

Standard 13 : Role of Resources in Determining Income

Students will understand that:

Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

Students will be able to use this knowledge to:

Predict future earnings based on their current plans for education, training, and career options.

In a market economy, wages and salaries the prices of labor services are determined just as other prices are, by the interaction of buyers and sellers. The buyers of labor services are employers. They are willing to pay higher wages and salaries to those employees who can produce more or better goods or services in a given amount of time. Students who understand this will appreciate the value of the skills they can acquire by completing high school, and perhaps college or a vocational training program.

Understanding the forces affecting wages and other sources of income will be increasingly important in the future, when workers may change employers and careers more often than in the past. Regardless of the occupations or industries in which today's students eventually work, they are likely to find that they will have to continue their education and training to maintain or increase their earnings.

Benchmarks

Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Labor is a human resource that is used to produce goods and services.	Identify human resources in their community and the goods and services they produce.
People can earn income by exchanging their human resources (physical or mental work) for wages or salaries.	Collect data from adults regarding their reasons for working, analyze the data, and generalize about why people work.

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
Employers are willing to pay wages and	Ask owners of fast-food restaurants why

salaries to workers because they expect to be able to sell the goods and services that those workers produce at prices high enough to cover the wages and salaries and all other costs of production.	they are willing to pay a wage or salary to workers and conclude that restaurant owners do so because they expect to be able to sell the food and services produced at a price high enough to cover the wages and salaries and all other costs of production.
To earn income people sell productive resources. These include their labor, capital, natural resources, and entrepreneurial talents.	Survey several adults regarding their sources of income, and conclude that the largest portion of personal income for most people comes from wages and salaries.
A wage or salary is the price of labor; it usually is determined by the supply of and demand for labor.	Participate in a market simulation as employers and employees to determine wage rates for labor.
More productive workers are likely to be of greater value to employers and earn higher wages than less productive workers.	Decide which workers to hire and explain the hiring decisions, given a list of job applicants with different levels of productivity.
People's incomes, in part, reflect choices they have made about education, training, skill development, and careers. People with few skills are more likely to be poor.	Consider a career choice, research the amount of education required and the medium income for this career. Identify reasons why high school dropouts frequently end up in poverty.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
Changes in the structure of the economy, the level of gross domestic product, technology, government policies, and discrimination can influence personal income.	Review income data for jobs in manufacturing and service industries over the last 25 years. Explain how changes in the structure of the economy, gross domestic product, technology, government, prices, and discrimination have influenced income for jobs in these two areas.
In a labor market, in the absence of other changes, if wage or salary payments increase, workers will increase the quantity of labor they supply and firms will decrease the quantity of labor they demand.	Explain the impact of an increase in the minimum wage on their ability to secure an after-school job and the impact of the increase on their willingness to work.

Changes in the prices for productive resources affect the incomes of the owners of those productive resources and the combination of those resources used by firms.	Construct a flow chart to show how a change in a resource price affects producers and workers in a particular production process.
Changes in demand for specific goods and services often affect the incomes of the workers who make those goods and services.	List three careers that are expected to provide new job openings and explain why. List three careers that are expected to experience a decline in job openings and explain why.
Two methods for classifying how income is distributed in a nation the personal distribution of income and the functional distribution reflect, respectively, the distribution of income among different groups of households and the distribution of income among different businesses and occupations in the economy.	Identify the major change in functional distribution of income in the United States between the 1780s and the 1990s. Also, determine if there have been significant changes in the personal income distribution in the United States over the past 50 years.