

Cambridge IGCSE · Economics 0455 · Notes

Poverty

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Read first: [Living standards](#), [Employment and unemployment](#)

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What you need to know

This topic has three syllabus outcomes. In plain words, you should be able to:

1. **Define absolute poverty and relative poverty**, and explain how the two differ.
2. **Explain the causes of poverty**, including unemployment, low wages, illness and age.
3. **Explain policies that reduce poverty and redistribute income**, including:
 - policies that promote economic growth;
 - better education;
 - more generous state benefits;
 - progressive taxation;
 - a national minimum wage.

You should also be able to judge how well each one works.

You are not asked to calculate an official poverty line or use inequality formulas. How living standards and income distribution are measured is in the living standards note.

Understand it

What poverty means

A person is **poor** when their income is too low for the standard of living they need or that their society expects. Economists separate two ideas.

Absolute poverty

Absolute poverty means not having enough income to buy the **basic necessities** a person needs to survive: enough food, clean water, shelter, clothing and basic health care.

It is measured against a **fixed standard**: what those necessities cost. International agencies use a money line of a few dollars a day per person, adjusted for prices (past papers use figures such as \$1.90 or \$2 a day); anyone living on less is in absolute poverty. The line moves only when the cost of the necessities changes, never because other people become richer.

It is most common in low-income countries, but a homeless person in a rich city is in absolute poverty too.

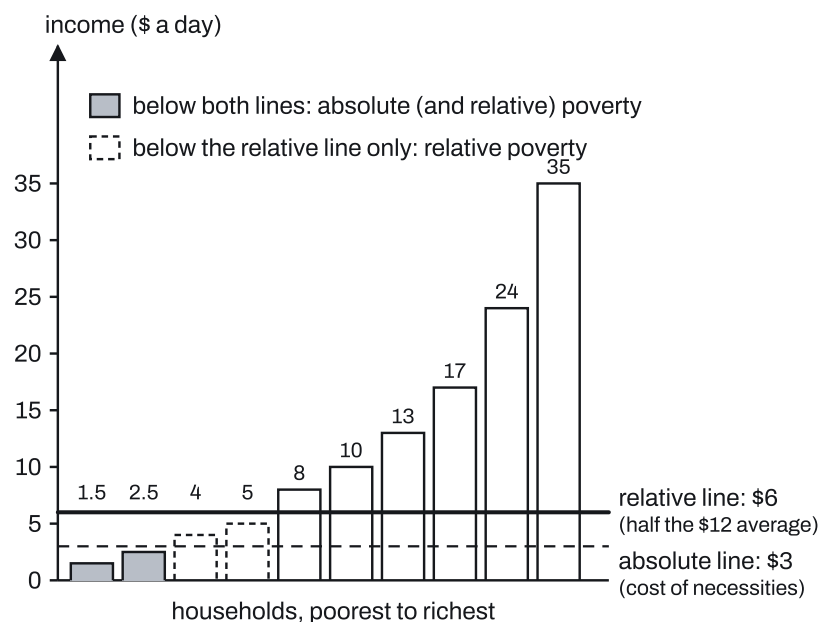
Relative poverty

Relative poverty means having a standard of living well below the **typical** standard in your own society: below the minimum level that society regards as acceptable. A person in relative poverty may have food and a roof, but cannot afford many things that most people around them take for granted, such as a phone, a school trip for their children or heating the whole home.

It is always a **comparison with others**. A common way to measure it is to set the relative poverty line at a fraction of average income, for example half of it. When average income rises, the line rises too.

So relative poverty is found in **every** country; it is the main kind in high-income countries, where few lack the necessities but the gap can be large.

How the two differ, with numbers



In this society of ten households, total income is \$120 a day, so the average is \$12 and the relative line (half the average) is **\$6**. The basic necessities cost **\$3** a day.

- The households on \$1.50 and \$2.50 are below **both** lines: they are in absolute poverty, and also in relative poverty.
- The households on \$4 and \$5 can buy the necessities, so they are **not** in absolute poverty, but they are below \$6, so they **are** in relative poverty.

- So 2 households are in absolute poverty and 4 are in relative poverty.

