



THE UNIVERSITY OF  
MELBOURNE

# Towards a multidimensional approach to poverty measurement

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Working for an Australia free of poverty

**Let's make  
change  
that lasts**

# Motivation

- In Australia, there is no agreed definition or measure of poverty
- Problematic both nationally and internationally
- **Nationally:**
  - Difficult to target policies or to assess progress on addressing poverty if it is not measured
  - Economic Inclusion Advisory Committee (EIAC), recommends:
    - Commitment from government to legislate measure on poverty and economic inclusion
    - Establishment of a multidimensional poverty index
  - Henderson Inquiry First Main Report, which turns 50 years old next year



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# Motivation



- In Australia, there is no agreed definition or measure of poverty
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- **Internationally:**
  - Australia is a signatory of the UN Sustainable Development Goals (SDG)
  - Goal 1: Eradicating all poverty
  - Targets 1.2.1 and 1.2.2 to reduce at least by half:
    - Target 1.2.1: the proportion of population living below the national poverty line, by sex and age'; and
    - Target 1.2.2: the proportion of men, women, and children of all ages living in poverty in all its dimensions according to national definitions



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# Motivation



- Australia is off track on the SDG 1.2.1
  - Poverty rates **increased** from 12.1% to 14.1% between 2016 – 2024 (Sachs et al., 2024; Productivity Commission, 2024a)
- Progress on SDG 1.2.2 not known
  - Australia lacks a multidimensional poverty measure
  - 84 countries (including Canada and New Zealand) report multidimensional poverty data to the Global SDG Indicators Database



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# Proposed poverty framework for measuring and defining poverty in Australia



## Proposed approach

- Dual Poverty Measure
  - Monetary component
  - Multi-dimensional component



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# Multidimensional poverty measures as a critical accompaniment to monetary measures



- 84 countries currently use multidimensional poverty measures
  - 43 countries have a national Multidimensional Poverty Index (MPI)
  - 34 EU countries report annual multidimensional measures for those At Risk of Poverty or Social Exclusion (AROPE)
- Key organisations utilising this approach
  - UNICEF
  - World Bank
  - United Nations Development Program (UNDP)
  - European Union (EU)
  - US Census Bureau

# What is an MPI?



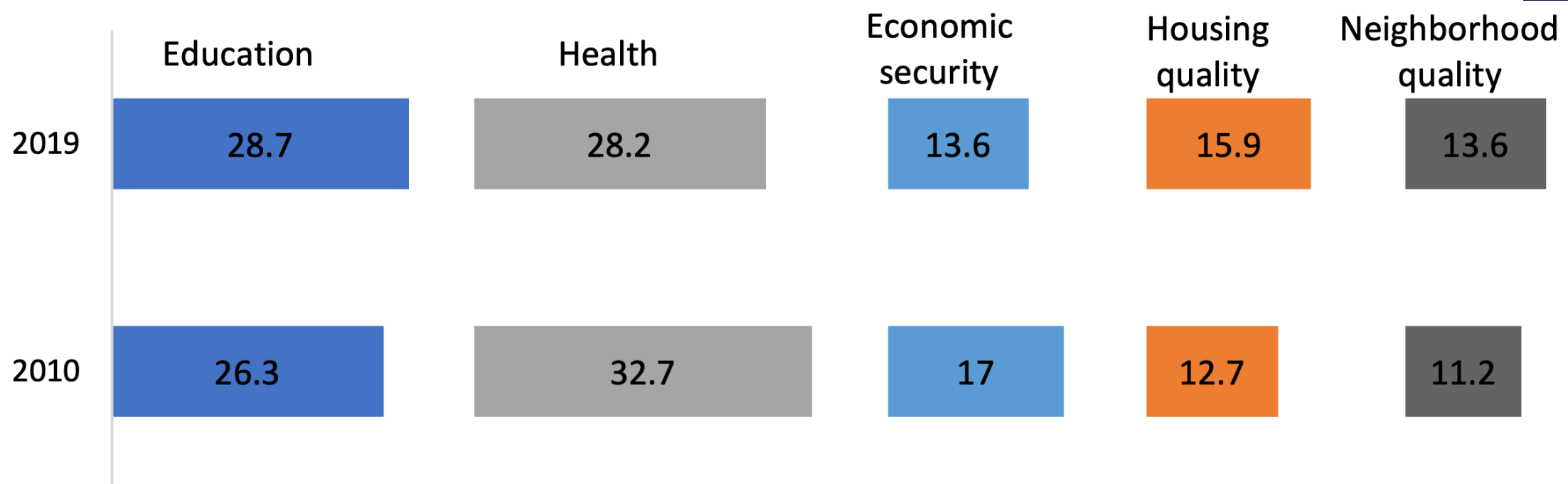
- Developed using the Alkire-Foster method, summarising poverty across multiple dimensions in a single index like education, health, and housing
- The most widely used measure of multidimensional poverty internationally
  - Index ranges from 0 to 1 - higher values signify greater poverty across dimensions
  - Decomposable:
    - ❖ Breaks down contributions of individual dimensions to the overall index
    - ❖ Enables breakdowns by demographic groups (e.g., household type, ethnicity, geography, age)



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# Contribution of dimensions to the MDI only rate: 2010 and 2019



Note: All changes over time are statistically significant at the 90 percent confidence level.

