

# 5

## The Sources of Household Income

The aim of this chapter is to examine income distribution by dividing household income into several sources of income. In general, a household does not necessarily receive income from a single source but usually has multiple sources of income. Some sources, such as entrepreneurial income, are mainly limited to the higher income class and increase income inequality while others, such as income-in-kind, are important sources to the lower income class and reduce income inequality. An analysis of source of income will help us to understand the structure of income distribution and income inequality in Thailand.

In the next section the definition of income source is explained. Next the composition of total income is compared between areas, first on average and second by decile group. The same analysis by region is followed. And lastly the decomposition analysis of the Gini coefficient by source of income is applied, and the results of this are compared with the case of the Philippines.

In this chapter the *Report of the 1981 Socio-Economic Survey* [64] (SES 1981) is used because the data tape was available to the author. In the previous chapters the three community types were classified into the urban or rural areas in two different ways according to whether we count the sanitary districts as being urban or rural, which made conclusions rather complex. Therefore, in this chapter these three community types are treated separately. The conclusions of this chapter show that income distribution in the sanitary districts is similar to that of the whole kingdom because, like the whole kingdom, the sanitary districts include both rural and urban areas within them. The words rural and urban are used ambiguously. Sanitary districts may be included sometimes in the rural areas and sometimes in the urban areas. "Less urbanized" and "less developed" are also used in the same way.

### The Sources of Household Income

The SES 1981 collects income data by source of income. Their classification is so detailed that we aggregate them into eleven categories in Table 5-1.

We used the concept of "total income" in the previous chapters and here it may be worthwhile to show the effects of using other concepts of income instead of this one. Table 5-2 shows the Theil index and the varlog for total income, money income, and wages and salaries. These indices are estimated by ordering households by the level of each of the income concept. For example, the Theil index of money income is calculated by applying the Theil index to the distribution of households according to money income where the households are ordered by the level of money income.<sup>1</sup> Without exception, the level of inequality of total income is the lowest and that of wages and salaries is the highest in each and every year and for both indices. The reason inequality of total income is lower

Table 5-1  
Classification of Sources of Income

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Total income (A+B+C)
A. Money income (1+2+3+4+5+6)
1. Wages and salaries
2. Entrepreneurial income
3. Farm income
4. Land rent
5. Other rent (including interest and dividends)
6. Transfer receipts
B. Income-in-kind (7+8+9+10)
7. Received as pay
8. Home-produced goods
9. Crops received as rent
10. Received free
C. Other money receipts

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Notes: A. Money income=income received in cash excluding those windfall receipts included in C.

6. Transfer receipts=assistance and remittances, pensions and annuities, scholarships and grants, etc.

B. Income-in-kind=imputed value of all goods and services received in kind.

7. Received as pay=food and other goods received as part of pay and rental value of goods and dwellings which the employer provides.

8. Home-produced goods=the imputed rental value of the owner-occupied homes in net as well as foods and goods which the household produces and consumes by itself.

C. Other money receipts=proceeds from casualty insurance, life insurance, lottery winnings and the sale of durable goods, inheritance, bequests, etc.

Table 5-2  
Theil Index by Income Concept

	1969	1975	1981
<b>A. Theil index</b>			
Total income	0.3674	0.3241	0.3495
Money income	0.5422	0.5280	0.5408
Wages and salaries	—	0.9887	1.0592
Between-region component			
Total income	0.0721	0.0540	0.0454
Money income	0.1257	0.1049	0.0746
Wages and salaries	—	0.2402	0.2226
Percentage contribution (%)			
Total income	19.6	16.7	13.0
Money income	23.2	19.9	13.8
Wages and salaries	—	24.3	21.0
<b>B. Varlog</b>			
Total income	0.6563	0.6854	0.7478
Money income	1.1302	1.4549	1.3983
Wages and salaries	—	4.6014	4.7950
Between-region component			
Total income	0.0882	0.0881	0.0701
Money income	0.2448	0.2794	0.1875
Wages and salaries	—	0.6996	0.8618
Percentage contribution (%)			
Total income	13.4	12.9	9.4
Money income	21.7	19.2	13.4
Wages and salaries	—	15.2	18.0

Source: Ikemoto and Limskul [21] Table IX.

than that of money income is that the low income classes depend on income-in-kind much more than the high income class. For the same reason, inequality between regions is the smallest for total income. In the less developed areas such as the Northeast, people depend on income-in-kind much more than in the more developed areas such as Bangkok.<sup>2</sup> The reason inequality of wages and salaries is the highest is not straightforward. One reason might be that the small proportion of highly educated labor force makes the wage gap between the highly educated and low-educated labor force very large.

### Composition of the Total Income for the Whole Kingdom

Table 5-3 shows the composition of the total income for the whole kingdom and for the three community types. For the whole kingdom money in-

Table 5-3

Composition of Total Income by Area, 1981

(%)

	Whole Kingdom	Area		
		Municipal Areas	Sanitary Districts	Villages
Total income	100.0	100.0	100.0	100.0
Money income	70.7	81.4	74.9	63.8
Wages and salaries	27.2	41.4	35.6	17.5
Entrepreneurial	17.4	32.2	18.3	8.7
Farm income	20.0	1.0	14.0	32.1
Land rent	0.3	0.1	0.3	0.4
Other rent	0.6	1.0	0.9	0.3
Transfer income	5.2	5.8	5.8	4.8
Income-in-kind	27.6	17.0	23.0	34.4
Received as pay	1.9	3.8	1.6	0.9
Home produced	20.6	8.3	16.6	28.4
Land rent	0.2	0.0	0.2	0.3
Received free	4.8	4.9	4.6	4.8
Other money receipts	1.5	1.1	1.7	1.8

Source: Estimated from data tape of SES 1981.

come accounts for 71 per cent and income-in-kind accounts for 28 per cent. Other money receipts account for only 1.5 per cent.

Among money income, wages and salaries is the largest item, accounting for 27 per cent of total income. Adding 1.9 per cent of income-in-kind received as pay, the total of wages and salaries both in cash and in-kind is 29 per cent. This figure is slightly lower than the 34 per cent which is estimated from the national income statistics shown in Table 3-6. The second largest item in money income is farm income, the share of which is 20 per cent. This figure seems to be comparable to the share of agriculture in GDP. But when we take into account the fact that a part of wages and salaries, land rent, income-in-kind, etc., is related to agricultural activity, the share of all of these agricultural incomes is larger than 20 per cent. Therefore, it can be said that in terms of household income the agricultural sector plays a more important role than the agricultural share in GDP implies.

Even though the property income is often underestimated in the household budget survey, the share of all kinds of rent, both in cash and in kind, is extremely low, being only 1.1 per cent in Thailand. This, however, seems to be too small compared with the share of income from property in the national income statistics (see Table 3-6). There might be an underestimation of the rent income and, if there is, it would lower income in-

equality. Though there might be an underestimation, it would still be lower than in those countries where tenancy is prevailing (such as in the Philippines, where land rent makes income distribution much more unequal).

Among income-in-kind, the largest item is the consumption of home-produced goods and services which accounts for 21 per cent of total income. Five per cent of total income is accounted for by income-in-kind received free. Other items of income-in-kind are negligible.

### **Composition of the Total Income by Area**

The difference in the composition of the total income among community types is that the share of money income is the highest (81 per cent) for municipal areas and the lowest (64.8 per cent) for villages. This means that the share of money income increases as the area becomes more urbanized. Therefore, the income disparity between urban and rural areas measured by money income will be larger than the disparity measured by total income. This logic can be applied to regional disparity.

As a matter of course the share of wages and salaries and entrepreneurial income is greater for the more urbanized areas, and the share of farm income is larger in the rural areas. In municipal areas wages and salaries and entrepreneurial income account for 41 per cent and 32 per cent of the total income, respectively, while they account for 18 per cent and 9 per cent in villages. On the other hand, farm income is negligible in municipal areas but it is the most important source of income in villages, where it accounts for 32 per cent of total income. But the share of income accrued from agricultural activities in villages would be much larger than that because not only farm income but also a large part of the other items as well would be accrued from this activity. For example, a large part of the consumption of home-produced goods and services, which is the second largest item in villages, would also be accrued from agricultural activities. Therefore, the contribution of agriculture to the rural household income would be bigger than the agricultural share in GRP indicates except for Bangkok (see Figure 4-7).

The share of transfer income and income-in-kind received free is about 5 or 6 per cent, respectively, for each type of community.