Three rules follow:

1. **Anyone in absolute poverty is also in relative poverty:** a person who cannot afford the necessities is certainly far below the typical living standard. The reverse is not true.
2. **Absolute poverty depends only on the incomes of the poor and the prices of necessities,** not on what happens to anyone else.
3. **Relative poverty depends on the gap.** If incomes at the top rise while the bottom stays still, the average and the relative line rise, so relative poverty can rise even though nobody is worse off in money terms. If every income rises by the same percentage, the line rises by that percentage too and relative poverty does not change, although absolute poverty falls.

Signs of poverty

Where many people are poor you tend to see:

- **poor health:** many babies dying before their first birthday (high infant mortality), short life expectancy and malnutrition;
- **little schooling:** low adult literacy and children leaving school early to work;
- **poor housing:** crowded homes without clean water, sanitation or electricity;
- **a high share of people living below a poverty line,** and households spending most of their income on food.

So a country that is reducing poverty should see these signs improve. If a health, schooling or housing indicator gets **worse**, it is evidence that poverty is not falling.

Causes of poverty

The syllabus names four main causes. Each works by cutting a person's income, or by stopping them earning at all.

1. Unemployment. Losing a job means losing the main source of income, and the damage grows the longer it lasts.

- **At once,** the household lives on whatever unemployment benefit pays, if anything. Benefit is usually far below a wage, so the family drops well below the typical living standard (**relative poverty**); if there is no benefit, or too little for rent and food, it falls into **absolute poverty**, and the children go short of food, schooling and care.
- **Across the economy,** high unemployment means the government collects less tax just when it must pay more in benefits, so less is left for schools, hospitals and other help for the poor.
- **Over a long spell,** skills go out of date and employers see a gap in the person's record, so finding work gets harder and poverty can become **long-term**.

2. Low wages. Many poor people have a job that pays too little. Pay is low where workers have **few skills**, so their **productivity** (output per worker) is low; where many unskilled workers compete for the same jobs; in low-paid sectors such as small-scale **farming**, where income also swings with the weather; in the **informal economy**, where no minimum wage is enforced; and where workers face **discrimination** or have little bargaining power, for example with **no national minimum wage** or a very low one.

Low pay is not the only reason a working household can be poor. A worker may get only **part-time, seasonal or temporary** work, so their weekly income is low even if the hourly wage is not. One wage may have to support **many dependants** (children, older relatives), so income per person in the household is low. And if the **prices of necessities** rise faster than wages, the same pay buys less.

3. Illness and disability. People with long-term illness or disability may be unable to work, or work only a few hours, so they earn little, and they may face **extra costs** for treatment and care. Poor families, with worse food and housing, also fall ill more often.

4. Age.

- **Old age:** retired people no longer earn wages. If they have **little savings** and the **state pension** is small, or absent, they can fall into absolute poverty. If pensions rise more slowly than prices, their real income falls each year; if pensions rise more slowly than average incomes, they fall further behind and relative poverty rises.
- **Children** cannot earn; those in **large** or **single-parent** families are more likely to be poor.

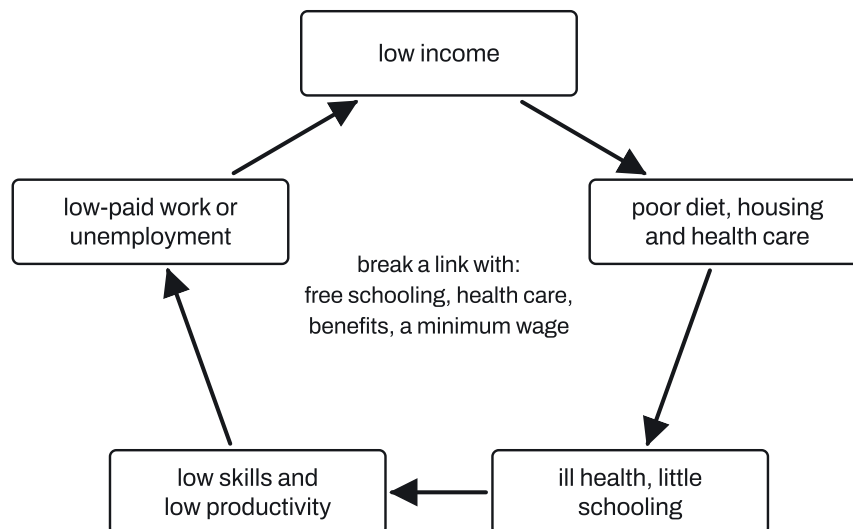
Other causes you can use.

