

STATISTICAL DATA FOR APPROPRIATE POVERTY MEASUREMENTS AND POLICY FOR ERADICATION: A MALAYSIAN CASE

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1. 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. Literatures have shown that different poverty concepts are related to the development status of the countries; calorie poverty (absolute) in less developed countries, expenditure or basic needs (absolute) in developing countries, 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 employs 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% for 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 the Economic Planning Unit (EPU). Thus, this paper identifies the gap between poverty measurement employed and status of the nation whereas developed nations have shifted their focus to relative and subjective poverty. The objective of the 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, which is suited to the development status of the nation. Secondly, to present a multidimensional poverty measurement for Malaysia based on our study comprising five dimensions, namely spirituality, knowledge, physical-self, offspring and wealth undertaken in the state of Selangor. This paper is organised as follows: Section 2 outlines the poverty measurement from global perspective whereas poverty measurement in the Malaysian scenario is deliberated in Section 3. Section 4 presents gap in Malaysian poverty measurement. Finally, the conclusion of the study is highlighted in Section 5.

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2. Poverty Measurement From The Global Perspective

The development in modern measurement of poverty has undergone various distinguished stages (Moisio, 2001). It started with the absolute poverty approach pioneered by Rowntree in the beginning of 19th century in England until the early of the 1970s, which saw the introduction of relative poverty pioneered by Peter Townsend (1979). Both of these income approaches were obviously measuring poverty as 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 and 1987) who introduced deprivation, well-being and capability, widely known as multidimensional poverty which is conceptualised 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 he or she does not have enough to get along and it is difficult to quantify such as happiness and satisfaction. Niemietz (2011) summarised the two definitions of subjective poverty: 1) self-assessment of the poor condition; and 2) self-reporting of the minimum income to maintain a minimum decent standard of living. Today, the subjective well-being concept is widely utilised by researchers in developed countries.

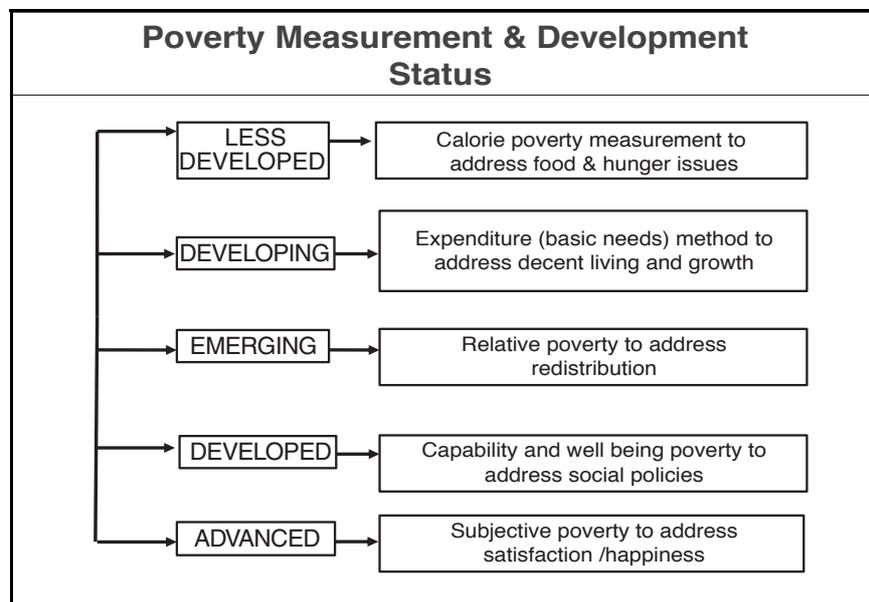
Researchers in developed nations have opted for multidimensional poverty measurement that includes non-monetary indicators as mentioned by Sen (1977, 1987 and 1992); Nasbaum (1997 and 2003); Laderchi (2000 and 2003); Waggle (2005, 2007 and 2008); Alkire (2002, 2007 and 2010) and Ravallion (1998 and 2012). Nolan and Whelan (2010 and 2012) highlighted that non-monetary indicators together with monetary data would be able to improve the measurement and understanding of poverty especially in rich countries. Acknowledging the relevance of multidimensionality in conceptualising 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, based on ten indicators using data of 104 developing countries.

3. Poverty Measurement in the Malaysian Scenario

In the past, the EPU employed 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: food energy intake (FEI) method and cost of basic needs (CBN) method (UNDP, 2007). Currently, EPU adopts CBN method in defining the absolute poor. CBN identifies a consumption

bundle deemed to be sufficient to meet basic consumption needs then estimates the cost of purchasing (or 'prices up') such a bundle. CBN is based on household utility and socially determined to be poor, if he or she consumes less than the basic needs, because he or she could achieve it with an appropriate reallocation of his or her budget. It is a way an individual might prefer a mix of food and non-food that he or she in the poor category to one that meets CBN threshold. The question that always arises is how to define the costing of a 'subsistence diet'.