### **Composition of the Total Income by Decile Group, Whole Kingdom**

In this section we will examine the structure of total income by income groups. We adopted the decile household group as the income group because the income structure of the richest and poorest 10 per cent of

Table 5-4  
Composition of Total Income by Decile Group for the Whole Kingdom, 1981 (%)

	Average	Decile Group										Top
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th		
Total income (baht)	3,429	686	1,115	1,440	1,780	2,149	2,615	3,232	4,090	5,507	11,676	
Money income	70.7	40.5	44.5	46.6	51.9	57.0	62.6	66.9	72.2	76.8	82.7	
Wages and salaries	27.2	13.9	15.7	15.0	17.9	20.5	22.5	23.4	28.0	32.1	32.6	
Entrepreneurial	17.4	5.0	5.1	5.7	6.0	6.6	9.4	11.9	14.3	17.0	28.9	
Farm income	20.0	15.2	18.8	21.8	24.6	26.1	26.2	26.3	24.2	21.6	13.1	
Land rent	0.3	0.3	0.1	0.1	0.1	0.1	0.2	0.1	0.4	0.3	0.4	
Other rent	0.6	0.1	0.1	0.1	0.1	0.3	0.3	0.4	0.4	0.4	1.2	
Transfer income	5.2	6.1	4.7	4.1	3.2	3.5	4.0	4.8	5.0	5.4	6.4	
Income-in-kind	27.6	59.0	54.7	52.3	47.1	41.9	35.8	31.5	26.0	21.4	14.9	
Received as pay	1.9	1.6	2.4	1.8	1.9	1.8	1.7	2.0	2.3	2.2	1.7	
Home produced	20.6	45.7	43.6	42.8	39.1	34.3	28.9	24.4	19.1	14.6	9.3	
Land rent	0.2	0.7	0.6	0.3	0.4	0.2	0.2	0.2	0.2	0.2	0.1	
Received free	4.8	11.0	8.3	7.4	5.7	5.6	5.0	4.9	4.3	4.4	3.7	
Other money receipts	1.5	0.5	0.7	1.0	1.0	1.0	1.5	1.5	1.7	1.6	1.9	

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

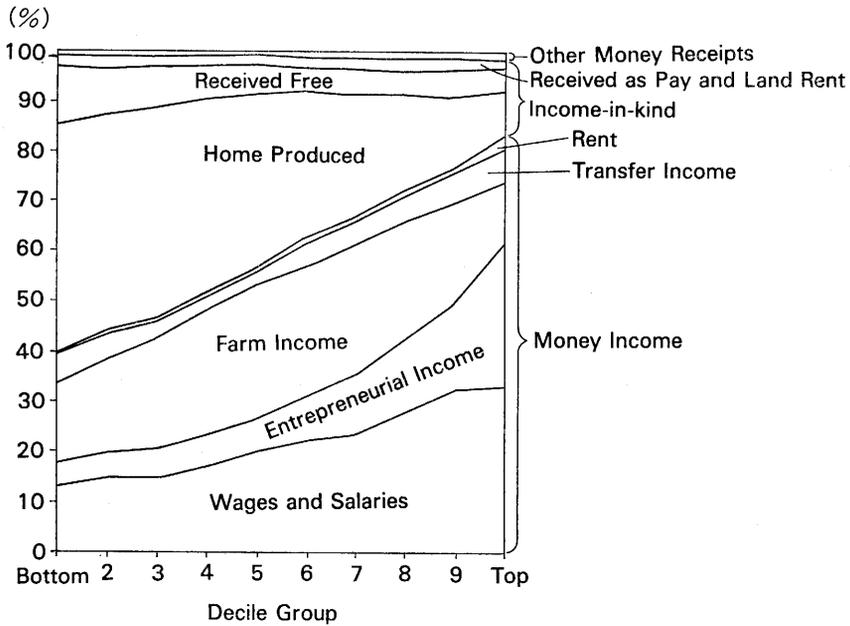


Figure 5-1  
 Composition of Total Income in the Whole Kingdom by  
 Decile Group, 1981

Source: Table 5-4.

households is considered to be very different from that of the other income groups and the quintile group would not be enough to reveal this difference.

The composition of total income by household decile for the whole kingdom is shown in Table 5-4 and Figure 5-1. Some results concerning the composition of total income by area can be applied to the composition by decile group because the structure of total income in the villages is reflected in the lower deciles and that of the municipal areas is reflected in the higher deciles.

The share of money income increases together with the income level. At the bottom decile it is only 41 per cent, which is much lower by twenty-three percentage points than the average of villages because even in the villages the lower income class depends on income-in-kind to a greater extent than is the average in villages. As the income level increases its share also slowly does so, reaching 83 per cent for the top decile, which is only slightly higher than that for the municipal areas. The average for the whole kingdom is 71 per cent, nearly the same as the 72 per cent of the eighth decile. The reason the national average is much higher than the arithmetic mean of the share of each decile, which is about 60 per cent, is

that more weight is given to the higher income class because of their large income share.

Since the share of other money receipts is so small, being at most only 1.9 per cent, an increase in the share of money income implies a decrease in the share of income-in-kind. The share of income-in-kind decreases slowly from 59 per cent at the bottom decile to only 15 per cent at the top decile. For the lowest 30 per cent of households the share of income-in-kind exceeds 50 per cent, and for the lowest 50 per cent it exceeds 40 per cent, which is much higher than the national average. The share of income-in-kind seems to be small for the whole kingdom (28 per cent) but it is none the less an important source of income for the lower income class. As shown later in this chapter, income-in-kind is an important source of income which reduces income inequality.

Among the items of money income the share of both wages and salaries and entrepreneurial income increase as the income level increases. For the lowest three deciles the share of wages and salaries remains stable at around 15 per cent, but from the fourth to ninth decile its share increases gradually according to the income level from 18 per cent to 32 per cent. At the richest decile the share is only slightly higher than that of the ninth decile. While the share of wages and salaries of the top decile is similar to that for the ninth decile, the share of entrepreneurial income of the top decile (29 per cent) is much larger than that of the ninth decile (only 17 per cent). The share decreases sharply from the 29 per cent of the top decile to 7 per cent of the fifth decile and thereafter decreases only slightly to the 5 per cent of the bottom decile. Even in percentage share the difference is very large. If it is expressed in a nominal amount, the gap of entrepreneurial income between the top and lower deciles would appear to be overwhelming. As will be shown later in this chapter, one-fourth of the income inequality of the whole kingdom is brought about by this inequality of entrepreneurial income.

The share of farm income does not slowly increase or decrease. At first it increases from 15 per cent at the bottom decile to 26 per cent at the fifth decile and remains stable until the seventh decile and then decreases to 13 per cent at the top decile. The sudden decrease from the 22 per cent of the ninth decile to the 13 per cent of the top decile corresponds to the sudden increase of entrepreneurial income as mentioned above. This U-shaped curve that shows the change in the share of farm income can be explained by distinguishing between the rural and urban areas. As will be shown below, the share of farm income increases according to the income level in the rural areas but it is negligible in the urban areas. For the whole kingdom the structure of the total income in the rural areas is

similar to that of the lower income class and therefore the share of farm income increases according to the income level. But at the higher income class the structure of income reflects that of the urban areas and therefore the share of farm income decreases according to the income level.

Though the share of land rent and other rents is very small and might include some underestimation, let us interpret the results. The share of land rent is only 0.1 or 0.2 per cent between the second and seventh deciles while it is 0.3 or 0.4 per cent for other deciles. The higher share for the higher income class is understandable but the reason it is higher for the bottom decile is not so straightforward. The higher share for the lower income class can be also seen for land rent received in kind which is 0.7 per cent for the bottom decile and thereafter decreases to 0.1 per cent for the top decile. Since land rent is negligible in municipal areas, this pattern of land rent is related to the rural area. On the other hand, the share of other rents, which includes interest and dividends, increases according to the income level. Most of this type of income accrues to the higher deciles.

Transfer income increases its share at both ends of the decile group, which decreases from the 6 per cent of the bottom decile to the 3 per cent of the fourth decile and thereafter increases to the 6 per cent of the top decile. This reflects a different pattern of transfer of income in each type of community as shown below.

Next we turn to the items of income-in-kind. Among these items, home-produced goods and services predominate. Their share decreases according to income level from 46 per cent at the bottom decile to 9 per cent at the top decile. The second largest item is goods and services received free. This is also an important source of income for the lower income class. For the bottom decile it accounts for 11 per cent of total income. But the share of this source of income decreases abruptly to 6 per cent at the fourth decile and thereafter decreases only slightly to 4 per cent at the top decile.

Land rent received in kind accounts for a very small proportion of the total income, being only 0.2 per cent on the average. Curiously this share decreases from the 0.7 per cent of the bottom decile to the 0.1 per cent of the top decile. We must be careful in interpreting this result. This does not mean that every rich person, for example, in the top decile receives income in the same composition as shown in Table 5-4 but that there may be very rich landlords who earn their income solely from land rent. The small share of land rent for the top decile means that the proportion of such landlords is very small if any.

Income-in-kind received as pay seems not to show any pattern. However, if we focus on the community level, a pattern does appear, as will be shown later.

### Composition of the Total Income by Decile Group and Area

The composition of total income by decile group for municipal areas, sanitary districts, and villages is shown in Tables 5-5, 5-6, and 5-7 and Figures 5-2, 5-3, and 5-4. In the previous section all households were divided into decile groups, each of which has the same number of households. In this section all households in each community type are divided into decile groups, each of which includes one-tenth of the total households of the community type. Notice that a decile group includes households with different levels of income according to the community type. For example, since the income level in municipal areas is much higher than in villages, the second decile includes households with monthly incomes of between 1,788 and 2,568 bahts in the municipal areas while the income interval is between 864 and 1,166 bahts in villages.<sup>3</sup> Thus the income level of each decile is not the same for each community type.

The finding that the share of money income is very high in municipal areas is applicable not only to the higher income class but also to the lower income class in these areas. Except for the lowest decile, money income accounts for more than 76 per cent of the total income. Even for the bottom decile, it accounts for 67 per cent, only four percentage points lower than the national average. What is characteristic of the composition of the total income in the municipal areas is the similarity of the composition of the total income among deciles except for the top and bottom deciles. Figure 5-2 clearly shows the constancy of the composition except for both ends of the income group. Apart from the top and bottom deciles, the share of wages and salaries ranges from 40 per cent to 50 per cent and that of entrepreneurial income ranges from 20 per cent to 30 per cent.

