organizations Development Institute (CODI) and the Thailand Development Research Institute (TDRI). The second results (Table 2) are based on the information collected by 10 young TDRI researchers who spent two months living in some of the country's poorest villages and communities, interviewing the poorest, the key informants and the village leaders of these villages. Both activities were financially supported by the

World Bank under the WB/TDRI Poverty Reduction Partnership.

The following points are worth noting.

- First, the poor themselves tend to emphasize factors close to their everyday lives, and easy to understand, as defining characteristics of poverty. Of these factors, some stand out as most frequent responses: not enough to eat, low income, no land for agriculture, indebtedness, illness, poor general health or disability.
- Second, most characteristics can be classified as 'causes,' 'effects,' or both, of poverty. For example, lack of land for agriculture causes low income and hence low consumption (not enough to eat) or indebtedness. Low education and poor health can be both causes and effects of poverty, creating a vicious circle.
- Third, there are some slight differences between the two results. For example, the TDRI live-in field surveys did not find the poor as being as much indebted as the CODI/TDRI surveys by the representatives of the poor indicate. Being unable to borrow as well as not wanting to borrow (fearing one's inability to pay back) are cited as the main reason. This is possibly because the sample village and the sample population in the TDRI live-in field surveys were deliberately selected to be very poor.
- Fourth, the TDRI live-in field survey found that compared to the urban poor, the rural poor are being less at risk of not having enough to eat. Help from other members of the community and relatives as well as the still-abundant natural resources which one can fall back on during hard times are the possible explanations.

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Table 1 Characteristics of the Poor: The Poor's View (by the representatives of the poor)

Characteristics	Rural Villages				Bangkok Communities	
	1	2	3	4	1	2
General Economic Characteristics						
Not Enough to Eat		✓	✓		✓	✓
Low and Insufficient Income	✓			✓		✓
Uncertain Income					✓	
Too Few Earners in the Household						✓
High Expenditure				✓		
Debts and Assets						
Indebtedness	✓	✓		✓		
No/Low access to loans (Unable to Borrow)			✓			
Debts keep increasing	✓					
Unable to Reduce Debts			✓	✓		
Can not Borrow/Do Not Want to			✓			
No Land To Use for Agriculture	✓		✓	✓		
No Assets			✓			
Poor House Condition			✓			
No Home Appliances				✓		
Occupations/Personal Characteristics						
"Earn Morning, Eat Evening"					✓	
Mostly Work for Others	✓		✓			
Unemployed						✓
No or Low Education			✓			
No Job Skills				✓		
Old, No One to Depend on	✓					✓
Ill, Poor Health, Disabled	✓		✓			✓
Household Characteristics						
Large Family, Too Many Children		✓				
Burden Raising Children						✓
Illness in the House						✓
Behavior						
Struggle for Survival					✓	
Over-Consume, Consumerists				✓		
Buy Lottery (gambling), Drunkard, Lazy				✓		✓
Non-socializing, remain aloof		✓	✓			
Fake Poverty to Get Help					✓	

Sources: Summarized from the presentation of surveys of the poor by representatives of the poor, 4-5 October 2001, Pattaya.

Table 2 Characteristics of the Poor: The Poor's View (collected by TDRI field researchers)

Characteristics of the Poor	Rural	Urban
No Land To Use for Agriculture	✓	
No or Insecure Shelter		✓
Uncertain Job Opportunities	✓	✓
Not Enough to Eat		✓
Degraded Natural Resources	✓	
Unfortunate (Cheated, Denied by Family)	✓	
Greedy (Tried to Invest and Failed)	✓	✓
Self-Made Poverty (Lazy, Drunkard, Gambles, etc.)	✓	✓
Can not Borrow/Do Not Want to (unable to pay back)	✓	
No Access to Utilities or Pay High Price to get		✓
Disabled or Chronically Ill	✓	✓
Indebtedness		✓
Old	✓	✓

Sources: The poor's and key informants' views collected by TDRI field researchers in 10 poor communities during September-October 2001.

WHAT IS POVERTY? THE ACADEMIC AND EXPERTS' VIEWS

Box 1 presents one example of what the academics and the so-called "experts" on poverty think about the factors or characteristics that one should look for when defining poverty. One striking point is that poverty now involves more dimensions and goes beyond the factors close to the everyday life of the poor. They are, however, not necessary in conflict with the poor's definitions. Income, assets, indebtedness, basic needs, health and education are also the poor's concern. What are added are factors that can potentially "explain" why the poor stay in poverty, and most of them involve the attributes of the social, economic and political structures, such as social acceptance and respect, social capital, basic public services, the right to be heard, (unequal) distribution of capital and income. The academics and experts thus focus more on 'causes' of poverty and when doing so, emphasize on structural causes.

