

Beyond Numbers: Why Measuring Poverty Matters

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As we start, I'd like to acknowledge the traditional custodians of the land and waterways on which we gather, and pay my respect to the Aboriginal and Torres Strait Islander Elders past and present. In tonight's venue, this group is the Wurundjeri People of the Kulin Nation.

I would also like to offer heartfelt thanks and genuine admiration the leadership, the voice, the energy and vision of BSL – of Trav the amazing team who at or working alongside BSL. And that includes, I believe, most of you here. Their enduring and determined commitment continually to align with, join forces with and draw attention to the needs impoverished Australians and work for lasting change gives them a unique insight voice and credibility in these issues today.

And there can be a link between such determination and commitment – which I know many of you share – and the need in our day to measure poverty visibly and explicitly.

As Miguel Szekely in Mexico put it,

“A number can awaken consciences; it can mobilise the reluctant, it can ignite action, it can generate debate; it can even, in the best of circumstances, end a pressing problem.” (*Numbers that Move the World* – my translation)

Coming up to fifty years after the Henderson Inquiry, a primary reason to measure poverty officially in Australia could be to provide public recognition to distressing situations of disadvantage, because giving them visibility, precision and recognition could invite new actors, energies and angles of approach that might be creative and effective – building the lasting change which BSL seeks to summon.

Yet BSL and many of you here gathered work on these issues already. How might official statistics on poverty add anything new? Sir Tony Atkinson, a late and beloved scholar who spent his career working on poverty and inequality, wrote his first book on poverty in 1969 and his last book was published posthumously in 2019 – so 50 years apart, just like the 50 years from the Henderson Inquiry.

In this last book, with the wisdom of hindsight, he observed that learning about the extent of poverty as academics, students, researchers, is simply not enough:

“It is the link with action that marks out [poverty measurement] from many other subjects of study in the social sciences. Poverty statistics matter because they motivate people to tackle a key challenge.” (2019, p 1)

Atkinson reminds us that John F Kennedy read Herrington's *The Other America* detailing the extent of poverty right after visiting rural Appalachia. This motivated Kennedy to roll out a strong anti-poverty programme. Looking at the United Nations' Sustainable Development Goals, the first SDG is to end

poverty in all its forms. And Atkinson observed that statistical evidence on poverty has become a stronger influence on political action in the SDG era, precisely because poverty statistics are increasingly recognised as a performance indicator.

A performance indicator is something that assesses whether or not you're doing what you have decided you want to do. If I want to get more exercise, it could be my step count. So a performance indicator helps by providing feedback on progress towards a desired goal, in our case this evening, a societal goal.

So from Szekely, we learn that poverty statistics make poverty visible, and can mobilise the reluctant and bring change. And from Tony Atkinson, we recognise that poverty statistics in a political and social context like Australia, can seed action and also provide a performance indicator that recognises incremental progress.

I mention these because both understandings of poverty measurement avoid perhaps the most common reaction to the word poverty which is guilt, if not fear, that a number which we cannot change will be used to condemn us. The rest of our time together I'd like to emphasise that poverty measurement can be a tool for action and for hope: it can show avenues of change, find places that have changed, celebrate what they've done, and clarify what else might be done. So that's what I'd like to talk with you about today.

The framework for my work, like the framework for the Brotherhood of St. Laurence, has been the work of Nobel Laureate Amartya Sen, who alongside many very formal and sophisticated analyses of economic and social welfare proposed a framework for thinking about poverty and wellbeing, the Capability Approach. He used it to discuss very concrete issues of poverty and disadvantage all his life, and continues to do so in his 90s now.

In listening to and scrutinising situations of impoverishment Sen observes, and I quote: "there can be coupling of disadvantages that poor people can experience several at the same time. And this is critically important to consider."

And so if measurement is meant to show what Professor Glyn Davis termed an off ramp out of poverty, then it needs to consider monetary aspects, and these multidimensional overlapping deprivations as well. These are already being done in Australia one by one, but they are not collected up into an official measure.