For the bottom decile the share of wages and salaries is smaller than the top decile by more than ten percentage points. On the other hand, the share of entrepreneurial income is comparable to that of some of the higher deciles and is higher than the national average. This may be largely because of those small scale informal activities that are common to urban areas. Another important source of income for the bottom decile is transfer income which accounts for 14 per cent of total income. That is, many poor people rely on assistance, remittance, pensions, annuities, scholarships, grants, ect. But this does not necessarily mean that those who rely on transfer income tend to be poor. In absolute terms, the value of transfer income is much higher for the top decile. And the figure in Table 5-5 does not exclude the possibility that some people who solely rely on transfer income might belong to the top decile though they account for only a small portion of the top decile. Income-in-kind received as pay is also an im-

Table 5-5  
Composition of Total Income by Decile Group for Municipal Areas, 1981 (%)

	Average	Decile Group										Top
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th		
Total income (baht)	6,474	1,245	2,198	3,234	3,582	4,315	5,125	6,159	7,741	10,329	20,808	
Money income	81.4	66.8	76.8	80.4	79.3	80.4	79.4	80.6	80.5	79.2	85.5	
Wages and salaries	41.4	29.6	45.9	41.7	45.5	48.8	48.2	47.8	43.9	44.9	33.1	
Entrepreneurial	32.2	21.0	21.1	31.2	25.4	23.4	24.1	26.5	29.8	26.0	44.7	
Farm income	2.0	1.9	1.0	1.1	0.8	0.5	0.5	0.8	0.6	0.8	1.4	
Land rent	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.2	0.1	
Other rent	1.0	0.6	0.3	0.7	0.8	0.3	0.4	0.6	1.1	1.2	1.5	
Transfer income	5.8	13.8	8.4	5.8	6.9	7.3	6.1	4.9	5.2	6.2	4.8	
Income-in-kind	17.0	31.8	22.0	18.6	19.7	18.1	18.7	18.2	17.4	19.1	12.6	
Received as pay	3.8	12.5	7.3	6.3	5.4	5.7	4.5	5.1	3.6	3.3	1.5	
Home produced	8.3	8.8	6.3	6.5	8.3	7.0	8.5	8.1	9.0	9.7	8.2	
Land rent	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Received free	4.9	10.4	8.4	5.7	6.1	5.4	5.7	4.9	4.8	6.1	2.9	
Other money receipts	1.1	1.1	0.7	0.9	0.8	1.1	1.5	0.8	1.1	1.1	1.1	

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

## SOURCES OF HOUSEHOLD INCOME

Table 5-6  
Composition of Total Income by Decile Group for Sanitary Districts, 1981 (%)

	Decile Group										
	Average	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Total income (baht)	3,500	749	1,240	1,626	2,022	2,427	2,933	3,586	4,396	5,728	10,298
Money income	74.9	45.3	50.3	56.5	62.4	66.8	70.3	73.3	77.5	81.6	84.4
Wages and salaries	35.6	16.9	20.5	22.1	28.7	31.5	29.8	34.1	36.5	41.1	42.0
Entrepreneurial	18.3	7.0	9.4	8.6	11.1	13.1	15.5	15.3	20.5	20.2	24.2
Farm income	14.0	10.4	14.3	19.5	15.2	16.4	17.3	17.1	14.7	15.2	9.5
Land rent	0.3	0.5	0.1	0.1	0.5	0.2	0.1	0.3	0.4	0.7	0.1
Other rent	0.9	0.3	0.0	0.0	0.5	0.3	0.3	0.5	0.5	0.5	2.1
Transfer income	5.8	10.3	6.0	6.1	6.5	5.3	7.2	6.1	4.8	3.8	6.6
Income-in-kind	23.0	54.4	49.0	41.9	36.4	31.5	27.8	24.9	20.3	17.2	12.4
Received as pay	1.6	3.0	1.8	1.3	1.8	3.0	2.1	1.8	1.3	1.6	1.1
Home produced	16.6	38.4	35.8	34.0	28.3	22.6	19.6	16.2	14.2	11.7	9.3
Land rent	0.2	0.6	0.1	0.3	0.0	0.3	0.1	0.3	0.2	0.1	0.3
Received free	4.6	12.4	11.3	6.2	6.2	5.7	6.0	6.6	4.5	3.7	1.1
Other money receipts	1.7	0.2	0.7	1.3	1.2	1.4	1.8	1.6	1.7	1.2	2.5

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

Table 5-7  
Composition of Total Income by Decile Group for Villages, 1981 (%)

	Average	Decile Group										Top
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th		
Total income (baht)	2,690	640	1,022	1,302	1,579	1,879	2,197	2,649	3,249	4,308	8,075	
Money income	63.8	38.6	42.3	43.3	47.0	50.5	54.9	59.3	62.9	69.5	79.3	
Wages and salaries	17.5	13.1	13.8	14.2	14.7	15.3	16.7	17.9	16.9	18.3	19.8	
Entrepreneurial	8.7	4.1	4.1	4.2	4.1	4.9	4.2	5.8	6.8	10.4	14.1	
Farm income	32.1	15.6	20.3	21.4	25.0	27.6	31.1	31.8	34.5	36.2	36.2	
Land rent	0.4	0.3	0.2	0.0	0.1	0.1	0.1	0.2	0.2	0.6	0.8	
Other rent	0.3	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.3	0.2	0.6	
Transfer income	4.8	5.5	3.8	3.4	3.0	2.6	2.6	3.4	4.2	3.8	7.9	
Income-in-kind	34.4	60.9	57.0	55.8	52.0	48.4	44.1	39.0	35.4	28.5	18.0	
Received as pay	0.9	1.1	1.6	1.5	1.2	1.2	0.9	0.9	1.0	0.9	0.6	
Home produced	28.4	47.7	46.5	46.5	44.3	41.2	38.1	33.3	29.6	23.8	13.3	
Land rent	0.3	0.8	0.6	0.5	0.4	0.4	0.2	0.2	0.2	0.3	0.3	
Received free	4.8	11.4	8.3	7.4	6.2	5.6	4.9	4.7	4.6	3.5	3.8	
Other money receipts	1.8	0.5	0.6	0.8	1.0	1.1	0.9	1.7	1.7	2.0	2.7	

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

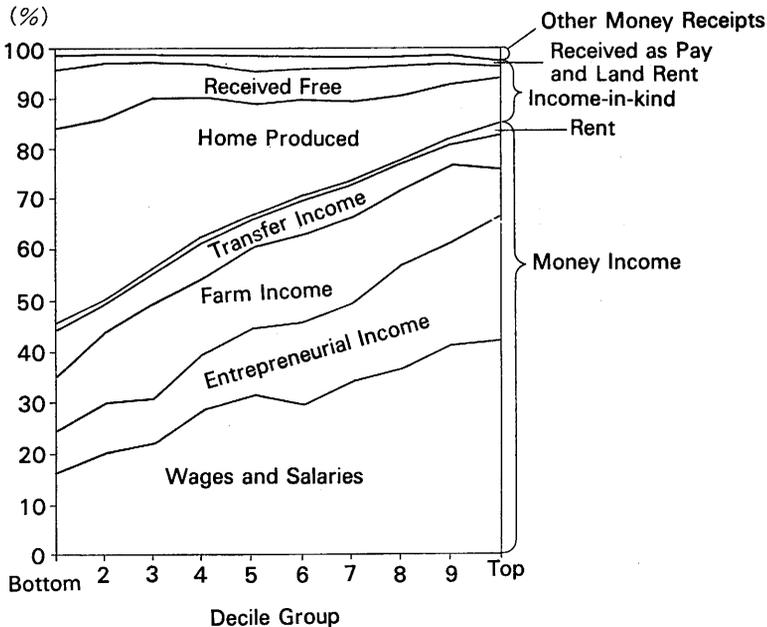


Figure 5-2  
Composition of Total Income in Municipal Areas by Decile  
Group, 1981

Source: Table 5-5.

portant source of income for the bottom decile, accounting for 13 per cent of total income. This may be because among the poor in municipal areas there are many who are employed by enterprises that cannot afford to pay wages in cash. On the other hand the top decile is distinguished by the dominating share of entrepreneurial income which accounts for as much as 45 per cent of their total income.

The sanitary districts are those areas which have characteristics lying between the extremes of municipal areas and villages. Therefore, the composition of income of the sanitary districts is also between that of municipal areas and that of villages. Since the whole kingdom is similar to these sanitary districts, in that it also contains both urban and rural areas, the composition of Thailand's total income resembles that of the sanitary districts (compare Figure 5-1 and 5-3). The differences are that the share of wages and salaries is higher for every decile group in the sanitary districts, but the share of farm income and home-produced goods and services consumed by them is smaller. This means that the sanitary districts are a bit more urbanized than the kingdom as a whole.

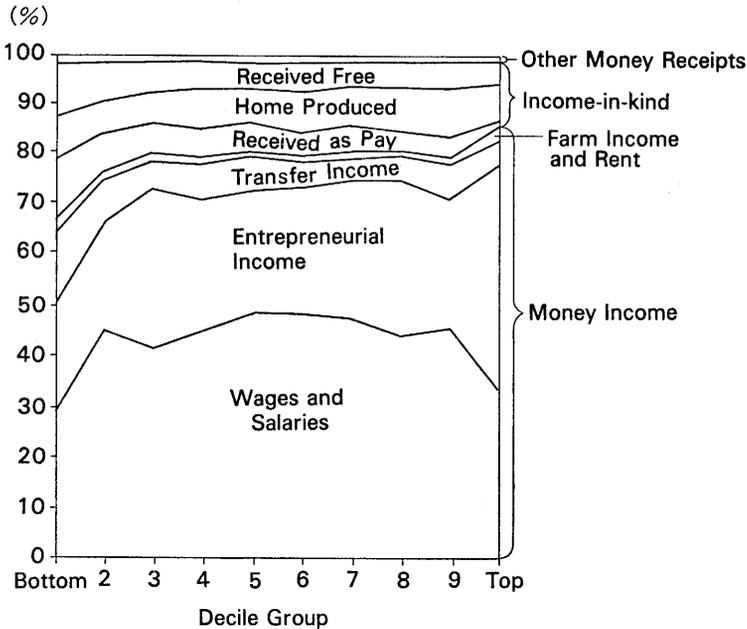


Figure 5-3  
Composition of Total Income in Sanitary Districts by Decile  
Group, 1981

Source: Table 5-6.

