

Monetary and non-monetary poverty measures from a living income perspective

Author: Johannes von Engelhardt
Contributors: Molly Leavens, Stephanie Daniels

The Living Income Community of Practice

Supported by the



Implemented by



The Multidimensional Poverty Index (MPI)

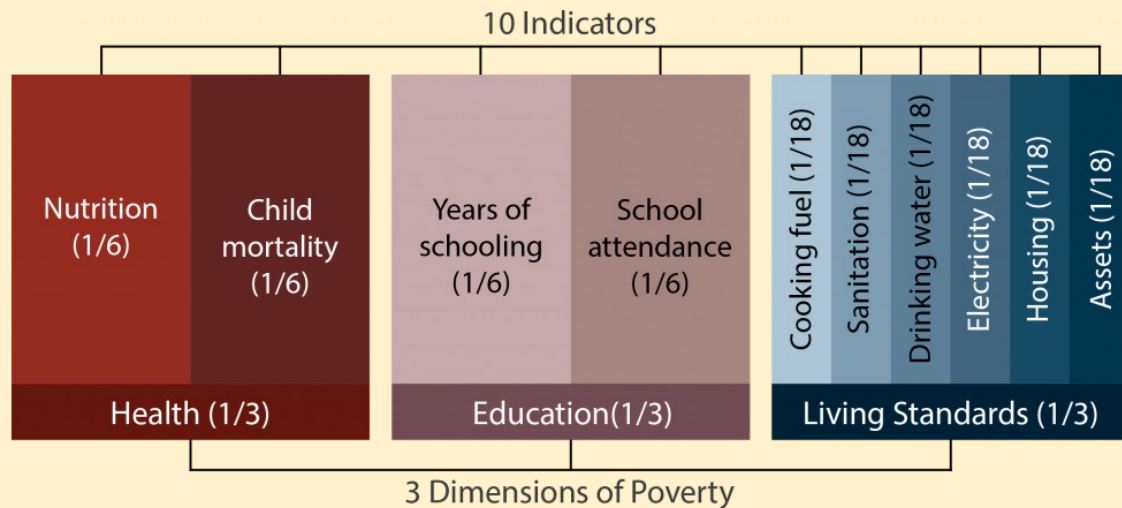
Multidimensional Poverty Index (MPI) was developed in opposition to a purely monetary approach that reduces poverty to a lack of household income. MPI understands poverty as experienced deprivations, rather than insufficient household income.

- MPI is not a proxy of monetary poverty, but a conceptually different perspective: understanding (and measuring) poverty in its everyday manifestations
- Multidimensional poverty **relates** to household income, but is not determined by it: households can be MPI poor but monetary non-poor and vice-versa



The Multidimensional Poverty Index (MPI)

- relatively **easy** to measure, based on ten household-level questions
- **comparable** across time / place
- **country-level MPI** statistics available



© Oxford Poverty and Human Development Initiative (OPHI)

Dimension	Indicator	Deprived if...	Weight	SDG area
Health (1/3)	Nutrition	Any person under 70 years of age for whom there is nutritional information is undernourished .	1/6	SDG 2: Zero Hunger
	Child mortality	A child under 18 has died in the household in the five-year period preceding the survey.	1/6	SDG 3: Health and Well-being
Education (1/3)	Years of schooling	No eligible household member has completed six years of schooling .	1/6	SDG 4: Quality Education
	School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8 .	1/6	SDG 4: Quality Education
Living Standards (1/3)	Cooking fuel	A household cooks using solid fuel , such as dung, agricultural crop, shrubs, wood, charcoal, or coal.	1/18	SDG 7: Affordable and Clean Energy
	Sanitation	The household has unimproved or no sanitation facility or it is improved but shared with other households.	1/18	SDG 6: Clean Water and Sanitation
	Drinking water	The household's source of drinking water is not safe or safe drinking water is a 30-minute or longer walk from home, roundtrip.	1/18	SDG 6: Clean Water and Sanitation
	Electricity	The household has no electricity .	1/18	SDG 7: Affordable and Clean Energy
	Housing	The household has inadequate housing materials in any of the three components: floor, roof, or walls .	1/18	SDG 11: Sustainable Cities and Communities
	Assets	The household does not own more than one of these assets : radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator, and does not own a car or truck.	1/18	SDG 1: No Poverty

Household is classified as MPI-poor if deprived on at least 1/3 of (weighted) indicators

The Multidimensional Poverty Index (MPI)

How can an MPI assessment contribute to LI approach?

