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Multidimensional Poverty and the Post-2015 MDGs

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Debate on what should follow the Millennium Development Goals (MDGs) has begun in earnest. Ending poverty is likely to form a central part of a set of new goals. But what kind of poverty? Is ending $1.25/day income poverty by 2030 a sufficient goal? Or do we need a further 'headline' MDG indicator – on multidimensional poverty? **This brief proposes the consideration of a Multidimensional Poverty Index (MPI) 2.0 in post-2015 MDGs, as a headline indicator of multidimensional poverty that can reflect participatory inputs, and can be easily disaggregated.**

Most projections suggest ending $1.25/day poverty would not require much in the way of bending the current trend – so it is achievable. Yet, as Amartya Sen has argued, income poverty measures need to be complemented by other poverty indicators. Ending $1.25/day poverty is unlikely to mean the end of the many overlapping disadvantages faced by people living in poverty, including malnutrition, poor sanitation, a lack of electricity, or ramshackle schools. Indeed, the estimates of Karver et al. (2011) support this. So, tackling other aspects of poverty will require additional policies and investments – and measures that incentivise and monitor progress on them.

This brief considers what the MPI, reflecting acute multidimensional poverty, could offer in the context of the post-2015 MDG discussions. Granted there will be other goals - for example, to improve health - each having a bevy of indicators. Yet alongside these, a headline MPI could provide an eye-catching and intuitive overview measure, with easily understood and consistent details on its component indicators. Indeed, an MPI 2.0 could be formed from a 'voices of the poor' type participatory exercise.

Highlights

- A global Multidimensional Poverty Index (MPI) 2.0 could be used as a headline indicator for the post-2015 Millennium Development Goals, providing an intuitive overview of multidimensional poverty to complement a $1.25/day measure.

- The MPI reported in UNDP's *Human Development Report* is based on ten indicators of health, education and living standards, and shows both the incidence and intensity of poverty. It measures deprivations directly, and shows where and how poverty is being reduced.

- Data shows that people who are multidimensionally poor are not necessarily income poor, and vice versa; this means that by focusing on the $1.25/day poor we may fail to reduce or eradicate acute multidimensional poverty.

- For the post-2015 context, an 'MPI 2.0' could be created whose dimensions, indicators and cutoffs reflect participatory discussions as well as expert views. It need not entail a long survey. Alongside a comparable MPI 2.0, national MPIs could easily be developed.

- The MPI 2.0 would complement a $1.25/day measure by showing **how** people are poor (what disadvantages they experience); in which **regions** or **ethnic groups** they are poor; and the **inequalities** between those living in poverty.

- The MPI 2.0 would add value for policymakers, providing political incentives to reduce poverty by reflecting changes swiftly; it could also be used to monitor inclusive growth, and to show the nexus between challenges of poverty and sustainability.

What is the MPI?

The global MPI is an internationally comparable measure of multidimensional poverty in developing countries based on ten indicators of education, health and standards of living (see Figure 1, below). A person is multidimensionally poor if they are deprived in one-third of the weighted indicators. Using the Alkire Foster (AF) method, the MPI is a product of two elements: the percentage of people who are poor *(incidence - H)*[1] times the average intensity of deprivations among the poor *(intensity - A)*. An MPI can complement rather than replace an income poverty measure.

The global MPI has been released annually by UNDP since 2010 and has been subject to numerous robustness tests.[2] The MPI measures deprivations directly in all countries (It does not require adjustments for urban-rural prices, inflation, or purchasing power.) Figure 2, below, shows the world's MPI poor by headcount versus intensity.

The reduction of MPI poverty can be tracked for each country. The MPI can be broken down by *incidence* and *intensity*, and trends can be compared with income poverty. Reductions in each *indicator* can be studied to see which drove progress. The global MPI and its components can be mapped by region or group, to see which groups reduced poverty most, and how they did it.[3]

Aren't People Who Are $1.25/Day Poor, Also MPI Poor?

Not necessarily. There is a relationship between the global MPI and income poverty levels, although many countries have higher rates of one kind of poverty than the other (see Figure 3, next page).

But here is the real surprise: if 20% of the population are income poor, and 20% are multidimensionally poor, we may presume they are the same people. But they are not. For example, in South Africa, 11% of the population are income poor and 11% are MPI poor, but only 3% are poor by both measures. Mis-matches of 40% to 80% are regularly observed.[4]

This means that by focusing on the $1.25/day poor alone, we may overlook and fail to support a significant percentage of people living in multidimensional poverty.

What is the MPI 2.0?

For the post-2015 context, an MPI could be created with dimensions, indicators, and cutoffs that reflect the post-2015 MDGs consensus. We call this an MPI 2.0. The process of selecting the indicators and cutoffs should be participatory, and the voices of the poor and marginalised should drive decisions.

