

UNIT 4 The individual as producer, consumer and borrower

Recommended Prior Knowledge This Unit can be studied without any prior knowledge but it does build on some of the concepts covered in Units 2 and 3. The first section of Unit 2 looked at different types of business organisation in both the public and private sectors and the size of an organisation, whether it is in the public or private sector, could have an influence on an individual's choice of occupation and his or her earnings. The third section of Unit 2 focused on the role of trade unions in an economy and trade unions could have an influence on the earnings received in particular occupations. The first two sections of Unit 3 looked at equilibrium price and the possible effects of changes in demand and supply on that price; wages and salaries are the price of labour and so a knowledge of the determination of an equilibrium price will also be useful in this Unit. Students will hopefully already have some basic idea of why people choose particular occupations and why earnings might differ between different occupational groups. They should also have some idea of the different possible motives for spending, saving and borrowing.

Context As already indicated, the Unit builds on the size and type of business organisation in the public and private sectors, the role of trade unions in an economy and the determination of a market price. It will also provide a link with some of the ideas covered in later Units, such as the determination of the demand for factors of production in Unit 5, the changing patterns and levels of employment in Unit 7, indicators of comparative living standards in Unit 8 and the benefits of specialisation at individual and regional levels in Unit 9.

Outline The Unit starts by identifying the factors affecting an individual's choice of occupation and then goes on to analyse the changes in earnings over time between both occupations and economic sectors, describing the differences in earnings between both different occupational groups and different economic sectors. It then analyses the changes in patterns of expenditure between groups and over time and the different motives for spending, saving and borrowing, describing how and why different income groups have different expenditure patterns.

| | Learning Outcomes | Suggested Teaching Activities | Online Resources | Other Resources |
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| 4 a | Students should be able to identify the factors affecting an individual's choice of occupation, including both wage and non-wage factors. | Most students should already have some idea of why people choose particular occupations. A homework assignment could be to discuss this with parents/other relatives/friends/teachers to get some idea of the variety of factors which can affect an individual's choice of occupation. These people could be interviewed and a summary produced of the findings. It is important to try and discover both wage and non-wage factors. These findings could then be reported back to the whole class. It would be particularly useful if the people interviewed had worked in a | <p>URL – http://www.bbc.co.uk/schools/gcsebitesize/environment/statofeconomyrev3.shtml</p> <p>URL – http://www.s-cool.co.uk/quicklearn Labour Market: The changing UK labour market</p> <p>URL – http://www.connexions-direct.com/jobs4u</p> | <p>Anderton, Unit 30, pages 78-79</p> <p>Harrison and Nutter, Chapter 5, pages 32-33</p> <p>Moynihan and Titley, Chapter 11, pages 235-236</p> <p>Moynihan and Titley, Chapter 13, page 286</p> <p>Paisley and Quillfeldt, Part 2, Unit 2.1, pages 30-35</p> |

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| | | <p>number of different occupations as this would give some insight into the concept of occupational mobility.</p> <p>Another activity would be to get students to choose a particular occupation which they are interested in and to find out information about it that would relate to people choosing that occupation. The connexions and way ahead websites will be very useful for this activity.</p> <p>The students themselves may have already had some work experience and so they are likely to have quite a good understanding of this topic.</p> <p>Moynihan and Titley have an interesting exercise (page 235) on this topic entitled 'What jobs have you in mind?'; Harrison and Nutter (pages 78-79) are also good on this.</p> | <p>URL – http://www.wayahead-careers.co.uk</p> | <p>Paisley and Quillfeldt, Part 7, Unit 7.5, pages 237-238</p> |
| b | <p>Students should be able to analyse changes in earnings over time between occupations and between economic sectors.</p> | <p>Students need to understand that changes in earnings are caused, at least in a free market, by demand and supply factors. They also need to appreciate that the demand for labour is a derived demand, i.e. it is not demanded for its own sake but for what it can produce or provide. They could research a range of different occupations in their own countries, find out the typical wages/salaries being paid in those occupations and then analyse why some may pay much higher wages/salaries than others.</p> <p>They also need to find out the extent to which the government might be involved, such as through the introduction of a minimum wage.</p> <p>Students also need to have an understanding of the changes in economic</p> | <p>URL – http://s-cool.co.uk/quicklearn Labour Market: The equilibrium wage</p> <p>URL – http://www.statistics.gov.uk</p> | <p>Anderton, Units 23-27, pages 62-73</p> <p>Harrison and Nutter, Chapter 10, pages 95-101</p> <p>Moynihan and Titley, Chapter 11, pages 228-250</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.3, pages 219-221</p> |

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| | | <p>sectors, i.e. the changes in the proportion of people who are working in the primary, secondary and tertiary sectors. They need to find out the extent to which these proportions have changed and then to see if these changes are reflected in changes in earnings.</p> <p>Moynihan and Titley (pages 228-250) are very thorough on this topic. Anderton (page 67) has some very useful check points. Harrison and Nutter have a comparison of the earnings of different occupations from the New Earnings Survey. The UK government statistics website has a lot of useful information that is relevant to Britain but students should also try and find a similar one for their own country.</p> | | |
| c | <p>Students should be able to describe the differences in earnings between different occupational groups and different economic sectors (male/female; skilled/unskilled; private/public; agricultural/manufacturing/services).</p> | <p>This builds on the previous section and focuses on the differences in earnings in four particular categories.</p> <p>Firstly, students need to try and find out the extent to which there are any clear differences in earnings between males and females in their own country and then to analyse why such differences exist. They could also research the extent to which there has been any attempt to try and reduce inequalities, such as through legislation.</p> <p>Harrison and Nutter (page 64) have some helpful study points on this issue. The school website is very good on the gender gap in earnings.</p> <p>Secondly, students need to consider the importance of skills in relation to the demand for and supply of labour. They could choose three or four examples of skilled and unskilled jobs and then</p> | <p>URL – http://www.bized.ac.uk/virtual/via/theories/labour_supply_b_b.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/labourmarket/labour_demand.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/labourmarket/pay_differences.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/labourmarket/the_gender_gap.htm</p> <p>URL –</p> | As above |

