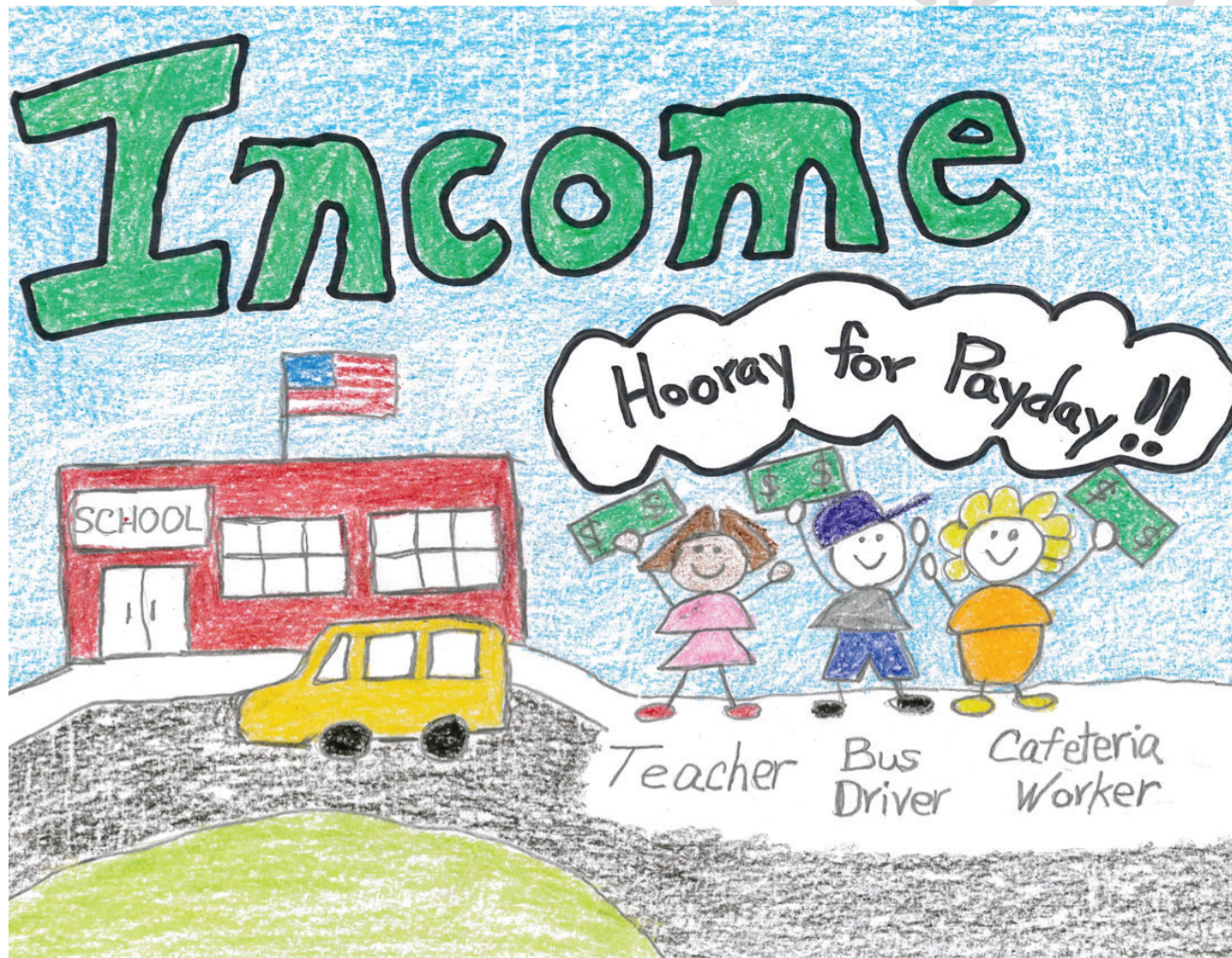


# INCOME, HUMAN CAPITAL

9



PEOPLE EARN INCOME  
WHEN THEY SELL  
THEIR RESOURCES.