A "child MPI" could also be created to measure multidimensional poverty among children, using the same AF methodology as the global MPI.[5]

An MPI 2.0 would not entail a long survey. The current global MPI uses a mere fraction of the questions that are present in the DHS and MICs surveys – **only 39 out of 625 questions**, in

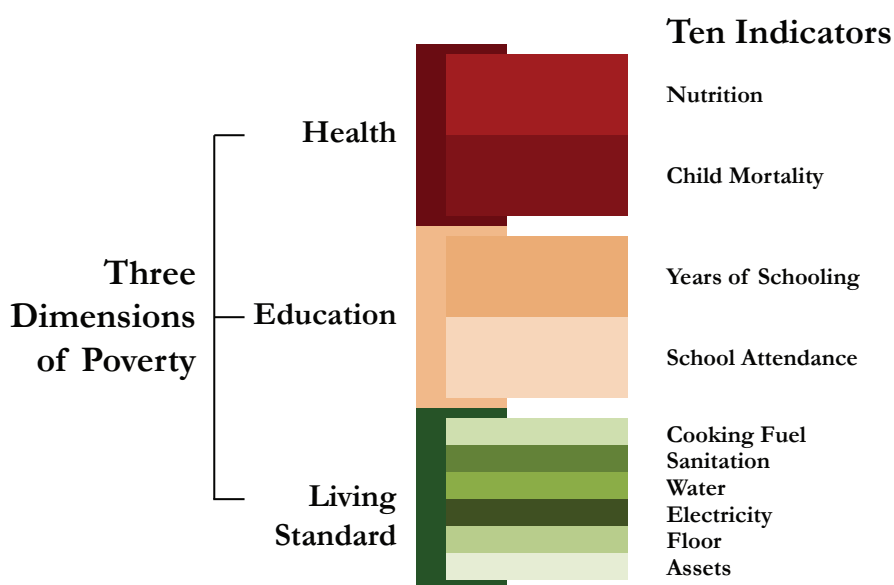**Figure 1. Inside the MPI: three dimensions and 10 indicators**

Figure 2. Incidence and intensity of multidimensional poverty by income categories
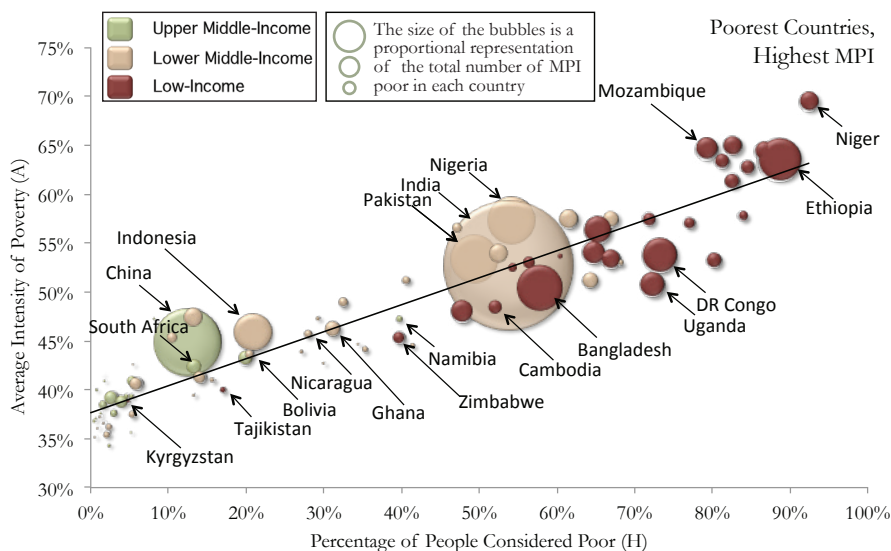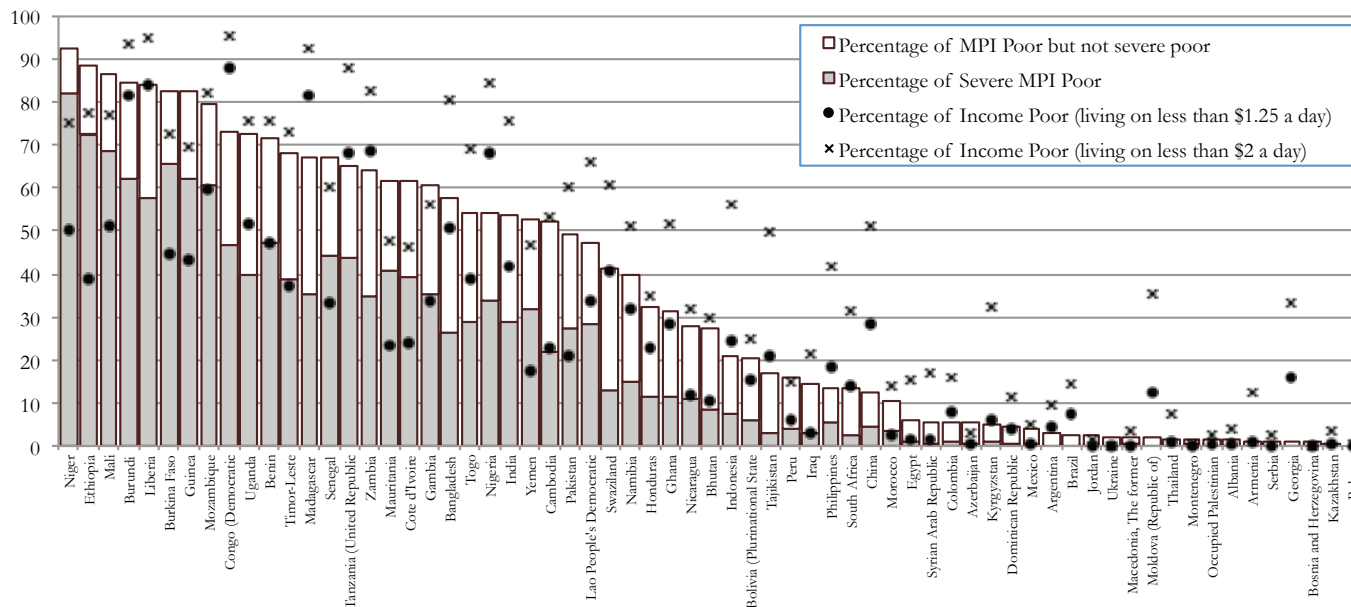
Figure 3. MPI vs $1.25/$2 poverty

