Poverty

# Starter Article Task: Is an end to Poverty in sight?

**Instructions:**

* Read, highlight and annotate the article
* Answer the questions
* Discuss your answers as a class

**Article**

*World Bank Forecasts Global Poverty to Fall Below 10% for First Time; Major Hurdles Remain in Goal to End Poverty by 2030*

The number of people living in extreme poverty around the world is likely to fall to under 10 percent of the global population in 2015, according to World Bank projections released today, giving fresh evidence that a quarter-century-long sustained reduction in poverty is moving the world closer to the historic goal of ending poverty by 2030.

The Bank uses an updated international poverty line of US $1.90 a day, which incorporates new information on differences in the cost of living across countries (the PPP exchange rates). The new line preserves the real purchasing power of the previous line (of $1.25 a day in 2005 prices) in the world’s poorest countries. Using this new line (as well as new country-level data on living standards), the World Bank projects that global poverty will have fallen from 902 million people or 12.8 per cent of the global population in 2012 to 702 million people, or 9.6 per cent of the global population, this year.

Actual poverty data from low income countries come with a considerable lag but the organization, which released the information on the eve of its Annual Meetings in Lima, Peru, based its current projections on the latest available data.

Jim Yong Kim, World Bank Group President, said that the continued major reductions in poverty were due to strong growth rates in developing countries in recent years, investments in people’s education, health, and social safety nets that helped keep people from falling back into poverty. He cautioned, however, that with slowing global economic growth, and with many of the world’s remaining poor people living in fragile and conflict-affected states, and the considerable depth and breadth of remaining poverty, the goal to end extreme poverty remained a highly ambitious target.

“This is the best story in the world today -- these projections show us that we are the first generation in human history that can end extreme poverty,’’ Kim said. “This new forecast of poverty falling into the single digits should give us new momentum and help us focus even more clearly on the most effective strategies to end extreme poverty. It will be extraordinarily hard, especially in a period of slower global growth, volatile financial markets, conflicts, high youth unemployment, and the growing impact of climate change. But it remains within our grasp, as long as our high aspirations are matched by country-led plans that help the still millions of people living in extreme poverty.”

In April 2013, nine months after Kim became president of the World Bank Group, its Board of Governors endorsed two goals: to end extreme poverty by 2030, and to boost shared prosperity by raising the incomes of the bottom 40 percent of populations.

Kim said that further reductions in poverty rates would come from evidence-based approaches, including: broad-based growth that generates sufficient income-earning opportunities; investing in people’s development prospects through improving the coverage and quality of education, health, sanitation, and protecting the poor and vulnerable against sudden risks of unemployment, hunger, illness, drought and other calamities. These measures, he said, would also greatly boost shared prosperity, improving the welfare of the least well-off in every country.

“With these strategies in place, the world stands a vastly better chance of ending extreme poverty by 2030 and raising the life prospects of low-income families,” said Kim.

**Questions**

What is meant by poverty?

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What ways of measuring poverty are mentioned in the article? Can you think of any others?

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What might be the causes of poverty?

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**Extension:** How might Poverty be eliminated in the future?

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# Presentation 1 – Intro to Poverty

Complete the activities below so as to have a complete set of notes:

**General Definition:** *Poverty*

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Economists define poverty in two ways

**Definition:** *Absolute* *Poverty*

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Absolute poverty thresholds will vary between developed and developing countries.

*The Extreme Poverty Measure:*

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*Stat:*Worldwide there are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ people living in extreme poverty

**Definition:** *Relative* *Poverty*

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*The Official Poverty Line:*

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*Stat:*The amount of people in the UK below the official poverty line is circa \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Sources Task: Causes of Poverty

**Instructions:**

* Pick out the potential sources of poverty and list them in the correct section of the table (*there are at least five per source)*.
* Rank the sources in each section by order of importance

**Sources:**

**Source 1:** Early next year, Nigeria is set to displace India as the country with the largest number of people in extreme poverty, according to the latest forecast by the World Poverty Clock. By February 2018, Nigeria will have some 83 million people living in extreme poverty, up from the current 82 million, a situation development experts blame on a population surge that is not matched by economic growth.

Nigeria’s highest ranking civil servant has been sacked by President Muhammadu Buhari following allegations that he diverted aid funds intended for the humanitarian crisis in the country’s north-east. President Goodluck Jonathan has been accued of syphoning off £20bn from national oil revenues. A preliminary report by the Nigerian senate alleged that funds intended to cover the cutting of weeds to prevent flooding in refugee camps and other vulnerable areas had been diverted through companies set up by Lawal. Nigeria’s problems don’t stop there however, with terrorism greatly supressing development. The group Boko Haram, which means “no to western education”. The conflict has left at least 20,000 dead in the country’s remote north-east and destabilised a swath of west Africa, displacing millions of people. Agricultural production has stalled and food insecurity has gained a terrifying momentum. The politic tensions mean that there is an absence of property rights meaning farmers have no incentive to invest in improving yields, especially given the low level of current technology available to these subsistence farmers. After eight years of conflict, reports from the north-east are that virtually no one is planting. All it would take is a particularly dry season for famine to be a highly likely outcome.