Source: U.S. Census Bureau, 2019 American Community Survey 1-year data. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see

<https://www.census.gov/programs-surveys/acs/technical-documentation.html>.



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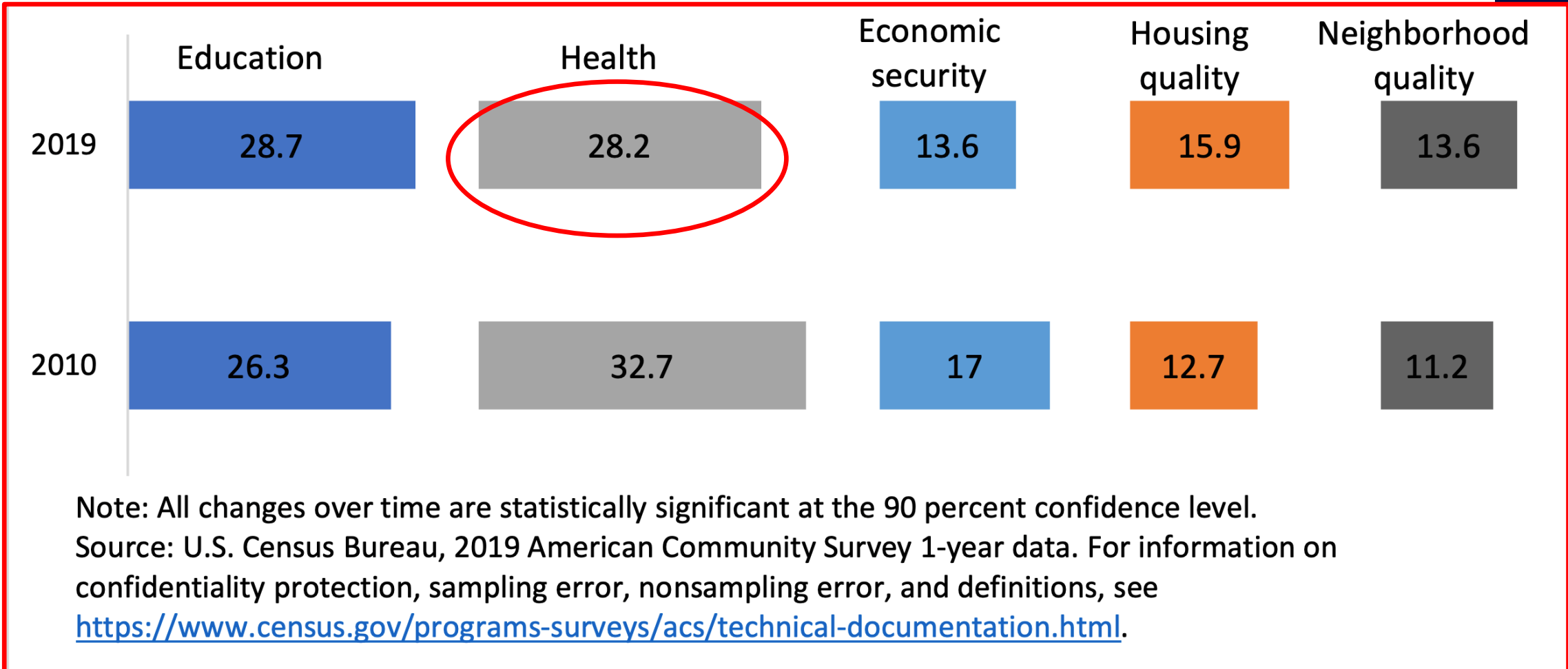
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# Multidimensional poverty measures as a critical accompaniment to monetary measures



- Provides a more comprehensive view of poverty's complexities
  - Identifies individuals experiencing multiple deprivations
  - Sheds insight into structural poverty
  - Enable more targeted and effective policy interventions

# Considerations for implementing an MPI



- Deciding which **dimensions** and indicators to include
  - Global MPI encompasses three dimensions: health; education and living standards, measured across 10 indicators.
  - The World Bank's Monitoring Global Poverty study recommends six dimensions: health, nutrition, education, housing and services, work, and violence
  - Social Exclusion Monitor (BSL/Melbourne Institute)
    - seven dimensions: material resources; employment; education and skills; health and disability; social; community; and personal safety.

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- Weights
  - Involves value judgment
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- Cutoffs
  - First cutoff determines whether individual is deprived in dimension x
  - Second cutoff determines whether individual is considered multidimensionally deprived