

Multidimensional Poverty: Complementary Measure to Absolute and Relative Poverty

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ABSTRACT

Poverty is a complex issue that involves more than just income levels, affecting various aspects of life such as health, education, and living conditions. The ongoing discussion about how to measure poverty, whether through absolute or relative terms, reflects the challenges in assessing it. Absolute poverty is based on a set standard that focuses on meeting basic needs for survival, while relative poverty looks at income disparities within a society. This study explores existing research on multidimensional poverty and examines the debate between absolute and relative poverty measures, considering their respective advantages and disadvantages. A notable conclusion from the research is that multidimensional poverty indices (MPIs), like the Multidimensional Poverty Index, provide a broad view of deprivation by including multiple factors. MPIs help policymakers design more targeted interventions in areas such as education, healthcare, and living standards. However, absolute poverty measures, such as the World Bank's \$1.90-per-day threshold, are still essential for tracking extreme poverty in developing nations, offering a clear benchmark for international comparisons. In contrast, relative poverty measures are particularly relevant in wealthier nations, where inequality and social exclusion are more prominent factors in poverty. This study highlights gaps in how these different approaches are integrated and calls for further research to improve models that address both absolute and relative poverty. The findings suggest that combining multidimensional, absolute, and relative poverty measures is important for fully understanding poverty and creating effective strategies to reduce it, adapted to the needs of specific regions and contexts.

Keywords: Multidimensional Poverty Index (MPI), Absolute poverty, Relative poverty, Poverty alleviation, Sustainable Development Goals (SDGs)

INTRODUCTION

Poverty is a complex issue that extends beyond simply economic definitions. Traditionally, it has been understood in monetary terms, where individuals or families are classified as poor if their income falls below a certain threshold, typically tied to the minimum level required to meet basic needs, such as food, housing, and clothing. However, this approach only addresses part of the issue and overlooks other important factors that affect an individual's overall quality of life. The concept of multidimensional poverty

broadens this understanding by considering additional aspects of well-being, such as access to healthcare, education, and adequate living conditions. By incorporating a range of indicators, multidimensional poverty provides a broader view of the challenges individuals face in their daily lives (Alkire & Foster, 2011; Conceição, 2020).

In recent years, researchers have recognized more the limitations of income-based definitions of poverty. Evidence suggests that focusing exclusively on income fails to capture key dimensions of deprivation, such as poor health, limited education, and inadequate living conditions, all of which are important to understanding poverty as a comprehensive (Sen, 2014; Alkire, 2005). The Multidimensional Poverty Index (MPI), introduced by the UNDP, reflects this shift in perspective by using various non-income indicators to assess poverty more completely. This broader approach is necessary for accurately representing the lived experiences of those affected by poverty, as income alone does not ensure access to essential services or opportunities for an adequate quality of life (UNDP, 2020). Consequently, multidimensional measures are increasingly recognized as effective tools for both academic research and policy development.

This article aims to review the body of research on multidimensional poverty and to examine the ongoing debate surrounding absolute and relative poverty measures. Absolute poverty is generally defined by a fixed standard, often focused on basic survival needs, whereas relative poverty is influenced by social disparities within a particular context. This article explores how these two approaches differ in assessing poverty and how they influence the development of policies intended to reduce poverty (Ravallion, 2011). Through this exploration, the article seeks to enhance understanding of multidimensional poverty and the role of absolute and relative poverty frameworks in reflecting the real-world challenges of those living in poverty.

The distinction between absolute and relative poverty is highly relevant for policymakers and those involved in poverty reduction efforts. Absolute poverty measurements offer a clear, universal benchmark that is beneficial for tracking global progress toward development goals. In contrast, relative poverty measurements, which account for an individual's position within a broader economic context, are vital for addressing social inequality and exclusion, particularly in developed nations (Atkinson & Bourguignon, 2001). The choice between absolute and relative measures has significant effects for how resources are distributed and how poverty reduction strategies are assessed (Ravallion, 2011). Policymakers must carefully weigh both approaches to ensure that interventions appropriately address the most vulnerable populations.