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| | | <p>compare the earnings. Moynihan and Titley are very good on this topic: exercise 3 (237-238) requires students to analyse the different wages of six particular jobs.</p> <p>Thirdly, students need to discover if there are any significant differences in the pay of private and public employees in their country and, if there are, examine why this might be the case. It might be possible to find out differences in the earnings of teachers or nurses in the private and public sectors.</p> <p>The fourth area relates back to the second section of this Unit; students need to try and find out some typical wages in different parts of the three economic sectors and to see how they compare.</p> | <p>http://www.tutor2u.net/economics/content/topics/labourmarket/labour_supply.htm</p> <p>URL – http://www.statistics.gov.uk/ci/article.asp?id=364</p> | |
| d | <p>Students should be able to analyse changes in patterns of expenditure between groups and over time.</p> | <p>Students need to think about different spending patterns in an economy and they could start by constructing an expenditure survey of themselves and/or their families to get some idea of patterns of expenditure. They then need to think how this pattern might be changing; they need to consider which items are likely to have an increased proportion of spending and which ones are likely to be experiencing a decrease and then to think why this might be the case.</p> <p>Anderton (pages 18-19) is excellent on this; he has charts showing average weekly household expenditure, changes in the pattern of household expenditure over a third of a century and different spending patterns for three types of household. There are also a number of study points for students to answer. The UK government</p> | <p>URL – http://www.statistics.gov.uk/sd/surveys/family_expenditure_survey.asp</p> | <p>Anderton, Unit 6, pages 18-19</p> <p>Moynihan and Titley, Chapter 2, page 16</p> <p>Paisley and Quillfeldt, Part 4, Unit 4.2, pages 82-88</p> |

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| | | statistics website has much relevant information relating to Britain; students should try and find something similar in their own country. | | |
| e | Students should be able to analyse the different motives for spending, saving and borrowing. | <p>The first of these is already covered in the work done in the previous section on spending.</p> <p>In the second category, students need to think about the possible reasons for saving. A good place to start would be to find out if the students already have any savings and, if so, why they have decided to save some of their money. They could each give a brief presentation to the class. It would be useful to get them to distinguish between short term, medium term and long term reasons for saving. They could get in touch with a bank and try to obtain some literature on savings accounts; much of this will be on a bank's website and there are a number of useful examples of these in the Online Resources. These are for banks which operate in the UK and students should also try and find websites of banks which operate in their own country. The suggestion in Unit 2 (d) for the teacher to arrange a visit to a bank or to get someone from a bank to come to the school to talk with the students is also appropriate here. Anderton (pages 44-45) is very good on saving with some useful study points and check points for students to answer. Paisley and Quillfeldt (pages 89-96) also have quite a lot on this topic.</p> <p>In the third category, students need to consider why people might wish to borrow money; they need to think about items which will be quite expensive and so</p> | <p>URL – http://www.tutor2u.net/economics/content/topics/consumption/savings_ratio.htm</p> <p>URL – http://www.personal.barclays.co.uk</p> <p>URL – http://www.lloydstsb.co.uk/savings.asp</p> <p>URL – http://www.natwest.com/personal/services/savings/index.asp</p> <p>URL – http://www.ukpersonal.hsbc.co.uk/hsbc/personal_banking/savings_accounts</p> | <p>Anderton, Unit 50, pages 126-127</p> <p>Harrison and Nutter, Chapter 15, pages 158-170</p> <p>Moynihan and Titley, Chapter 19, pages 410-415</p> <p>Paisley and Quillfeldt, Part 4, Unit 4.4, pages 97-102</p> |

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| | | <p>people will need more than their savings to pay for them, such as a house, a car or a holiday.</p> <p>Paisley and Quillfeldt (pages 97-102) have a good section on this topic. Harrison and Nutter (pages 166-168) have a tutor's answer to a question on borrowing.</p> | | |
| f | <p>Students should be able to describe how and why different income groups have different expenditure patterns (spending, saving, borrowing).</p> | <p>Students need to consider the extent to which different income groups are likely to have different patterns of expenditure; they need to discuss in groups whether a person with a lower income is likely to spend, save and borrow less or more than someone with a higher income. They could think of particular examples of such expenditure to support their conclusions. Moynihan and Titley (pages 374-377) and Anderton (pages 46-47) are good on the distribution of income. The Online Resource is useful in relation to the UK but students should try and find a similar site in their own country.</p> | <p>URL – http://www.statistics.gov.uk/sd/surveys/family_expenditure_survey.asp</p> | <p>Anderton, Unit 17, pages 46-47</p> <p>Moynihan and Titley, Chapter 17, pages 370-377</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.8, pages 256-257</p> |