

*The More You Know is SERI's guide to a fresh take on topics new and old, whether unpacking common misconceptions and challenging assumptions or providing an explainer for a trending topic.*

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# What's wrong with how we understand poverty?


Poverty seems like a relatively straightforward and easy concept to understand - being about what one does not have as opposed to what others do, and most of the time this seems to refer to money. Broadly speaking, as a measure of poverty this thinking might be accurate inasmuch as it reflects how most of us feel about the subject; ownership of assets as a general measure of one's wealth.



If then poverty is about being financially poor, then hypothetically a salaried income would solve this problem. It would follow that if a job cannot be attained, education and/or technical qualification would be the solution. While not strictly incorrect, it would not be unreasonable to consider this logic as too linear and reductive, an oversimplification of the matter.


Perhaps then it might surprise us how pervasive this thinking actually is. How often have we heard that the solution to uplifting those in poverty is “education”? That the poor choose to be poor (usually through bad decision-making), that they did not work hard enough, that they squandered opportunity after opportunity?



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That the key to success is waking up at 5am every day, a disciplined work ethic, a monochrome wardrobe and meditation? Many of us already embody this logic, consciously or unconsciously to make sense of our own lives, the effort that we put in and to explain the world around us. It would follow then that policy decisions reflect how we believe these truths to be normative.

This leads to a mismatch: solutions are presented without an accurate diagnosis of the problem. Whether in the form of cash aid, strengthening school programmes or providing training and upskilling. All well-intentioned, but not necessarily effective. Other times we are presented with two options. To either give a man a fish and feed him for a day, or teach a man to fish and feed him for life. Why don't we ever ask whether it can be both?

## What are we getting wrong?

In 2019, Professor Philip Alston, United Nations Special Rapporteur on extreme poverty and human rights caused a stir when he released a report that indicated Malaysia's official poverty rate of 0.4% in 2016 - the lowest in the world - was "misleadingly low and unrealistic" and relied on outdated measures.<sup>1</sup> Then Economic Affairs Minister Azmin Ali rebuked the report, standing by the government's poverty rate figure while claiming that the Poverty Line Income (PLI) set at RM980 was reasonable.<sup>2</sup> The then Pakatan Harapan government promised to revise the PLI - finally amended last year by the Perikatan Nasional government to raise the 15-year old poverty line in July 2020 from RM980 to RM2,208.<sup>3</sup>

This problem is not unique to Malaysia. In developmental discourse the issue of poverty measurement is one that is constantly shifting in search of a more accurate reflection of the reality. As community standards and expectations change, and as technology pervades and influences most aspects of our lives, so should our standards of measurement evolve to reflect the ever-changing landscape.

## Why is this problematic?

Understanding poverty is central to our attempts to address the needs of society as a whole. Addressing the inequalities in our society is about empowering people, about giving everyone the opportunity to pursue and live a dignified life, the freedom to do the things we want without having to be constrained by factors that lie outside of our control. The pursuit of a dignified life - why should this be an afterthought when addressing poverty? As we uncover and unravel



the different motivations behind poverty eradication, more so does relying on income as a measurement for poverty seem increasingly outdated.

## Poverty as multidimensional

Developed in 2007 by Sabina Alkire and James Foster of the Oxford Poverty & Human Development Initiative, the Multidimensional Poverty Index (MPI) was introduced as a measurement to better track, illustrate and understand poverty. It looks at key components of poverty holistically, and combines it into a single dynamic.<sup>4</sup> Until now, many of these aspects have been measured separately.

The MPI integrates them into a single measure that can be broken down by demographic and location, and can be analyzed to explore how the different deprivations are interconnected to formulate a comprehensive understanding of poverty. MPI asks a simple yet critical question: what actually makes one poor?



James Foster

Sabina Alkire

Adopting MPI is to capture the deprivations at multiple levels that each poor person faces, going beyond income measures and accounting for a variety of other factors such as access to healthcare, education, transportation, and basic amenities (food, electricity, housing, water). Poverty is clearly not just about a lack of money. Understanding why people are poor requires considering as many factors as possible. No one indicator (typically income) can capture the multiple aspects that constitute poverty, wellbeing or empowerment. This becomes all the more important when designing programmes and policies to help alleviate poverty.

## Doesn't it already exist?

The Malaysian government first incorporated MPI into its 11th Malaysia Plan (2016-2020).<sup>5</sup> However, this incarnation of MPI was more 'traditional' in its approach, consisting of four prime components of the deprivation index including health, education, sanitation, standard of living and nutrition. This left many additional factors out, not least the degree of deprivation across different regions or geographical locations.<sup>6</sup>

Professor Fatimah Kari of Universiti Malaya conducted MPI studies in Sarawak, Ulu Terengganu, and also orang asli settlements, adding different dimensions in an attempt to reflect practical challenges in addressing poverty in Malaysia. Her studies found that the number of poor households is far more extensive than what existing poverty measures suggest.

This has included employment opportunities through access to poverty programmes, which has yielded different results for male and female-headed households. In Sarawak, an MPI study observed the impact a lack of local democracy had on the access and delivery of poverty programmes at the grassroots level.<sup>7</sup> An MPI study on EPF retirees found that women are more adversely affected than men in areas such as transportation, income and home-ownership.

Professor Fatima Kari is currently conducting an MPI survey in Permatang Pauh, interviewing more than 300 households on various deprivation factors. It was designed to



incorporate local dynamics that can explain the multi-faceted deprivation among the poor households within the constituency, proposing to use additional parameters to capture poverty at three levels namely individual/family members, household and the community. The study aims to improve on past efforts by suggesting empirical measures to describe poverty, such as the access of nutrition and support for special needs, jobs

availability for head of household and the presence and deprivation of social capital to promote communal programmes in tackling poverty, essentially designed to assess resilience. Additionally this study is 'COVID-adjusted' in that it introduces new parameters for gauging the impact of the pandemic on individuals, ranging from loss of jobs to cost additional hygiene expenses.