- **Lack of education:** it leads to low pay (cause 2) and to unemployment (cause 1).
- **Unequal wealth:** rent, profit and interest flow to people who already own land, property and shares, and inheritance passes wealth on. Children of rich families also get better schooling and contacts. This widens the gap, so relative poverty rises.
- **Geographical immobility:** people who cannot afford to move to where the jobs are stay unemployed.
- **Disasters, wars and high inflation:** the first two destroy homes and workplaces; rising food and fuel prices hit the poor hardest, as these take most of their income.
- **Cuts in government spending and benefits:** lower benefits leave the poor less to spend; fewer subsidies raise the prices they pay; less spent on schools and hospitals means worse skills and health later, so lower earnings in future.

Relative poverty in rich countries comes mainly from the gap: a low or no minimum wage, benefits and pensions that fall behind average incomes, and wealth and high pay concentrated at the top.

The cycle of poverty

The causes feed each other, which is why poverty is hard to escape and often passes from parents to children.



Children of poor families may also leave school early to earn, so the cycle passes to the next generation. Each policy below tries to **break one link**.

Redistribution of income

Redistribution of income means the government changing how income is shared: taking a larger share from people with high incomes and wealth through **taxes**, and passing **cash benefits** and **free or subsidised services** (schools, hospitals, housing) to people with low incomes. It is **fiscal policy** (taxation and government spending). It makes income **more evenly distributed**, which mainly reduces **relative** poverty; when it gives the poorest enough for the necessities, it reduces **absolute** poverty too.

Policies to reduce poverty

For each policy, learn three things: **how it helps**, **which poverty it reduces**, and **its limits**. Discuss questions are built from these. Governments also use **job-creation schemes**, **free or subsidised services** (health care, school meals, clean water, housing) and **lower taxes on necessities** such as food; each gives the poor more income or more necessities directly.

Policies that promote economic growth

Economic growth is a rise in a country's output (real GDP), promoted with expansionary fiscal and monetary policy and supply-side policy.

How it helps.

- Firms producing more need more workers, so **unemployment falls** and **wages tend to rise**.
- The government collects **more tax revenue** without raising tax rates, and can spend it on benefits, schools and hospitals.

- Over time it is the main reason absolute poverty falls.

Its limits.

- **The gains are often uneven.** Skilled workers, owners of firms and expanding industries and regions may gain far more than unskilled workers or declining areas. Then incomes at the top rise faster, the gap widens, and **relative poverty may not fall, or may rise**, even while absolute poverty falls.
- **People who cannot work** (many of the old, sick and disabled) gain little directly from more jobs.
- Fast growth can bring **inflation**, which raises the prices of necessities.

Improved education and training

How it helps. Better schooling and training give people more **skills**, so their **productivity** rises. More productive workers are worth more to firms, so they can earn **higher wages**, and they are more **employable**, so they are less likely to be unemployed. It tackles a **cause** of poverty (low skills) rather than the symptom (low income), and it is a **long-term** cure: it breaks the cycle of poverty for the next generation, and by raising the earnings of low-paid workers towards the average it reduces **relative** as well as absolute poverty.

Its limits.

- It **takes years** to work: today's poor adults are not helped quickly.
- It may **not reach the poorest**: families may not afford fees, uniforms, books or transport, or may need children to work.
- It does nothing for those who **cannot work**, such as the old and the very sick.
- It is costly (an **opportunity cost**), skills only pay if there are **jobs** that use them, and educated workers may **emigrate**.

More generous state benefits

State benefits are payments by the government to people on low incomes or none: unemployment benefit, state pensions, child benefit and payments to people who are sick or disabled.

How it helps. Benefits raise the income of the poorest **at once**, so they can buy necessities: this reduces **absolute** poverty quickly. They help people who **cannot** earn (the old, sick and disabled, and children through their parents), whom growth and education miss. Paid for by taxes on higher incomes, they **redistribute** income and so also reduce relative poverty. The extra spending by benefit receivers adds to total demand, which may create some jobs.

Its limits.

- **Value:** payments are usually small, and unless they are raised as prices rise they buy less every year.
- **Who pays:** the money comes from taxes, borrowing or cuts elsewhere, such as in schools, which could have done more good.
- **Work incentives:** if the payment is close to what a low-paid job would bring, taking the job adds little, so some people stay out of work and come to depend on benefits (the **benefit trap**).