**Economics  
Arkansas**

EDUCATION FOR REAL LIFE

# CONCEPT STATEMENTS FOR ELEMENTARY ECONOMICS

1. People consume goods and services to help satisfy their wants.
2. Resources are used to produce goods and services.
3. Because many things are scarce, people need ways to allocate them.
4. Scarcity requires people to make choices that involve trade-offs and have opportunity costs.
5. Specialization and division of labor increase people's productivity and dependency on one another.
6. People are willing to make exchanges when what they receive is worth more to them than what they give up.
7. Money makes trading easier.
8. The price of a good, service, or resource is determined by buyers and sellers in that market.
9. **People earn income when they sell their resources.**
10. People incur expenditures when they buy goods and services.
11. Entrepreneurs and businesses incur costs when they buy resources and earn revenues when they sell the goods and services produced with those resources.
12. Governments provide goods and services and collect taxes.

## PEOPLE EARN INCOME WHEN THEY SELL THEIR RESOURCES.

**RESOURCE MARKETS: markets where resources are exchanged (producers are buyers)**

**Examples:**

- ❖ labor markets (where people sell the use of their human resources)
- ❖ capital markets (where other producers sell their capital goods/resources)
- ❖ natural resource markets (where owners of natural resources sell their natural resources)

**INCOME: money received in payment for resources sold**

**Examples:**

- ❖ \$10 per hour for driving a bus
- ❖ wages or salary (selling the use of human resource)
- ❖ \$25,000 per year working as a cook
- ❖ rent or royalty (selling the use of a natural resource)

**HUMAN CAPITAL: the package of talents, skills, education, experience, health habits, and attitudes each person has that enables them to be a productive worker**

**Examples:**

- ❖ Anders is physically strong and gets along with people very well.
- ❖ Devin is musically-talented and college-educated.
- ❖ Julia is an experienced electrician and good problem-solver.
- ❖ Lynn is a hard worker and a non-smoker.

[Note: Increases in the quantity and/or quality of a person's human capital generally makes them more productive and earns them higher income.]

### Concept Statement Examples

- ❖ After reading through some want ads online (resource market), Joel got a job at a grocery store for \$8 per hour. During a typical week he works 20 hours and earns \$160 (income).
- ❖ The human capital necessary to be a waitress (pleasant attitude and ability to carry meals) is different than that needed to be a surgeon (medical education and precise cutting skills).
- ❖ Because Dane had more training and better skills (human capital) than other people applying for a job as a chef, he was hired (resource market). The restaurant owner was able to pay him a higher wage (income) because he was able to produce more and better meals for her to sell.

## GETTING STARTED

- ❖ Begin a discussion of jobs done in settings familiar to students: school (teacher, custodian, secretary); home (jobs of parents, family, friends); and the community (police, waiter, nurse). Guide the discussion by asking: What do these people do? What good or service do they help produce? Can everyone do all of these jobs well? (*No*) Why do people work? (*To earn money so they can buy goods and services they want*)
- ❖ Display the cover illustration. Ask: Why are these people so happy? (*They got paid money for doing their jobs.*) Define income as the money people receive in payment for resources they sell. Ask: What resource did these people sell the school district? (*The use of their human resource: teacher's ability to teach; bus driver's ability to drive; and cafeteria worker's ability to cook*)
- ❖ Explain that in exchange for their work, the school district pays them money. That money is called their income (more specifically, wage or salary income).
- ❖ Have each student select a job that is familiar to them and create a picture like the cover illustration which shows what the person does and where the person works (or who pays them for their work). Focus students on people as workers for a business or organization, not as business owners themselves.

