

Launch of the Multidimensional Poverty Peer Network, University of Oxford

# **MULTIDIMENSIONAL POVERTY MEASUREMENT FOR MALAYSIA**

**University of Oxford**

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**ECONOMIC PLANNING UNIT**

**PRIME MINISTER'S DEPARTMENT**

**MALAYSIA**



**POVERTY MEASUREMENTS &  
POVERTY MONITORING IN MALAYSIA**

# MALAYSIA'S PROGRESS



Malaysia has had tremendous achievement in the area of poverty eradication



Hardcore poverty virtually eradicated by 2010



Overall poverty incidence declined from 49.3% (1970) to 1.7% (2012); urban poverty from 21.3% (1970) to 1.1% (2012); rural poverty from 58.7% (1970) to 3.4% (2012)



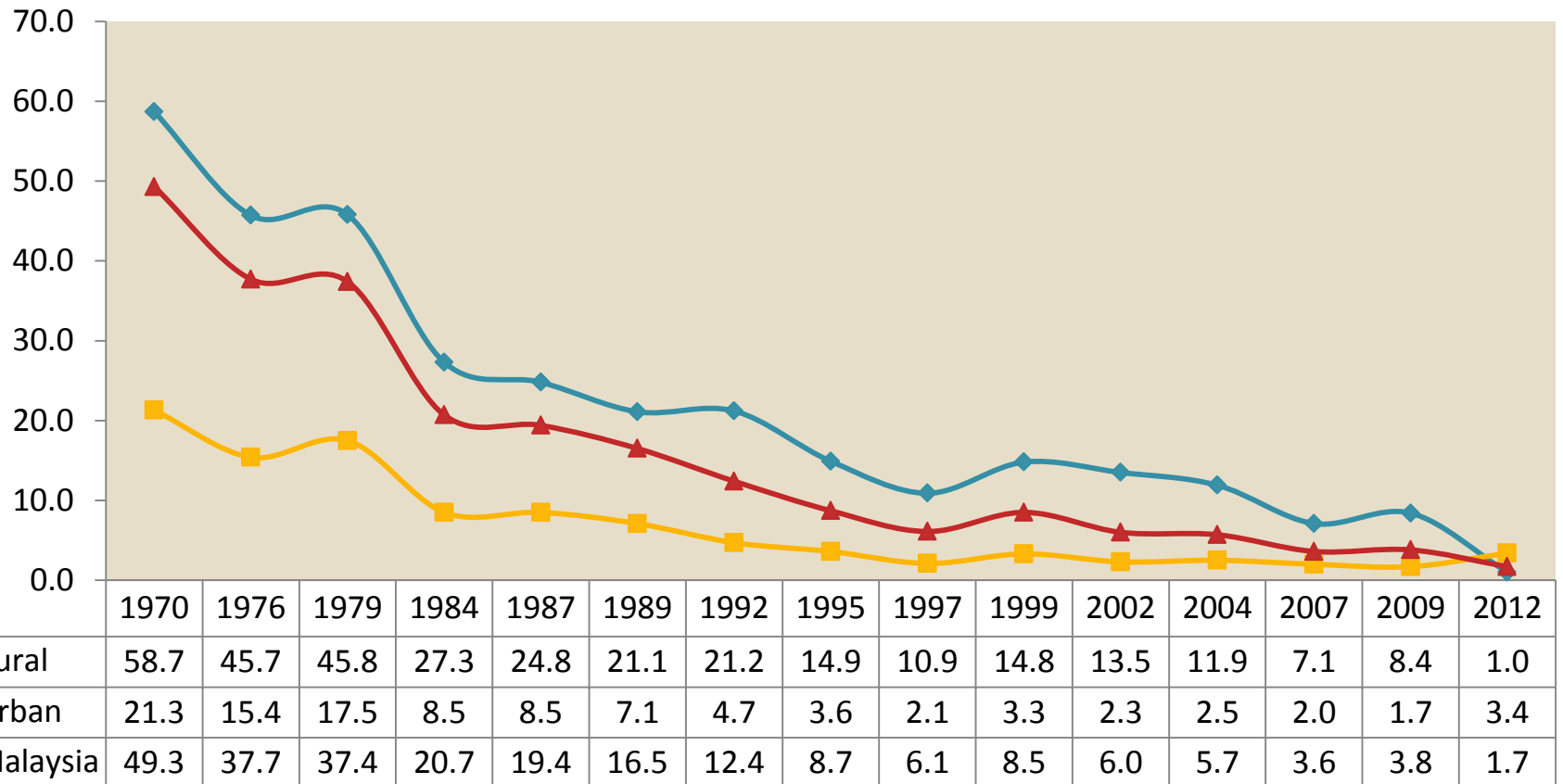
Average household income increased from RM264 (1970) to RM5,000 (2012)



MDG target (1990 - 16.5%) to halve the overall poverty rate by 2015 – achieved in 2000 (8.5%)

# POVERTY ~ significant progress in reducing poverty incidence for both rural and urban areas

Incidence of poverty (%)



... overall poverty incidence declined from 49.3% (1970) to 1.7% (2012). Hardcore poverty declined from 6.9% (1984) to 0.2% (2012).