The composition of the income of the lower income class is similar between villages and the whole kingdom because the lower income class of the whole kingdom is dominated by villages. The differences between them become clearer at the higher income levels. First of all, the share of wages and salaries does not increase and remains less than 20 per cent even for the top decile. Though the share of entrepreneurial income increases according to the income level, it does so at a much slower rate, and even for the top decile it accounts for only 14 per cent. Contrary to these two items, farm income increases from 16 per cent at the bottom decile to 36 per cent at the top decile. Even though the importance of farm income decreases for the higher income class for the whole kingdom, reflecting the increasing share of the urban area, for the villages its importance increases even at the highest income class.

The share of home-produced goods and services decreases from the 48 per cent of the bottom decile to a mere 13 per cent at the top decile. These figures are very close to those of the whole kingdom, being only two and four percentage points higher than those of the whole kingdom, respectively. But the share decreases much slower in the villages and even for the eighth

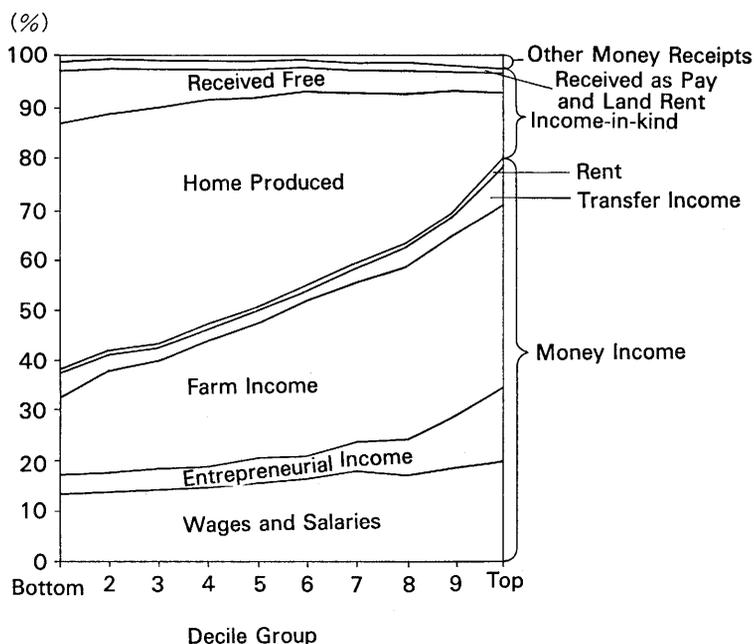


Figure 5-4  
Composition of Total Income in Villages by Decile Group, 1981  
Source: Table 5-7.

decile the share of home-produced goods and services is as high as 30 per cent, which is ten percentage points higher than is the case for the whole kingdom.

The high proportion of home-produced goods and services implies that the agricultural households of the lower income class produce mainly for self-consumption because low productivity prevents them from selling their products to earn cash incomes. Those of higher income class produce enough to sell to earn a cash income; therefore, their share of cash income becomes larger. This is the reason the share of income-in-kind in villages, especially for lower income class, is very high. Income-in-kind, especially of home-produced goods and services, is concentrated toward the lower income class and it reduces income inequality, as will be shown below. However, this does not mean that an increase in the share of income-in-kind is desirable in order to decrease income inequality because a large share of income-in-kind is brought about by low productivity.

Though transfer income accounts for only 5 per cent of the total income in villages, it is still an important source of income to both the bottom and top deciles where it accounts for 6 and 8 per cent, respectively. This pat-

tern is similar to the case of the whole kingdom. In urban areas it is the poorest groups that rely more on transfer income, but in villages not only the poorest groups but also the richest ones receive more from transfer income. The higher share of transfer income for the top decile may be due to a return to invest in the urban area, or to remittances from people working in the urban area, or foreign countries. Thus transfer income in villages makes income distribution more unequal than it does in municipal areas and sanitary districts.

### Composition of Total Income by Region

Each type of community—municipal areas, sanitary districts, and villages—is represented in each region at different proportions. The composition of income for a region therefore reflects the proportion of each community type. In Bangkok, where 82 per cent of households live in municipal areas, the composition of total income is similar to that of municipal areas and in the Northeast, where 88 per cent of households live in villages, the composition is similar to that of villages.

Table 5-8 shows the composition of the total income by region. The five regions may be divided into three groups according to the share of the money income. The first is Bangkok where the share of money income

Table 5-8  
Composition of Total Income by Region, 1981 (%)

	Region				
	Bangkok	Center	South	North	North-east
Total income	100.0	100.0	100.0	100.0	100.0
Money income	80.0	72.8	72.9	69.5	59.0
Wages and salaries	46.3	24.1	23.4	20.6	17.2
Entrepreneurial	25.3	15.9	22.2	14.2	10.4
Farm income	1.8	26.2	22.1	28.9	25.5
Land rent	0.1	0.3	0.3	0.9	0.1
Other rent	0.9	0.7	0.6	0.4	0.4
Transfer income	5.7	5.7	4.3	4.6	5.4
Income-in-kind	18.8	24.4	25.6	29.0	39.1
Received as pay	3.9	1.3	1.0	1.4	1.3
Home rent	9.4	17.6	18.6	23.2	33.8
Land rent	0.0	0.2	0.1	0.6	0.2
Received free	5.4	5.3	5.9	3.9	3.8
Other money receipts	0.8	2.5	1.3	1.2	1.7

Source: Estimated from data tape of SES 1981.

is as high as 80 per cent, which is comparable to that of municipal areas. The second group is the Center, the South, and the North where the share is about 70 per cent, which is comparable to that of sanitary districts. The last is the Northeast where the share is only 59 per cent, which is comparable to that of villages.<sup>4</sup> The order of region by the share of money income is the same as the order of the household share of the municipal areas (see Table 4-1).

The share of wages and salaries differs among the regions in a way that is similar to the share of money income, that is, 46 per cent for Bangkok, 17 per cent for the Northeast and between 21 and 24 per cent for the other regions.

However, the share of entrepreneurial income differs from either that of money income or that of wages and salaries in the sense that the South is closer to Bangkok than to the Center and North. The large share of entrepreneurial income is characteristic of the South, which means, that the share of farm income is reduced. Though the share of farm income seems to be higher for less developed region, in fact it is lower in the Northeast than in the Center. This is because a large part of farm income is included in income-in-kind in the Northeast.

As mentioned in the previous section, in the less developed areas, the share of money income is smaller and that of income-in-kind is larger due to lower productivity. This can be particularly said of the Northeast where the share of income-in-kind is as high as 39 per cent, which is five percentage points higher than that of the villages, and most of which is accounted for by home-produced goods and services. On the other hand, in Bangkok the share of income-in-kind is only 19 per cent, only half of which is home-produced goods and services. The rather large share of income-in-kind received as pay is 3.9 per cent in Bangkok.

### **Composition of the Total Income by Decile Group and Region**

The composition of total income by decile group for Bangkok, the Center, South, North, and Northeast is shown in Tables 5-9, 5-10, 5-11, 5-12, and 5-13 and Figures 5-5, 5-6, 5-7, 5-8, and 5-9, respectively.

In Bangkok, 80 per cent of households live in municipal areas; therefore, the composition of total income resembles that of municipal areas not only as a whole but also by decile group (compare Figures 5-2 and 5-5). But there are some minor differences: in Bangkok the share of wages and salaries, income-in-kind, and home-produced goods and services are bigger while those of money income and entrepreneurial income are smaller for every decile if compared with other municipal areas. The larger share of

Table 5-9  
Composition of Total Income by Decile Group in Bangkok, 1981 (%)

	Average	Decile Group										Top
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th		
Total income (baht)	6,438	1,352	2,338	3,047	3,713	4,419	5,256	6,260	7,862	10,500	19,634	
Money income	80.0	62.9	75.4	77.2	78.0	79.7	78.1	79.6	79.4	78.2	84.3	
Wages and salaries	46.3	37.4	48.0	50.7	46.9	53.8	51.9	51.6	45.9	47.2	40.6	
Entrepreneurial	25.3	9.8	15.7	17.1	22.0	17.0	19.1	21.6	25.7	21.1	35.7	
Farm income	1.8	3.0	2.9	2.2	2.5	2.4	2.0	2.0	1.8	1.6	1.1	
Land rent	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	
Other rent	0.9	0.1	0.1	0.2	0.7	0.1	0.3	0.4	0.7	1.3	1.5	
Transfer income	5.7	12.5	8.4	6.8	5.8	6.4	4.8	3.9	5.4	6.0	5.3	
Income-in-kind	18.8	35.8	23.6	22.0	21.0	18.7	20.1	19.4	18.7	20.4	14.7	
Received as pay	3.9	12.4	6.9	6.6	5.3	5.9	4.7	5.6	3.5	3.3	1.7	
Home produced	9.4	12.5	8.8	8.9	9.1	7.6	9.3	8.9	9.9	10.0	9.4	
Land rent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Received free	5.4	10.9	7.8	6.5	6.6	5.3	6.1	4.9	5.3	7.1	3.6	
Other money receipts	0.8	1.1	0.8	0.7	0.8	1.2	1.5	0.7	1.1	1.0	0.5	