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## USING OCCUPATION CARDS

[Note: The nine cards to the right of each number are occupations that earn similar annual incomes. The "1's" are "low income" (\$20,000 - \$30,000) occupations, the "2's" are "low-middle income" (\$30,000 - \$50,000), the "3's" are "middle-high income" (\$50,000 - \$100,000), and the "4's" are "high income" (\$100,000+). These are based on the mean annual income for each occupation from the May 2016 National Compensation Survey by the U.S. Bureau of Labor Statistics.

- ❖ Prior to class cut out the occupation cards shown on the activity page to create a 36-card deck. (*Note: The numbers on the left are only for teacher reference as described above.*)
- ❖ Option 1: Distribute one occupation card to each student. Explain: Producers need people (human resources) to produce goods and services. Different production tasks require different types of workers. The different types of things people do are called occupations. Have each student take a turn describing a producer (or naming a specific business or organization) who could use the services provided by a person with the occupation on their card and explain why. Guide the description and any discussion as needed. (*Examples: waiter-restaurant; salesperson-store; janitor-office building/school; semi-truck driver-package delivery company/moving company; reporter-newspaper/television network; carpenter-home builder/fencing company; nurse-school/hospital; firefighter-city fire department/U.S. Forest Service; electrician-hardware store/power company; business executive-any corporation; pilot-airline/military; app developer-software company/internet company*) Ask: What do producers give to people in exchange for the work they do? (*Money*) Explain: The money people receive for doing work is called "income" and more specifically, "wages" or "salary." People work to earn this money so they can buy the goods and services they want.
- ❖ Option 2: Ask: Does everyone earn the same amount of money for the work they do? (*Most students will correctly say "no."*) Divide the class into small groups and give each group one occupation card from each of the four income categories. Tell each group to rank the four occupations they were given from the one they think earns the least income to the one they think earns the most. Have each group report its rankings and rationale. After each report, reveal the actual ranking and allow for class discussion. Lead discussion toward the idea that higher incomes are generally earned by workers who have skills and knowledge that few other workers possess, that is, they are able to provide productive services that other workers cannot.

## USING HUMAN CAPITAL

(Enlarge for whole group instruction. Copy and use for small group and individual activities, home/school connections, and assessments.)

- ❖ Option 1: Distribute a copy of the activity page to each student. Tell students to think about things they are good at doing. Examples might include a sport, a subject area, a skill, special knowledge, or making friends. Have each student write their name in the circle and one thing they are good at in each box. Distribute another copy of the activity page to each student. Tell students that this time they are to draw in the circle a picture of what they would like to have as a job when they are older. Next have them write things they think they would have to be good at in order to do that job, one in each box. Have students compare their two pages and discuss the differences. (*They will likely need to get better at doing and knowing several things.*)

(Continued inside)

## TEACHER THOUGHTS

1. Money that one receives as a gift (or finds in the street!) and money one receives when granted a loan are not income. Income is a payment for the sale of a resource. The focus here is on the exchange of labor (human resource) for money (income). It is important for students to understand that in this exchange they are the sellers and producers are the buyers (producers pay money for the use of workers).
2. Money that entrepreneurs earn (such as children running a lemonade stand) is discussed in Concept Statement 11. Entrepreneurs can be thought of as a special kind of human resource. The income they earn is called “profit” as opposed to the income earned by workers which is called “wages” or “salaries.”

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## A WORKER’S PRICE

- ❖ Discuss wages as the “price” of using various kinds of workers. Like all prices, wages are measures of relative scarcity: how desirable a productive ability is relative to how available workers are who have that ability. When people increase their human capital they not only become more productive (increasing their desirability to producers), they also become part of a smaller group of workers with their abilities (reducing the availability of workers like them). This makes them more scarce in terms of what they are able to do and results in them earning higher wages and salaries.
- ❖ Have students write an essay comparing the human capital needed to do a specific low-wage occupation (Select from “1” and “2” occupations on [Occupation Cards](#)) and a specific high-wage occupation (Select from “3” and “4” occupations).