The other source of authority for our work and for the work of BSL and others, are the protagonists who are truly the experts on poverty and in participatory studies in Australia and across the world. In context after context they explain how poverty is about different challenges that strike them at the same time. Work on poverty must take this perspective, their perspective.

Angus Deaton, another Nobel Laureate in economics, observes that across the world, high income countries "underline the importance of monetary indicators of poverty being accompanied by nonmonetary indicators".

So a proposal that Australia measure poverty, a proposal that builds on academics like Sen and Deaton and most importantly on the protagonists and the organisations like BLS who work most closely with

them, is a proposal that Australia release two official permanent measures of poverty: monetary and multidimensional. Now a word on language: poverty may not be the right word, you could also call it entrenched disadvantage or deprivation. The word needs to be one which imparts dignity and resonates with many. I'll call it poverty but you could change that.

But what is a multidimensional poverty measure? How can it shape policy? And how it can be a cause for hope and make quiet success visible? This is the topic of the rest of our time together.

Now I have to have one slide on how to measure because that happens to be my passion. But if you think you need a fancy bit of math and economics to do it you will be astonished to find you only need multiplication, something that your children or grandchildren could do. Sorry to disappoint – but measurement is fundamentally simple.

How do you make a multidimensional poverty index? First, there's a technical and a social conversation on what poverty is that leads to the selection of indicators that imperfectly outline poverty. It's already going on and has been for some time, so measuring poverty would be distilling the insights that exist. In parallel, geeks and statisticians play with the data, make trial measures and test them to shortlist options that is robust in a plural society.

Dimensions	Indicator	
Employment	Marginal attachment to workforce	1/6
	Underemployment	1/6
Education & Skills	Low education	1/6
	Little work experience	1/6
Health	General health	1/12
	Physical health	1/12
	Mental health	1/12
	Long term health condition or disability	1/12

After you've selected indicators, then start with each person and see which of the possible deprivations they experience. And you collect these into their deprivation score. If a person has a critical mass of deprivations – for example, one-third or more – they are identified as poor and otherwise, as non-poor.

Once you've identified who is poor, then you can say one thing immediately: what percentage of the population are poor, for example, 15%. Among the poor, you look at the average deprivation score. Overall in Australia, let's say people would be deprived in 42%.

Now comes the drumroll of fancy measurement: when you multiply both of these together, you get a multidimensional poverty index or MPI,

$$\text{MPI} = H \times A$$

where H (Incidence) is the percentage of the population who are poor, and A (Intensity) is the average deprivation score among the poor. In this example,

$$H = 15\%$$

$$A = 42\%$$

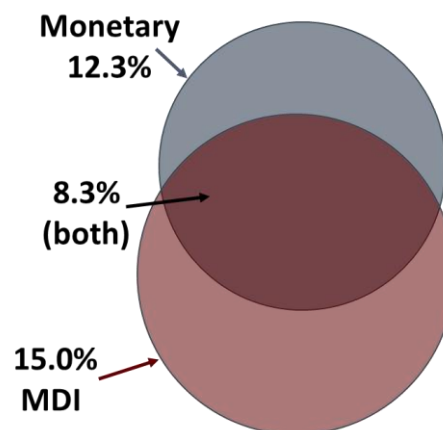
$$\text{MPI} = .063$$

Here's the trick that moves policy. You get the same MPI if you take all of the deprivations of all the poor people, weight them and add them up. So you can break down the MPI indicator by indicator, and see what the deprivations poor people are experiencing now. And the reason an MPI is motivational is that if any deprivation of any poor person goes down, MPI goes down. It shows change directly and at once – during electoral cycles.

So how does this measure link to action? Let's start with the suggestion that Australia might have both a monetary and a multidimensional index. I must remind you that OPHI compute a global MPI for 110 developing countries; and that SDG 1.1 focuses on monetary poverty and SDG 1.2 on multidimensional poverty. Eighty-four countries (including 34 European countries) report multidimensional poverty, and 43 of these – 3 billion people – report a national MPI in the global SDG database.