Progressive taxation

Taxes on income can be:

Tax type	What happens to the percentage of income paid as income rises	Effect on the gap between rich and poor
Progressive	rises	narrows it
Proportional	stays the same	leaves it unchanged (in percentage terms)
Regressive	falls	widens it

The **percentage** paid is the average tax rate: $\frac{\text{tax paid}}{\text{income}} \times 100$. Note that under a proportional tax the rich still pay a **larger amount**; what makes a tax progressive is that they pay a larger **percentage**.

A progressive income tax usually has a **tax-free allowance** (the first part of income is untaxed), so very low earners pay **no income tax**. Taxes on **wealth and inheritance** are also progressive. Taxes on spending (sales tax, VAT) are usually **regressive**, because the poor spend a larger share of their income on taxed goods.

How it helps. A progressive tax takes a larger share from high incomes, which **narrows the gap** after tax, reducing relative poverty. Its revenue can pay for benefits, schools and hospitals that the poor use, which reduces absolute poverty too.

Its limits.

- The poorest pay little or no income tax, so the tax **on its own** does not raise their income; the gain comes from how the revenue is **spent**.
- High tax rates on high earners may **discourage** work, enterprise and investment, cause **tax avoidance or evasion**, or drive skilled workers and firms abroad (a **brain drain**), so revenue can be less than planned.
- **Cutting** top rates does the opposite: the gap widens and less is left for public services.

A national minimum wage

A **national minimum wage (NMW)** is the lowest hourly wage that employers are allowed by law to pay.

How it helps. If it is set above what the lowest-paid were earning, their pay rises, so the **working poor** gain income and can buy more necessities; it also narrows the gap between low and average pay, cutting relative poverty. It moves part of firms' income from owners to their lowest-paid workers.

Its limits.

- It raises firms' **labour costs**. If it is set above the market wage, firms may employ **fewer workers**, cut **hours**, or switch to machines, so some people lose jobs or income and end up poorer.
- It does not help people **without jobs**, is often **not enforced** in the informal economy, and changes nothing if set **below** the wage firms already pay.

Other changes that affect poverty

For a change that is not a poverty policy, follow the same links: **jobs, wages, prices, tax revenue, and who gains.**

- **A fall in unemployment.** Ask what kind of jobs appear and who is still left out. Steady, decently paid jobs lift whole families, and the extra tax helps the government do more for the rest. Short, part-time or very low-paid jobs may lift people above the necessities line while leaving them well below the average, and pensioners and the long-term sick are not reached at all.
- **Foreign multinational companies (MNCs) setting up.** Ask who they employ and where the money goes. If they hire local people and pay more than local firms, incomes rise; if they rely on machines or pay well only a few skilled staff, the poorest gain little and the gap may widen. Part of their profit is taxed locally, which can fund services, but much may go back to the owners' home country. If they push local rivals out of business, jobs can be lost and prices can rise.
- **Emigration.** Workers who move abroad may send money home (**remittances**) to their families, and may return with skills; but if skilled workers leave, output and tax revenue fall.
- **A market economic system.** The profit motive and competition can bring efficiency, growth and jobs, but without government there are few benefits and too little health care and education for the poor, so inequality and poverty may be high.

Key facts and formulas

There is no formula list for 0455. "Learn it" means you must remember it.

Formula or fact	Status
Absolute poverty: income too low to buy the basic necessities (food, water, shelter, clothing, basic health care)	Learn it
Relative poverty: living standard well below the typical (acceptable) standard in that society	Learn it
Relative poverty line, for example: $\frac{1}{2} \times \text{average income}$	Learn it
Average tax rate = $\frac{\text{tax paid}}{\text{income}} \times 100$	Learn it
Progressive: % paid rises with income; proportional: % the same; regressive: % falls	Learn it
Percentage change = $\frac{\text{new} - \text{old}}{\text{old}} \times 100$	Learn it
Weekly pay = hourly wage $\times$ hours worked	Learn it

How to do it

We have tagged 44 questions on this topic (2021–2025): 23 multiple choice on Paper 1 and 21 structured questions on Paper 2. Two multiple-choice questions repeat a third, so 42 are different; repeats are counted below. One structured question, 0455/21/O/N/21 Q3, has no part really about poverty and is left out. Three of the other structured questions have parts of more than one type, so the counts add up to 47.