**Source 2:** The latest Social Mobility Commission report, [State of the Nation](https://www.tes.com/news/school-news/breaking-news/disadvantaged-pupils-outside-london-have-odds-stacked-against-them), exposes the government’s abject failure in tackling the root causes of poverty and inequality and in offering hope to communities across the country. The gap between the better-off and the least well-off is growing – Britain is becoming a more unequal society. Many argue the top have gained through tax cuts, with the top marginal rate of income tax has fallen from 70% in 1970 to 45% currently but the poor have been left behind.

Many question the whether the level of inequity in the UK is sustainable and whether outcomes are equitable. Life in the UK is a postcode lottery with 4 million children living in poverty. This means nine pupils in every classroom of 30 are officially poor. These children also likely to go to a school in a deprived area where the teachers, according to the Sutton Trust, are most likely to be inexperienced and lessons are disrupted more often by poor behaviour. Work does not provide a guaranteed route out of poverty: according to the Children’s Society, 67 per cent of children in poverty have at least one parent in work. Those with low levels of academic attainment are unlikely to have access to jobs that will take them out of poverty due to their low productive, meaning they can’t reduce the significant wage inequality in the UK.

**Source 3:** The number of children and pensioners living in poverty has risen for the first time in 20 years - and could rise by an extra half a million people by the end of the decade. Those are the findings of the respected Joseph Rowntree Foundation charity which said almost 400,000 more children and 300,000 more pensioners are living in poverty than four years ago. Currently 14 million people are struggling for money, including four million children and 1.9 million pensioners. And with rising housing costs, higher food and energy bills and growing debt, it is predicted that 500,000 more people will fall into poverty by the end of the decade. Although the Financial Conduct Authority is currently reviewing the high cost credit market too many people only have access to payday loans or unauthorised overdrafts with extortionate interest charges. Those that haven’t saved insufficiently for their retirement due to poor planning or insufficient wages are most likely to suffer. Critics are now calling on the UK government to end the four-year freeze on working age benefits and tax credits - with criticism over Theresa May’s pledge to tackle “burning injustices” last year following years of austerity under David Cameron. It is not just those on frozen benefits that are struggling, it is also those in the on demand economy who are on zero-hour contracts and have no certainty over their finances. Economic shocks such as fall in GDP resulting from the Global Financial Crisis has left many susceptible to falling into relative poverty.



**S****ource 4:** The Global Financial Crisis sent shockwaves across the global and resulted in prolonged recessions in many countries. This was resulted in prolonged recessions in many developed countries and a significant hysteresis effect. Many argue that it is shocking that in a rich western country that doesn’t suffer from massive population growth, corruption and which provides state healthcare and education we still have high levels of relative poverty.

A lack of growth in productivity and the inflation resulting from the pound depreciating substantially have meant that real wages have fallen since the recession, the UK’s real wages have fallen by around 8% between 2007-15 which is the second worst out of all the OECD countries (only Greece was worse). Those that suffered were not able to support themselves with savings as although the average savings ratio in the past 54 years is 9.2% of disposable income in the years preceding the GFC it averaged 6%. Following the GFC technological change has changed the labour market dramatically. The self-employed are a large and growing part of the UK labour force. Five million people—15% of workers—are now self-employed, and the expansion of self-employment has played a significant part in current record employment levels. New technology has facilitated the growth of the “gig economy”, which has led to a large number of positive developments and opportunities, however many now suffer from inconsistent pay and lack the benefits such as sick pay provided to formal employees. This continued growth in self-employment presents fundamental challenges for the welfare state.

**Table**

|  |  |
| --- | --- |
| Potential Causes of **absolute** poverty | Potential Causes of **relative** poverty |
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# Presentation 2 – Causes of Poverty

Complete the activities below so as to have a complete set of notes:

**Key Point:** *Causes of Absolute Poverty*

Absolute poverty is common in developing countries

**LCAs task:** Complete bullet points to explain how the below factors lead to *ABSOLUTE POVERTY*

(Hint: recall the definition of absolute poverty is to do with income too low to meet basic needs)

*Changes in the rate of Economic Growth*

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 … therefore increased absolute poverty.

*Absence of Government/Public services*

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 … therefore increased absolute poverty.

*Poor Labour Markets*

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 … therefore increased absolute poverty.

*Severe Savings Gaps*

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 … therefore increased absolute poverty.

**LCAs task:** Complete bullet points to explain how the below factors lead to *RELATIVE POVERTY*

(Hint: recall the definition of relative poverty is to do with income being well below average)

*Growing Wage inequality:*

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 … therefore increased relative poverty.