Why use both? Don't they overlap? In America, the US Bureau of census produces their national multidimensional deprivation index, MDI. By the official income poverty measure in America, 12.3% of people are poor. According to the MDI it's 15%. You might presume that everyone who is monetary poor is MDI poor. But actually only 8.3% are poor by both measures.

US Multidimensional Deprivation Index



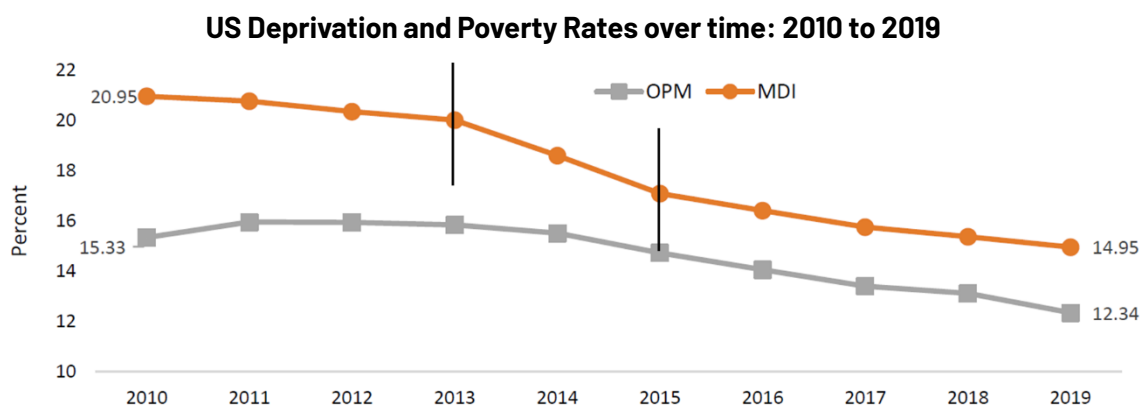
If only monetary poverty was measured, then 6.8% of the US population, 21 point 7 million people, would be experiencing two out of the six deprivations in the US deprivation index, and nobody would know. Nobody would care. It would feel invisible. An MPI makes their condition visible and makes progress tractable. It shows which deprivations exactly they have and how these change.

The World Bank and UN Agencies now recognise that multidimensional and monetary poverty measures complement each other. Think of the minions - some have one eye, some have two. If you have two eyes, you can see further into poverty. Advisable.



So how does an MPI motivate? Let's move to India. India released its baseline national MPI in 2022 using 2015/16 data, and they updated it in 2023. What they found was that in a period in which they had not yet been using a multidimensional poverty index, MPI had fallen from nearly 25% to under 15% in just four and a half years. Well over 100 million people exited poverty. The poorest states and districts reduced poverty the fastest. And all 12 indicators reduced significantly. This links to hope. A number of countries, when they back compute their MPI, find actually, they had already been making progress, but they didn't know it. They didn't have a measure that gave them credit for what's already happened. I wonder what would happen in Australia.

Another country to measure trends, coming back to America, shows the need to measure both: monetary trends on the bottom of this (the grey), and multidimensional trends on top (the orange). And you say, "don't they walk together?" You see, monetary went down by three percentage points and multidimensional by six percentage points in nine years.



Source: U.S. Census Bureau, 2010 through 2019 American Community Surveys.