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

## SOURCES OF HOUSEHOLD INCOME

	Decile Group										Top
	Average	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	
Total income (baht)	3,665	740	1,269	1,687	2,089	2,524	3,063	3,680	4,521	5,839	1,1238
Money income	72.8	46.3	50.6	58.6	62.1	69.7	68.4	70.7	77.1	77.9	79.5
Wages and salaries	24.1	18.5	19.5	23.6	23.1	25.9	25.1	23.1	23.7	26.8	23.5
Entrepreneurial	15.9	8.2	6.7	6.8	7.1	11.7	9.6	11.6	17.8	17.7	22.7
Farm income	26.2	9.2	16.0	22.2	24.9	25.0	27.0	28.3	29.2	28.8	26.0
Land rent	0.3	0.5	0.1	0.1	0.3	0.4	0.2	0.3	0.7	0.3	0.3
Other rent	0.7	0.3	0.7	0.2	0.4	0.5	0.6	0.8	0.3	0.4	1.3
Transfer income	5.7	9.5	7.6	5.6	6.3	6.2	6.0	6.6	5.4	3.9	5.7
Income-in-kind	24.4	53.5	48.1	40.4	37.3	29.0	30.4	28.1	21.5	20.2	14.6
Received as pay	1.3	0.3	1.0	1.5	1.1	1.2	1.7	1.7	1.1	1.4	1.1
Home produced	17.6	40.7	38.1	30.7	28.5	22.7	21.9	20.7	16.2	14.2	8.9
Land rent	0.2	0.8	0.3	0.4	0.6	0.3	0.2	0.1	0.1	0.1	0.3
Received free	5.3	11.7	8.8	7.8	7.1	4.8	6.5	5.5	4.1	4.5	4.4
Other money receipts	2.5	0.3	1.1	1.0	0.5	1.2	1.2	1.2	1.4	1.9	5.3

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

Table 5-11  
Composition of Total Income by Decile Group in the South, 1981  
(%)

	Decile Group										
	Average	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Total income (baht)	3,256	717	1,132	1,468	1,834	2,153	2,495	3,419	3,716	4,984	10,645
Money income	72.9	44.5	53.2	56.5	60.6	64.4	64.6	72.7	70.6	73.1	85.7
Wages and salaries	23.4	10.2	17.6	15.8	22.2	22.5	26.7	22.7	24.4	26.1	24.3
Entrepreneurial	22.2	4.4	6.4	7.5	8.7	7.2	9.6	21.0	13.2	20.1	39.9
Farm income	22.1	20.9	23.7	29.9	27.8	32.5	24.6	25.1	24.2	23.9	14.8
Land rent	0.3	0.9	0.3	0.0	0.0	0.1	0.1	0.4	0.7	0.2	0.2
Other rent	0.6	0.1	0.1	0.0	0.4	0.4	0.5	0.6	0.5	0.5	0.9
Transfer income	4.3	7.9	5.2	3.2	1.5	1.8	3.0	2.9	7.6	2.4	5.6
Income-in-kind	25.6	55.2	46.6	42.8	38.8	35.0	34.9	26.5	27.4	23.7	12.7
Received as pay	1.0	0.6	1.9	0.8	1.0	1.0	1.0	0.9	1.1	1.0	1.1
Home produced	18.6	37.7	32.3	31.3	31.1	27.0	26.3	18.9	18.3	17.3	9.0
Land rent	0.1	0.2	0.2	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.0
Received free	5.9	16.7	12.1	10.7	6.7	6.9	7.5	6.6	7.9	5.3	2.6
Other money receipts	1.3	0.2	0.2	0.6	0.6	0.6	0.6	0.8	2.0	3.1	1.2

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

Table 5-12  
Composition of Total Income by Decile Group in the North, 1981 (%)

	Average	Decile Group									
		Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Total income (baht)	2,886	612	1,023	1,302	1,583	1,876	2,257	2,746	3,515	4,704	9,247
Money income	69.5	39.5	45.4	45.3	52.5	57.1	61.8	65.5	69.9	75.4	82.8
Wages and salaries	20.6	16.1	15.9	15.2	17.6	19.6	21.6	19.8	19.4	21.1	23.0
Entrepreneurial	14.2	4.7	5.1	6.8	6.4	6.6	6.2	8.3	11.5	14.3	24.4
Farm income	28.9	13.7	21.0	20.7	25.9	29.1	31.2	34.8	34.0	34.7	25.3
Land rent	0.9	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1	1.0	2.0
Other rent	0.4	0.2	0.1	0.1	0.0	0.0	0.2	0.1	0.3	0.3	0.8
Transfer income	4.6	4.7	3.2	2.4	2.6	1.7	2.5	2.3	4.6	4.0	7.3
Income-in-kind	29.0	60.1	54.5	54.1	46.9	42.1	36.9	32.5	28.5	23.4	15.1
Received as pay	1.4	1.7	3.0	2.0	0.9	1.9	1.5	1.5	1.1	1.3	1.1
Home produced	23.2	46.0	40.6	43.0	39.0	35.5	30.7	27.0	23.3	19.0	10.9
Land rent	0.6	1.7	0.7	1.1	1.1	0.5	0.2	0.1	0.7	0.6	0.6
Received free	3.9	10.7	10.1	8.0	5.9	4.2	4.5	3.9	3.4	2.4	2.6
Other money receipts	1.2	0.4	0.2	0.6	0.6	0.8	1.2	2.0	1.5	1.0	1.4

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

Table 5-13  
Composition of Total Income in the Northeast by Decile Group, 1981 (%)

	Decile Group										
	Average	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Total income (baht)	2,512	637	982	1,247	1,474	1,741	2,037	2,419	2,916	3,842	7,822
Money income	59.0	36.7	37.4	40.3	38.9	42.7	43.9	48.5	53.2	64.0	80.9
Wages and salaries	17.2	10.9	11.3	13.7	10.2	11.1	11.2	13.9	13.2	18.1	25.3
Entrepreneurial	10.4	4.3	3.0	4.1	4.0	4.0	4.5	4.4	6.2	10.8	20.2
Farm income	25.5	16.0	19.0	19.2	21.2	24.8	24.5	27.9	29.8	31.0	24.4
Land rent	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Other rent	0.4	0.0	0.1	0.0	0.0	0.0	0.1	0.2	0.2	0.3	1.0
Transfer income	5.4	5.5	3.8	3.2	3.4	2.7	3.6	2.0	3.7	3.7	10.0
Income-in-kind	39.1	62.6	61.7	58.8	59.7	56.0	54.4	49.7	44.4	33.8	17.0
Received as pay	1.3	1.6	1.6	1.9	1.8	1.8	1.1	1.3	1.1	1.6	0.9
Home produced	33.8	49.9	53.4	50.8	52.0	49.6	47.9	43.8	40.1	29.1	13.7
Land rent	0.2	0.5	0.4	0.4	0.1	0.1	0.3	0.3	0.1	0.1	0.1
Received free	3.8	10.7	6.2	5.8	5.8	4.4	5.2	4.3	3.1	2.9	2.4
Other money receipts	1.7	0.7	0.9	0.8	1.3	1.3	1.6	1.7	2.4	2.1	1.9

Source: Estimated from data tape of SES 1981.

Note: The row for total income shows the average monthly household income.

## SOURCES OF HOUSEHOLD INCOME

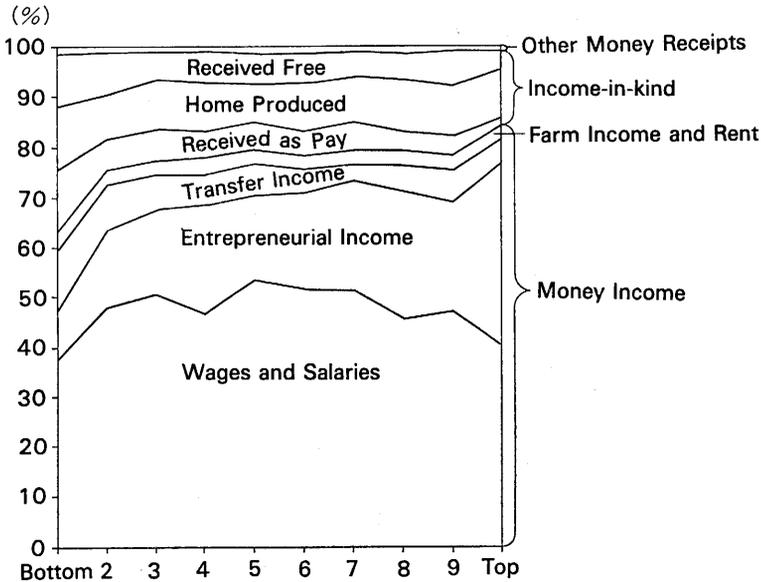


Figure 5-5

Composition of Total Income in Bangkok by Decile Group, 1981

Source: Table 5-9.

income-in-kind and home-produced goods and services may be explained by the fact that Bangkok includes not only municipal areas but also sanitary districts and villages where the share of income-in-kind and home-produced goods and services are larger than is the case in the municipal areas. But the larger share of wages and salaries is not explained by this fact because in the less urbanized areas the share of wages and salaries is usually smaller. Two reasons can be given. One is that in the municipal areas of other regions the share of wages and salaries is smaller than that of municipal areas in the whole kingdom because the municipal areas in other regions are less urbanized than Bangkok. Another reason is that in sanitary districts and villages in Bangkok the share of wages and salaries is larger than the national average for each type of community. The former factor reduces the share of wages and salaries in municipal areas, and the latter factor does not reduce the share of wages and salaries in Bangkok. In fact the share of wages and salaries of municipal areas in the Center, South, North, and Northeast is 31, 37, 31, and 29 per cent, respectively, which are all lower than the 46 per cent for Bangkok, and the share of wages and salaries in the sanitary districts in Bangkok is as high as 64 per cent, which is even higher (by twenty percentage points) than that of the municipal areas in

