ABSTRACT

Poverty is a multifaceted phenomenon and different societies have different perceptions of poverty. There are three main classifications of poverty. Firstly, the absolute poverty concept, one is having less than objectively-defined thresholds. Secondly, the relative poverty concept, one is having less than others have in the same society. Thirdly, the subjective poverty concept, one is feeling that he or she does not have enough to get along. Economists agree that different poverty concepts are related to the status of development of the countries; calorie poverty (absolute) in less developed, expenditure or basic needs in developing, relative poverty in emerging economies and subjective well-being in developed countries. Malaysia, currently employs the calorie poverty measurement although she is gearing towards a fully developed nation. Thus, this paper identifies there is a gap between the poverty measurement employed and the status of the nation whereas developed nations have shifted their focus to relative and subjective poverty.

The objective of the present paper is twofold. Firstly, to identify vital statistical data deemed necessary to measure poverty in the current Malaysian context using the relative poverty method introduced by Economic Planning Unit (EPU) suited to the development status of the nation. Secondly, to present a multidimensional poverty measurement for Malaysia based on our study comprising of five dimensions, namely spirituality, knowledge, physical-self, offspring and wealth undertaken in the state of Selangor.

Keywords: Poverty, measurements, multidimensional, monetary indicators

1.0 INTRODUCTION

Poverty is a multifaceted phenomenon and different societies have different perceptions of poverty. There are three main classifications of poverty. Firstly, the absolute poverty concept, one is having less than objectively-defined thresholds. Secondly, the relative poverty concept, one is having
less than others have in the same society. Thirdly, the subjective poverty concept, one is feeling that he or she does not have enough to get along. Literature have shown that different poverty concepts are related to the status of development of the countries; calorie poverty (absolute) in less developed, expenditure or basic needs (absolute) in developing, relative poverty in emerging economies and subjective well-being in developed countries. Absolute poverty may disappear as countries and regions become richer, but the relative deprivation and subjective poverty would persist. In a diverse country like Malaysia with vast regional differences, a person in Sabah and Sarawak (the highest poverty rate) might perceive poverty as the deprivation of basic needs while a person in Selangor (the most developed state) might perceive poverty as the relative deprivation.

Malaysia, currently employ the calorie poverty measurement although she is gearing towards a fully developed nation. According to the Growth Report 2008, Malaysia is one of the thirteen countries that successfully sustained growth of more than 7% over at least 25 years since 1950 and is currently classified as an upper middle-income country as reported by Tenth Malaysia Plan 2011-2015 Report published by Economic Planning Unit (EPU). Thus, this paper identifies there is a gap between the poverty measurement employed and the status of the nation whereas developed nations have shifted their focus to relative and subjective poverty. The objective of the present paper is twofold. Firstly, to identify vital statistical data deemed necessary to measure poverty in the current Malaysian context using the relative poverty method introduced by EPU suited to the development status of the nation. Secondly, to present a multidimensional poverty measurement for Malaysia based on our study comprising of five dimensions, namely spirituality, knowledge, physical-self, offspring and wealth undertaken in the state of Selangor. This paper is organized as follows. The next section outlines the poverty measurement from the global perspective whereas poverty measurement in the Malaysian scenario is deliberated in section III.
Section IV presents the gap in the Malaysian poverty measurement. Finally, the conclusion of the study is highlighted in section V.