## ORIGAMI SKILLS

Provide each student a square piece of paper and this website: [www.origami-instructions.com](http://www.origami-instructions.com). Have them find a figure that is related somehow to an occupation they are interested in, make the figure, and then share both the figure and its connection to their chosen occupation with the class.

## MJ’S HUMAN CAPITAL

Read *Salt in His Shoes: Michael Jordan in Pursuit of a Dream* by Deloris Jordan or view at [www.youtube.com](http://www.youtube.com). Afterwards lead a discussion of Michael Jordan’s development as a superstar basketball player with respect to the six kinds of human capital described in [Using Human Capital](#). (*Talent - tall and athletic; Skills - practiced many hours each day; Education - learned from coaches how to play better; Experience - took many game-winning shots; Health Habits - ate his vegetables; Attitudes - had determination*)

## LITERATURE & ONLINE CONNECTIONS

- ❖ Scan the QR code to the right or go to [www.economicsarkansas.org](http://www.economicsarkansas.org)  
Click on *For Teachers - Grab & Go Economics - Online Connections*

## CLASSROOM JOBS

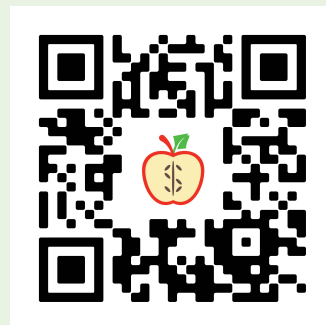
Create a list of jobs that students can do within the classroom. Ideas: stack chairs, straighten supplies, water plants, pass out papers, carry notes to office, turn lights on/off, lead line, collect trash, sharpen pencils, etc. Teachers can assign the same job to more than one person. Provide classroom dollars that students will earn for doing their job. Teachers may decide to pay different amounts for different jobs. Allow time for students to rotate through all jobs. Give students the opportunity to spend their “income” at a classroom store.

## DISCUSSION OR WRITING PROMPTS

- ❖ Discuss ways you could become better at doing a specific task.
- ❖ True or false? People have different kinds and amounts of human capital. Explain your answer.
- ❖ Who do consumers get money from to buy goods and services?
- ❖ Write about your dream job. What human capital will it take for you to fulfill your dream.