Question type	Questions
Choose or explain policies that reduce poverty or redistribute income	14
Explain or analyse the causes of poverty and inequality	11
Define or apply absolute and relative poverty	10
Discuss whether a policy or change will reduce poverty	9
Recognise basic necessities and signs that poverty is falling	2
Analyse a data relationship involving poverty	1

Written answers (marks per command word are in "How to get the marks"). Plan: **point** → **developed chain** → **for Discuss, the other side with new reasons** → **a judgement saying what it depends on**. Explain (4 marks) needs **two developed points**; Analyse (6 marks) **two or three causes, each built into a chain**; Discuss (8 marks) **two developed points each side and a judgement**.

1. Choose or explain policies that reduce poverty or redistribute income (14 questions)

Nine multiple choice; on Paper 2, "explain two policy measures" or "two ways to redistribute income" (4 marks), "how a factor reduces poverty" (4–6 marks).

Multiple choice. Two tests from "Understand it" settle these. **Test 1: does it shift income or services towards the bottom, or raise what people at the bottom can earn?** If it does, it reduces poverty and evens out income; if it moves things the other way, it does not. Where an option combines several measures, apply the test to each part. **Test 2: necessities or only the gap?** A change that gives the poorest the necessities themselves cuts absolute poverty; one that only alters how far people are from the average works on relative poverty.

Paper 2: "Explain two policy measures" (4 marks).

1. **Name** a policy (1): e.g. a national minimum wage.
2. **Explain** how it raises the income of the poor (1): "the lowest-paid earn more, so they can afford more necessities".
3. Repeat with a policy that works a **different** way (through benefits or taxes rather than earnings).

Variations you will meet:

- **"Two ways a government could redistribute income"**: give one through **tax** (a progressive income tax takes a larger share from the rich) and one through **spending** (benefits or free services for those on low incomes). "Taxing the rich to give to the poor" is a start but scores little until you say how.
- **"How a factor (education, an MNC) reduces poverty"**: build chains from "Understand it" and keep every chain ending in poverty.
- **"The difference between a proportional and a progressive income tax"** (4 marks): define both by the **percentage** of income paid, then give a numerical example showing that both take more money from the rich, but only the progressive tax takes a larger percentage.

2. Explain or analyse the causes of poverty and inequality (11 questions)

Four multiple choice; on Paper 2, Explain (4 marks) and Analyse (6 marks).

Multiple choice. Pick the change that cuts what people at the bottom earn or receive in real terms, or stops them earning at all.

Paper 2: "Analyse the causes of poverty" (6 marks).

1. Pick **two or three** causes from "Causes of poverty". The mark scheme credits a limited number of causes, so depth beats a long list.
2. Build each into a **chain of three links**: cause → what it does to income → the poverty that results. "Long-term illness (1) can stop a person working, so they lose their earnings (1), and they may also have to pay for treatment, leaving too little for food and rent (1)."
3. Say **absolute** or **relative** where it fits.

Paper 2: "Explain how [one cause] leads to poverty" (4 marks). Give two **different** effects of that cause, each with two links. For unemployment, any two of the effects in "Causes of poverty" will do.

Variations you will meet:

- **Why income becomes less evenly spread**: name a change and say whom it moves income towards. For example, if returns on wealth (profit, interest) grow faster than wages, the already rich gain most; if the safety net is cut, those at the bottom lose.
- **Why the children of the rich become rich adults** (or of the poor, poor adults): inherited wealth, better schooling and contacts; for the poor, the cycle of poverty.
- **Why low incomes cause low living standards**: explain what low income stops people buying (food, health care, schooling), not why their income is low.
- **Why a cut in government spending can increase poverty**: lower benefits, fewer subsidies and less spent on schools and hospitals (see "Other causes").
- **Causes in one group named in a source**: use the source's facts and explain each.

3. Define or apply absolute and relative poverty (10 questions)

Nine multiple choice; one Paper 2 "explain the difference" (4 marks).

1. **Absolute poverty means income too low for the basic necessities needed to survive.** It is defined by the necessities, whatever caused the shortfall; a fixed money line (such as \$2 a day) is an absolute measure.
2. **Relative poverty is always a comparison with the rest of the society:** a living standard below what is normal or acceptable there. A comparison with what others have, whatever is being compared, is a relative measure.
3. **Apply Test 2 from type 1:** does the change move people across the necessities line, or only change the gap? Then use the three rules in "How the two differ".

