

# Why Some Jobs Pay More than Others

## LESSON DESCRIPTION AND BACKGROUND

Why do some people earn more income than others? This lesson explores that question. It begins by clarifying what income is. Then it focuses on the relationship between human capital and income. It culminates with an activity linking levels of education to the fastest-growing occupations.

Lesson 6 correlates with national standards for economics and personal finance as shown in Tables 1-2 in the introductory section of the publication.

## ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Determinants of income
- Human capital
- Sources of income

## OBJECTIVES

At the end of this lesson the student will be able to:

- Identify and explain the meaning of key terms such as **income** and **human capital**.
- Explain the relationship between human capital and income.

## TIME REQUIRED

Two 45-minute class periods

## MATERIALS

- A copy of **Activity 6.1** cut into strips
- A copy for each student of **Exercise 6.1** and **6.2** from the *Student Workbook*
- Six plain sheets of 8.5" x 11" paper for each group of 3-4 students
- Optional: A small prize for each member of the winning team from **Activity 6.1**

## ADDITIONAL RESOURCES



To download visuals, find related lessons, correlations to state standards, interactives, and more visit <http://fffl.councilforeconed.org/9-12/lesson6>.

## PROCEDURE

1. Tell the students that the purpose of this lesson is to help them understand why some people earn more income than others. One type of income includes wages and salary paid to workers in exchange for their work. Another type of income includes money received for use of property. The lesson stresses the importance of investing in one's own human capital as a way of increasing individual income.
2. Ask the students to name people who probably have high incomes. List some names on the board. Give each student a copy of **Exercise 6.1** from the *Student Workbook*. Ask the students to read the exercise and answer the questions at the end. Point out that the exercise gives examples of the annual income of well-known business people and celebrities as well as other people in more conventional occupations such as teachers and cosmetologists.
3. When the students have completed the exercise, discuss the answers with the class:
  - a. What is income? (**Income is money people earn by working—e.g., wages and salaries. Income also includes money earned in other ways—e.g., interest or dividends from investments.**)
  - b. What factors other than education contribute to increased income from work? (**Demand for the occupation, natural ability, hard work, getting along with others, self-discipline, etc.**)
  - c. What is human capital? (**Human capital is the knowledge, skills, talent, and health that people bring to their work.**)

- d. Have students examine the table in the exercise. Describe the relationship between education and income from work. Does education pay? (**Higher levels of formal education are associated with higher levels of income.**)
- e. In 2008, how much more would a high school graduate expect to earn per year, compared to an 11th-grade dropout? (**\$27,963 - \$20,246 = \$7,717 more.**)
- 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? (**\$7,717 x 40 years = \$308,680 more.**)
- g. Does it pay to stay in school one more year and graduate? Why? (**Yes. For a high school graduate, income for each year of work is ordinarily higher than income earned by a worker without a high school diploma.**)
- h. In 2008, how much more would a college graduate expect to earn per year, compared to a high school graduate? (**\$48,097 - \$27,963 = \$20,134 more.**)
- 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? (**\$20,134 x 40 years = \$805,360 more.**)
- j. Is education a good investment? (**Yes. Most people with higher levels of education will earn higher incomes than their less-educated peers.**)
4. Give each student a copy of **Exercise 6.2** from the *Student Workbook*. Ask the students to answer the questions at the end. Discuss the answers with the class:
- a. What three levels of formal education and training are associated with the fastest-growing jobs? (**Associate's degree, master's degree, first professional degree.**)
- b. What levels of education or training are associated with slower-growing jobs? (**Short-term, moderate-term, and long-term**

**on-the-job training, work experience in a related occupation, bachelor's degree or higher plus required work experience.**)

