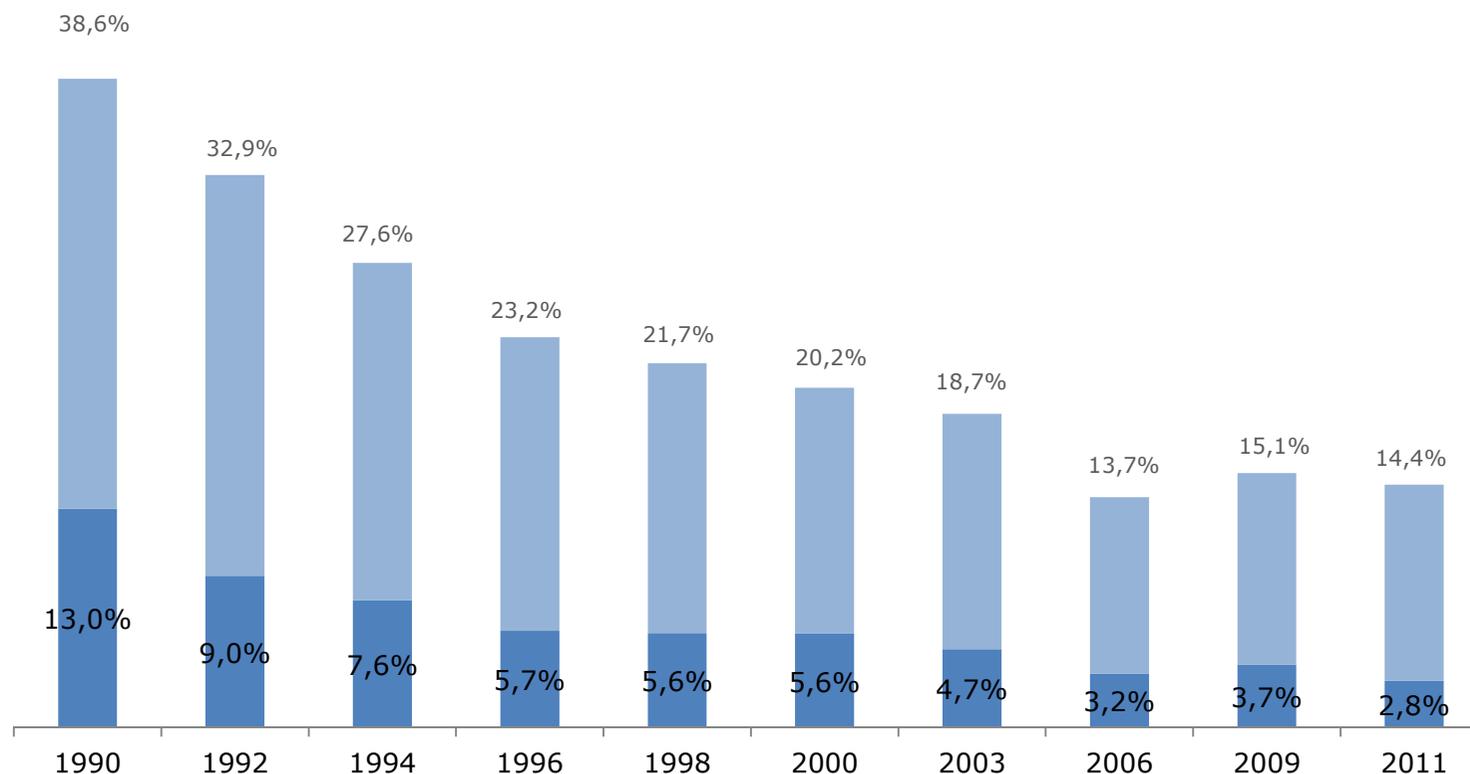# Towards a Multidimensional Poverty Index in Chile

JUNE 2013, OPHI.