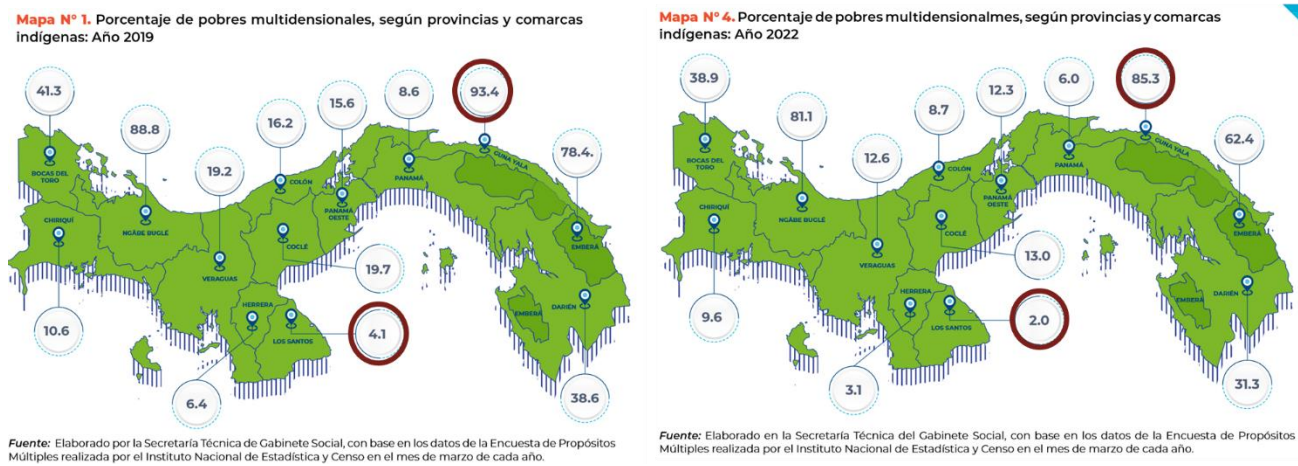
But you see that little steep portion: from 2013 to 2015, that was a time when the US introduced affordable health care. Monetary poverty couldn't see the benefit, but a multidimensional index could.

Next: MPI is a performance indicator. But how can you use an MPI improve your performance? One way is to look where the budget is allocated. When Costa Rica's government looked at the indicators that they had decided were public priorities they found some indicators that had come up as priorities, but had zero public expenditure. Ana Helena Chacon, the vice president, was in charge of social policy, and President Solis issued a presidential decree that the budget allocation formulae must include multidimensional poverty. He did this during a time of fiscal austerity. So they found in areas where

there was duplication that could be cut in their programming. So they reallocated the money and on a fixed budget, poverty reduction accelerated.

A key question in terms of recognition, performance and motivation is to recognise disparities – geographically or among children, the elderly, persons with disabilities, and so on. In Panama, the MPI showed that levels of poverty in Indigenous Comarcas were shockingly high. Yet the government knew something was wrong there, but monetary poverty wasn't show it. Their MPI gave them something very clear, very tangible, and Panama's measure had been built through a participatory process.

Poverty reduction in Panama from 2019 to 2022



As you see, in the poorest Comarca in 2019, 93% of people were poor, whereas in Los Santos, it was 4.1%. Three years later, Los Santos had come down to 2% but the Indigenous Comarcas had come down much faster – the worst fell from 93 to 85%. They were catching up, not being left behind.

And another group, which is often a focus of attention, is children. In that global multidimensional poverty measure, we look at 1.1 billion out of 6.1 billion people are identified as living in acute poverty in the developing world. Half of them have not celebrated their 18th birthday, they are children. So looking at children is vital. And in every national MPI that has disaggregated by children, they are never less poor than adults and usually significantly poorer.

Now, coming back to practicalities, how does this work? The former President of Colombia and Nobel Peace Prize Laureate, Juan Manuel Santos became president in 2010 to a country with a 40 year civil war, and he realised he could not build peace without addressing poverty. So in 2011 he launched the multidimensional poverty index, and with management support from the Blair government and from McKenzie, used their 15 MPI indicators as key performance indicators, and set annual management targets. He formed a roundtable chaired personally by the President, with nine ministers who could not send delegates, and they looked at the stoplight, and if an indicator was red, the minister was asked by the President, what's stuck? That took incredible political courage, but it worked. Both monetary and multidimensional poverty reduced by 1/3 in eight years while the peace accord was negotiated. Santos' OUP book on the subject (*The Battle Against Poverty*) was published last year.