5. Tell the students that some occupations are growing at faster rates than others. Explain that the amount of education required for these faster-growing jobs varies. The chart in **Exercise 6.2** looks at some projections related to education, training, and the growth of job opportunities. Make sure the students understand the distinctions among different levels of education including vocational training (less than a 2-year vocational degree), associate's degree (2-year degree), bachelor's degree, master's degree, doctoral degree, and professional degree.
6. Cut out strips of paper from **Activity 6.1** and place the strips in a cup or another container in the front of the room.
7. Tell the students that you are going to play a game called "Capitalizing on Human Capital." The purpose of the game is for students to learn about the amount of formal education required for the country's fastest-growing occupations. Divide the class into teams of 3-4 students. Give each team six sheets of 8.5" x 11" paper. Tell the students to write one of the following abbreviations on each sheet of paper (the letters should be large enough so that you can read them from the front of the room):
- VT for vocational training
  - AD for associate's degree
  - BA for bachelor's degree
  - MA for master's degree
  - DD for doctoral degree
  - PD for professional degree
8. Explain that you will pull a slip of paper from the container and read the occupation listed. Each team should discuss what level of formal education they predict that occupation will require. After a minute or two, ask the teams to raise their sheets of paper showing the levels of education they have predicted. Read their predictions out loud. Tell the class the correct an-

swer for the first item, and ask the teams to keep score on how well they are doing. Each team should receive 5 points for each correct answer. Continue the activity. After each prediction and each correct answer you provide, discuss briefly why the indicated level of education is the usual requirement for the selected occupation. Play until all the slips have been read and discussed. Give the members of the winning team a small prize.

### CLOSURE

Use the following questions to review the lesson:

- What is income? (**Money people earn by working, or from other sources, such as investments.**)
- What is human capital? (**Human capital is the knowledge, skills, talent, and health people bring to their work.**)
- How can people invest in their human capital? (**By getting more education, improving skills, etc.**)
- What is a key advantage of investing in human capital through education? (**People with higher levels of formal education tend to earn higher incomes.**)

### ASSESSMENT

Explain that people often invest in diverse assets—stocks, bonds, mutual funds, rental properties, and so forth. It is also possible to invest in a different sort of asset—one that is often overlooked. This other asset is human capital. People invest in their human capital when they take steps to improve or develop their knowledge, skills, work habits, even their health. Ask the students to consider the importance of this type of investment by writing an essay titled "Why Investing in My Human Capital Is in My Portfolio."

### EXTENSION

Direct the students to the *Occupational Outlook Handbook* at the Bureau of Labor Statistics website, <http://www.bls.gov/oco/>. At this site, students will find information on many different occupations and the education/training, earnings, expected job prospects, etc., associated with these occupations. Ask the students to select an occupation that interests them and prepare a report on the outlook for this job. The students may share information about the occupation, required education/training, earnings outlook, and future prospects for the respective jobs in presentations to the rest of the class.

# Fast-Growing Occupations and Levels of Education

**Instructions for the teacher:** Cut the rectangles below into strips. Place the strips into a container for use during the Capitalizing on Human Capital game. The game calls for you to draw slips out of the container, read the occupation on each slip, and ask the students to predict the level of education required for each occupation. After each prediction, read the amount of education that is generally required.

Occupation: Veterinarian <b>Education: Professional Degree</b>	Occupation: College professor <b>Education: Doctoral Degree</b>
Occupation: Physician <b>Education: Professional Degree</b>	Occupation: Clinical counseling and school psychologist <b>Education: Doctoral Degree</b>
Occupation: Pharmacist <b>Education: Professional Degree</b>	Occupation: Physical therapist <b>Education: Master's Degree</b>
Occupation: Chiropractor <b>Education: Professional Degree</b>	Occupation: Mental health counselor/ social worker <b>Education: Master's Degree</b>
Occupation: Computer and information scientist <b>Education: Doctoral Degree</b>	Occupation: Physician assistant <b>Education: Master's Degree</b>
Occupation: Computer engineer <b>Education: Bachelor's Degree</b>	Occupation: Computer systems analyst <b>Education: Bachelor's Degree</b>
Occupation: Financial analyst <b>Education: Bachelor's Degree</b>	Occupation: Personal finance advisor <b>Education: Bachelor's Degree</b>
Occupation: Veterinary technicians <b>Education: Associate's Degree</b>	Occupation: Makeup artist <b>Education: Postsecondary vocational training</b>
Occupation: Dental hygienist <b>Education: Associate's Degree</b>	Occupation: Fitness trainer <b>Education: Postsecondary vocational training</b>
Occupation: Physical therapy assistant <b>Education: Associate's Degree</b>	Occupation: Preschool teacher <b>Education: Postsecondary vocational training</b>
Occupation: Environmental science and protection assistant <b>Education: Associate's Degree</b>	Occupation: Manicurist <b>Education: Postsecondary vocational training</b>

Source: Bureau of Labor Statistics, <http://bls.gov>