the case of the DHS. Even with new post-2015 indicators, an MPI 2.0 is perfectly feasible.

Governments or civil society organisations can create their own national MPIs with indicators, cutoffs and values that reflect their own national plan or goals, complementing and enriching the global MPI 2.0. Such measures are already in use – for example, by the Government of Colombia[6] among others.

How Does MPI Complement $1.25/Day Measures?

Profiles of poverty: With income poverty measures, we know who is poor, and that they are income poor; with an MPI, we can see not only who is poor but also how they are poor: what simultaneous disadvantages they experience, as shown in Figure 4, right.

Disparities: An MPI can be disaggregated quickly and easily by region or by group. Online data tables[7] and maps[8] already show – both at-a-glance and in detail – how people are poor in 683 subnational regions within 66 countries (see Figure 5, on page 4 of this brief).

Inequality: The MPI conveys inequality by reporting poverty using three cutoffs: to identify those who are *vulnerable* to poverty, those in *acute poverty*, and those in *severe poverty*. Each country briefing[9] also shows levels of intensity among the poor.

How Would An MPI 2.0 Add Value For Policymakers?

Speed: The MPI reflects effective social policy interventions immediately. With measures of income poverty, a positive social change – for example in schooling or clean water – may not be reflected for a number of years.

Incentives: An MPI 2.0 would provide political incentives to reduce the many different aspects of poverty together. And it would reward effective interventions.

Growth: For inclusive growth to reduce multidimensional poverty, additional policies are required. A well-designed MPI 2.0 could be used to define and monitor inclusive growth.

Sustainability: A disaggregated MPI can be used alongside geographic data to give an overview of the nexus between poverty and sustainability challenges.

Figure 4. Profiles of Poverty: Similar MPI, different composition
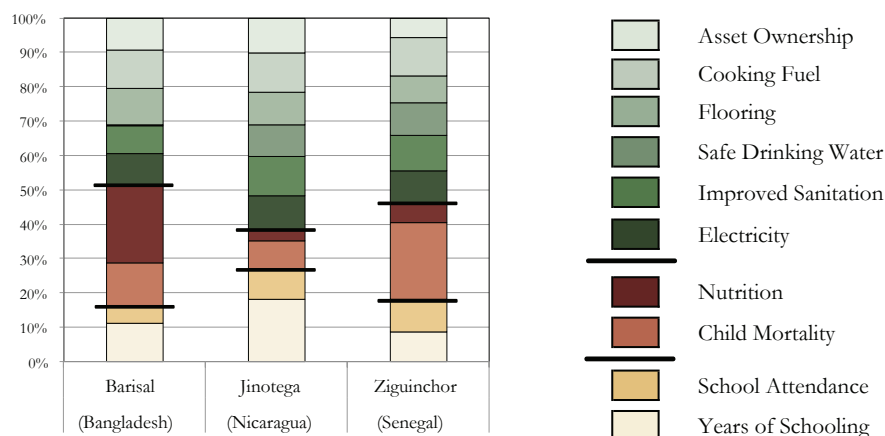
Concluding remarks