Paper 2 (4 marks). Define absolute poverty (1) with an example such as lacking food or shelter or living below \$2 a day (1); define relative poverty as below the typical standard **of that society** (1) and say how it is measured, by comparison with average income, so it exists even in rich countries (1).

4. Discuss whether a policy or change will reduce poverty (9 questions)

Paper 2: 8 marks in Section B (levels: Level 3, 6–8 marks, needs both sides developed and a judgement) or 6 marks in Section A (up to 4 marks a side).

1. **Define** the policy or change in one line (and poverty if it helps).
2. **Why it might:** two developed chains from the policy's "How it helps" in "Understand it". Say **which** poverty it reduces.
3. **Why it might not:** two developed chains with **new** reasons from "Its limits": can the poor here work? Is it big enough? What does it cost? Does it reach absolute but not relative poverty?
4. **Judge:** say what the answer **depends on:** who the poor are, the size of the policy, how it is paid for, the time scale.

Variations you will meet:

- **Fiscal policy:** it is a set of tools, so develop two, such as a progressive tax whose revenue pays for schooling, and a cut in sales tax on food. On the other side, ask what each tool costs or sets off: tax cuts and extra spending can push prices up, and high top rates can drive earners abroad.
- **More unemployment benefit, a national minimum wage:** use those policies' sections.
- **A fall in unemployment, an MNC arriving, emigration, a market economy:** use "Other changes that affect poverty".

5. Recognise basic necessities and signs that poverty is falling (2 questions)

1. **Basic necessities:** food, clean water, shelter (housing), clothing, basic health care. If the question says "other than" one of them, leave that one out.
2. **Use "Signs of poverty": progress means those signs improve,** so a sign that worsens is not progress.

6. Analyse a data relationship involving poverty (1 question)

Paper 2 Section A (5 marks), a table with the percentage of people in poverty and another indicator for several countries. Use the five steps in the living standards note: state the relationship (here, poverty and life expectancy run in opposite directions: an **inverse** relationship); give interpreted evidence (a country highest on one and lowest on the other); explain it (the poor cannot afford food, clean water, housing and health care, so they die younger); name the exception; explain it (other influences such as war or disease).

Worked examples

Example 1

A small economy has five households with these daily incomes: A \$2, B \$4, C \$9, D \$15 and E \$30. The basic necessities cost \$2.50 a day. The relative poverty line is half of average income.

(a) Identify which household is in absolute poverty. [1]

(b) Calculate the relative poverty line and identify the households in relative poverty. [2]

(c) The government taxes household E \$5 a day and pays a benefit of \$2.50 a day to each of A and B. Calculate the new number of households in absolute poverty and in relative poverty. [3]

(d) Explain one reason why the tax on household E might raise less revenue than planned. [2]

(a) Household A: its \$2 is less than the \$2.50 needed for the basic necessities (1).

(b) Average income = $\$60 \div 5 = \12 , so the relative line is \$6 (1). Households A and B, on \$2 and \$4, are below it (1).

(c) New incomes: A \$4.50, B \$6.50, C \$9, D \$15, E \$25; total income is still \$60, so the average stays \$12 and the line stays \$6 (1). Nobody is now below \$2.50, so absolute poverty falls to **0** households (1). Only A (\$4.50) is below \$6, so relative poverty falls from 2 households to **1** (1).

(d) A high tax on the richest household may discourage it from working or investing, or lead it to avoid tax or move abroad (1), so its taxable income falls and the government collects less than \$5 a day, leaving less for the benefits (1).

(The gap also narrows: the richest income was 15 times the poorest before and about 5.6 times after.)

Example 2

Explain two reasons why a person with a full-time job may still live in poverty. [4]

They may have few skills or qualifications, so their productivity is low and their hourly wage is low (1); if there is no minimum wage, or it is set low, even a full week's pay may not cover food, rent and other necessities (1).

Their wage may have to support many dependants, such as several children or older relatives who cannot work (1), so the income per person in the household is below the poverty line even though the worker earns a full wage (1).

(Also creditable: prices of necessities rising faster than wages, so the same pay buys less; working in the informal economy where the minimum wage is not enforced.)

Example 3

Analyse why economic growth may reduce absolute poverty more than it reduces relative poverty. [6]

Economic growth means firms produce more and need more workers, so unemployment falls (1) and people who were out of work gain wages (1). With more income they can afford food, housing and other necessities, so absolute poverty falls (1). The government also collects more tax revenue without raising tax rates, and can spend some of it on benefits and services for the poor (1).