FEI measures the actual per capita calorie food energy intake of each household; and household's total income (or expenditure) per capita. Currently, this method, which is named as had al kifayah, is adopted by zakat institutions in Malaysia taking into account shariah principles known as maqasid al-shariah (objective of the religion). There are two advantages of FEI method. Firstly, it automatically takes into account non-food spending. Secondly, the method is computationally simple. A common practice is to set PLI equal to mean income or expenditure of a sub sample of households whose actual caloric intakes 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 and more expensive calories would be deemed as poorer than another person at the same real expenditure level (Ravallion, 1998 and 2012).



4. Gap In Measurement: Proposing Relative Poverty and Multidimensional Measurement For Malaysia

This section focuses on the two widely used poverty measurement in developed countries, namely relative poverty and multidimensional poverty approach which could be employed in Malaysia in near future in line with her status of a developing nation transforming to a developed nation. Relative poverty 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 recognises explicitly the interdependence between poverty line and incomes throughout the entire distribution. This approach is based on the concept of 'relative deprivation', which denotes 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. 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 defines a household as poor if its income per adult equivalent is below 60% of the median income per adult equivalent. OECD countries set relative poverty between 40-60% (OECD, 2008).

Kakwani (2001) argues that relative approach is not appropriate to measure poverty in developing or less developed countries due to the fact that the concern is more with absolute standard of living, to ensure that nobody in the society should have a standard of living 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 has computed the relative poverty but found out that the rate was much higher compared to the absolute poverty rate (UNDP, 2007) as shown in Table 1. Thus, for that reason, it could be argued that absolute poverty did not give the correct signal to the authorities on the reality of poverty situation. In other words, the income gap could get bigger although the absolute poverty level was decreasing. Hence, it is recommended that the relative poverty method to be implemented in the Malaysian poverty computation so as to give the right signal to the authorities, so that appropriate measures could be undertaken.

Table 1: Absolute and Relative Poverty³

Year	Absolute Poverty (%)	Relative Poverty (%)
1995	9.86	24.5
1997	6.67	25.2
1999	8.14	24.4
2002	6.19	25.7
2004	5.96	25.6

Note:

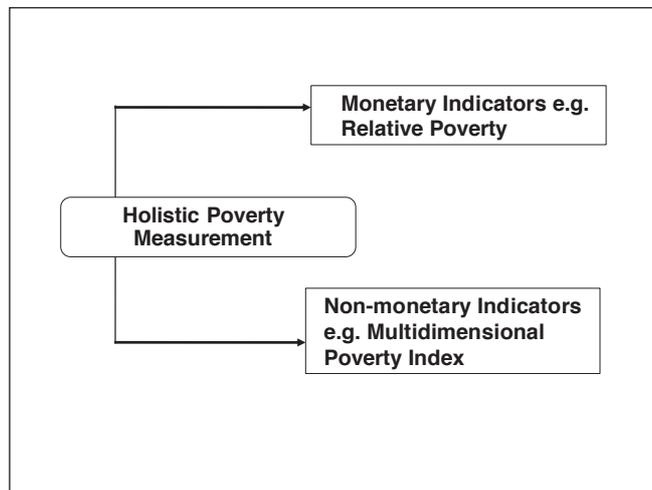
1. Poverty rates are based on headcount ratio of households
2. Relative poverty based on 60% of median equivalent

Another method that could be considered in the near future for Malaysian poverty computation is the multidimensional poverty measurement which was briefly explained earlier. In Malaysian context, Mohamed Saladin et al (2011a, 2011b, 2012) have used this method in their study, employing a non-monetary poverty indicator named as Islamic Poverty Index (IPI) in their study conducted in Selangor by using cross section data involving 258 households who received zakat aids (poor recipients). The dimensions in 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 calorie and basic need approaches. 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 IPI method. However, only 23 or 8% of respondents are poor in all three methods. As IPI is multidimensional in nature, taking into account various dimensions, it is logical that IPI has a higher number of poor.

From the above explanation, it is worthwhile for the authorities to explore relative poverty and multidimensional poverty methods (using indicators suited to the Malaysian scenario) so 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.

³ UNDP, Malaysia (2007)

Figure 2: Proposed Holistic Poverty Measurement for Malaysia⁴



5. Conclusion

This paper highlights the current scenario of the poverty measurement from a global perspective. Specifically, the introduction of MPI is highlighted. From a Malaysian perspective, the paper identifies a gap in the poverty measurement. Thus, relative poverty and multidimensional poverty measurements are identified as a near future method of measurement in the Malaysian context, in line with the 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 realises a fully developed nation 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.

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