Despite advances in understanding multidimensional poverty, issues remain in how absolute and relative poverty outcomes are compared across different contexts. More research is needed to explore how these distinct measures influence the identification of impoverished populations and the related policy actions. This article seeks to address this gap by providing a detailed review of the literature on multidimensional poverty and the debate between absolute and relative poverty measures. Specifically, it will critically assess the strengths and limitations of each approach and explore how they can complement one another to improve poverty measurement and inform effective policy strategies.

The article is structured as follows: It first introduces the concept of multidimensional poverty and its measurement. It then examines absolute and relative poverty measures individually, followed by an analysis of the debate between the two. The policy implications of this debate are discussed, with a focus on poverty reduction strategies. Finally, the article concludes by identifying areas for future research that could refine poverty measurement and support the development of more focused policy actions.

MULTIDIMENSIONAL POVERTY: CONCEPT AND MEASUREMENT

Multidimensional poverty provides a more understanding of poverty by acknowledging that deprivation goes beyond financial insufficiency. Traditional income-based measures, which determine whether an

individual's or household's income is under a specified threshold, often fail to account for other essential factors that influence well-being. In contrast, multidimensional poverty includes aspects such as health, education, and living conditions, recognizing that poverty takes on multiple forms due to these non-monetary factors. By incorporating multiple indicators, this approach gives a broader view of how poverty affects daily life, addressing the shortcomings of an income-centric focus (Alkire & Foster, 2011). This expanded structure is important for both academic study and policy-making, as it points to the multiple to poverty (Santos & Ura, 2008).

Several important indices have been developed to measure these dimensions of deprivation, with the Multidimensional Poverty Index (MPI) being one of the leading. Created by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP), the MPI measures poverty across three main aspects: health, education, and living standards. Each dimension is further subdivided into specific indicators, such as child mortality, school attendance, and access to clean water and electricity (Alkire & Santos, 2014). By incorporating these indicators, the MPI recognizes those affected by various deprivations, offering a better comprehension of poverty beyond income levels. Other indices, including national poverty measures tailored to local conditions, also adopt this multidimensional approach to more accurately reflect the complexity of poverty in different contexts (UNDP, 2020).

One significant advantage of multidimensional measures, like the MPI, is their ability to reflect the diverse ways poverty is experienced. For example, a household may not be classified as poor based on income, yet it might have insufficient access to education or healthcare. This capacity to identify specific areas of deprivation enables policymakers to create specific policies, ensuring that resources are directed where they are most needed. This is particularly useful in contexts where income alone does not fully represent living conditions, as is often the case in many developing countries (Alkire *et al.*, 2017). By providing in-depth understanding into the reality of poverty in various regions, multidimensional measures act as flexible instruments for addressing poverty at both local and global levels (Laderchi *et al.*, 2003).

However, despite their strengths, multidimensional poverty measures face several challenges. A major concern is the difficulty of collecting accurate information, particularly in low-income countries where information on all relevant dimensions may be scarce (Ravallion, 2011). Another challenge involves determining how to weight the different dimensions of poverty. The process of assigning weights to health, education, and living standards is often subjective and may not accurately represent their relative importance in different contexts. For instance, some scholars argue that health should carry more weight in certain regions, while others recommend equal weighting across all dimensions (Decancq & Lugo, 2013). Moreover, merging several dimensions into one index can sometimes oversimplify the complex forms of deprivation people experience, potentially leading to policies that do not adequately address specific needs. These critiques emphasize the necessity for ongoing improvement of multidimensional measures to increase their reliability and applicability across diverse settings.

ABSOLUTE POVERTY MEASUREMENT

Absolute poverty is defined by a fixed, universal standard used to assess whether individuals or households have sufficient resources to meet essential human needs, such as food, clean water, shelter, clothing, and sanitation. Unlike relative poverty, which compares an individual's income to that of others in their society, absolute poverty is determined by an objective threshold that remains constant across different societies, irrespective of the overall standard of living. This benchmark identifies those whose lack of resources directly threatens their physical survival and basic well-being, independent of societal norms or economic inequality (Ravallion, 2010). The focus of absolute poverty is on the minimum conditions required for survival, offering a clear and consistent framework for measuring poverty on a global scale.

