1.22 Government Policies to Reduce Poverty and Inequality: 30-minute Pack

AQA 7136 · Calculators not allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for extended questions and the final essay. No calculator is required. Show workings for any short calculations and justify evaluative points in the essay.

1 Evaluate the effectiveness of the UK tax and benefit system in reducing poverty and inequality.

(Total for Question 1 is 15 marks)

2 Explain how concerns about disincentive effects inform debates over welfare generosity, giving one specific disincentive and how policy might address it.

(Total for Question 2 is 3 marks)

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3 Explain what is meant by universal benefits, give one UK example of a universal or broadly universal benefit, and state one potential drawback of universal benefits for redistribution.

(Total for Question 3 is 4 marks)

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Mark scheme · 1.22 Government Policies to Reduce Poverty and Inequality: 30-minute Pack

Question 1

Level 1 Basic description of one or two redistributive policies with limited application. Little or no analysis of effectiveness and few evaluative points. Judgement, if present, is unsupported. **1-5**

Level 2 Clear analysis of how elements of the tax and benefit system can reduce poverty and inequality, with some use of evidence or examples. Considers drawbacks such as targeting errors, poverty traps or fiscal cost, and begins to weigh strengths and weaknesses. **6-10**

Level 3 Balanced and developed evaluation that weighs multiple benefits and limitations. Considers interactions between taxes and benefits, distributional outcomes, incentive effects and fiscal constraints. Draws a supported judgement about overall effectiveness and suggests contextual factors or policy trade-offs. **11-15**

Indicative content:

- How progressive taxation raises revenue from higher earners and can reduce post-tax income inequality, including the role of income tax bands and top rates
- The role of means-tested benefits in targeting the poorest and increasing redistribution, but the administrative complexity and possible stigma
- Universal benefits and public services (education, healthcare) reduce inequality by providing in-kind redistribution and equal access, but are less targeted and can be costly
- In-work policies such as the national living wage and in-work credits reduce in-work poverty but may have trade-offs through possible employment effects or price rises
- The poverty trap: high effective marginal withdrawal rates when benefits and tax interact can reduce work incentives and blunt the impact of policies
- Fiscal affordability and the cost to the exchequer: trade-offs between generosity, tax levels and public debt or taxation of middle-income households
- Distributional outcomes versus poverty reduction: policies that reduce the poverty headcount may not reduce income inequality as much if the very rich gain relatively more in other ways
- Time horizons: education and public services produce long-run reductions in inequality but take time to work, whereas cash transfers can have immediate effects
- Policy coherence: how well-designed tapers, targeted support and complementary active labour market policies can mitigate disincentive effects and improve effectiveness
- Judgement: a reasoned conclusion that the UK system is partially effective, particularly at reducing absolute poverty in the short run and providing basic services, but with limitations from targeting, incentives and fiscal constraints, and scope for reforms such as improved tapering, better in-work support, or rebalancing universal and targeted spending

Question 2

a disincentive effect is where generous benefits reduce recipients motivation to seek work or increase hours because the net gain from additional work is small **M1**

example: if benefits are withdrawn sharply when someone returns to work, the effective marginal tax rate is high, discouraging employment **A1**

policy response: introduce gradual withdrawal rates, in-work incentives or conditionality combined with support for job search and training to maintain work incentives **B1**

Answer: Generous benefits can reduce work incentives if withdrawals make extra earnings barely pay; gradual tapering and in-work incentives can help preserve incentives while supporting the poor.

Question 3

universal benefits are payments or services available to a whole eligible group regardless of individual income or assets **M1**

example: state-funded primary and secondary education is provided universally to children in the UK, or universal child benefit in principle **A1**

drawback: they are less well targeted, so public money is spent on better-off households as well as the poor **M1**

this can make universal benefits a less efficient tool for reducing measured poverty if the budget is constrained **A1**

Answer: Universal benefits go to all in an eligible group regardless of income, e.g. state education; drawback: they are untargeted so may allocate resources to relatively well-off households and reduce the efficiency of redistribution.

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