Grasping the Reality of Thailand's Wage Inequality

Ambassador Vijavat Isarabhakdi
Advisor to the Ministry of Foreign Affairs of Thailand

A report circulating in the press and social media has raised quite a few eyebrows, not only among Thais but even among some foreigners who are well acquainted with this country.

"New" findings published in the Credit Suisse Global Wealth Report 2018 claimed that Thailand had this year assumed the undesirable mantle of being the country with the highest wealth disparity on earth. This led to some publications dubbing Thailand "the world's most unequal country".

While there is no denying that poverty still exists in Thailand and that equitable wealth distribution remains an issue to be tackled, one cannot help but wonder whether the situation is really as dire as portrayed. Is Thailand truly the most inequitable country in the world?

It is therefore fortunate that the Office of the National Economic and Social Development Board (NESDB), as the national agency primarily responsible for monitoring the Government's progress in reducing inequality in Thailand, was quick off the blocks to clarify the facts and provide a clearer understanding of the real situation.

To start off, the NESDB pointed out that the information gathered on Thailand is rather dated, having been collected since 2006. By contrast, the data for other countries surveyed was compiled using varying years. Therefore, it would be difficult to come up with an accurate comparison among countries if different timeframes are used. Had the latest data on Thailand been utilised, the outcome could well have been different. Hence, there is cause for doubt as to whether the findings reached in the Report correctly reflect the reality in Thailand.

Another important point is that the Credit Suisse Global Wealth Report 2018 relies basically on wealth distribution statistics to measure inequality among the countries of the world. Such methodology was employed despite the fact that, out of the 168 countries surveyed, only 35 nations, mostly developed, actually possess comprehensive wealth distribution records. Thailand and other developing countries are not quite in a position to compile such records owing to various limitations, including the technicalities and difficulties of collecting information on asset ownership.

It also needs to be noted that the Report utilises an econometric approach for its estimation of inequality, based on the premise that income distribution is correlated to wealth distribution. However, since only 20 per cent of the nations surveyed have comprehensive wealth distribution records, the calculation of wealth distribution for the remaining 133 countries can, at best, be merely a rough estimate. As just stated, Thailand is among those countries for whom wealth ownership data is not available and is, therefore, able to provide only income distribution information.

This is not to say that the issues of wealth distribution and equality do not figure prominently in the overall agenda of the Thai Government. Quite the contrary. The Government is determined to ensure that, as the country moves forward economically, no one should be left behind, and the fruits of Thailand's prosperity should be enjoyed equitably by all sectors of society.

For this reason, the NESDB has been entrusted with the task of carefully monitoring government efforts in reducing inequality in Thailand. The methodology used by the Thai agency, however, is different from that of Credit Suisse since it draws upon the so-called Gini Coefficient Index, a universally accepted standard that is also used by the World Bank to measure inequality among countries worldwide. Such an index focuses on two key factors, income and expenditures.

Looking at the figures from the most recent year available, 2017, one finds that both the Gini Coefficient Income Index and Expenditure Index for Thailand have changed in a positive manner, demonstrating that inequality in Thailand during the past 10 years has experienced a downward trend.

At the same time, the indicators show that the income gap between the highest income group and the lowest income group in the country is gradually shrinking. Likewise, the expenditure gap between the two groups has also been diminishing.

This positive movement in terms of inequality reduction in Thailand are not based simply on Thai government figures but are also reaffirmed by the World Bank's own assessments. Thailand has continually moved up the table according to the World Bank's calculations on equality within nations. In 2013, Thailand ranked 46 out of 73 countries in terms of the Gini Coefficient Expenditure Index per capita. Two years later, in 2015, Thailand moved further up to 39th place. As a matter of fact, according to the latest data from the World Bank, Thailand's Gini Coefficient Expenditure Index currently stands at 0.36, which means that the inequality situation in Thailand is not too different from that of some developed countries such as the United Kingdom (0.33) and the United States (0.41).

All of this is not intended to make the argument that Thailand can be satisfied with the state of economic equality within the country. While much has been done over the past 10 years, much more remains to be accomplished. The figures show that inequality in Thailand, both in terms of income and expenditures, has gradually moved in a positive direction. Nonetheless, the reduction of disparities between the wealthiest and poorest segments of society as well as the alleviation of inequality in Thailand must remain among the top priorities of this administration and all future Thai governments.

It is therefore encouraging to see that, over the past four years, various policies have been launched, aimed at achieving more equitable distribution of income and wealth. Government-led mechanisms as well as public-private partnerships have been utilised to create greater opportunities for the people to obtain jobs. A number of initiatives have been implemented in order to increase the earnings of lower-income and middle-income groups. Policies have also been pursued to better redistribute wealth from high-income groups to other segments of the population.

Finally, as part of a dual-pronged approach, the Government has also initiated a number of social welfare schemes in key areas such as education, housing, and healthcare. The ultimate aim is to achieve greater equality in wealth distribution by the year 2037, at which stage the gap between the country's richest and poorest 10 per cent of the population should be no greater than 15 times, down from the current figure of 22 times. Only then can the Thai Government make the headlines in a more appropriate way by moving towards becoming one of the most equitable countries in the world.