The measurement of absolute poverty has played a crucial role in international poverty reduction efforts, particularly through the initiatives of organizations like the World Bank. The World Bank's international poverty line, currently set at \$1.90 per day (adjusted for purchasing power parity), serves as a global measure of extreme poverty. Introduced in the 1990s, this poverty line has been updated to reflect inflation and changing economic conditions. The main goal of using an absolute poverty line is to provide a consistent and comparable benchmark across countries and over time. This approach has been fundamental in shaping global development targets, including the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs), where reducing extreme poverty is a core focus (World Bank, 2020). Absolute poverty measurements allow international organizations to monitor progress in alleviating poverty, particularly in low-income countries.

One of the main advantages of absolute poverty lines is their ability to enable meaningful global comparisons. Because they are based on a fixed, universal standard, policymakers and researchers can use these measures to compare poverty rates across different regions, regardless of variations in living standards. This is particularly important in developing countries, where absolute poverty remains a significant challenge and where access to basic needs like food, clean water, and shelter is critical. Additionally, absolute poverty lines provide a simple and practical tool for large-scale data collection and analysis, making them an effective metric for global monitoring. They also offer a reliable framework for tracking long-term trends in poverty, allowing international organizations to measure progress in poverty reduction efforts over time (Chen & Ravallion, 2010).

However, absolute poverty lines have limitations. One of the primary criticisms is that these measures fail to capture the more complex aspects of social exclusion and relative deprivation, particularly in wealthier countries. In higher-income societies, individuals may have enough income to cover their basic survival needs but still experience poverty in terms of access to education, healthcare, and other essential services. While these individuals may not fall below the absolute poverty line, they can still be marginalized due to income inequality and lack of social participation (Sen, 2014). Another limitation is that absolute poverty lines do not account for regional differences in living costs, which can lead to inaccurate assessments of poverty, especially in areas where the cost of living is substantially higher. As a result, absolute poverty measures may not fully reflect the extent of deprivation in middle- and high-income countries, where poverty often presents itself in more complex ways (Ravallion, 2011).

RELATIVE POVERTY MEASUREMENT

Relative poverty measures a person's income or resources in comparison to others within the same society (Decerf, 2021). Unlike absolute poverty, which focuses on a fixed standard based on basic survival needs, relative poverty is determined by how much an individual or household earns relative to the average income in their community. It highlights the extent to which people fall behind the average standard of living, emphasizing economic inequality rather than merely meeting basic needs. For instance, a person may be considered in relative poverty if their income falls below a certain percentage—often 50% or 60%—of the median income in their country (Townsend, 1979). Since relative poverty is tied to societal wealth and income distribution, it fluctuates with changes in the economy and the overall distribution of resources (Hick, 2014).

A defining feature of relative poverty is its focus on social inclusion and participation. It is not just about meeting basic physical needs, but also about the ability to fully engage in society. People in relative poverty may face barriers to accessing education, healthcare, employment, and social activities, which limits their participation in societal life. This type of poverty reflects a broader issue of social exclusion, where individuals or groups are marginalized due to having fewer resources compared to others in their community

(Piachaud, 1987). For example, even if someone has food and shelter, they might still be excluded from educational or social opportunities due to a lack of financial resources, highlighting the multi-dimensional nature of relative poverty and its effects on social cohesion.

Relative poverty is particularly significant in high-income countries, where most people have their basic needs like food, shelter, and clean water met. In such societies, poverty is more often experienced in the form of inequality, with certain groups being deprived of the resources necessary to maintain a standard of living that aligns with societal norms. Therefore, developed countries often use relative poverty measures to address income distribution disparities and issues related to social inclusion (Atkinson, 2019). By focusing on income inequality and relative deprivation, these measures help policymakers target issues like social welfare, public health, and education, ensuring that everyone can participate fully in the economic and social life of their society.

However, relative poverty measures are not without challenges. One common critique is that they are difficult to compare across different societies and economic contexts. For example, what is considered poverty in a wealthy country may be vastly different from the experience of poverty in a lower-income nation, making global comparisons complex (Ravallion, 2011). Additionally, since relative poverty is defined in relation to others in the same society, poverty levels may remain unchanged or even increase during periods of economic growth if income inequality widens. This can complicate efforts to assess the success of poverty reduction strategies, as rising living standards do not necessarily mean a reduction in relative poverty rates (Hills, 2004). Furthermore, relative poverty measures are sometimes criticized for focusing too heavily on income, potentially overlooking other important aspects of deprivation, such as access to essential services or overall well-being.

