1.21 Causes of Poverty and Inequality in Income and Wealth

Total Marks

AQA 7136 · Calculators not allowed · about 75 minutes · Write-in edition

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required for the extended data-response and essay questions.
Time guidance: 75 minutes overall.

1 Explain how discrimination in hiring and pay can contribute to income inequality in the UK. Give up to three distinct explanatory points.

(Total for Question 1 is 3 marks)

2 Data table: Household disposable income by decile in a fictional UK region. Decile 1 (poorest) = 8, Decile 2 = 12, Decile 3 = 15, Decile 4 = 18, Decile 5 = 21, Decile 6 = 24, Decile 7 = 28, Decile 8 = 34, Decile 9 = 45, Decile 10 (richest) = 95. Using this table of household disposable incomes by decile, explain how the data show there is substantial income inequality in this region. Use the data in your answer. (9 marks)

(Total for Question 2 is 9 marks)

3 Discuss which single cause of income or wealth inequality is most significant in the UK today, evaluating competing causes and reaching a supported judgement. Use analysis, evidence and considerations of magnitude, time period and who gains or loses. Draw any diagram you find helpful and explain what it would show.

(Total for Question 3 is 15 marks)

4 Explain how automation and technological change can increase income inequality in the UK labour market. Give up to four distinct points.

(Total for Question 4 is 4 marks)

5 Explain how a higher statutory minimum wage might reduce income inequality in the UK, giving up to four distinct points.

(Total for Question 5 is 4 marks)

6 Explain how inheritance can contribute to wealth inequality in the UK today. Name the mechanism and give up to three distinct explanatory points.

(Total for Question 6 is 3 marks)

7 Explain how unequal ownership of assets, other than inheritance, contributes to wealth inequality in the UK, naming three distinct mechanisms.

(Total for Question 7 is 3 marks)

8 Explain how the gender pay gap contributes to income and wealth inequality in the UK. Give up to three distinct explanatory points.

(Total for Question 8 is 3 marks)

9 Explain how the government tax and benefit system can affect the distribution of income through pre-distribution and post-distribution mechanisms. Provide up to four distinct points.

(Total for Question 9 is 4 marks)

Mark scheme · 1.21 Causes of Poverty and Inequality in Income and Wealth

Question 1

employers discriminating on the basis of race, gender, age or disability may offer lower wages or fewer promotion opportunities to affected groups	**B1**
discrimination reduces labour market access and career progression for some groups, leading to persistent income gaps between groups	**B1**
reduced earnings and lower lifetime accumulation of wealth due to discrimination compound across generations, reinforcing broader inequality	**B1**

Answer: Discrimination reduces pay and promotion opportunities for some groups, limits labour market access and progression, and compounds lifetime and intergenerational inequality.

Question 2

Level 1 Basic use of the data and limited analysis. Candidate makes simple statements about the distribution with limited numeric support or interpretation.	**1-3**
Level 2 Clear use of the data with developed analysis. Candidate gives one or two numerical comparisons, such as ratios or shares, and explains their significance for inequality.	**4-6**
Level 3 Thorough, well-evidenced analysis using multiple numerical comparisons (e.g. decile ratios, absolute gaps and concentration at the top) drawn accurately from the table, with a clear explanation of what each comparison shows about the scale of income inequality in the region.	**7-9**

Indicative content:

- calculate simple ratios or shares: the richest decile (Decile 10) has income 95 while the poorest decile has 8, so Decile 10 is 11.9 times Decile 1 (95/8 = 11.875), showing very large disparities
- show the gap in absolute terms: the difference between Decile 10 and Decile 1 is 87 units, far larger than differences between middle deciles, indicating skew
- compare top quintile vs bottom quintile or top two deciles: top decile alone (95) is larger than the combined incomes of several poorer deciles, for example Deciles 1-4 sum to 8+12+15+18 = 53, which is much less than Decile 10 alone
- note concentration at the top: Decile 9 and 10 are 45 and 95, together 140, compared with bottom five deciles 8+12+15+18+21 = 74, indicating wealth of top deciles outweighs many lower households
- interpretation: such disparities imply unequal access to resources, potential differences in living standards, and potential policy implications for redistribution

Question 3

Level 1 Basic identification and description of one or more causes. Limited analysis or evaluation. Argument is brief and lacks supporting evidence or a clear judgement.	**1-5**
Level 2 Clear analysis of at least two causes with evidence and some evaluation. Consideration of magnitude and time period, and a tentative judgement that weighs competing factors.	**6-10**
Level 3 Thorough analysis and evaluation of multiple causes, including distributional impacts, magnitude, timing and policy interactions. Includes a clear, well-supported judgement and, if used, a correctly described diagram that adds analytical value.	**11-15**

