

NAME: _____ CLASS PERIOD: _____

Why Some Jobs Pay More Than Others

Read the following material, and study the table on the next page. Then answer the questions at the end of the exercise.

The money a person receives in exchange for work or use of property is called income. Income can come from many sources. People possess certain assets that they can use to generate income. These assets may include savings, stocks, land, and rental property. However, most of the income people earn in the United States comes from the work they do. Wages and other income from labor make up about 70 percent of every dollar of total income. The rest (approximately 30 percent) comes from interest, rents, and profits, including the income earned by entrepreneurs.

Not everyone makes the same amount of income. *Forbes* Magazine reported that top celebrity earners for 2009 included Oprah Winfrey, with earnings of \$315 million; U2, at \$130 million; Tiger Woods, at \$105 million; Beyonce Knowles, at \$87 million; Sandra Bullock, at \$56 million; Kobe Bryant, at \$48 million; David Beckham, at \$44 million; and Maria Sharapova, at \$25 million. The Bureau of Labor Statistics reports that the 2008 median annual earning figure for dentists was \$142,810; for registered nurses, \$62,450; for special education teachers, \$50,020; for secretary/administrative assistant (non-legal, medical or executive), \$29,050; and for full-time cosmetologists, \$26,712, excluding tips.

What causes income to vary so much from one occupation to another?

One factor is the market for different occupations. At least in the near future, for example, demand for dental hygienists is expected to grow much faster than average for all occupations, owing in part to increasing demand for dental care. This change in demand will probably cause wages for dental hygienists to go up. In contrast, demand for radio and television announcers is expected to decline. This change in demand will probably cause wages for announcers to go down.

Other factors also contribute to differences in earnings. People with more natural ability in their occupation tend to make more money than those with less ability. People who work hard typically make more money than others who don't. People who get along with others and are self-disciplined tend to earn more money than people who are hard to get along with or are less disciplined.

Another important factor related to income is **human capital**. Human capital is the set of intangible assets individuals bring to their work: Their knowledge, skills, talent, even their health. All these factors have a bearing on income; workers who bring a rich stock of human capital to their work typically do well. One good measure of human capital is education. There are notable exceptions, of course, but workers with more education tend to earn more income than workers with less education. One way to increase income, therefore, is to **invest** in one's own human capital, especially by getting more education. Gary Becker, recipient of the 1992

Nobel Memorial Prize in Economic Science, has explained that, on average, completing high school and earning a college degree will raise a person's income even after accounting for the **direct costs** (e.g., tuition and books) and the **indirect costs** (e.g., income that an individual could otherwise have earned during time spent in school) of getting an education. The gains in income occur because investment in human capital typically leads to increased worker productivity. Since workers with higher levels of productivity typically earn higher incomes, the return from investing in human capital can make a big difference in one's earnings.

The U.S. Census Bureau reports on the relationship between levels of formal education and income. Please examine the table below and respond to the questions that follow.

Level of Formal Education and Income	
Level of Education	Average Median Income of Males and Females Aged 25 and Over, 2008
Less than 9th grade	\$18,180
9th grade to 12th grade, no diploma	\$20,246
High school graduate (includes GED)	\$27,963
Some college, no degree	\$31,947
Associate's degree	\$36,399
Bachelor's degree	\$48,097
Master's degree	\$58,522
Professional degree	\$87,775
Doctoral degree	\$80,776

Source: U.S. Census Bureau, Pinc-03 Educational attainment—people 25 years old and over, by total money earnings in 2008.

Questions:

- a. What is income?

- b. What factors other than education contribute to increased income from work?

- c. What is human capital?

- d. Examine the table in this exercise. Describe the relationship between education and income from work. Does education pay?

- e. In 2008, how much more would a high school graduate expect to earn per year, compared to an 11th-grade dropout?

- f. Assuming a 40-year work life and no pay increases, how much more might a high school graduate expect to earn over a lifetime, compared to an 11th-grade dropout?

- g. Does it pay to stay in school one more year and graduate? Why?

- h. In 2008, how much more would a college graduate expect to earn per year, compared to a high school graduate?

- i. Assuming a 40-year work life and no pay increases, how much more might a college graduate expect to earn over a lifetime, compared to a high school graduate?

- j. Is education a good investment?

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Education and Training

What level of education and/or training is likely to be required in the future in order to access the fastest-growing jobs? It is hard to predict, but the U.S. Bureau of Labor Statistics (BLS) provides useful information about how job markets are changing. The Bureau reports that the fastest-growing jobs will require some education beyond high school. In general, jobs that require more education are expected to grow more rapidly than those that require on-the-job training.

Study the chart below. Answer the questions following the chart after you have read and analyzed the information it presents.

Percent change in employment, by education or training category, 2008-18 (projected)



Questions:

- What three levels of education or formal education and training are associated with the fastest-growing jobs?
- What levels of education or training are associated with slower-growing jobs?