

Transitions in income poverty and multidimensional wellbeing: An empirical exploration of Chile, 2006-2009

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Abstract

This paper argues for the value of taking a multidimensional perspective on wellbeing while keeping income as a relevant dimension. It examines the association between income poverty shifts and deprivation in a broader range of indicators of wellbeing. We draw upon a unique Chilean dataset to investigate both ‘traditional’ dimensions of health, education and housing and then subjective wellbeing. In this respect we go beyond increasingly common measures of life satisfaction to consider psychological wellbeing, empowerment and perceived discrimination. Two different poverty lines are used for income: the poverty and the indigence line, which can be associated with moderate and extreme poverty correspondingly. The paper finds an interesting pattern between income transitions around the two lines and deprivation in the considered dimensions. Spending at least one period out of poverty significantly reduces the probability of being deprived in housing, and the same is valid when the indigence line is used. Income transitions around the poverty line also have a significantly reducing probability effect of being deprived in education, psychological wellbeing and empowerment, but not in health. However, income transitions around the indigence line present the opposite pattern: they significantly reduce the probability of being health deprived (which includes malnourishment) but are non-significant for deprivations in education, psychological wellbeing and empowerment, which are likely to be present anyway at this low end of the income distribution. Finally, staying poor is associated with lower levels of perceived discrimination than transitions into and out of poverty. We argue that this may derive from the nature of discrimination and a reference group effect.

Keywords: income and multidimensional poverty, poverty dynamics, missing dimensions

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