1.19 The Poverty Trap and the Equity-Efficiency Trade-Off in Redistribution: 10-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required for explanations and the essay. Time guidance: 10 minutes total.

1 State what is meant by the marginal rate of benefit withdrawal (taper rate) for a means-tested benefit in a UK context.

(Total for Question 1 is 2 marks)

2 Explain two reasons why the poverty trap tends to be concentrated among households with part-time or intermittent work patterns rather than those in continuous full-time employment.

(Total for Question 2 is 4 marks)

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Mark scheme · 1.19 The Poverty Trap and the Equity-Efficiency Trade-Off in Redistribution: 10-minute Pack

Question 1

statement that the marginal rate of benefit withdrawal is the proportion of an extra pound of income that is lost due to reduced benefit entitlement	**B1**
explicit statement of units, e.g. a 50% taper means 50p of benefit is withdrawn for each extra pound earned	**B1**

Answer: The marginal rate of benefit withdrawal is the percentage of each extra pound earned that is taken away by a reduction in means-tested benefits, for example a 50% taper withdraws 50p of benefit for every extra £1 of gross earnings.

Question 2

reason 1: means-tested benefits are designed to taper as earnings rise, so small increases from part-time to slightly-more hours can cause large benefit losses	**M1**
development: part-time workers often cross thresholds where benefits withdraw quickly, so each additional hour reduces net income substantially	**A1**
reason 2: intermittent workers face fixed costs of work, such as childcare and travel, which make the net gain from extra hours smaller	**M1**
development: these fixed costs combined with high EMTRs can make additional paid hours financially unattractive for those with unstable hours	**A1**

Answer: Part-time and intermittent workers often face rapid benefit withdrawal for small earnings increases, so small extra hours can cut benefits sharply and reduce net gains. They also incur fixed work-related costs like childcare and travel which further reduce the net benefit of extra hours, making them more susceptible to the poverty trap.

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