

Poverty and Inequality — Worksheet

Poverty · inequality

Name: _____

Class: _____

Date: _____

DEFINE absolute poverty · **EXPLAIN** how education and training can change absolute poverty · **CLASSIFY** an item as part of a person's income or part of their wealth · **CALCULATE** a relative poverty line and a headcount ratio · **ANALYSE** how structural change in an economy can change relative poverty · **EXAMINE** how far a country's development fits the Kuznets hypothesis · **DISCUSS** the impact of income inequality on an economy · **EVALUATE** the significance of the free market economy (capitalism) for income inequality

Sitting 1 — Topic practice

30 marks

MULTIPLE CHOICE Task 1 — Six questions on poverty and inequality

6 marks

Choose one answer for each question.

1. Which measure shows how far below the poverty line the incomes of poor people fall?

- A the poverty gap
- B the headcount ratio
- C a count of what people lack
- D the relative poverty line

Answer:

2. Which kind of aid reduces absolute poverty most directly?

- A a loan that must be spent on the donor's machinery
- B cash transfers paid to poor households
- C grain sold cheaply in local markets
- D funding for a new international airport

Answer:

3. Why does absolute poverty often stay high for years after a civil war ends?

- A the median income rises sharply once peace returns
- B donors stop their aid as soon as a peace agreement is signed
- C lost schooling and destroyed assets take years to replace
- D refugees who settle abroad send no money home

Answer:

4. A country's Gini coefficient of income is 0.45. What does this show?

- A 45% of the population lives in absolute poverty
- B the richest 45% of people receive all the income
- C income is shared less evenly than in a country with a Gini coefficient of 0.30
- D 45% of all income goes to the poorer half

Answer:

5. Many skilled nurses leave a poor country to work in richer countries. What is the most likely effect on the country they leave?

- A remittances fall and health care at home improves
- B its economy is not affected
- C the income gap between the countries closes at once
- D remittances rise but health care at home gets worse

Answer:

6. Which is most likely to explain a lasting gap in income per head between a rich country and a poor country?

- A higher prices of goods in the rich country
- B a larger population in the rich country
- C less capital and fewer skills for each worker in the poor country
- D a lower Gini coefficient in the poor country than in the rich country

Answer:

DEFINE Task 2 — The meaning of absolute poverty

2 marks

Define the term absolute poverty.

absolute poverty

EXPLAIN Task 3 — A training course in Dovra

4 marks

Dovra measures absolute poverty with the World Bank's line: an income of \$3.00 a day for each person. Most farm labourers in the north of Dovra earn \$2.40 a day, and they have no other income. In 2025, the government began a free course that trains farm labourers to repair water pumps. Firms in the north are short of pump repairers, and they pay a repairer \$4.80 a day.

Explain how the training course is likely to affect absolute poverty in Dovra.

CLASSIFY Task 4 — Income and wealth

8 marks

Rana is a nurse. She also owns a small farm, and a farmer rents it from her.

Classify each item as part of Rana's income or part of her wealth.

Key: Income · Wealth

#	Item	Income or wealth
1	Rana's pay from the hospital.	
2	The farm that Rana owns.	

#	Item	Income or wealth
3	The rent that the farmer pays Rana for the farm during the year.	
4	The shares in a bank that Rana holds.	
5	The dividends that Rana receives on her bank shares.	
6	The money in Rana's savings account.	
7	The value of Rana's house, minus the loan she still owes on it.	
8	The child allowance that the state pays Rana each month.	

CALCULATE
Task 5 — Relative poverty in Tolva
4 marks

Tolva has 55 million people. They are ranked from poorest to richest and split into ten equal groups, called tenths. The table shows the income a day of each person in each tenth. In Tolva, a person is in relative poverty if their income is below 60% of the median income.

Tenth	Income a day for each person
Poorest	\$2.20
Second	\$2.80
Third	\$3.40
Fourth	\$4.10
Fifth	\$6.80
Sixth	\$7.20
Seventh	\$8.60
Eighth	\$10.40
Ninth	\$13.80
Richest	\$25.00

Using the table, calculate Tolva's relative poverty line and the headcount ratio at that line.

The relative poverty line, in dollars a day, to the nearest cent

Workings

Answer: \$

The headcount ratio at that line, as a percentage

Workings

Answer: %

Show your working for each step.

ANALYSE

Task 6 — A steel works closes in Sevra

6 marks

In Sevra, a person is in relative poverty if their income is below 60% of the median income. Sevra's median income is \$7.50 a day, and it stays the same. In 2025, the steel works in Marlo, a town in Sevra, closed after cheaper imported steel arrived. Its workers earned \$5.20 a day. New jobs are growing in software firms in the capital, 400 km away. The only work that the former steelworkers can find in Marlo is informal work, at about \$3.60 a day.

