

Relationships Between Monetary Poverty and MPI: Joint, Separate or Correlated Distributions?

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Abstract

This paper considers the relationships between multidimensional (MPI) and monetary poverty indices in international and national poverty profiles, and evaluates the trade-offs in separate individual poverty profiles that include monetary poverty as a dimension. The paper has three analytical parts. First, it considers the change in national aggregate poverty that arise for different monetary poverty thresholds and how this relates to poverty incidence by the MPI. The results suggest correlation between poverty headcounts across both indices using a range of thresholds, but that this correlation breaks down in poorer countries and when alternative rankings are used. The second part uses microdata to investigate how the distribution of monetary and multidimensional welfare differs in a range of six countries. This analysis shows the extent to which deprived households are poorer in monetary terms than non-deprived households, and how far monetary and deprivation poverty status aligns with poverty lines. The final part takes forward the evidence from the first two analyses to show how different assumptions about the level of monetary poverty thresholds affect ‘a combination of MPI and monetary poverty’. The paper concludes by discussing the results and some sensitivity issues that need to be addressed in order to understand the behaviour of an MPI that includes monetary poverty as a dimension.

Keywords: Poverty, Mismatch, Monetary, Multidimensional.