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Monitoring poverty in Armenia using multidimensional poverty indicators

Prepared by the National Statistical Service of the Republic of Armenia and the World Bank[1]

Abstract

The National Statistical Service of the Republic of Armenia evaluates poverty by means of material (monetary) indicators. In that context, according to the World Bank definition, "poverty is the inability to ensure an acceptable minimum of certain living conditions." For the first time, Statistical Analytical Report "Social snapshot and poverty in Armenia", based on 2013 Integrated Living conditions survey and released at the end of 2014, also presented some data on non-material poverty using the method of Multidimensional Poverty Index (MPI) .

Using consumption to calculate poverty or deprivation is informative but it has a few limitations. Consumption poverty measures rely on monetizing all consumption of goods and services by households. However, it might not be possible to calculate monetary value of all aspects of a households' wellbeing such as housing conditions, or quality of basic services such as water supply. Another example is unemployment – not having a job has a cost to families that goes beyond loss of earnings because it affects quality of life, and even human dignity. To better capture these dimensions of poverty, a Multidimensional Poverty Index (MPI) has been developed by researchers.

For the first time, the subchapter "Multidimensional Poverty in Armenia" described the poverty experience of Armenia using the MPI and based on data collected from the ILCS. The methodology is based on selecting aspects (or dimensions) of poverty in a country. The technical methods are described in the work of Alkire and Foster (2007), applied by UNDP's Human Development Report (UNDP 2010), and formulated by Alkire and Foster (2011). The MPI asks what percentage of the population is deprived on all or some components of wellbeing. The MPI combines two key pieces of information to measure deprivation or poverty: the incidence of poverty, or the proportion of people (within a given population) who experience multiple deprivations, and the intensity of their deprivation, that is, the average proportion of deprivations they experience. This poverty, or deprivations measure, should be viewed as a useful complement to the consumption based poverty discussed in the "Social snapshot and poverty in Armenia" report

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