Evolution of Income Poverty and Extreme Poverty

In 2011:

Extreme Poverty line: US$ 2.5 / day

Poverty Line: US$ 5 / day

However, changes are requested

- Methodology to measure income poverty has been questioned
    - Old consumption bundle (1987)
    - Income adjustment to National Accounts.
    - **Income poverty not enought to capture all the dimensions of poverty.**

Commission for the Measurement of Poverty

- President Piñera appointed a Commission to propose a new methodology for the Measurement of Poverty.
- This Commission brings together civil society representatives as well as academics. In addition, its members represent the entire political spectrum.
- The Commission must:
  - update the income poverty (and extreme poverty) line
  - Propose a multidimensional poverty index
- It started working in Dec 2012. Its final proposal is due in Dec. 2013.
- Reviewed international experience, focusing in Colombia, Mexico and OPHI´s.

Current agreements and questions: (1) Measure access rather than results

- Indicators will refer *to access to resources* that are necessary in achieving goals or welfare *outcomes*. For example, access to health care in order to have a good health, access to school in order to get a good education, etc.

- *The lack of access to resources* is related more closely with poverty-related deprivation, while results are influenced by access but also by factors such as lifestyle and genetic predispositions.

- The measurement should incorporate the quality component of the resources (quality education, quality health care, etc.), when possible.

Current agreements and questions:

2) Don´t include perceptions or dimensions such as happiness or life satisfaction in measuring indicators.

- Poverty leads to public policy actions and subjective aspects may be focused on preferences and bias that should not be matter of public spending.

- Furthermore, subjective well-being is "work in progress".

- The multidimensional poverty measure should be based on objective aspects of material welfare.

Current agreements and questions:

3) Unit of analysis: Household

- The household is deprived if at least one of its members is deprived.

Current agreements and questions (4) Dimensions

- Dimensions should be useful to introduce a powerful accountability mechanism of public policy.

- Well-being has a set of components, such as education, health, housing, nutrition and clothing among others. In principle, all of them **can be purchased with income** and as such, could be included in income poverty.

- However, in the case of low and middle income families, the State finances part of the provision of these components. These dimensions are defined as **"income additionals".**

Current agreements and questions (4) Dimensions

- Dimensions should be useful to introduce a powerful accountability mechanism of public policy.

- Well-being has a set of components, such as education, health, housing, nutrition and clothing among others. In principle, all of them **can be purchased with income** and as such, could be included in income poverty.

- However, in the case of low and middle income families, the State finances part of the provision of these components. These dimensions are defined as **"income additionals".**

<p style="color:red; text-align:center">Where to draw the line?</p>

<p style="color:red; text-align:center">Poverty vs quality of life?</p>

Current agreements and questions (4) Dimensions

- It is already agreed to consider
  - Health
  - Education
  - Housing
  - Neighborhood
- Other dimensions that are being considered:
  - Employment?
  - Social Security?
  - Environment?
  - Social Capital?

Current agreements and questions
(5) Indicators and thresholds

An individual is socially deprived when:

- Education

  1: School attendance (4-18 years old).

  2: School´s result in Simce (exam applied to all schools) below a minimum standard.

  Adults years of schooling already included in income poverty?

- Health

  1: Self reported "poor health" .

  2: Access to health care, when needed, was difficult because of

  (i) waiting times, (ii) payments or (iii) distance to health center.

  What about indicators that are relevant, but have already been reached?

Current agreements and questions
(5) Indicators and thresholds

An individual is socially deprived when:

Housing
 1: Lack of access to potable water or sewerage.
 2: Overcrowding (more than 2.5 persons per room).
 3: Poor housing conditions (bad quality of the materials).

Neighborhood / Access to Public Services
 1: There are security problems in the neighborhood.
 2: Lack of public services in the neighborhood.
 3: Environmental pollution (garbage) in the neighborhood
 4: Lack of social networks.

Current agreements and questions (6) Agregation

- Income poverty and multidimensional poverty index as separate measures.

- Aggregated MPI vs Separate indicators?

  What is easier to communicate?

  What is more useful for policymakers?

Still in discussion

- Need to validate the MPI. How?

- When and why should the dimensions and/or thresholds be updated?