2.0 POVERTY MEASUREMENT FROM THE GLOBAL PERSPECTIVE

The development in the modern measurement of poverty has undergone various distinguished stages (Moisio, 2001) beginning with the absolute poverty approach pioneered by Rowntree in the beginning of the 29th century in England, until the early of the 1970s which saw the introduction of relative poverty pioneered by Peter Townshend (1979). Both of these income approaches were obviously measuring poverty as the lack of material resources. The next stage began with the introduction of poverty as poor living conditions such as deprivation. Works by Ringe (1985) and Bergman (1995) supported works by Sen (1979, 1980, 1987) who introduced deprivation, well-being and capability, widely known as multidimensional poverty which is conceptualized as objective and subjective well-being. Objective well-being explains measurable indicators such as number of rooms in a house, number of meals taken, type of dwelling ownership and assets acquired. The subjective poverty concept means that one is feeling that (s) he does not have enough to get along and is difficult to quantify such as happiness and satisfaction. Niemietz (2011) summarized the two definitions of subjective poverty: 1) self-assessment of the poor condition and 2) self-reporting the minimum income to maintain a minimum decent standard of living. Today, the subjective well-being concept is widely utilized by researchers in developed countries.

and understanding of poverty especially in rich countries. Acknowledging the relevance of multidimensionality in conceptualizing poverty, the Oxford Poverty and Human Development Initiative (OPHI) recently introduced the Multidimensional Poverty Index (MPI) developed by Alkire and Santos (2010) for the United Nations Development Programme Report 2010. MPI has three dimensions, namely health, education and standard of living using ten indicators using data of 104 developing countries.

3.0 POVERTY MEASUREMENT IN THE MALAYSIAN SCENARIO

In the past, the Economic Planning Unit (EPU) uses the concept of the Poverty Line Income (PLI) to measure poverty through the absolute poverty concept. Basically, there are two widely used nutrition-based approaches to selecting the absolute PLI: the food energy intake (FEI) method and the cost of basic needs (CBN) method (UNDP, 2007). Currently, EPU adopt the CBN method in defining the absolute poor. The CBN method identifies a consumption bundle deemed to be sufficient to meet basic consumption needs than estimates the cost of purchasing (or ‘prices up’) such a bundle. The CBN is based on household utility and socially determined to be poor if she/he consumes less than the basic need, because she/he could achieve it with an appropriate reallocation of her/his budget. It is way an individual might prefer a mix of and non food that her/him in the poor category to one that meets the CBN threshold. The question that always arises is how to define the costing of a ‘subsistence diet’.

The FEI measure: the actual per capita calorie food energy intake of each household; and the household’s total income (or expenditure) per capita. Currently, this method named as had al kifayah is being adopted by Malaysian zakat institutions taking into account shariah principles known as maqasid al-shariah (objective of the religion). There are two advantages of the FEI method. Firstly, it automatically takes into account non-food spending. Secondly, the method is computationally simple. A common
practice is to set the PLI equal to the mean income or expenditure of a sub sample of households whose actual caloric intake are approximately equal to the stipulated requirements. The application of FEI can lead to some anomalous results due to it being based on actual food consumption such as a person who chooses to buy fewer more expensive and more expensive calories would be deemed as poorer than another person at the same real expenditure level’ (Ravallion, 1998 & 2012).

![POVERTY MEASUREMENT & DEVELOPMENT STATUS](image)

**FIGURE 1: Poverty Measurement and Development Status of Nations**

4.0 GAP IN MEASUREMENT: PROPOSING RELATIVE POVERTY & MULTIDIMENSIONAL MEASUREMENT FOR MALAYSIA

The present paper study would like to focus on the two widely used poverty measurement in developed countries, namely relative poverty approach and multidimensional poverty which could be employed in Malaysia in the near future suitable with her status of a developing nation transforming to developed nation. Relative which interprets poverty in relation to the prevailing standards of the society at the time. Townsend
(1979) defined it as a ‘failure to keep up with the standards prevalent in a given society’. This approach recognizes explicitly the interdependence between the poverty line and incomes throughout the entire distribution. This approach is based on the concept of “relative deprivation”, which denotes the deprivation suffered by the worse-off persons in the society relative to the better-off persons. Under this definition, the poor are those who gain when income becomes more evenly distributed and the non poor are those who lose. The PLI under this approach changes with the average earnings of the wage and salary earners. For example, the European Union (EU) and Canada have adopted this approach. Relative poverty defined a household as poor if its income per adult equivalent is below 60 per cent of the median income per adult equivalent. OECD countries set relative poverty between 40-60% (OECD, 2008).