Example: Colombian MPI integrated with management

● 0%-10% progress ● 10%-25% progress ● >25% progress

Poverty	Baseline	Year 1	Year 2	On track?	Goal Year 4	
MPI (Multidimensional Poverty)	34.7%	29.4%	27.0%	●	22.5%	
A ⁶ <ul style="list-style-type: none"> Educational achievement (≥15 yrs) Literacy (≥15 yrs) 	58.8%	54.6%	53.1%	●	52.8%	
	14.2%	12.0%	12.1%	● ★	12.0%	
B ⁶ <ul style="list-style-type: none"> School attendance (6-16) No school lag (7-17) Access to child care services (0-5) Children not working (12-17) 	5.4%	4.8%	4.1%	●	3.5%	***
	33.4%	34.1%	33.3%	●	33.1%	***
	12.1%	10.8%	9.4%	●	10.6%	***
	5.5%	4.5%	3.7%	●	2.9%	***
C ⁶ <ul style="list-style-type: none"> Long-term unemployment Formal employment 	9.6%	9.1%	10.0%	● ★	9.3%	***
	80.6%	80.4%	80.0%	●	74.7%	***
D ⁶ <ul style="list-style-type: none"> Health insurance Access to health services 	24.2%	19.0%	17.9%	●	0.5%	***
	8.9%	8.2%	6.6%	●	2.4%	***
E ⁶ <ul style="list-style-type: none"> Access to water source Adequate sewage system Adequate floors Adequate external walls No critical overcrowding 	12.9%	12.0%	12.3%	● ★	10.9%	***
	14.1%	14.5%	12.1%	●	11.3%	***
	7.5%	6.3%	5.9%	●	5.6%	***
	3.1%	3.2%	2.2%	●	2.1%	***
	15.7%	14.2%	13.1%	●	8.4%	***

And finally, addressing poverty is not one institution's job. A poverty measure must also be communicated to many different actors, the NGOs, the private sector, the students, local governments, because many hands make like work. President Santos invited 39 CEOs of some of the largest companies in Colombia to a very poor area in Cali. With culturally sensitive framing they were asked to don the blue vests of the social officers that worked at the grassroots level and given a clipboard with 40 some questions. They went into the homes and enquired about lives. For many, it was the first time to interact face to face with such families, to hear their circumstances, to see their pain and joy, their common sense and wisdom and humour. Many CEOs were motivated to contribute to change.

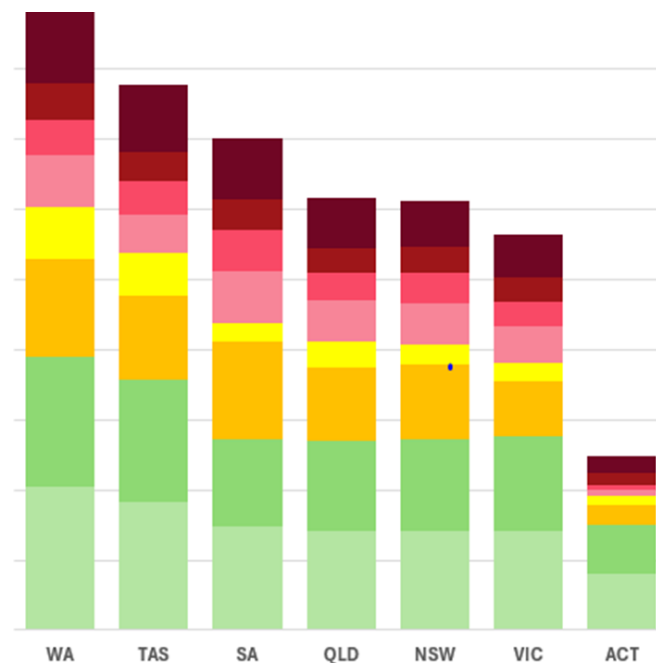
So these are some ways that an official MPI in Australia might be, not a heavy bludgeon of despair that cannot change but a catalyst for action that makes visible and celebrates success.