Indicative content:

- possible causes to consider: inheritance and unequal asset ownership, differences in education and skills, discrimination, unemployment and labour market segmentation, tax and benefit policy (pre and post distribution), regional disparities, automation and technological change
- analysis of magnitude: e.g. inheritance and housing wealth transfers can account for large shares of net wealth concentration, whereas wage inequality affects current incomes; discuss which is larger in the current UK context and over what time horizon
- time period and persistence: inherited wealth and property gains have long-term intergenerational effects, while unemployment shocks can be temporary; assess sustained versus cyclical causes
- who gains and who loses: asset owners, older cohorts and those with high skills tend to gain from property and financial asset appreciation; low-skilled, young or disadvantaged groups lose out
- policy interactions: tax and benefit systems can mitigate or exacerbate outcomes; pre-distribution policies such as education affect market incomes, while post-distribution taxation and benefits alter disposable incomes
- diagram suggestion: a simple distribution diagram showing two income distributions or a labelled supply-and-demand style sketch to show how skills shortages raise returns to certain workers; explain axes, shifts and what the diagram implies for inequality
- evaluation: consider measurement issues, trade-offs such as incentives, administrative feasibility, and evidence from recent UK trends, concluding which cause is judged most significant with justification

Question 4

automation can substitute for routine manual or cognitive jobs, reducing demand for lower and middle skilled workers and depressing their wages **B1**

technological change increases demand for high-skilled workers with complementary skills, raising wage premiums for those workers **B1**

wider returns to capital owners from technology-driven productivity gains increase wealth concentration if capital ownership is unequal **B1**

the speed of change can outpace reskilling and education, creating structural unemployment and persistent inequality without effective policy responses **B1**

Answer: Automation reduces demand for routine jobs and wages for lower skilled workers, raises returns to high-skilled workers, increases returns to capital owners, and can outpace reskilling, all widening inequality.

Question 5

raising the minimum wage directly increases earnings for low-paid workers, reducing the gap between bottom incomes and median incomes **B1**

higher wages can increase disposable income for low earners, reducing in-work poverty and improving ability to save **B1**

a higher minimum wage can raise bargaining power and set a floor that compresses the lower tail of the wage distribution **B1**

possible offsetting points to consider: potential employment effects if firms cut jobs, and the role of cost-push inflation which could partially offset real gains **B1**

Answer: A higher minimum wage raises low incomes, reduces in-work poverty and compresses the lower wage distribution, though possible employment or price effects need consideration.

Question 6

inheritance transfers accumulated assets from one generation to another, giving recipients a head start in wealth accumulation **B1**

those born into wealthier families receive larger inheritances, so wealth tends to be concentrated within particular families and social groups **B1**

inheritance can fund home ownership and investment that generate further returns, compounding intergenerational inequality **B1**

Answer: Inheritance passes accumulated assets to heirs, concentrates wealth within families, and funds investments such as housing that generate further returns, compounding inequality.

Question 7

ownership of property is concentrated among older and wealthier households, giving them capital gains and rental income that increase wealth **B1**

ownership of financial assets such as stocks and pensions is skewed towards higher-income groups, generating returns that widen wealth gaps **B1**

differences in access to tax-favoured savings vehicles or investment advice allow some households to accumulate wealth faster than others **B1**

Answer: Concentrated property ownership gives capital gains and rental income, financial asset ownership yields returns skewed to richer households, and unequal access to tax-favoured savings and advice speeds wealth accumulation for some.

Question 8

a persistent gender pay gap means women on average earn less over their working lives, reducing lifetime incomes and pension accumulation **B1**

occupational segregation and part-time work patterns often lower womens' average pay and opportunities for career progression **B1**

lower earnings translate into lower savings and asset accumulation, so the gender pay gap contributes to wealth as well as income inequality **B1**

Answer: The gender pay gap reduces womens' lifetime earnings and pensions, is reinforced by occupational segregation and part-time patterns, and leads to lower savings and asset accumulation.

Question 9

pre-distribution refers to policies that shape market incomes before taxes and benefits, for example education, minimum wage laws and labour market regulation **B1**

pre-distribution can reduce inequality by improving skills, bargaining power and market wages for lower-paid workers **B1**

post-distribution refers to redistributive taxes and benefits, e.g. progressive income tax and means-tested benefits, which alter disposable incomes after market earnings **B1**

post-distribution can significantly reduce measured income inequality but may have trade-offs, such as work incentives or fiscal cost **B1**

Answer: Pre-distribution shapes market incomes via education, minimum wages and regulation to reduce inequality, while post-distribution uses progressive taxes and benefits to redistribute disposable income, each with potential trade-offs.