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Relationships Between Monetary Poverty and MPI: Joint, Separate or Correlated Distributions?

This paper considers the relationships between MPI and monetary poverty indices in international and national poverty profiles and considers the trade-offs in separate profiles or MPIs that include monetary poverty as a dimension. The paper has three parts. First, it considers the change in headcounts to national poverty points in international profiles that arise as different thresholds for monetary poverty thresholds affects the incidence of MPI and vice versa. The results suggest a linear relationship between poverty headcount change that is common across both indices as thresholds rise and fall. The second part turns to consider how the distribution of monetary welfare differs between deprived and non-deprived households in a range of 4 countries – using a mixture of consumption and income based household welfare distributions. Estimates of crude elasticities between income and deprivations are made in those distributions based on income. This analysis shows how far deprived households are poorer than non-deprived households and how far deprivation status aligns with poverty lines. The third part takes forward the evidence from the first two analyses to show how different assumptions about the level of monetary poverty thresholds and their relationship to deprivation incidence affect MPIs that are calculated in those same countries when income poverty is included in the MPI. The paper concludes by discussing the results and how sensitivity tests should be developed for MPIs that include monetary poverty as a dimension