*Underemployment:*

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 … therefore increased relative poverty.

*Decline of Trade Unions:*

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 … therefore increased relative poverty.

*Government Policy:*

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 … therefore increased relative poverty.

# Discussion Task: What can be done about Poverty

**Instructions:**

* Consider the key question below
* Discuss you ideas with a partner
* Share your thoughts with class

**Discussion:**

*How could the government reduce levels of poverty in the UK?*

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| --- |
| Note Space: |

(Hint: Consider the causes of poverty)

# Presentation 3 – Impacts of Poverty

Complete the activities below so as to have a complete set of notes:

**Brainstorm:** *Impacts of Poverty*

# Assignment

**Section B (Data Response)**



**Extract 1 Africa on the point of take-off**

The World Bank says Africa “could be on the brink of an economic take-off much like China was thirty years ago”. Jeffrey Sachs, one of the leading experts on developing countries, says the continent could become “the surprise winner of the coming decade”. The scale and extent of Africa’s economic boom is unprecedented: from 2001 - 2010 six out of the ten fastest growing countries were African. In eight of the last ten years, Africa’s lion states have grown faster than Asia’s tigers. The fastest-growing economy in the world in 2011 was Ghana at 13%, compared with barely 1% in most European countries and just over 1% in America. Thanks to external debt relief in Africa and the massive increase in borrowing in Europe, many European countries are now more indebted than African nations.

New African billionaires and multi-millionaires are being created at an astonishing rate and the wealth is trickling down. Some 313 million people, 34% of the continent’s population, spend $2.20 a day, a 100% rise in less than 20 years, according to the African Development Bank Group (AfDB).

Some African firms are now so big they are buying global rivals. South African Breweries has bought America’s Miller, to become SAB Miller, the world’s second largest brewer. The world’s leading multinationals are rushing to invest in Africa. For example, America’s Walmart, the world’s biggest retailer, recently spent $2.4 billion acquiring a majority stake in South African firm Massmart. Overall foreign investment in Africa has grown more than 600% in the last decade.

Why is Africa suddenly shaking off decades of decline? Traditional industries of mining and agriculture are now more valuable and more productive. Africa has about half of the world’s gold deposits, 10% of its oil reserves, and a third of its diamonds, copper, platinum and “rare earth” minerals used in smartphones, tablet computers and flat-screen TVs. Prices for these commodities are high, having risen significantly over the last decade. Furthermore, some of the old problems which have held Africa back are easing: the birth rate is falling and infrastructure is slowly improving, largely thanks to investment from China. Thousands of miles of roads and railways, oil and gas pipelines and new ports are being built in Kenya, Ghana, Nigeria and Mozambique.

While many macro factors are creating the right conditions for growth, micro factors, such as technology, are also generating prosperity. Until as recently as 2005, Africa was almost isolated from a technological perspective with most countries only having a few ancient landline telephone systems. Today, thanks to vast new underground fibre- optic cables that run from the east and west coasts of Africa, and millions of mobile phone masts, the continent is plugged into the world. The 400 000 landline subscribers in Nigeria have become 60 million mobile phone subscribers. The continent is the world’s fastest-growing mobile phone market, expanding by 20% per year since 2006. Internet speeds have risen 100-fold in the last few years while connection costs have fallen 40-fold. Internet usage grew by 2 527% between 2000 and 2011. The real effects of the technological boom are felt beyond the high-tech companies themselves. These improvements in communication have created the one thing Africa lacked: a consumer society. In Kenya, for example, around 41% of the population use mobile phones to pay for goods by transferring credits from one handset to another in seconds. McKinsey & Company, a research consultancy, predicts that African consumer spending will rise from $869 billion in 2008 to $1.3 trillion by 2020.

Nevertheless, Africa is still the poorest continent on earth. Most of its one billion population live on less than $2 a day and average life expectancy in some countries is as low as 46. Education may have improved but is very weak by international standards. Deforestation and desertification are rising, causing conflicts over access to land and water. South Africa, which used to be a model for the continent, is tainted with corruption – a problem common in many other African countries. Despite all the advances in technology, only 12% of Africans are regular internet users, compared with a world average of 30%. All the new infrastructure has done little to overcome the problems of excessive bureaucracy, congested roads and over-crowded ports and airports. Basic services, such as power supplies, are inadequate with power cuts a common occurrence. Internal security is a major problem in countries such as Nigeria.

(Source for Extract 1 and Figures 2 and 3: © The Sunday Times 26 February 2012)

1. Examine the possible impact on poverty of economic growth in Africa.

 (10)

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| --- |
| **Planning Grid: Aim = 4 paragraphs - 2 KAA points (6); 2 Eval points (4)** |
| **KAA Point 1 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 1 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |
| **KAA Point 2 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 2 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |

**Question:** Examine the possible impact on poverty of economic growth in Africa [10]