Relative poverty, however, depends on the gap between the poor and the average (1). The gains from growth often go mainly to skilled workers and to the owners of expanding firms, so incomes at the top rise faster than those at the bottom (1). The average income, and with it the relative poverty line, then rises, so households can escape absolute poverty yet still be as far below the typical living standard as before (1). People who cannot work, such as many pensioners and the sick, gain little from more jobs, so they fall further behind (1). (Any 6.)

Example 4

Discuss whether or not a government should reduce poverty by spending more on education rather than on state benefits. [8]

Education spending pays for schools, teachers and training; state benefits are payments to people on low incomes or none, such as pensions and unemployment benefit.

Why education may be the better choice. Education gives people skills, which raise their productivity, so they can earn higher wages and are more likely to find a job. That raises their income for the rest of their working lives, not just while a payment lasts, so it tackles a cause of poverty rather than the symptom (developed point for).

Better-educated parents earn more and can afford good food, health care and schooling for their children, so education breaks the cycle of poverty for the next generation. By lifting low earners towards average pay it reduces relative as well as absolute poverty, and it avoids the benefit trap, in which payments close to a wage discourage people from working (developed point for).

Why benefits may be the better choice. Benefits raise the income of the poorest at once, so they can buy food and pay rent now; education takes years to work, and families in absolute poverty need help today (developed point against).

Education does nothing for people who cannot work: the old, the sick and the disabled. Benefits reach them directly. Education may also miss the poorest children, if their families cannot afford uniforms, books or transport or need them to work (developed point against).

Judgement. It depends on **who the poor are** and **how quickly help is needed**. Where most poor people are young adults without skills, education is the better long-term choice because it raises their earning power for good. Where many are pensioners or the sick, or where people lack food now, benefits are needed because education cannot help them. Most governments need both: benefits to stop absolute poverty now and education to reduce poverty in the next generation. Both sides are developed and the judgement says what it depends on: Level 3 (6–8 marks).

Common mistakes

- **No benchmark for relative poverty.** The June 2022 report found absolute poverty generally well understood but relative poverty less so: answers often said the relatively poor have less than other people without saying what they are being compared with. Name the benchmark: the typical standard in that society, for example a fraction of average income.
- **Mixing up the two kinds.** A November 2022 question on cutting absolute poverty was answered correctly by only 28 per cent of candidates; the report notes that each wrong option was something that could change relative poverty instead. Use Test 2.
- **Naming causes without explaining them.** In June 2021 some candidates named causes of poverty among fishermen but did not explain them, so they lost marks. Each cause needs a "because" chain.
- **Ignoring "other than".** In June 2021 a small proportion of candidates, asked for basic necessities other than housing, gave housing.
- **Answering a neighbouring question.** In June 2021 some wrote about the children of the poor when asked about the children of the rich; in March 2023 some explained why farmers earn little when asked why people on low incomes live badly; in June 2023 some wrote about higher unemployment when asked about higher unemployment **benefit**.
- **Stopping the chain early.** In March 2022 some answers on a minimum wage got as far as "higher pay, so more spending" and stopped; the next steps, what that spending does to demand and jobs and through them to poverty, were missing.
- **A thin "might not".** In November 2022, weaker answers on whether lower unemployment reduces poverty only said that the sick and elderly would still be jobless; stronger ones added that many new jobs pay close to the minimum wage, which can lift people above the necessities line while leaving them far below the average.
- **Confusing tax types.** In November 2022 the examiners said the tax question turned on seeing that the rich pay more money under both systems, so the contrast lies in the share of income taken. A few candidates mixed up progressive and regressive.

How to get the marks

- **Identify** (2 marks): two correct items, one mark each; no explanation needed. If you write more than two, only the first three are considered, so don't list.
- **Define** (2 marks): a precise definition, plus an example or a second feature. For relative poverty, "compared with the typical standard of that society" earns the key mark.
- **Explain** (4 marks): two points, each **identified** (1) and **explained** (1). A list with no "because" scores at most 2.
- **Analyse** (6 marks): chains of links; each correct link is a mark. The mark scheme for "Analyse the causes of poverty" gives marks for a limited number of causes and requires more than one for full marks, so build two or three causes deeply.
- **Discuss** (8 marks, Section B): levels. Level 3 (6–8) needs **both sides developed** and **evaluation**; a one-sided answer stays in Level 2 (3–5) however good it is. End with a judgement that says what it **depends on**.
- **Discuss** (6 marks, Section A): up to 4 marks a side. A point turned round to argue the other side does not score twice unless it gives a **new reason**.
- **Use the source** when asked: name the country and its facts and say what they mean for poverty; copying a sentence earns nothing.
- **Multiple choice**: 1 mark each, no penalty for guessing; use the two tests in type 1.