## EXPLORING YOUR FUTURE

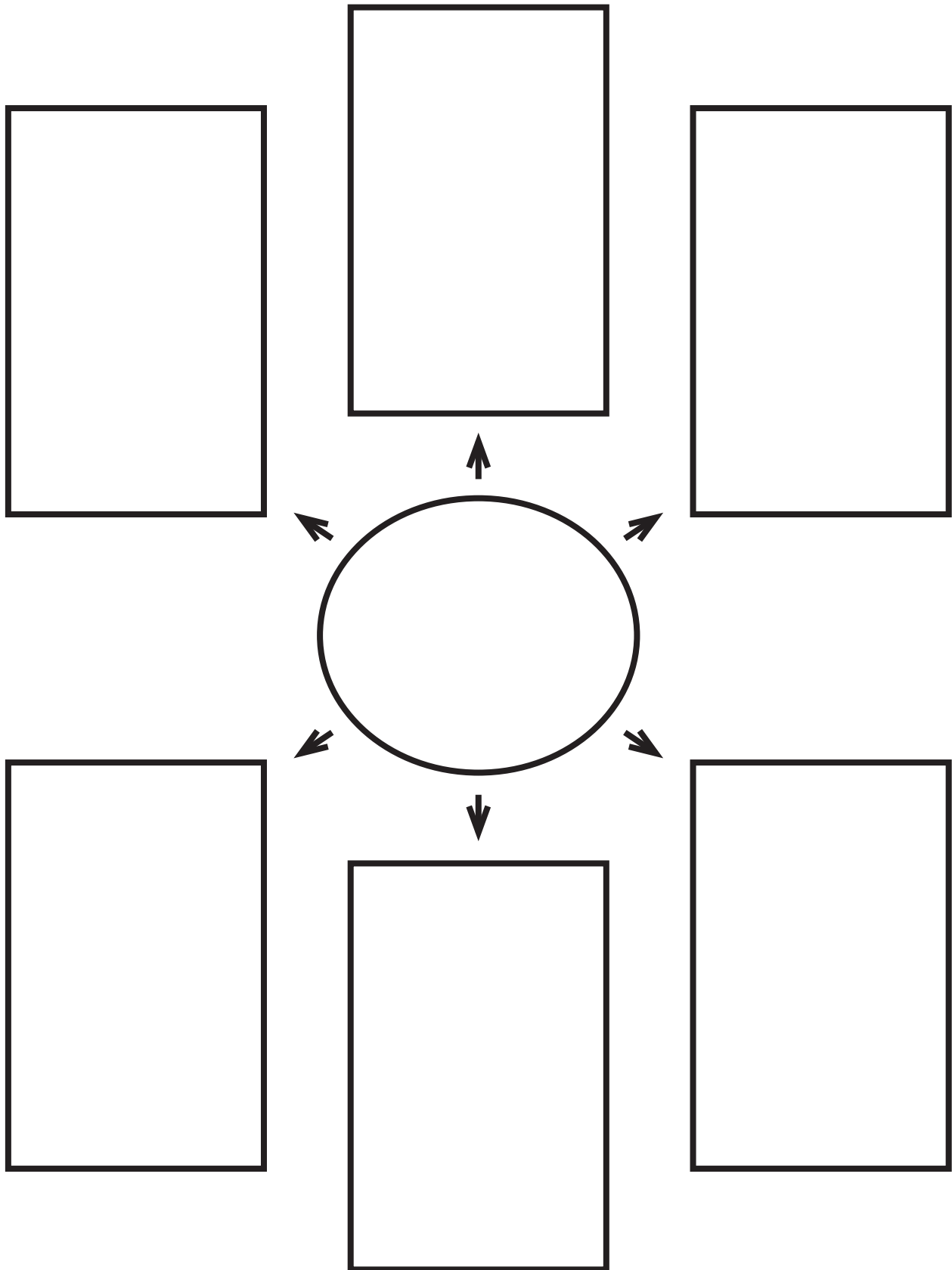
The question, “What are you interested in?” is an excellent way to begin a research project into future occupations. The Bureau of Labor Statistics has a student-friendly site that students can navigate to learn about jobs and the important facts students need to know about a variety of career options. Go to [www.bls.gov/k12](http://www.bls.gov/k12), select Career Exploration, *What are you interested in?* Other resources on this site include the video *What is Productivity?* and links to information on more than 800 occupations in the Occupational Outlook Handbook.