Kakwani (2001) argues that the relative approach is not appropriate to measure poverty in developing or less developed countries due to the fact that the concern is more with the absolute standard of living, to ensure that nobody in the society should have a standard of living that is below the “minimum necessary for physical efficiency”. A poverty measure based on a relative approach is, in fact, a measure of inequality and thus we should instead look at various measures of inequality. EPU have computed the relative poverty method but found out that the relative poverty rate were much higher compared of the absolute poverty rate (UNDP, 2007) as shown by Table 1. Thus, for that reason, it could be argued that the absolute poverty was not giving the correct signal to the authorities of the reality of the poverty situation. In other words, the income gap could get bigger although the absolute poverty was decreasing. Hence, it is recommended the relative poverty method to be implemented in the Malaysia poverty computation as to give the right signal to the authorities, as appropriate measures could be undertaken.

<p>| TABLE 1: Absolute and Relative Poverty |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>Absolute Poverty (%)</th>
<th>Relative Poverty (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>9.86</td>
<td>24.5</td>
</tr>
<tr>
<td>1997</td>
<td>6.67</td>
<td>25.2</td>
</tr>
<tr>
<td>1999</td>
<td>8.14</td>
<td>24.4</td>
</tr>
<tr>
<td>2002</td>
<td>6.19</td>
<td>25.7</td>
</tr>
<tr>
<td>2004</td>
<td>5.96</td>
<td>25.6</td>
</tr>
</tbody>
</table>

Note:
1. Poverty rates are based on headcount ratio of households
2. Relative poverty based on 60% of median equivalent

Source: UNDP, Malaysia (2007)

Another method that could be considered in the near future for the Malaysian poverty computation is the multidimensional poverty measurement which was briefly explained in the earlier paragraphs. In the Malaysian context, Mohamed Saladin et al (2011a, 2011b, 2012) have used this method in their study, employing a non-monetary poverty indicator named as the Islamic Poverty Index (IPI) in their study conducted in Selangor using cross section data involving 258 households who have received zakat aids (poor recipients). The dimensions in the IPI were based on human needs (maqasid al-shariah) principles according to Islam as mentioned by JAWHAR (2007), Islamic Relief Worldwide (2008) and Rosbi and Sanep (2010). A comparison was made with the calorie and basic need approach. The calorie method identified only 34 or 13.2% of respondents as poor, 206 or 87.6% according to the basic need (had al-kifayah) and 168 or 71.4% according to the IPI method. However, only 23 or 8% of respondents who are poor in all the three methods. As the IPI is multidimensional in nature as it takes into account various dimensions, it is logical that the IPI has a bigger group of poor.

From the above explanation, it is worthwhile for the authorities to explore the relative poverty and multidimensional poverty method (using indicators
suited to the Malaysian scenario) as to enhance the poverty measurement method in its efforts to identify the correct poor group which would be able to facilitate effective poverty eradication efforts as exemplified by Figure 2.

![Diagram of Holistic Poverty Measurement]

Source: Authors

FIGURE 2: Proposed Holistic Poverty Measurement for Malaysia

5.0 CONCLUSION

The present paper highlights the current scenario of the poverty measurement from a global perspective. Specifically, the introduction of the MPI is highlighted. From a Malaysian perspective, the paper identifies a gap in the poverty measurement. Thus, relative poverty and multidimensional poverty measurement are identified as a near future method of measurement in the Malaysian context suited with her status of high middle income nation. The relevant statistical data related to this method could be utilised to appropriately measure poverty. Consequently, poverty eradication efforts could be carried out more effectively. In addition, Malaysia is undergoing transformation efforts towards a developed nation. When Malaysia realise a fully developed status, it would have to move towards subjective well being measurement, following the footsteps of developed nations. For instance, Japan has developed the Well Being Framework in December 2011 to provide overall well-being for its people, consisting of subjective well-being, socio-economic and sustainability indicators.
REFERENCES