Analyse the likely effect of the closure of the steel works on relative poverty in Sevra.

Knowledge — name and explain one economic idea (2)

Application — use the facts about Sevra (2)

Analysis — your chain of reasoning (2)

Sitting 2 — Mock section

54 marks

Source: Talvera

- 1 Talvera is a middle-income country. Since 2015, its economy has grown fast. Most of the growth has come from a new oil field and from new factories in the capital. The oil field uses modern machines and employs about 3,000 workers. Talvera measures absolute poverty with the World Bank's line: an income of \$3.00 a day for each person. Figure 1 shows how many people are below that line, and two measures of income inequality.
- 2 The new factories make clothes and shoes for export. They pay about twice what farm work pays, and many young people have moved from the villages to the capital to work in them. Engineers and

managers are scarce, and their pay has risen fast. Most rural households still farm small plots for low incomes.

- 3 In 2019, the government lowered income tax for the highest earners: their rate fell from 45% to 35%. To replace the lost revenue, it raised the sales tax on most goods from 10% to 15%. In 2021, it began a cash transfer of \$0.50 a day for each person in the poorest households.
- 4 Household saving rose from 12% to 16% of household income between 2015 and 2025. Banks rarely lend to rural households, which own little that a bank will accept. In the poorest fifth of families, 38% of children finish secondary school, against 90% in the richest fifth. Life expectancy is 64 years in the poorest fifth and 75 years in the richest fifth.

Figure 1: Poverty and income inequality in Talvera, 2015 to 2025

Year	Population (millions)	Income per head (\$ a year, in 2025 prices)	People below \$3.00 a day (millions)	Gini coefficient of income (0 to 1)	Share of all income received by the richest tenth (%)
2015	40	6,000	12.0	0.36	28
2020	42	7,500	9.6	0.41	33
2025	44	9,000	7.2	0.45	37

CALCULATE Task 7 — The headcount ratio in 2025

2 marks

Using Figure 1, calculate Talvera's headcount ratio at the \$3.00 line in 2025 as a percentage, to one decimal place.

Workings

Answer: %

EXPLAIN Task 8 — The fall in absolute poverty

4 marks

With reference to the source, explain one reason why absolute poverty in Talvera fell between 2015 and 2025.

ANALYSE**Task 9 — Rising income inequality in Talvera****6 marks**

With reference to the source, analyse two likely causes of the rise in income inequality in Talvera since 2015.

Knowledge — name two causes, and explain each one (2)

Application — one fact from the source for each cause (2)

Analysis — one chain for each cause (2)

EXAMINE**Task 10 — Talvera and the Kuznets hypothesis****8 marks**

With reference to the source, examine the extent to which the changes in Talvera since 2015 support the Kuznets hypothesis.

Knowledge — say what the hypothesis states, and give one reason for it (2)

Application — two facts from the source (2)

Analysis — your chain of reasoning (2)

Evaluation — two comments on how far the facts support it (2)

DISCUSS Task 11 — Inequality and the economy of Talvera

14 marks

With reference to the source and your own knowledge, discuss the likely impact of the rise in income inequality on Talvera's economy.

Knowledge — one economic idea for a benefit to the economy and one for a cost (2)

Application — one fact from the source for the benefit and one for the cost (2)

Analysis — two chains, one for the benefit and one for the cost (4)

Evaluation — weigh the two chains, say what the effects depend on, and judge the overall effect (6)

In 2023, the Gini coefficient of income in Colombia was 0.546, according to the World Bank. Some economists say that the free market economy is the main cause of income inequality.

Evaluate the significance of the free market economy (capitalism) for income inequality in a country.

Knowledge — say what a free market economy is, and name one way it can widen income inequality and one way it can narrow it (3)

Application — use real countries or real examples (3)

Analysis — one chain for how it widens income inequality and one for how it can narrow it (6)

Evaluation – weigh the two chains, say what the answer depends on, and judge (8)

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on its right side, suggesting it's resting on a surface.

EVALUATE

Task 13 – Your judgement in one sentence *Not marked. One sentence: your judgement on Task 12.*

Write the one sentence that answers Task 12's question.



This sheet and its answers online: [revvylearn.com/w/e4-poverty-inequality](https://www.revvylearn.com/w/e4-poverty-inequality)

Answers and mark scheme: [revvylearn.com/w/e4-poverty-inequality/answers](https://www.revvylearn.com/w/e4-poverty-inequality/answers)

Marks and levels follow the IAL Economics paper; mark your work against the answers page - this is not Edexcel's marking.

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