THE DEBATE BETWEEN ABSOLUTE AND RELATIVE POVERTY MEASUREMENT

The debate between absolute and relative poverty measurement revolves around the best way to define and address poverty. Groups of absolute poverty measures argue that these provide a clear, consistent benchmark based on the basic needs for survival, which remains the same across different societies and over time. In contrast, advocates for relative poverty measures believe that poverty should be understood in the context of a society's income distribution, focusing on social exclusion and inequality. This ongoing discussion has been a major topic in the literature, especially when considering which approach better captures the complexities of modern poverty. While absolute poverty measures are often used for global comparisons and in developing countries, relative poverty is considered more relevant in wealthier nations where income and resource disparities are more significant (Ravallion, 2010; Townsend, 1979). The key issue is whether poverty should be measured by a fixed standard or by a flexible concept that adapts to changes in economic and social conditions.

Proponents of absolute poverty measures emphasize their simplicity and global applicability. By defining poverty based on a fixed threshold—such as the World Bank's \$1.90-per-day poverty line—absolute poverty allows for direct comparisons across countries and regions. This universality is crucial for monitoring global poverty trends and measuring progress toward international goals, like the Sustainable Development Goals (SDGs). Additionally, absolute poverty measures are straightforward to calculate, apply, and communicate, making them an effective tool for policymakers and global organizations (Chen & Ravallion, 2010). In many developing countries, where the focus is on basic survival needs, absolute poverty lines offer a clearer picture of deprivation, identifying individuals who lack essential resources like food, clean water, and shelter (World Bank, 2020).

On the other hand, advocates of relative poverty measures argue that this approach better reflects inequality

and social exclusion. Relative poverty looks at an individual's or household's resources in relation to the average income in their society, making it more responsive to changes in living standards and social expectations. This perspective is particularly relevant in developed countries, where economic growth alone may not reduce poverty if income inequality remains high. Relative poverty measures draw attention not just to a lack of resources but also to the inability to fully participate in society due to economic disparities, offering a more comprehensive understanding of poverty (Atkinson, 2019). By focusing on social inclusion and the ability to engage in society, relative poverty measures give policymakers a better tool to address inequality and promote social cohesion (Hills, 2004).

In recent years, efforts have been made to bridge the gap between absolute and relative poverty measures through hybrid approaches that incorporate elements of both. One example is the creation of hierarchical indices that include both absolute and relative poverty indicators (Decerf, 2022). These indices aim to capture both basic survival needs and the broader impacts of social exclusion by measuring multiple dimensions of poverty, such as income, health, education, and living standards. This approach provides a more comprehensive view of poverty, ensuring that policies address both extreme deprivation and the wider effects of inequality (Ravallion, 2011). The Multidimensional Poverty Index (MPI) is another example of integrating aspects of both absolute and relative poverty by using various indicators to assess poverty more thoroughly (Alkire & Santos, 2014). Hybrid models like these are increasingly seen as effective in offering a nuanced and flexible framework for understanding poverty in diverse contexts.

IMPLICATIONS FOR POLICY AND POVERTY ALLEVIATION

Multidimensional poverty indices (MPIs) play a critical role in shaping poverty alleviation policies by addressing various forms of deprivation beyond just income. Unlike traditional income-based measures, MPIs take into account a wide range of factors, including education, health, and living standards, offering a more comprehensive view of poverty. This approach allows policymakers to design more targeted interventions that focus on specific areas of deprivation, rather than relying solely on income redistribution. For instance, MPIs can reveal regions where healthcare access is a more urgent concern than income, helping governments allocate resources more effectively (Alkire & Foster, 2011). By offering this nuanced understanding, MPIs encourage the creation of multi-sectoral policies that address gaps in areas like education, health, and housing, resulting in more sustainable poverty reduction strategies (Santos & Ura, 2008).