- deeper/different **understanding** of target groups, when disaggregated by dimensions/deprivations
- **targeting** vulnerable sub-groups, also with respect to specific deprivations (e.g. linked to specific SDGs)
- measure **progress** of
 - broad based poverty alleviation policies
 - social protection / community development programs



The DHS Wealth Index

DHS Wealth Index looks at poverty as lack in assets/amenities, rather than insufficient household income → again, not a proxy of monetary poverty, but a conceptually different perspective

- questionnaires are simple, relatively short, and **country-specific**
- specific **weights** of assets / amenities statistically determined (Principal Component Analysis)

DHS Wealth Index items for Ghana			
source of drinking water	television	refrigerator	animal-drawn cart
type of toilet facility	telephone (non-mobile)	freezer	car, bus or truck
type of cooking fuel	camera	generator	boat with a motor
electricity	video/dvd	washing machine	boat without a motor
material of floor	sewing machine	cabinet	bank account
material of roof	bed	wrist watch	number of household members per bedroom
material of wall	table	mobile telephone	
land	chair	bicycle	
radio	computer	motorcycle or scooter	

The DHS Wealth Index

- **DHS Wealth Index** is a relative, not absolute, measure of wealth: **no threshold** of subsistence minimum defined
- used to place households into national **wealth quintiles**
- does not assess acute poverty, but **structural / accumulated** wealth
- less responsive to **short-/mid-term fluctuations** and shocks (e.g. crop failure)



DHS Wealth Index

How can an DHS Wealth Index assessment contribute to LI approach?

- offer **different perspective** on target group (also: less seasonality effects)
- identify the **structurally (long-term) poor** in target community
- but: less useful in most monitoring & evaluation scenarios because it is less likely to pick on on changes in the short term



The Poverty Probability Index (PPI)

Poverty Probability Index (PPI) aims to estimate monetary poverty levels without having to conduct actual household income surveys

- based on **ten simple yes/no questions** that are known to statistically relate to monetary poverty
- estimations available for commonly used national and international **poverty lines**

PPI survey questions Malawi	
1. In which district does the household live? <i>[multiple options]</i>	6. What is the main source of cooking fuel in your household? <ul style="list-style-type: none"><input type="radio"/> Purchased firewood, Paraffin, Electricity, Gas, Charcoal, Saw Dust<input type="radio"/> Collected firewood, Crop residue, Other
2. How many household members live in the household? <ul style="list-style-type: none"><input type="radio"/> 1 or 2<input type="radio"/> 3 to 5<input type="radio"/> 6 or more	7. Does your household own a bed? <ul style="list-style-type: none"><input type="radio"/> Yes<input type="radio"/> No
3. Is the household head able to read and write in English? <ul style="list-style-type: none"><input type="radio"/> Yes<input type="radio"/> No	8. Does your household own a table? <ul style="list-style-type: none"><input type="radio"/> Yes<input type="radio"/> No
4. The roof of the main dwelling is predominantly made of what material? <ul style="list-style-type: none"><input type="radio"/> Grass, Concrete, Plastic sheeting<input type="radio"/> Iron sheets, Clay tiles, Other	9. Does your household own an iron (for pressing clothes)? <ul style="list-style-type: none"><input type="radio"/> Yes<input type="radio"/> No
5. The floor of the main dwelling is predominantly made of what material? <ul style="list-style-type: none"><input type="radio"/> Sand, Smoothed mud<input type="radio"/> Smooth cement, Wood, Tiles, Other	10 Over the past one week (7 days), did you or other in your household consume any sugar? <ul style="list-style-type: none"><input type="radio"/> Yes<input type="radio"/> No

The Poverty Probability Index (PPI)

How can a Poverty Probability Index assessment contribute to LI approach?

criticism of methodology:

- remains unclear to what extent PPI can accurately predict monetary poverty within specific target groups (e.g. cocoa farmers)
- changes in PPI scores do not necessarily reflect changes in monetary poverty (→ limited usefulness for M&E)

typically adds little value to living income gap analysis



How can (non-)monetary measures contribute to LI approach?

I) offer a more **complete** and **richer understanding** of target population's livelihood

- identify of poverty-related risks
- improve and streamline **resource allocation**
- highlight critical **disparities** between communities

II) valuable role for **identification** and **targeting** of vulnerable sub-groups

- identify households currently facing most **severe levels of deprivation**
- focus on those who suffer from deprivations that are regarded as **most pressing**
- identify the **structurally and long-term vulnerable** within a given community

III) strengthen and enrich **evaluation efforts**