In sum, eradicating only extreme $1.25/day income poverty does not mean the end of other forms of poverty. A new, headline MPI 2.0, developed by a participatory process, would reinforce other post-2015 MDG indicators. It could be disaggregated by region, group, or intensity to show inequalities among the poor. It would track changes over time by region and indicator, as well as by nation. It could provide incentives to address people's interconnected deprivations efficiently, and to celebrate success.

Notes

1. Alkire and Foster 2011.

2. 85% of pair-wise comparisons are the same if the weights on each dimension vary between 25% to 50% of the total. Alkire *et al* 2010.

3. Alkire and Roche 2013 analyse trends in MPI for 22 countries (embargoed until 15 March 2013).

4. Ruggieri *et al* 2007; Whelan Layte and Maitre 2004; Klasen 2000. OPHI has an ongoing research project on this topic.

5. UNICEF's on-going work with governments to generate quality evidence on multidimensional child poverty and disparities, including the latest Multiple, Overlapping Deprivation Analyses (MODA), is another potential resource for a child-focused MPI which could monitor progress across time and space (Roche 2013).

6. http://www.ophi.org.uk/policy/national-policy/colombia-mpi/

7. www.ophi.org.uk/multidimensional-poverty-index/mpi-data-methodology/

8. www.ophi.org.uk/multidimensional-poverty-index/mapping-the-mpi/

9. www.ophi.org.uk/multidimensional-poverty-index/mpi-country-briefings/
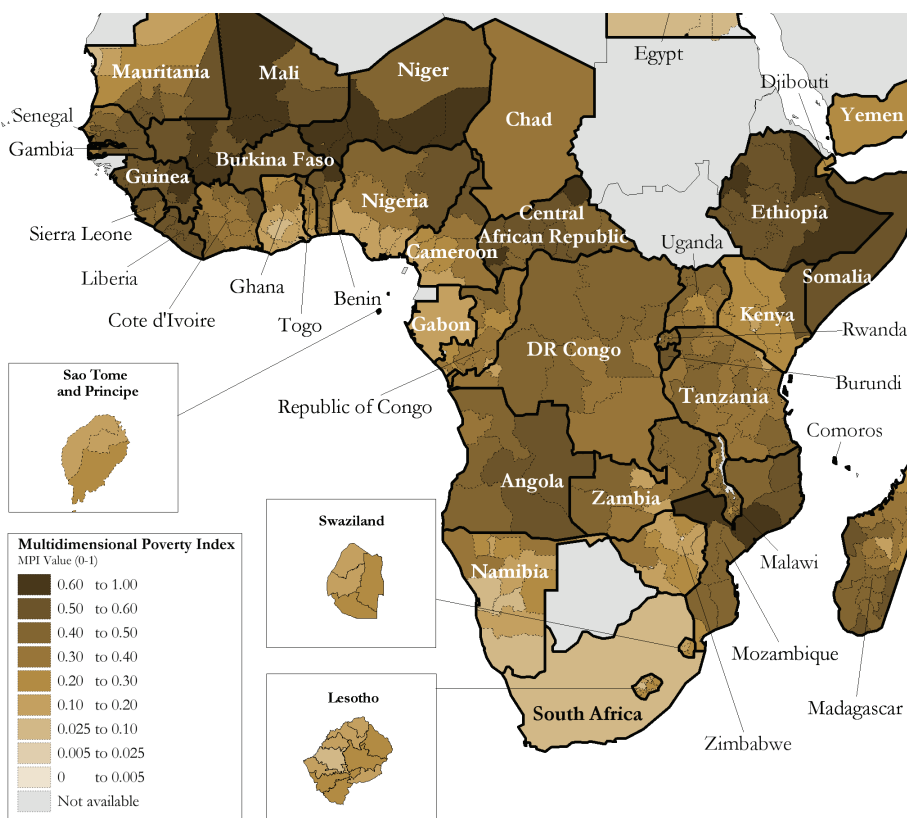
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Figure 5. MPI at the sub-national level in Sub-Saharan Africa

Multidimensional Poverty Index
MPI Value (0-1)

- 0.60 to 1.00
- 0.50 to 0.60
- 0.40 to 0.50
- 0.30 to 0.40
- 0.20 to 0.30
- 0.10 to 0.20
- 0.025 to 0.10
- 0.005 to 0.025
- 0 to 0.005
- Not available