Absolute poverty measures remain vital to global development efforts, especially in the context of the United Nations' Sustainable Development Goals (SDGs). One of the SDGs' key objectives is to eliminate extreme poverty—defined as living on less than \$1.90 per day—by 2030. Absolute poverty lines provide a clear global benchmark that allows international organizations to track progress in low- and middle-income countries. These measures offer a simple, universal standard for monitoring reductions in severe deprivation over time (World Bank, 2020). By focusing on basic needs like food, clean water, and shelter, absolute poverty measures ensure that global initiatives remain centered on improving the lives of the most vulnerable populations. Such measures are crucial for keeping development policies focused on eradicating the harshest forms of poverty (Chen & Ravallion, 2010).

While absolute poverty measures are essential for eliminating extreme poverty, relative poverty measures are increasingly important for addressing inequality, particularly in wealthier countries. In high-income nations, poverty is often defined by gaps in wealth and social exclusion rather than an outright lack of basic necessities. Relative poverty measures, which compare individuals' incomes to the societal average, are better suited to capturing these disparities. These measures guide the development of social policies aimed at reducing income inequality, promoting social inclusion, and improving access to services such as education and healthcare (Atkinson, 2019). By identifying those who may not be impoverished by absolute

standards but are still excluded from fully participating in society due to economic inequalities, relative poverty measures help shape policies that foster social cohesion and reduce inequality (Hills, 2004). In this way, relative poverty measures complement absolute poverty lines, ensuring that poverty reduction efforts address both basic survival needs and social equity.

CONCLUSION

The body of research on poverty measurement highlights the strengths and limitations of multidimensional, absolute, and relative approaches. Multidimensional frameworks, such as the Multidimensional Poverty Index (MPI), offer a broad perspective by capturing various deprivations related to health, education, and living standards. These measures provide a more detailed understanding of poverty, particularly in situations where income alone cannot fully assess deprivation (Alkire & Foster, 2011). Absolute poverty measures, such as the World Bank's \$1.90 per day threshold, remain essential for monitoring extreme poverty globally, offering a clear and universal metric for evaluating basic human needs (World Bank, 2020). In contrast, relative poverty measures emphasize social inequality and the ability to participate in society, making them especially useful in wealthier countries where income disparities can lead to social exclusion (Atkinson, 2019).

Future Research Directions

Future research should focus on refining multidimensional poverty indices to better capture the intersections of poverty, including factors such as gender, ethnicity, and disability. There is also a growing need for hybrid models that integrate both absolute and relative poverty measures, offering a more comprehensive understanding of poverty by addressing both survival needs and social inclusion (Alkire & Santos, 2014). Longitudinal studies tracking how poverty evolves over time would enhance the effectiveness of poverty alleviation strategies. Cross-disciplinary collaboration among fields like economics, sociology, and public health is crucial for developing more effective, context-specific interventions (Hick, 2014). Additionally, as the world becomes increasingly interconnected, more attention should be given to the digital aspects of poverty, particularly in regions where access to technology is vital for economic participation (Helsper, 2021).

Final Thoughts on the Debate

The ongoing debate between absolute and relative poverty measures highlights the importance of selecting the right approach based on specific policy goals and regional context. In developing countries, absolute poverty lines provide clear, actionable data for targeting the most deprived populations, while in higher-income nations, relative poverty measures offer valuable insights into income inequality and social exclusion (Ravallion, 2011). Policymakers should consider using a combination of both approaches to ensure that poverty reduction efforts address both severe deprivation and broader societal disparities. Ultimately, the choice of poverty measure must be flexible enough to accommodate the unique challenges and objectives of each region, making a balanced approach essential for effective policy development.

Future Research Directions

Despite the advancements in poverty measurement, significant gaps remain. The integration of absolute and relative poverty measures is still in its early stages, and hybrid models require further development to encompass both material and social dimensions of poverty (Alkire & Foster, 2011). Additionally, the lack of longitudinal data limits our understanding of how poverty changes over time, particularly in response to specific policy interventions (Ravallion, 2011). Another area that deserves more focus is digital exclusion, particularly in low-income regions where access to technology is increasingly critical for economic participation (Helsper, 2021). Future research should address these gaps by fostering collaboration between

economists, sociologists, and policymakers. Involving local communities in the development of poverty measurement tools will also ensure that these metrics are culturally relevant and reflect lived experiences (Hick, 2014). This collaborative and inclusive approach will be key to creating more effective and adaptable poverty measures and interventions across diverse contexts.

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