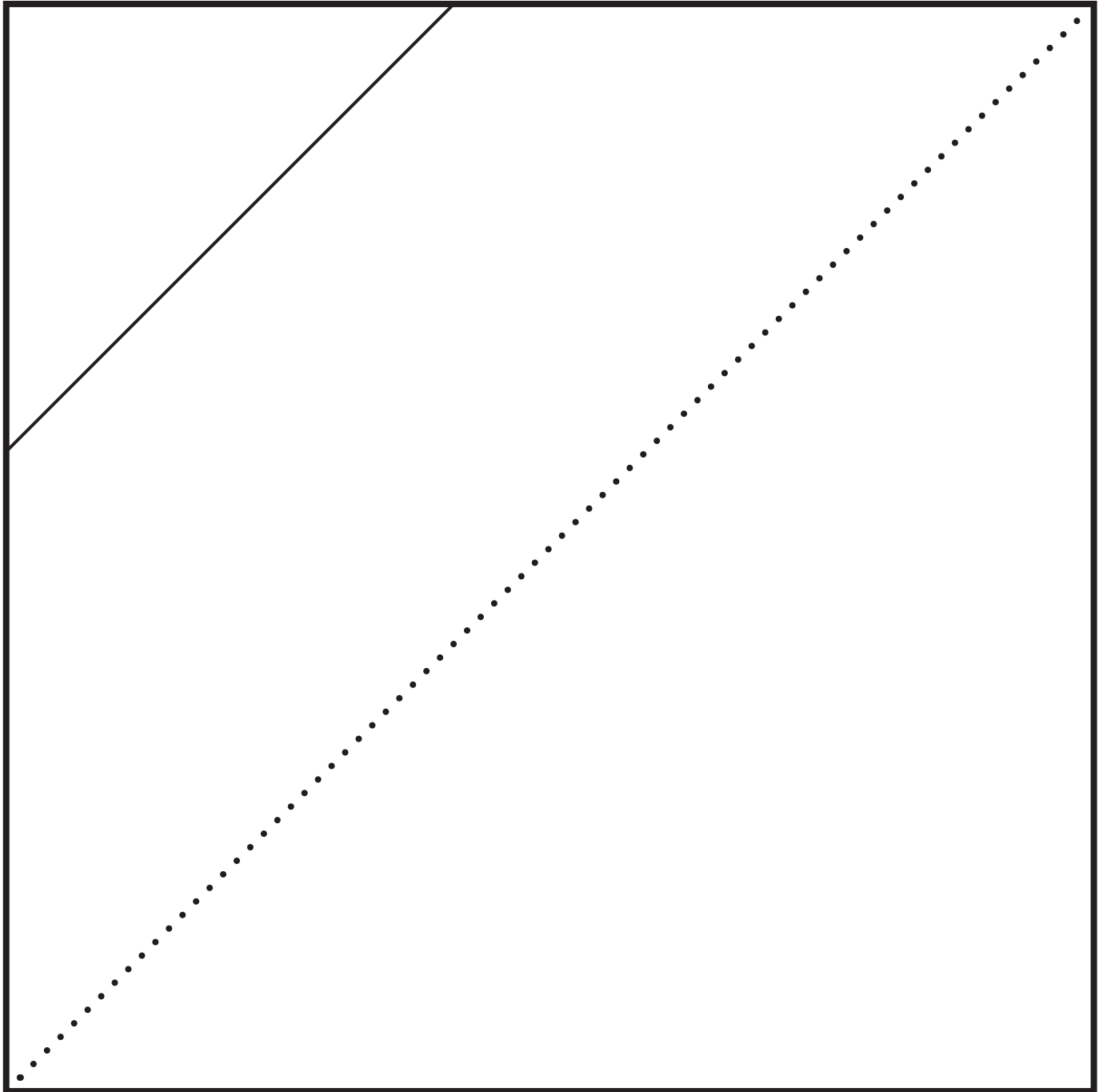
# OCCUPATION CARDS

<b>1</b>	<b>cook</b>	<b>waiter</b>	<b>daycare worker</b>
	<b>hairstresser</b>	<b>fast food worker</b>	<b>salesperson</b>
	<b>cashier</b>	<b>janitor</b>	<b>maid</b>
<b>2</b>	<b>carpenter</b>	<b>construction worker</b>	<b>model</b>
	<b>chef</b>	<b>auto mechanic</b>	<b>minister</b>
	<b>semi-truck driver</b>	<b>trash collector</b>	<b>reporter</b>
<b>3</b>	<b>plumber</b>	<b>mail carrier</b>	<b>nurse</b>
	<b>electrician</b>	<b>accountant</b>	<b>firefighter</b>
	<b>police officer</b>	<b>teacher</b>	<b>librarian</b>
<b>4</b>	<b>lawyer</b>	<b>doctor</b>	<b>pharmacist</b>
	<b>veterinarian</b>	<b>business executive</b>	<b>app developer</b>
	<b>dentist</b>	<b>pilot</b>	<b>scientist</b>

# HUMAN CAPITAL



# INCREASING PRODUCTIVITY



- ❖ Option 2: Distribute a copy of the activity page to each student. Define “human capital” as things that help a person to be a good (productive) worker. Explain there are different kinds of human capital. Describe and discuss the six kinds below and have students label the six boxes on the activity page.