The concern on distribution of income and (asset) capital goes hand in hand with the concepts of *relative poverty*. Some people may 'feel' poor or are perceived as poor if their living standard is much below the social norm, even if their material well-being is constantly improving. This is perhaps one of the factors most responsible for the growing dissatisfaction over the country's development process.¹ It is therefore worth examining how important this concept is to the poor themselves. Table 3 presents the 'self-estimates' by the representatives of the poor of the distribution of the community members' economic status and changes therein over the past 30-40 years. The most striking aspect of these 'self-estimates' is that the representatives of the poor believe that the middle-income class has been vanishing while there is a growing proportion of the poor. The 'poor' in their mind are thus very obviously the relatively poor, not the 'absolute poor,' since all evidence suggests a rapid improvement in the standard of living of Thai people over the past 40 years. One can conclude from this finding that any future poverty reduction policies, or any other development policies for that matter, can not ignore the distributional aspects, as the unequal distribution of the benefits (or losses) from the past development process stands at the heart of the problem.

Box 1 Aspects of Poverty from Academic and Activists' Views (summarized from a seminar at TDRI, December 22, 2000)

- Income and Expenditure
- Distribution of Capital and Income
- Assets and Capability to Consume
- Indebtedness
- Basic Needs, such as Health, Education
- Basic Services, such as Electricity, Clean Water, Basic Health, Life and Asset Security
- Social Capital
- Living Standard relative to Expectation
- Acceptance and Respect from the Society
- Choices and Opportunities in Personal Life and for the Family
- Voices to be Heard
- Spiritual

POVERTY AND ITS MEASUREMENT: THE POLICY MAKER'S OPTIONS

The poverty definition used by the policy makers and the issues related to poverty measurement are discussed in this section. The idea of income poverty has dominated in policy-making circles since the beginning of the research on poverty in the 1960s. In contrast to the definitions offered by the poor and the experts, the official definition of poverty does not lend itself to the causes of poverty; it merely concentrates on understanding and measuring its 'incidence.' The studies on causes of poverty are largely done separately, and are sometimes guided by the 'poverty profile,' which is a by-product of poverty measurement.

In defining income poverty, the policy makers construct 'poverty lines.' Families and their members are deemed poor if their income, or expenditure, at the time of survey are below the poverty lines. Thai officials have traditionally used household income rather than household consumption as a welfare measure, quite possibly due to historical reasons in doing research on poverty in this country. The official poverty measurement has extended to cover new concepts such as ultra-poor, almost poor, vulnerable groups, and chronic versus transient poverty.

Table 3 Self-Estimates of Community Structure by Economic Status and Changes Over the Past 30-40 Years

Region	Ratios of (Poor: Middle Income: Well-to-Do)		
	Year 1957-1967	Year 1991	Year 2001
Northeast	10 : 90 : 0	70 : 15 : 5	70 : 15 : 5
North	10 : 85 : 5	40 : 40 : 20	60 : 30 : 10
Central	25 : 60 : 15	50 : 40 : 10	50 : 40 : 10
South	10 : 80 : 10	40 : 45 : 15	50 : 35 : 10

Source: Representatives of Poor (CODI/TDRI meeting, 2-4 September 2001, Nakhon Nayok).

The poverty lines, and thus the poverty incidences, were recently reconstructed and updated by the National Economic and Social Development Board (NESDB). Table 4 presents the latest poverty incidences measured using this method for selected years in the period 1992-2000. Although the updated poverty lines corrected many of the previous drawbacks, most notably the updating of consumption basket that better reflects the new ways of life of contemporary Thais, criticisms to this methodology remain. Some social critics and experts believe the new official poverty incidences are still too

low, citing the high costs of living in a modern, increasingly urbanized economy as their concern. In response to this concern, one proposal² is to use the average consumption basket in deriving the cost of food for all regions and areas (urban/rural), rather than using only the sanitary district basket as representing the 'least-cost consumption pattern' as in the current official method. Table 5 compares the results from the two methods for the year 2000. The proposed method yields, for the whole Kingdom, 1.8 million more poor people than does the official method.