Quick check

1. Define absolute poverty and relative poverty. Explain why relative poverty can exist in a country where nobody lacks the basic necessities.
2. In a country, average income is \$800 a month, the relative poverty line is half of average income, and the basic necessities cost \$250 a month. Three people earn: P \$300, Q \$500 and R \$200 a month.
 - (a) For each person, say whether they are in absolute poverty, relative poverty, both or neither.
 - (b) Every income in the country doubles, including the average, and the cost of the necessities stays the same. Repeat (a).
3. Two people earn \$10 000 and \$50 000 a year.
 - (a) Under a proportional income tax of 20%, calculate each person's tax and income after tax.
 - (b) Under a progressive income tax with no tax on the first \$10 000 and 30% on income above that, calculate each person's tax, the percentage of income each pays, and each income after tax.
 - (c) Before tax the richer person earned 5 times as much. Work out the ratio after tax under each system and say which narrows the gap.
4. A worker earns \$12 an hour for 30 hours a week. The government introduces a national minimum wage of \$14 an hour.
 - (a) Calculate the worker's weekly pay before and after, if hours stay the same, and the percentage increase.
 - (b) Instead, the employer cuts the worker's hours to 25 a week. Calculate the new weekly pay and explain what this shows about a minimum wage.

5. Explain why a person who cannot work because of a long-term illness may stay in poverty even when the economy grows quickly.

Answers

1. Absolute poverty: income too low to buy the basic necessities needed to survive, such as food, clean water, shelter and clothing (1). Relative poverty: a standard of living well below the typical or acceptable standard in that society (1). Because relative poverty is a comparison with others, people who can afford the necessities can still be far below the average, for example below half of average income, if the gap between rich and poor is large (1).
2. (a) The relative line is $\$800 \div 2 = \400 . P (\$300): above \$250 but below \$400, so relative poverty only. Q (\$500): neither. R (\$200): below \$250, so both (1). (b) The average becomes \$1 600 and the line \$800. P now earns \$600: relative only. Q earns \$1 000: neither. R earns \$400: above \$250, so out of absolute poverty, but below \$800, so still in relative poverty (1). Equal growth for everyone ends absolute poverty here but leaves relative poverty unchanged (1).
3. (a) Tax: \$2 000 and \$10 000; after tax: \$8 000 and \$40 000 (1). (b) Tax: \$0 and 30% of \$40 000 = \$12 000 (1); percentages: 0% and 24% (1); after tax: \$10 000 and \$38 000 (1). (c) Proportional: $\$40\,000 \div \$8\,000 = 5$, unchanged. Progressive: $\$38\,000 \div \$10\,000 = 3.8$. Both systems take more money from the richer person, but only the progressive tax takes a larger percentage, so only it narrows the gap (1).
4. (a) Before: $\$12 \times 30 = \360 ; after: $\$14 \times 30 = \420 (1), an increase of $\frac{420 - 360}{360} \times 100 \approx 16.7\%$ (1). (b) $\$14 \times 25 = \350 , which is \$10 less than before (1). A minimum wage raises firms' labour costs, so they may cut hours or jobs, and some low-paid workers can end up with less income, not more (1).
5. Growth reduces poverty mainly by creating jobs and raising wages (1). Someone who cannot work does not gain from either, so their income depends on benefits, which may be small or may not rise as fast as prices (1). As others' incomes rise, the average rises, so they fall further below the typical living standard and stay in relative poverty, and possibly absolute poverty if they must pay for treatment (1).

Past questions to try

- **0455/22/M/J/24 Q2**: part (b), two policy measures that may reduce poverty.
- **0455/21/M/J/23 Q2**: part (d), whether higher unemployment benefit would reduce poverty.
- **0455/12/M/J/23 Q24**: what a recession does to absolute and relative poverty.
- **0455/22/O/N/22 Q3**: parts (b) and (c), proportional against progressive tax, and why a cut in government spending can increase poverty.