Talents: natural characteristics one has (smart, fast, coordinated, good singing voice, tall, strong, flexible)  
Skills: things one is able to do (skateboard, play a piano, draw, read, use a computer, use tools, write, cook)  
Education: things one knows (math facts, science facts, words, history, colors, state capitals, rules of a game)  
Experience: things one has done (flown in airplane, swam in ocean, visited a museum, made friends, had a pet)  
Health Habits: things one does to be healthy (eat nutritious food, exercise, sleep, avoid risky behaviors)  
Attitudes: how one thinks and feels (strong work ethic, self-motivated, optimistic, determined, kind)

- Option A: Have each student write their name in the circle on the activity page. Tell students to think about the human capital they already have and then write at least one example in each of the six boxes. Divide students into small groups to discuss and compare what they have written.
  - Extension:** Have students write in each of the boxes (except “Talents”) an example of something they would like to add to their own human capital.
- Option B: Have students randomly select a card from the occupation cards created in Occupation Cards. (Optional: Assign students an occupation or have them select an occupation that interests them.) Have students write the occupation in the circle on the activity page. Have them research their occupation and then write in each of the six boxes those things that would be specifically needed in order to perform that job. A useful starting point is Student Resources at the U.S. Bureau of Labor Statistics’ website, [www.bls.gov/k12/students.htm](http://www.bls.gov/k12/students.htm).

## **USING INCREASING PRODUCTIVITY**

- ❖ Prior to class create a snack bag from the activity page as described below.
- ❖ Distribute a copy of the activity page to each student. Have each student cut out the large square.
- ❖ Show the class your completed snack bag and ask them to try to create one just like it by making a few simple folds of their square. After allowing time for students to attempt to make a bag on their own, tell them you will now give them some instructions on how to make a bag.
- ❖ Demonstrate these folds one at a time while the students follow along (assist as necessary):
  - Fold 1: Create a large triangle by folding under along the dotted diagonal keeping the short solid line visible and at the top.
  - Fold 2: Fold one endpoint of the dotted diagonal up to meet the opposite-side endpoint of the solid line.
  - Fold 3: Repeat for the other endpoint.
  - Fold 4: Fold single top triangle down at the solid line to create a flap.
- ❖ Have students hold up their finished snack bags. Ask: How many bags have we produced? (*Count the bags.*) Ask: How many bags were you able to produce before you were given the instructions? (*Likely none*) Ask: Why are you able to make them now? (*We were taught how to do it and now know how.*)
- ❖ Distribute two more copies of the activity page to each student. Ask them to produce two more bags. Once they are done ask: Which of your three bags did you produce the fastest? (*Most will likely say “the third one.”*) Ask: Why? (*Practice/More experience/Knew what to do*)
- ❖ Explain: Teaching you how to make the bag and then giving you practice making bags increased your ability to produce bags, or your productivity. At first you could produce no bags and by the third bag you were doing it quickly. Education and practicing a skill are two ways to increase a person’s human capital, or things that make people more productive workers. This demonstration has shown how.
- ❖ Conclude with the following: This is important because the more you can produce, the more a producer can afford to pay you. For example, suppose a producer of bags can sell them for \$10 each. If you can make two bags per hour, the producer would make \$20 (2 x \$10) from selling them. However, if you can make three bags per hour, the producer would make \$30 (3 x \$10). Workers who have acquired more human capital are generally more productive than those who have not, and because of this, they typically earn higher incomes.