Note: a) 1970, refers to Peninsular Malaysia only; b) Starting 1989 data is based on Malaysian citizen;  
c) From 1999 onwards, calculation of poverty is based on 2005 methodology

Source: Economic Planning Unit and Department of Statistics

# PROGRESS: IMPROVEMENT IN HOUSING & INFRASTRUCTURE

Increase access to paved/gravel roads<sup>1</sup>

- Hard surfaced roads increased from 114,600km (2007) to 145,200 km (2011)

Increase housing units with piped water<sup>2</sup>

- The households with access to piped water increased from 83.2% (1990) to 92.4% (2010)

Increase housing units with electricity<sup>2</sup>

- The households that have access to electricity increased from 80% (1990) to 96.9% (2010)

Increase households with fixed line and mobile telephone<sup>2</sup>

- The households that have telephone increased from 118,000 (1990) to 1,339,000 (2010)

# PROGRESS: IMPROVEMENT IN HEALTH & EDUCATION

Decrease infant mortality & maternal mortality rates<sup>1</sup> & <sup>2</sup> (per 1000 population)

- Infant mortality decreased from 13.3 (1990) to 6.6 (2011<sup>P</sup>)
- Maternal mortality decreased from 30.6 (2000) to 25.5 (2011<sup>P</sup>)

Decrease doctor-population ratio<sup>1</sup>

- Improvement in doctor-population ratio from 1:2,582 (1990) to 1:791 (2011)

Increase literacy rate<sup>2</sup>

- Literacy rate increased from 85.2% (1990) to 93.1% (2010)

Increase secondary school participation rate<sup>2</sup>

- Secondary school participation rate increased from 68.4% (1990) to 84.9% (2010)

Source: <sup>1</sup>Social Statistics Bulletin 2012, Department of Statistics; <sup>2</sup>Malaysian Quality of Life 2011, Economic Planning Unit  
<sup>P</sup> preliminary



# CURRENT APPROACH OF POVERTY MEASUREMENT & PRACTISES IN POVERTY MONITORING

- Since 1970's, poverty was measured using the absolute measure, (headcount) and basic needs (converted into monetary terms) approach, which encompassed all dimensions of basic needs such as food, housing, education, health etc. (components of Poverty Line Income).
- Poverty Line Income (PLI)
  - ◇ Indicate the amount of income required for minimum standard of living for food and non-food items.
  - ◇ Incorporate comprehensive dimensions of basic needs—food (balanced diet) and non-food (basic needs).
  - ◇ regional based, i.e. three PLIs for Peninsular Malaysia, Sabah & Sarawak.
  - ◇ Take into consideration—households' demographic composition and retail prices by locality to reflect cost of living in the respective region.
  - ◇ Data source: Household Income/Basic Amenities Surveys (HIS/BA).



# CURRENT APPROACH OF POVERTY MEASUREMENT & PRACTISES IN POVERTY MONITORING (cont'd)

- Malaysian Quality of Life Index (MQLI)
  - ◇ To track and monitor development progress in multi-dimensions which include access to infrastructure, utilities and other basic amenities.
- eKasih—Registration for the poor
  - ◇ To identify specific needs of households.
  - ◇ Monitor poverty prevalence and poverty progress.

# LIMITATIONS OF CURRENT POVERTY MEASUREMENTS

- It does not represent an accurate and complete picture of **deprivation and human well-being**.
- Using minimum requirement for basic needs and living standard—does not take into consideration households' preferences and does not reflect social mobility in the society.
- Consumption bias and less focus on human capability and potential.

# **MPI FOR MALAYSIA**

# MPI FOR MALAYSIA

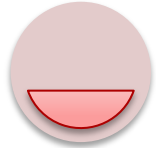
## WHY MPI?

- To complement the national income poverty measure of PLI.
- To meet the households' expectation and reflect social mobility using certain cut-off or standards.
- Focus on human dimensions to enhance capability and mobilise human potential.
- To monitor the effectiveness of poverty intervention.
- Improve targeting, identify and focus on priority groups as well as locality and design of development programmes:
  - ◇ High impact
  - ◇ Efficient and effective resource mobilisation

# METADATA

<b>Year</b>	<b>2009</b>
Dataset Source	Household Income/Basic Amenities Survey (HIS/BA)
Population Sample	43,026 households
Unit of Analysis	Households

# DIMENSIONS & INDICATORS

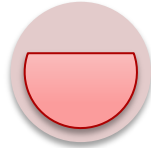


## **THREE (3) DIMENSIONS**

Education

Health

Living standards

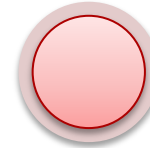


## **TEN (10) INDICATORS**

Education (two indicators)