Table 4 Income Poverty by NESDB Definition (using Sanitary District Consumption Basket)

Region/Area	Head-Count Ratio						Poverty Lines (baht per capita per month)					
	1992	1994	1996	1998	1999	2000	1992	1994	1996	1998	1999	2000
Bangkok Metropolitan Area	2.0	1.0	0.5	0.5	0.2	0.4	721	793	912	1,055	1,050	1,065
Rural	3.3	3.2	0.4	0.7	-	0.1	595	613	713	895	890	885
Urban	1.8	0.7	0.5	0.5	0.3	0.4	739	814	932	1,069	1,064	1,082
Central	12.4	8.6	6.0	7.0	6.5	5.4	597	624	722	887	890	881
Rural	14.8	9.8	7.1	8.0	7.9	6.4	581	603	696	863	868	856
Urban	4.8	5.3	3.0	4.4	3.0	2.7	649	679	789	950	947	946
North	22.7	14.7	9.5	9.0	9.6	12.2	561	581	672	794	785	776
Rural	25.7	16.5	11.1	10.2	10.9	14.0	548	566	657	778	768	757
Urban	9.2	7.8	3.2	4.4	4.8	5.3	620	639	733	858	849	850
Northeast	40.3	29.6	19.7	23.7	28.3	28.0	575	611	707	880	865	862
Rural	42.5	32.2	21.7	26.1	31.3	30.6	568	600	694	868	851	849
Urban	21.8	14.8	8.6	10.1	11.2	13.2	629	675	780	949	945	939
South	20.5	18.3	12.0	13.9	15.0	11.0	578	627	732	845	841	838
Rural	23.1	20.9	13.3	16.2	17.8	12.8	554	597	698	802	798	795
Urban	8.6	8.2	6.6	5.2	4.5	4.0	691	746	864	1,007	1,002	998
Whole Kingdom	23.5	17.1	11.2	12.9	14.6	14.2	598	637	738	889	881	880
Rural	29.7	22.1	14.9	17.2	19.7	19.0	565	593	687	838	829	823
Urban	6.6	5.5	3.1	3.6	3.4	3.7	689	738	852	999	995	1,002

Note: 1999 figures are calculated using two quarters' survey data.

Table 5 Comparison of Poverty Measures in 2000: Sanitary District Basket versus Average Basket

Region/ Area	Poverty Incidence (Head-Count Ratio)		Poverty Line (per capita per month)		No. of Poor (million people)	
	SD Basket	Average	SD Basket	Average	SD Basket	Average
Bangkok Metropolitan Area	0.4	0.4	1,065	1,139	0.04	0.04
Rural	0.1	0.2	885	965	0.00	0.00
Urban	0.4	0.5	1,082	1,155	0.03	0.04
Central	5.4	6.9	881	957	0.63	0.81
Rural	6.4	8.3	856	933	0.54	0.70
Urban	2.7	3.3	946	1,018	0.09	0.11
North	12.2	15.2	776	833	1.38	1.72
Rural	14.0	17.3	757	814	1.26	1.56
Urban	5.3	6.9	850	910	0.12	0.16
Northeast	28.0	32.8	862	940	5.90	6.91
Rural	30.6	35.7	849	927	5.48	6.39
Urban	13.2	16.5	939	1,015	0.42	0.52
South	11.0	13.7	838	914	0.92	1.15
Rural	12.8	16.1	795	870	0.84	1.06
Urban	4.0	5.1	998	1,075	0.07	0.09
Whole Kingdom	14.2	17.0	880	952	8.86	10.63
Rural	19.0	22.7	823	896	8.12	9.71
Urban	3.7	4.7	1,002	1,074	0.73	0.92

Source: Author's calculations

Note that the official poverty incidences can be overestimated as well. Just as the sanitary district consumption basket can underestimate the cost of living in more urbanized areas such as Bangkok or other municipalities, it is also likely to overestimate the cost of living in rural areas. This is because the rural areas constitute those areas classified as 'villages' in the surveyed samples, while the sanitary districts are normally urban. It is very reasonable to think that villagers will do their best to spend the least while getting the most out of what they consume (either buy or get from the nature). The differences in the consumption patterns of villagers and those living in sanitary districts are thus likely to make the poverty lines unrealistically expensive when applied to rural areas. Some preliminary findings of various village surveys seem to confirm this speculation.

FOOTNOTES

- ¹ Some social critics even declare that there are more poor people in Thailand now than there were 50 years ago. Such statements are obviously and outrageously wrong if one means absolute poverty.
- ² This was proposed by Professor N. Kakwani during his Poverty Workshop in July 2001 at the National Statistical Office, Bangkok, Thailand.

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