I'd like to conclude by hesitantly sharing with a toy example in Australia. I call it a toy example because it doesn't have all of the details worked out. And I show imperfect work deliberately, because to make an MPI for Australia would require many hands and hearts and minds. Lhachi Selden and I used merely eight of the 30 indicators from the BSL social exclusion monitor (with thanks to its authors for their code) applied to the HILDA 2022 survey. We grouped these into three equally-weighted dimensions: employment, education and skills, and health. Indicators within each dimension are equally weighted. A person was poor if their deprivation score was 1/3 or higher.

Indicators in Australian MPI 'toy example'

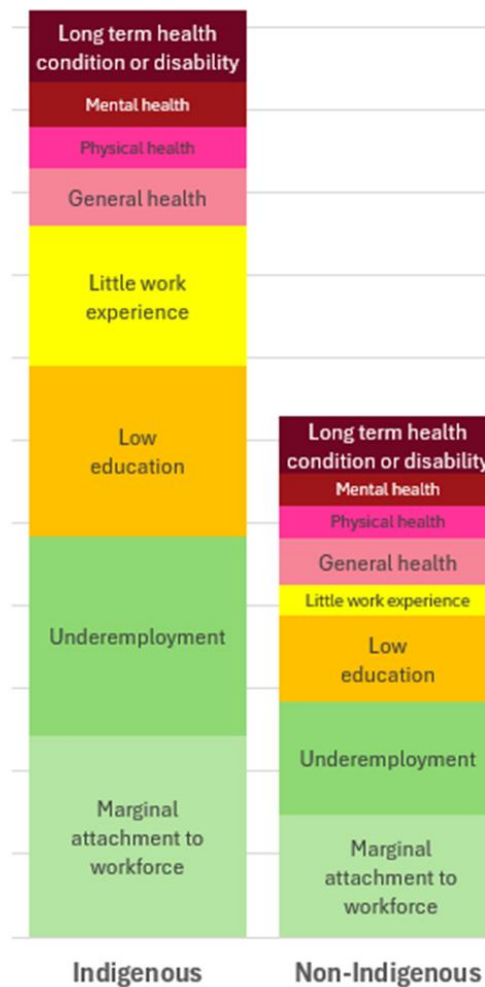
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Overall 15% of Australians were poor in this toy example, and average intensity was 42%. If you look across states of Australia, (we dropped the Northern Territory for sample size reasons), poverty ranges from six to 20%. *(Important: This is a toy example using rough indicators and partial data. An MPI for Australia would require a process for choosing indicators + a technically validated measure.)*



MPI level and composition by state ('toy' example)

For Aboriginal and Torres Strait Islanders, 23% of people are poor versus 15% otherwise. This is a bigger disparity than by monetary poverty, where overall 14% of people are poor and 18% of Indigenous.



MPI breakdown by Indigenous status ('toy' example)

And you can also see what to do. If you look at the two columns above, you can see that among the First Nations communities, the yellow bar - little work experience - is much taller than for the rest. So that's clearly a distinct priority whereas health is an issue across the board.

So using an MPI we know who's poorest. We know, indicator by indicator, what to do nationally and what might be special needs in different regions or among different groups. What I've tried to do is to suggest that Australia would consider measuring poverty. I am not suggesting poverty measures that would induce guilt, paralysis, or a dread and feeling nothing can be done. Rather, I hope I've shown how MPIs are meant to make visible disadvantages disparities that we already know matter, that we are already working on. But it makes them visible in ways that can be linked to action and that are performance indicators helping us step by step, to recognise and celebrate our own gains, and to invite extra effort and imagination in places where poverty persists.

So I'd like to leave you in closing simply with words of Nelson Mandela: "Remember, hope is a powerful weapon".