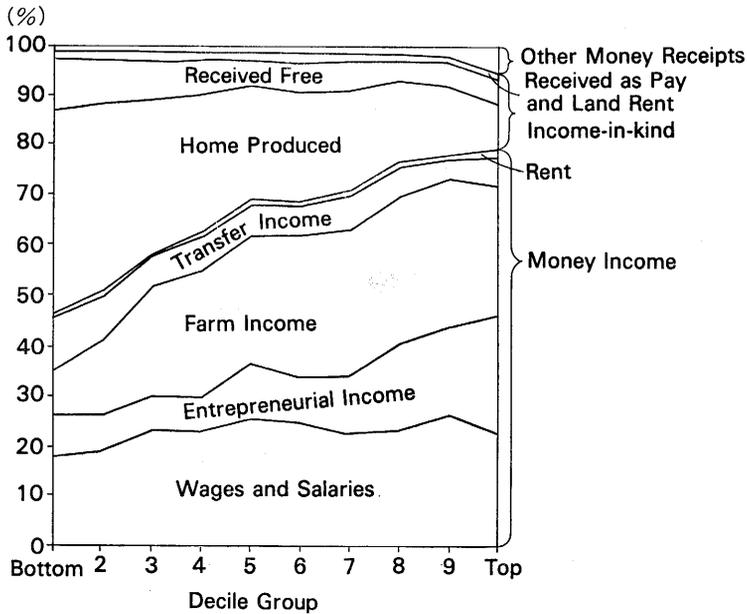


Figure 5-6

Composition of Total Income in the Center by Decile Group, 1981

Source: Table 5-10.

Bangkok. This is also the case for the Center where the share of wages and salaries in municipal areas and sanitary districts is 31 and 36 per cent, respectively. This implies that in Bangkok and the Center employed people have already expanded from municipal areas to sanitary districts.

The share of money income in the Center is similar to that of the sanitary districts not only as a whole but also by decile group. But the composition of money income is very different. In the Center the share of wages and salaries is lower than that of the sanitary districts for the higher deciles. Since the share of money income is similar in the Center and in the sanitary districts, this difference in the share of wages and salaries is filled in by the difference in the share of farm income. Thus for the higher decile group the share of wages and salaries is smaller and the share of farm income is larger in the Center compared with the sanitary districts. In this sense the Center is less developed than the sanitary districts. The same can be also said regarding the South. As mentioned above, what is characteristic of the South is the large share of entrepreneurial income. This is especially the case for the top decile, where it is as high as 40 per cent, even higher than that of Bangkok. This is an important source of income inequality in the South.

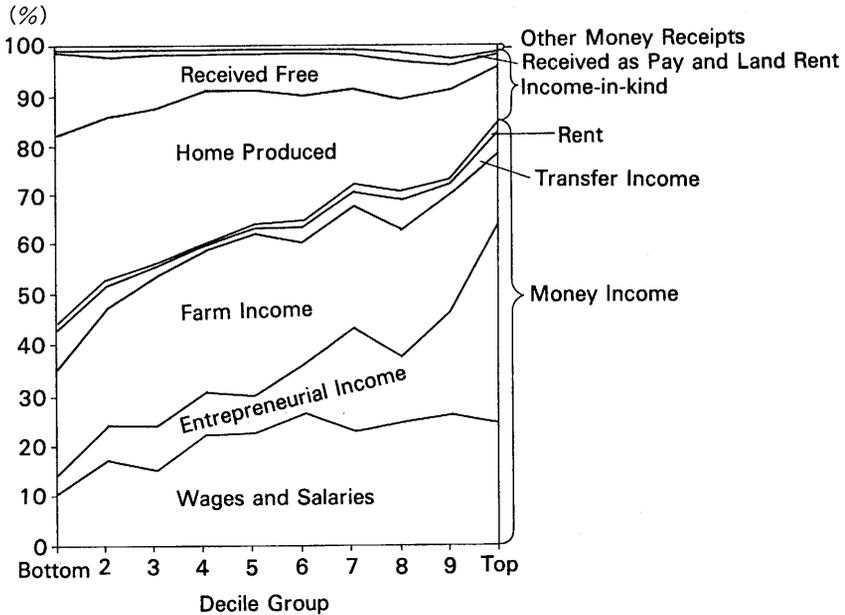


Figure 5-7

Composition of Total Income in the South by Decile Group, 1981

Source: Table 5-11.

The composition of total income in the North is very similar to that of the villages except for a few points. One is that the share of money income and wages and salaries is slightly higher in the North. The second point is that the share of farm income is smaller for the top decile in the North. The last point, which is related to the second point, is that at the top decile the share of entrepreneurial income is larger than that of the villages because the top decile of the North contains a considerable number of urban households.

In the Northeast the composition of income is stable except for the higher deciles, which is similar to the case of Bangkok and municipal areas. The share of wages and salaries and entrepreneurial income is stable from the bottom to the eighth decile. Though the share of farm income increases from 16 per cent at the bottom decile to 25 per cent at the sixth decile, this share increases at a much slower rate than it does in the villages. On the other hand, the share of income-in-kind decreases very slowly from 63 per cent at the bottom decile to 50 per cent at the seventh decile. This constancy of the composition of income, however, is not observed for the higher income class. As is the case for the North, the composition of income for

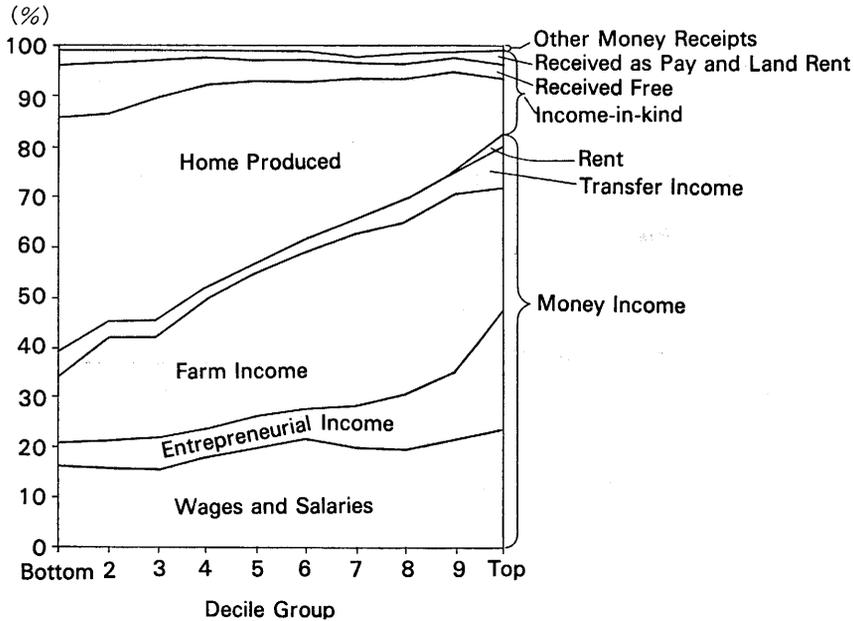


Figure 5-8

Composition of Total Income in the North by Decile Group, 1981

Source: Table 5-12.

the higher income class reflects that of the urban households; therefore, the share of wages and salaries and entrepreneurial income is larger, and the share of income-in-kind is smaller.

As shown above, transfer income is an important source of income for the lower income class and mitigates income inequality in the urban area, while in the rural area it accounts for a larger part of income not only for the lower income class but also for the higher income class and aggravates income inequality. Even at the regional level it can be said that in the more urbanized regions the effects of transfer income are similar to those of the urban areas while in the less urbanized regions are similar to those of the rural area. The former case can be seen in Bangkok and the Center, where the share of transfer income of the bottom decile is 13 per cent and 10 per cent, respectively, higher than all other deciles. And the latter case can be seen in the South, the North, and the Northeast, where the share of transfer income for the top decile is 6 per cent, 7 per cent and 10 per cent, respectively, while that for the bottom decile is 8 per cent, 5 per cent, and 6 per cent, respectively, which are all higher than the other deciles. Thus transfer income acts to aggravate income inequality more in less developed or less urbanized regions.<sup>5</sup>

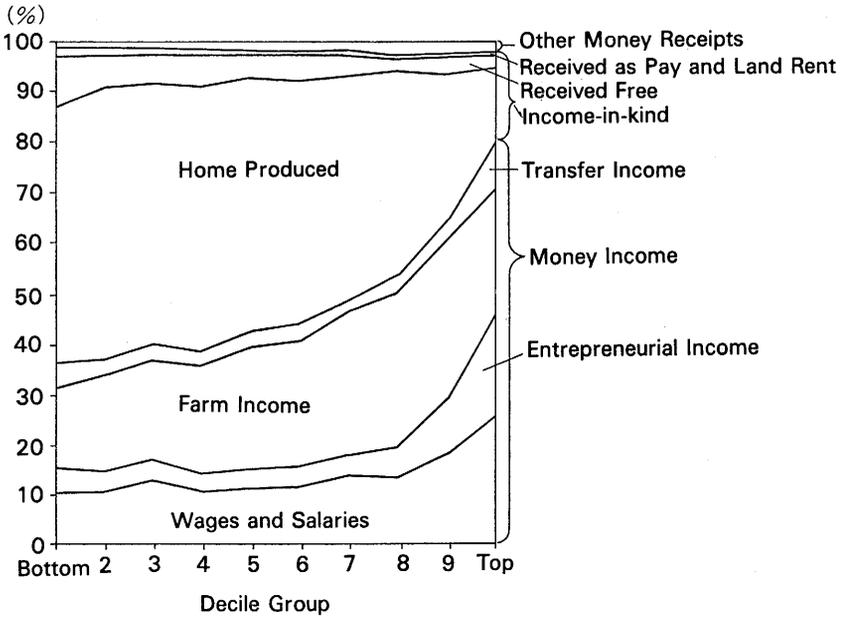


Figure 5-9

Composition of Total Income in the Northeast by Decile Group, 1981

Source: Table 5-13.

