

Human Development Index (HDI)

The Human Development Index (HDI) is a measure of economic development. It measures development using three dimensions: health, education and living standards.

Unlike GDP per capita, HDI recognises that development is not just about income. A country may have a high income per person but still have relatively poor health or education outcomes.

For example, Switzerland leads globally with an HDI of **0.97** while South Sudan ranks among the lowest at **0.38**.

The Three Dimensions of HDI

Health

Health is measured using life expectancy at birth. This is the average number of years a person born in a country is expected to live.

Education

Education is measured using two indicators:

- Mean years of schooling → average years of education received by adults aged 25 and over.
- Expected years of schooling → number of years of education a child entering school is expected to receive.

Living Standards

Living standards are measured using real GNI per capita at Purchasing Power Parity (PPP).

PPP adjusts for differences in the cost of living between countries, making comparisons of purchasing power more meaningful.

Higher real GNI per capita → greater ability to consume goods and services → higher material living standards.

Measuring HDI

HDI gives a country a score between 0 and 1. The closer the score is to 1, the higher the level of human development and standard of living.

Advantages of the HDI

HDI is a composite indicator, so it provides a broader measure of development than a single indicator such as GDP per capita. It considers health, education and income.

It is also widely used internationally, allowing comparisons between countries and over time.

Limitations of the HDI

Inequality

HDI uses national averages and therefore does not fully capture inequality. Two countries could have similar HDI scores but very different distributions of income, education and health outcomes.

For example, **South Africa has an HDI of around 0.7, but its IHDI falls to around 0.47** once inequality is considered.

Limited Indicators

HDI only focuses on three main dimensions. Other factors affecting development, such as environmental sustainability, gender inequality and political freedoms, are not directly included.

Other Indicators of Development

HDI should be considered alongside other measures of development. Single indicators can provide more specific information about particular aspects of living standards.

Examples include:

- Infant mortality rate
- Access to clean drinking water
- Energy consumption per person
- Internet access
- Mobile phones per 1,000 people
- Girls completing primary education

Inequality-Adjusted HDI (IHDI)

The Inequality-Adjusted Human Development Index (IHDI) adjusts HDI to account for inequality within a country.

If there is no inequality → $IHDI = HDI$.

As inequality increases → IHDI falls below HDI.

Written by [udoecon.com](https://www.udoecon.com)

The difference between HDI and IHDI represents the loss in potential human development caused by inequality. IHDI can therefore provide a more realistic picture of development than the average HDI alone.

Multidimensional Poverty Index (MPI)

The Multidimensional Poverty Index (MPI) measures poverty using multiple forms of deprivation rather than income alone.

It considers three dimensions:

- Health → child mortality and nutrition
- Education → years of schooling and enrolment
- Living standards → water, sanitation, electricity, cooking fuel, housing and assets

A household is identified as multidimensionally poor when it experiences deprivation across one-third or more of the weighted indicators.

Other Measures of Development

Other measures can be used alongside HDI to provide a broader assessment of development:

- Gini coefficient → measures income inequality.
- Gender Inequality Index (GII) → measures gender disparities.
- Environmental indicators → measure pollution, resource depletion and carbon emissions.

Using several indicators together provides a more complete picture of development than relying on HDI alone.