Where Do We Get The Money We Spend?

Lesson 4

Overview:

This lesson will examine the sources of income for people.

Objectives:

Students will be able to:

- Name sources of income for individuals.
- Explain some of the reasons why different jobs pay different wages.
- Identify and classify productive resources.

State Learning Standards/Benchmarks: 15.A.1b; 15.A.2b; 15.C.1a; 15.C.1b; 4.B.2b

Introduction:

People need money to buy things - food, clothing, housing, entertainment - all the things we want for living. How do they get it? The most common way to get income is to provide labor - to earn wages or a salary in exchange for your work. But people also earn money in other ways.

Activity:

Have students list all the ways they get money *(i.e., allowance, earn money for doing jobs around the house, birthday gifts, etc.).*

Debrief:

The ways people earn income include:

- Earning wages by working. *(Ask students if they know people that work.)*
- Owning land or other natural resources and renting or selling those resources to others for use. *(See if any students know someone who owns a building they rent to others.)*
- Saving/investing their money and earning interest. *(Ask if any of them has a savings account.)*

Other sources of income are:

- Retirement income, including pensions, investments and social security - which is a government program. *(Ask students if they have grandparents who are retired.)*
- Other government programs, including veterans benefits, unemployment compensation, food stamps and assistance to families unable to earn sufficient amounts to support themselves.
- Gifts and inheritance, awards/prizes.

Activity:

Have students list all the things needed to produce a common item in the classroom *(a desk - wood, tools and machines, workers).*

Debrief:

Explain that in a market economy people own productive resources *(natural resources, such as land, plants, minerals)*; human resources *(such as skills and work)*; and capital resources *(such as buildings, machinery)*. Write these productive resource categories on the board: Natural, Human and Capital. Have the students classify the productive resources they identified above (a desk) natural *(wood)*; human *(workers who made the desk)*; and capital *(tools or machines used and the factory)*.

Tell the students:

All of these are needed to provide goods and services. Since people own these productive resources, they sell them to businesses, and in return they earn income. Most people earn their main income by selling their human resources - their skills and knowledge. In other words, they work!

Activity:

Have students work in groups to create a list of workers/jobs they know.
Include workers/jobs in the family, the school, the community and jobs of famous people.

Debrief:

1. Do all these people do the same thing? *(No, there are many types of jobs.)*
2. Are some jobs easier than others? *(Yes, in several ways; some are more physical than others; some take a lot of knowledge; some take much less skill than others do.)*
3. How does a person learn the skills and knowledge needed for their job? *(Through education and training.)*
4. Do all jobs pay the same wage? *(No, there are great differences.)*

Activity:

- Ask students: "Have you ever thought about what type of work you might like to do when you finish school? Perhaps you think it might be fun to be a police officer, or a lawyer, or a professional athlete. Every job requires certain knowledge and skills, so you want to choose a career that fits your talents. Since most people spend the majority of their time at work, it also helps to enjoy the work you do."

  We already know that not all jobs pay the same wage. Some people earn a lot more than others. Let's examine the various factors that can determine what a job pays.
- Who earns more, a doctor or a worker at a fast food restaurant? *(Doctor)*
- Are both people providing services we all use? *(Yes)*
- Why do you think there is a difference in what they are paid? *(The doctor must have much better skills and more knowledge than the worker must in a fast food restaurant.)*

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Education plays an important role in job choice - and in the pay a job provides. Higher education *(anything beyond high school)* offers people the opportunity to learn certain knowledge and skills for jobs. However, obtaining that extra education requires sacrifices:

- The cost of going to school or getting specialized training *(tuition, books, etc.)*.
- The income you give up while you go to school.

However, there is a potential reward for making those sacrifices. You will likely be able to take advantage of greater job opportunities, often at a higher salary.

- Education is not the sole factor in determining salary levels. Occupations where a particular skill is in high demand, such as technology-related jobs, may command a higher salary than other jobs with similar education requirements.

In summary, salaries/wages for jobs vary for several reasons:

- Generally, the more skill and knowledge required for a job, the higher the wages will be because an individual must invest time and money in gaining the knowledge and skills needed. They must have an incentive - higher income - to make them feel that extra investment is worthwhile. Workers whose skills are in high demand *(more jobs available than qualified workers)* will generally earn more than workers whose skills are in low demand.

Summary activities:

1. Have students list the skills they feel they have. Discuss how those skills might be used in a job.
2. Have students list ways they can earn money now.
3. Have students identify a job they might like to have some day. Have them research what education requirements there are for that type of job and what skills they would need. Have them tell why this job interests them.
4. Have students interview someone in a job to find out what education/training they needed to get the job.

Additional Resources:

Classroom lessons on work and human capital to accompany the following stories are available in *Economics and Children's Literature*, SPEC Publishers:

Busiest People Ever by Richard Scarry
A Chair for My Mother by Vera B. Williams
Dear Mr. Henshaw by Beverly Cleary
My Side of the Mountain by Jean Craighead George
The Purse by Kathy Caple
The Shoeshine Girl by Clyde Robert Bulla