### Decomposition of the Gini Coefficient by Source of Income Methodology<sup>6</sup>

The Gini coefficient can be decomposed by sources of income as follows:

$$G = \sum_i W_i \cdot G_i,$$

where  $G$  is the Gini coefficient,  $W_i$  ( $i=1, 2, 3, \dots$ ) is the income share of the  $i$ th source of total household income of all households and  $G_i$  ( $i=1, 2, 3, \dots$ ) is the pseudo-Gini coefficient of the  $i$ th source of income. The pseudo-Gini coefficient is calculated by applying the Gini coefficient to the "pseudo-distribution of income" of the  $i$ th source where households are ordered by the level of the total income.<sup>7</sup> If income of the  $i$ th source concentrates toward the higher income class, the Lorenz curve of the "pseudo-distribution of income" of the  $i$ th source will be below the egalitarian line as is the "true" distribution of income. In the extreme case in which the income of the  $i$ th source accrues only to the richest household and not to other households, the pseudo-Gini coefficient will be 1, which is the case of the highest inequality as is the "true" Gini coefficient. On the other

hand, if income of the  $i$ th source is concentrated toward the lower income class, the Lorenz curve of the "pseudo-distribution of income" will be above the egalitarian line, which does not occur in the case of the "true" distribution.<sup>8</sup> If the Lorenz curve is above the egalitarian line the pseudo-Gini coefficient is negative. In the extreme case where the income of the  $i$ th source accrues only to the poorest household and not to other households, the pseudo-Gini coefficient will be  $-1$ . If the pseudo-Gini coefficient is negative, it is considered that the  $i$ th source reduces income inequality.

The above equation means that the weighted average of the pseudo-Gini coefficient (where the weight is the income share of the  $i$ th source) is exactly equal to the "true" Gini coefficient.  $(W_i \cdot G_i)$  is said to be the weighted pseudo-Gini coefficient of the  $i$ th source and the ratio of the weighted pseudo-Gini coefficient to the Gini coefficient  $(W_i \cdot G_i / G \times 100)$  is said to be the percentage contribution of the  $i$ th source to the Gini coefficient.

## Results

Tables 5-14, 5-15, and 5-16 show the pseudo-Gini coefficient, weighted pseudo-Gini coefficient, and percentage contribution. The weighted pseudo-Gini coefficient is also shown in Figure 5-10. The Gini coefficients which are equal to the pseudo-Gini coefficient of the total income shown in the first row of Tables 5-14 and 5-15 do not necessarily coincide with those of Tables 2-2, 3-2, 3-4, and 4-3 because the Gini coefficients in Tables 5-14 and 5-15 are calculated by adding the weighted pseudo-Gini coefficients but in the previous chapters the Gini coefficient is estimated from adjusted data of income distribution.<sup>9</sup>

Findings from the pseudo-Gini coefficients may be summarized as following five points:

(1) For each area or region the Gini coefficient is lower than the pseudo-Gini coefficient of money income and higher than that of income-in-kind. For example, for the whole kingdom the Gini coefficient (0.431) is lower than the pseudo-Gini coefficient of money income (0.520) and higher than the pseudo-Gini coefficient of income-in-kind (0.192). This means that money income is distributed more unequally than total income while income-in-kind is distributed more equally than total income. This is what we have seen in the previous sections. In other words, the share of money income is larger for the higher income class and the share of income-in-kind is larger for the lower income class. Though the share of income-in-kind is larger for the lower income class, it is not large enough to make the pseudo-Gini coefficient of income-in-kind negative. This is because in

Table 5-14  
Pseudo-Gini Coefficient by Source of Income, 1981

	Whole Kingdom	Community Type					Region			
		Municipal Areas	Sanitary Districts	Villages	Bangkok	Center	South	North	Northeast	
Total income	0.431	0.408	0.390	0.384	0.395	0.398	0.407	0.410	0.383	
Money income	0.520	0.424	0.460	0.487	0.413	0.455	0.480	0.503	0.517	
Wages and salaries	0.544	0.368	0.487	0.442	0.367	0.412	0.458	0.461	0.531	
Entrepreneurial	0.668	0.508	0.533	0.599	0.521	0.574	0.666	0.644	0.670	
Farm income	0.356	0.471	0.320	0.470	0.244	0.444	0.313	0.439	0.430	
Land rent	0.629	0.621	0.428	0.695	0.342	0.444	0.396	0.814	0.230	
Other rent	0.711	0.594	0.719	0.632	0.667	0.562	0.610	0.745	0.787	
Transfer income	0.509	0.314	0.356	0.531	0.328	0.341	0.479	0.585	0.574	
Income-in-kind	0.192	0.324	0.150	0.182	0.317	0.197	0.190	0.179	0.175	
Received as pay	0.425	0.137	0.275	0.248	0.142	0.396	0.411	0.303	0.275	
Home produced	0.146	0.436	0.138	0.173	0.404	0.160	0.183	0.173	0.172	
Land rent	0.203	0.243	0.404	0.254	0.546	0.210	0.022	0.318	0.185	
Received free	0.295	0.276	0.134	0.223	0.296	0.270	0.173	0.155	0.165	
Other money receipts	0.544	0.448	0.522	0.579	0.312	0.687	0.592	0.530	0.493	

Source: Estimated from data tape of SES 1981.

Table 5-15  
Weighted Pseudo-Gini Coefficient by Source of Income, 1981

	Whole Kingdom	Community Type					Region					
		Municipal Areas		Sanitary Districts		Villages	Bangkok		Center	South	North	Northeast
Total income	0.431	0.408	0.390	0.384	0.398	0.395	0.407	0.410	0.383			
Money income	0.368	0.345	0.344	0.310	0.331	0.330	0.350	0.350	0.305			
Wages and salaries	0.148	0.152	0.174	0.077	0.099	0.170	0.107	0.095	0.091			
Entrepreneurial	0.116	0.163	0.098	0.052	0.091	0.132	0.148	0.091	0.070			
Farm income	0.071	0.005	0.045	0.151	0.116	0.004	0.069	0.127	0.110			
Land rent	0.002	0.001	0.001	0.003	0.001	0.000	0.001	0.007	0.000			
Other rent	0.004	0.006	0.006	0.002	0.004	0.006	0.004	0.003	0.003			
Transfer income	0.027	0.018	0.021	0.026	0.019	0.019	0.021	0.027	0.031			
Income-in-kind	0.053	0.055	0.034	0.063	0.048	0.060	0.049	0.052	0.068			
Received as pay	0.008	0.005	0.004	0.002	0.005	0.006	0.004	0.004	0.004			
Home produced	0.030	0.036	0.023	0.049	0.028	0.038	0.034	0.040	0.058			
Land rent	0.000	0.000	0.001	0.001	0.001	0.000	0.000	0.002	0.000			
Received free	0.014	0.013	0.006	0.011	0.014	0.016	0.010	0.006	0.006			
Other money receipts	0.008	0.005	0.009	0.010	0.017	0.003	0.008	0.007	0.009			

Source: Estimated from data tape of SES 1981.

## SOURCES OF HOUSEHOLD INCOME

Table 5-16  
Contribution to Gini Coefficient by Source of Income, 1981

	Whole Kingdom	Community Type					Region				
		Municipal Areas	Sanitary Districts	Villages	Bangkok	Center	South	North	Northeast		
Total income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Money income	85.3	84.6	88.3	80.9	83.7	83.2	85.8	85.2	79.8	79.8	
Wages and salaries	34.3	37.3	44.5	20.1	42.9	24.9	26.4	23.1	23.9	23.9	
Entrepreneurial	26.9	40.0	25.0	13.5	33.4	22.9	36.3	22.3	18.2	18.2	
Farm income	16.5	1.1	11.5	39.3	1.1	29.1	17.0	31.0	28.7	28.7	
Land rent	0.4	0.1	0.3	0.7	0.0	0.4	0.3	1.7	0.0	0.0	
Other rent	1.0	1.5	1.6	0.5	1.5	1.0	0.9	0.7	0.8	0.8	
Transfer income	6.2	4.5	5.3	6.7	4.7	4.9	5.1	6.5	8.2	8.2	
Income-in-kind	12.3	13.5	8.8	16.4	15.1	12.1	11.9	12.7	17.9	17.9	
Received as pay	1.9	1.3	1.1	0.6	1.4	1.2	1.1	1.0	0.9	0.9	
Home produced	7.0	8.9	5.9	12.8	9.6	7.1	8.4	9.8	15.2	15.2	
Land rent	0.1	0.0	0.3	0.2	0.0	0.1	0.0	0.5	0.1	0.1	
Received free	3.3	3.3	1.6	2.8	4.1	3.6	2.5	1.5	1.7	1.7	
Other money receipts	1.9	1.2	2.3	2.7	0.7	4.4	1.9	1.6	2.2	2.2	

Source: Estimated from data tape of SES 1981.