What these studies suggest is that changes to one's poverty condition are dynamic. Thus the means by which we measure poverty cannot be static; it has to be living, ever changing and dynamic to reflect the reality on the ground instead of being restricted to its four traditional parameters (or worse, merely accounting for level of income and/or employment status). Considering it took 15 years to update Malaysia's poverty line is a cause for concern, as the government will need to be more agile if it wishes to tackle poverty seriously and effectively.

## Lessons from COVID-19

The last year has seen radical changes to our social landscape. The Minister in the Prime Minister's Department (Economy) estimates the poverty rate could have risen as much as 3 percent due to the COVID-19 pandemic.<sup>8</sup> To a large extent the impact of COVID-19 has been obvious, in areas of health, economy and security. What is less obvious however, is how the pandemic has exacerbated existing problems and deprivations while simultaneously creating new ones. Unemployment due to lay-offs caused by the Movement Control Order (MCO), loss of income for small business owners, daily wage earners, or daytime traders because of the stay home notice. Learning disruption among school children and their ability (or lack thereof) to attend remote classes. The infrastructure required to ensure adequate internet access for all. The availability and accessibility of nearby healthcare or grocery facilities. Disruption in supply chains potentially increasing costs of living. Increased expenses on COVID-related expenditure (tests, masks, hand sanitisers).



These are just some examples of how COVID has exposed existing fragilities tenfold, brought to light as the inequality we live in becomes more stark. A failure to accurately capture the various deprivations individuals go through is a failure to address society's needs in any meaningful way. Without getting drawn into an ideological debate about the agency and capability of an individual, accurate and relevant data is crucial to informed decision making, more so when it comes to policy discussions on poverty.

## Why should I care?

To continue to make assumptions about poverty based on outdated, incomprehensive data, prioritising the supposed agency of an individual becomes even more irresponsible during a pandemic. The times when people need help the most is exactly when we need to be precise in our attempts to uplift and empower in order to break the cycle of poverty. The pandemic has taught us that many are just one disaster away from poverty. Accurate, dynamic and up-to-date measures of poverty ensure that nobody is left behind, and that deprived groups' needs are accurately and efficiently addressed (beyond just providing money).

Efficient welfare processes also save taxpayers' money, making the concept of welfare more palatable to the general public. At a time when confidence in governments and public institutions is at a global low, trust needs to be rebuilt and people need to know their money is going to the right people and programmes. The development of a compassionate society is contingent on the strength of its support pillars.

Using MPI as a means to measure deprivation is important because it shines a light on inequalities we may not have realised were present otherwise. A common assumption is that everyone is fully equipped and capable of “success” as everyone else; an assumption that fails to account for many other factors, especially those that go beyond typical indicators such as income or education. Essentially, before we begin the conversation about potential solutions to address poverty we have to confront the reality that our approaches to the issue may not be as informed as we think, and that an accurate diagnosis is required. Care must be taken to avoid falling into the trap of imposing our norms onto people in a way that is both inaccurate and irrelevant.

<sup>1</sup> UN report: Malaysia's national poverty line does not reflect reality, needs revision", *The Star*, Jul 6 2020. Available at: <https://www.the-star.com.my/news/nation/2020/07/06/un-report-malaysia039s-national-poverty-line-does-not-reflect-reality-needs-revision>

<sup>2</sup> Ahmad Naqib Idris, "Govt stands by its 0.4% poverty rate figure, says Azmin Ali", *The Edge Markets*, Aug 23 2019. Available at: <https://www.theedgemarkets.com/article/govt-stands-its-04-poverty-rate-figure-says-azmin-ali>

<sup>3</sup> Ida Lim, "Statistics Dept: Malaysia's new poverty line income is RM2,208, over 400k households considered poor", *Malay Mail Online*, Jul 10 2020. Available at: <https://www.malaymail.com/news/malaysia/2020/07/10/statistics-dept-malaysias-new-poverty-line-income-is-rm2208-over-400k-house/1883285>

<sup>4</sup> Akire, S., & Nogales.,(2021)" Global Multidimensional Poverty and Covid 19: A Decade of Progress at Risk?" *Research Gate*, access on 23 March 2021. Available at: [https://www.researchgate.net/publication/349442375\\_Global\\_multidimensional\\_poverty\\_and\\_COVID-19\\_A\\_decade\\_of\\_progress\\_at\\_risk](https://www.researchgate.net/publication/349442375_Global_multidimensional_poverty_and_COVID-19_A_decade_of_progress_at_risk)

<sup>5</sup> UNDP (2018) *Multidimensional Poverty and Inequality in Perak*, Research Report, Faculty of Economics and Administration, University Malaya, Kuala Lumpur

<sup>6</sup> Fatimah Kari, (2019). *Multidimensional Poverty Index: Spatial Aspects of Poverty*, (Policy Brief) Ungku Aziz Centre for Development Studies, University Malaya, 2019

<sup>7</sup> Fatimah Kari, (2019b). *Multidimensional Poverty Index: Spatial Aspects of Poverty*, (Policy Brief) Ungku Aziz Centre for Development Studies, University Malaya, 2019

<sup>8</sup> "Tok Pa: Poverty rate could have risen 3pc following Covid-19 pandemic", *Malay Mail Online*, Mr 12, 2021. Available at: <https://www.malay-mail.com/news/malaysia/2021/03/12/tok-pa-poverty-rate-could-have-risen-3pc-following-covid-19/1957333>