Health (two indicators)

Living standards (six indicators)



## **WEIGHTS**

Using equal weights across dimensions which reflect equal importance of the dimensions in the development priority

# CUT-OFF & WEIGHT

Dimension	Indicator	Deprivation Cut-offs	Weight
Education	Years of Schooling	<p>All household members aged 17-60 have less than eleven years of education.</p> <p>In the absence of household members aged 17-60, all household members aged &gt;60 years old have less than six years of education.</p>	1/6
	School Attendance	Any school age children aged 7-16 not in school	1/6
Health	Toilet Facility	Other than flush toilet	1/6
	Access to Safe Drinking Water	Other than treated pipe water inside house and public water pipe/stand pipe	1/6



# CUT-OFF & WEIGHT (cont'd)

Dimension	Indicator	Deprivation Cut-offs	Weight
Living Standards	Conditions of Living Quarters	Dilapidated OR Deteriorating	1/18
	Room Density	>2 members/room	1/18
	Garbage Collection Facility	No facility	1/18
	Transportation	Does not own a car AND a motorcycle	1/18
	Basic necessities for food preparation	Does not own any refrigerator AND EITHER an electric OR kerosene OR wood/charcoal stove	1/18
	Access to basic communication tools	Does not have a radio OR television, AND fixed line phone OR mobile phone, AND PC/laptop OR internet	1/18

# NORMATIVE JUSTIFICATIONS



Dimension	Indicator	Justifications
Education	Years of Schooling	<ul style="list-style-type: none"> <li>▪ Sixth Malaysia Plan (1991-1995)</li> <li>▪ Preliminary Report of Education Blueprint (2013-2015)</li> </ul> <p>→Mandatory eleven years of formal schooling</p> <p>→Proxy to minimum quality of education/ knowledge for basic capability</p>
	School Attendance	<ul style="list-style-type: none"> <li>▪ Third NKRA of GTP</li> </ul> <p>→provide greater access to affordable &amp; quality education</p> <p>→aims to increase access to basic education &amp; improve student outcome</p> <ul style="list-style-type: none"> <li>▪ Indicates learning opportunity</li> </ul>
Health	Toilet Facility	<ul style="list-style-type: none"> <li>▪ Proxy indicators that can influence health outcome and disease preventions</li> <li>▪ Closest available information that reflects quality of health</li> </ul>
	Access to Safe Drinking Water	

# NORMATIVE JUSTIFICATIONS (cont'd)

Dimension	Indicator	Justifications
Living Standards	Condition of Living Quarters	<ul style="list-style-type: none"> <li>▪ Higher household spending</li> </ul> →reflects quality living
	Room Density	
	Garbage Collection Facility	A vital criterion of a developed nation →efficient waste management facility reflect quality living standard—conducive & healthy environment
	Transportation	Means to productive, effective and efficient lifestyle →reflect socioeconomic capability
	Basic necessities for food preparation	Minimum resources to prepare food for own consumption
	Access to basic communication tools	<ul style="list-style-type: none"> <li>▪ Means of modern communications</li> <li>▪ Focus of 10MP—raising household broadband penetration to 75% by the end of 2015</li> </ul> →reflects capability and knowledge economy

# POSSIBLE CHANGES IN THE INDICATORS WITHIN DIMENSIONS

→ using HIS/BA 2012

HEALTH		LIVING STANDARDS	
<u>Current</u>	 <u>HES 2012</u>	<u>Current</u>	 <u>HES 2012</u>
<ul style="list-style-type: none"><li>▪ Toilet facility</li><li>▪ Access to safe drinking water</li></ul>	<ul style="list-style-type: none"><li>▪ Access to health facilities (including mobile health facility)</li><li>▪ Child mortality</li></ul>	<ul style="list-style-type: none"><li>▪ Basic necessities for food preparation</li></ul>	<ul style="list-style-type: none"><li>▪ Access to safe drinking water</li><li>▪ Transport facilities</li><li>▪ Assets</li></ul>

# NEXT STEPS

- Finalise MPI results—simulate using indicators & deprivation cut-offs, poverty cut-off ( $k$ -value) and weights.
- Results to be utilised for National Human Development Report and Eleventh Malaysia Plan.
- Share the initial work and results with stakeholders.
- Review the forthcoming HIS/BA 2014/15 questionnaire to incorporate additional questions for a more comprehensive MPI.

# CONCLUSION

MPI will help to complement our effort to monitor poverty and identify development gap for the formulation of a more inclusive development policy and intervention by identifying the most vulnerable groups and indicating deprivation from multidimensional perspectives and intensity of deprivation.



**THANK YOU**  
ECONOMIC PLANNING UNIT,  
PRIME MINISTER'S DEPARTMENT OF MALAYSIA

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