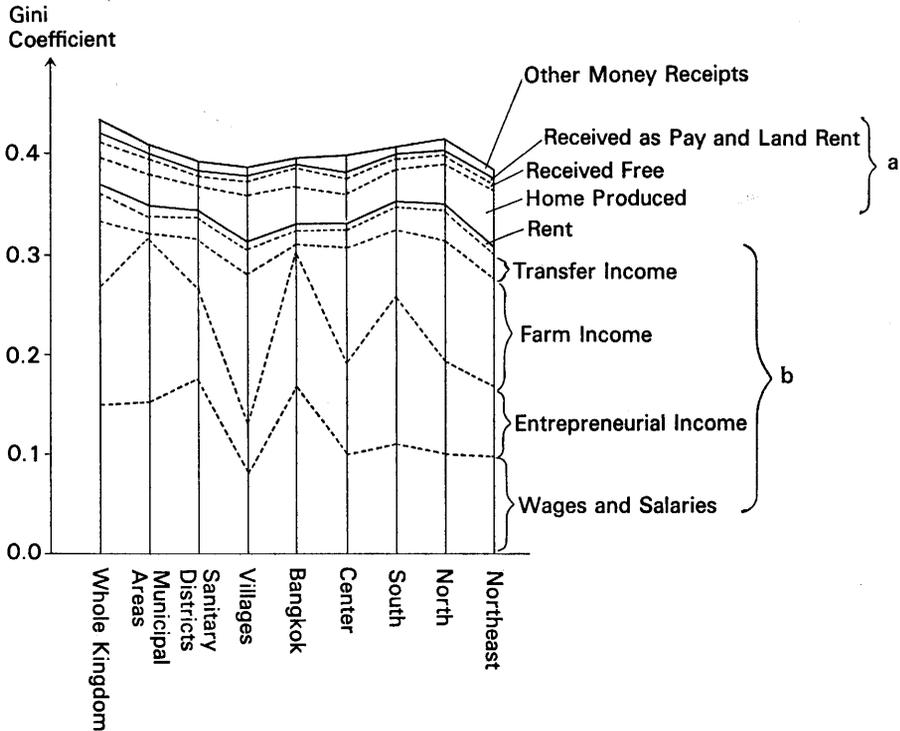


Figure 5-10  
 Decomposition of Gini Coefficient by Source of Income, 1981  
 Source: Table 5-15.

Note: a=income-in-kind, b=money income.

absolute terms the amount of income-in-kind is larger for the higher income class than the lower income class due to the difference in income levels. Therefore, it cannot be said that income-in-kind reduces income inequality. What we can say is that income-in-kind does not increase income inequality to the extent that money income does.

(2) The pseudo-Gini coefficient of money income is lower for the more urbanized areas and regions. The pseudo-Gini coefficient increases from the 0.424 of the municipal areas to the 0.487 of the villages and from the 0.413 of Bangkok to the 0.517 of the Northeast.

This is because in the more urbanized areas or regions even the lower income class earns income in cash at a considerable percentage while in less urbanized areas or regions, the lower income class earns only a small proportion of total income in cash, which widens the gap in money income

between the higher and lower income classes in the less urbanized areas or regions.

(3) The pseudo-Gini coefficient of income-in-kind is higher for the more urbanized areas and regions, though there is an exception in that it is smaller in the sanitary districts than in the villages. This pattern is quite converse to (2) and the reason for this pattern is also converse to (2).

(4) Among the items of money income, those of wages and salaries, entrepreneurial income, and transfer income show the same pattern as money income in (2). But farm income does not show such a pattern. The pseudo-Gini coefficient of farm income in the Center is as high as that of the North and Northeast and higher than that of the South.

The results of the composition of total income by decile group in the previous sections showed that transfer income has an equalizing effect in urban areas but an unequalizing effect in rural areas. The pseudo-Gini coefficients of transfer income, which is smaller for the more urbanized areas and regions, confirm this result.

Among the items of money income, except for land rent and other rent, the highest pseudo-Gini coefficient is observed for entrepreneurial income in each area and region. This corresponds to the results of the previous sections, that is, that the share of entrepreneurial income increases sharply at the higher income classes.

(5) As for income-in-kind, Bangkok makes a sharp contrast to other regions. That is, in Bangkok the pseudo-Gini coefficient is as high as 0.314, much higher than in other regions where it ranges from 0.175 to 0.197. Home-produced goods and services also show this same pattern. Home-produced goods and services are a very important source of income in other regions, especially for the lower income class, but this is not the case in Bangkok, which makes the pseudo-Gini coefficient of home-produced goods and services very small in other regions.

Though income-in-kind received as pay accounts for a very small proportion of total income in other regions, it is an important source of income for the lower income class in Bangkok, and this makes the pseudo-Gini coefficient very small (0.142).

The weighted pseudo-Gini coefficients shown in Table 5-15 and Figure 5-10 indicate the absolute effects of source of income on income inequality. The pseudo-Gini coefficient itself is not enough to show the effect of source of income on income inequality because it does not take the effect of the share of source in total income into consideration. The reason rent income has little impact on income inequality, however large its pseudo-Gini coefficient may be, is that its share is negligible. From the weighted pseu-

do-Gini coefficient we can see the absolute effect of source of income on income inequality.

The largest factor of income inequality is money income, which accounts for more than 80 per cent of the Gini coefficient for every area and region (see Table 5-16). The weighted pseudo-Gini coefficient of money income is highest for the municipal areas and the lowest for the villages, which is the same order as the pseudo-Gini coefficient. But the order among regions changes because of the effect of the weight. For the Northeast, where the pseudo-Gini coefficient of money income is the highest among all regions, the weighted pseudo-Gini coefficient is the smallest because the share of money income is also the smallest (see Tables 5-8 and 5-14). In general the difference in the weighted pseudo-Gini coefficient among areas and among regions is not so large as the difference in the unweighted pseudo-Gini coefficient because the larger pseudo-Gini coefficient is partly offset by the smaller share. This is the reason money income accounts for more than 80 per cent of income inequality for every area and region, even though the share of money income and the level of the pseudo-Gini coefficient differ among areas and regions. This also can be said about income-kind.

Though the level of the weighted pseudo-Gini coefficient of money income is similar in each area and region, its composition differs very much. In the municipal areas, wages and salaries and entrepreneurial income account for 77 per cent of the Gini coefficient; in the sanitary districts, wages and salaries are the largest contributor, accounting for 45 per cent of the Gini coefficient; and in the villages, it is farm income, which accounts for 39 per cent (see Table 5-16). Among the regions, Bangkok is in sharp contrast with other regions, which reflects the difference in the weight rather than the pseudo-Gini coefficient; in Bangkok the contribution of wages and salaries is as high as 43 per cent while in other regions it ranges from 23 per cent to 26 per cent. On the other hand, the contribution of farm income is negligible in Bangkok but it is the largest contributor in all other regions except for the South.

In the South the large share of entrepreneurial income, which is mentioned above as characteristic of the region, makes the pseudo-Gini coefficient of entrepreneurial income even higher than that of Bangkok. In this sense it may be said that the South has a peculiar structure of income distribution.

The weighted pseudo-Gini coefficient of transfer income is highest in the villages and lowest in the municipal areas. Though the percentage contribution is not so high, transfer income is an important source of income inequality in villages because in rural areas transfer income accounts

for a larger share of income not only for the lower income class but also for the higher income class. For the same reason, transfer income is an important source of income inequality in the less developed regions.

### Comparison with the Philippines

Now we will compare our results as regards Thailand with those of Terasaki [54] for the Philippines. Terasaki's conclusions concerning the Philippines are shown in Table 5-17.

What is most impressive is the importance of rent income in the Philippines. As mentioned above the share of rent income in Thailand is so

Table 5-17  
Decomposition of Gini Coefficient by Source of Income, 1981

	Philippines	Manila and Suburbs	Urban	Rural
<b>Pseudo-Gini coefficient</b>				
Wages and salaries	0.56	0.32	0.41	0.56
Farm income	0.19	—	0.17	0.31
Entrepreneurial	0.58	0.58	0.48	0.56
Rent	0.52	0.68	0.50	0.40
Other	0.64	0.55	0.56	0.62
<b>Percentage of income</b>				
Wages and salaries	44	56	55	35
Farm income	22	—	4	37
Entrepreneurial	15	19	20	12
Rent	11	15	12	10
Other	8	10	10	6
<b>Weighted pseudo-Gini coefficient</b>				
Total	0.48	0.45	0.44	0.46
Wages and salaries	0.25	0.18	0.23	0.20
Farm income	0.04	—	0.01	0.11
Entrepreneurial	0.09	0.11	0.10	0.07
Rent	0.06	0.10	0.06	0.04
Other	0.05	0.06	0.06	0.04
<b>Percentage contribution</b>				
Wages and salaries	51	40	51	43
Farm income	9	—	2	25
Entrepreneurial	18	24	21	15
Rent	10	23	14	8
Other	10	12	12	8

Source: Terasaki [54] Table XII.

Note: Farm income and entrepreneurial originally expressed as entrepreneurial activities, farm and non-farm.

small (only 1.1 per cent) that it accounts for only 1.5 per cent of the income inequality of the whole kingdom. This is true for both the rural and urban areas. But in the Philippines the share of rent income is as high as 11 per cent; accordingly, its contribution to income inequality reaches 10 per cent, though the pseudo-Gini coefficient is not so high compared with other sources of income.

The share of rent income is much larger in the more urbanized areas and increases from 10 per cent in the rural areas to 15 per cent in Manila and the suburbs. Not only the share but also the pseudo-Gini coefficient is higher in the more urbanized areas, reaching 0.68 in Manila and the suburbs. Accordingly, the contribution of rent income to income inequality is also larger in the more urbanized areas. Thus this contribution is only 8 per cent in the rural areas and 14 per cent in the urban ones but reaches 23 per cent in Manila and the suburbs. Even though the contribution of rent income is smaller in the rural areas, it is still larger compared with Thailand. Thus the contribution of rent to income inequality in the Philippines is much higher than in Thailand and this makes income distribution in the Philippines more unequal than in Thailand.