

## Unit 3: Factors Affecting Income Inequality

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### **Objectives:**

Students will be able to

1. identify and explain the major factors affecting wage rates;
2. analyse the sources of wage differentials between different occupations /jobs in Hong Kong;
3. identify the sources of income for an individual;
4. explain the factors affecting the income inequality;
5. understand under certain conditions income cannot (and should not) be equalised across individuals;
6. suggest policies that the government can adopt to narrow the income gap.

### **Time allocation:**

160 minutes

### **Learning Activities:**

Two learning activities

### 3.1: Factors of wage differentials

#### A. Objectives:

After the lesson, students will be able to:

- state that demand and supply of labour determine the wage rates;
- identify several specific factors that affect wage rates;
- identify the sources that contribute to the wage differentials across occupations/ jobs.

#### B. Prerequisite knowledge:

Meaning of demand, supply, price determination and derived demand.

#### C. Materials needed:

1. Eight sets of occupation cards, each set has four cards labelled with different occupations. The card sets are divided into two groups: the first group consists of Post A to Post D, while the other group consists of Post E to Post H.
2. Blank A3/A4 sheets for students to draw a mind-map.
3. Worksheet for homework.

**D. Time required:** 80 minutes

#### E. Teaching plan and Instructional procedures:

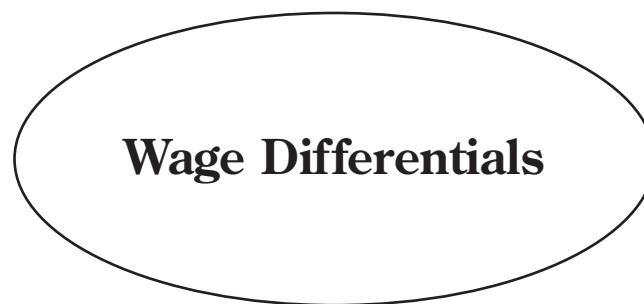
Teacher Activities	Student Activities	Time (mins)	Target Content/ Skills	Remarks
<ol style="list-style-type: none"> <li>1. Ask students to form eight groups of four or five.</li> <li>2. Distribute cards labelled with different occupations.</li> <li>3. Ask students to guess the monthly salary of each occupation and write it down on each card. Also indicate the demand and supply situation of the occupation.</li> <li>4. Then rank the occupations based on the estimated salaries.</li> </ol>	<ol style="list-style-type: none"> <li>1. Discuss in groups and complete the tasks required.</li> <li>2. Representatives from each group stick their cards on the blackboard.</li> <li>3. Two groups will be chosen to explain their answers.</li> </ol>	15	<ul style="list-style-type: none"> <li>• Share views with others and compromise.</li> <li>• The ability to present and justify choices.</li> </ul>	

Teacher Activities	Student Activities	Time (mins)	Target Content/ Skills	Remarks
5. *Show the answers and ask students to check their answers. 6. Ask groups that rank the posts differently to share their views. 7. Remind students that the statistics are just an estimated average wages and variations may exist.	4. Check the answers. 5. Express views on the ranking.	20	<ul style="list-style-type: none"> <li>Recognise that there are wage differentials across occupations.</li> <li>Students should know that the statistics are just estimated average wages and differentials exist within occupations.</li> </ul>	* The demand and supply situation and the salary of different occupations are determined by the economic situation at that point of time. Teacher is advised to revise the answers accordingly.
8. Ask students why there are such wage differentials across occupations, and also within the same occupation. More specifically, why an accounting supervisor earns more than a toilet cleaner?	6. Conduct group discussion. 7. Write down factors that contribute to the differentials. 8. Organise the factors in form of a mind-map. 9. Two or three groups will be chosen to present their mind-maps.	20 + 15	<ul style="list-style-type: none"> <li>Collaboration and presentation skills.</li> </ul>	
9. Concludes and summarises the lesson.	Homework: Write an essay on “Why do some soccer players earn much more than a secondary school principal?”	10		

## F. Teaching materials:

### Worksheet: Mind-map

Use a mind-map to organise the factors that contribute to the wage differentials between different jobs.



**Post A:**

**Regional HR Director - Banking and Finance**

Demand is high / low; supply is high / low

**Estimated salary (per month):**

**(\$100,000 – 120,000)**

**Ranking:**

**1**

**Post B:**



**Senior Engineer**

**(University Graduate with 5-8 years of experience)**

**Demand is high / low; supply is high / low**

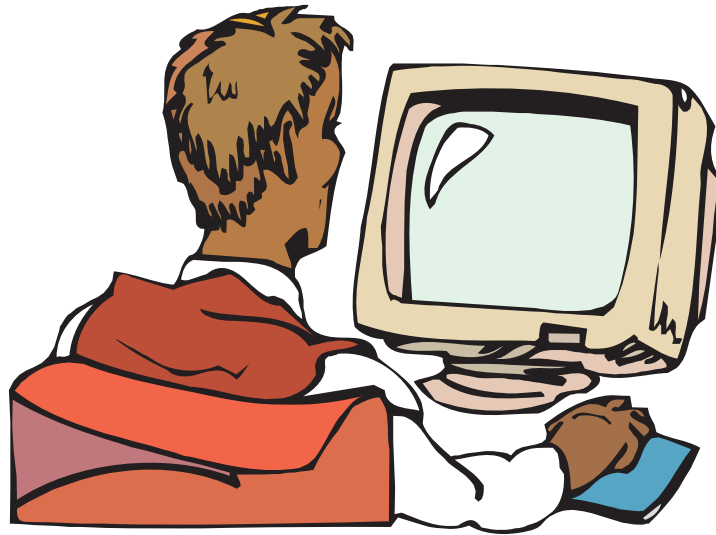
**Estimated salary (per month):**

**(\$25,000 - \$35,000)**

**Ranking:**

**2**

**Post C:**



**Computer Operator/Data Entry Clerk  
(F.5 Graduate with related diploma)**

**Demand is high / low; supply is high / low**

**Estimated salary (per month):**

**(\$8,000 - \$12,000)**

**Ranking:**

**3**

**Post D:**



**Toilet Cleaner**  
**(in sanitary and similar services)**

**Demand is high / low; supply is high / low**

**Estimated salary (per month):**

**(\$4,850)**

**Ranking:**

**4**



**Post E:**



**Accounting Clerk**

**(F.5 Graduate + LCCI intermediate level  
with one to two years of experience)**

**Demand is high / low; supply is high / low**

**Estimated salary (per month):**

**(\$5,800 - \$9,000)**

**Ranking:**

**3**

**Post F:**

Giant School



**Secondary School Principal  
(University Graduate with 20 years of experience)**

**Demand is high / low; supply is high / low**

**Estimated salary (per month):**

**(\$83,000)**

**Ranking:**

**2**

**Post G:**



**Chief Justice, Court of Final Appeal**

Demand is high / low; supply is high / low

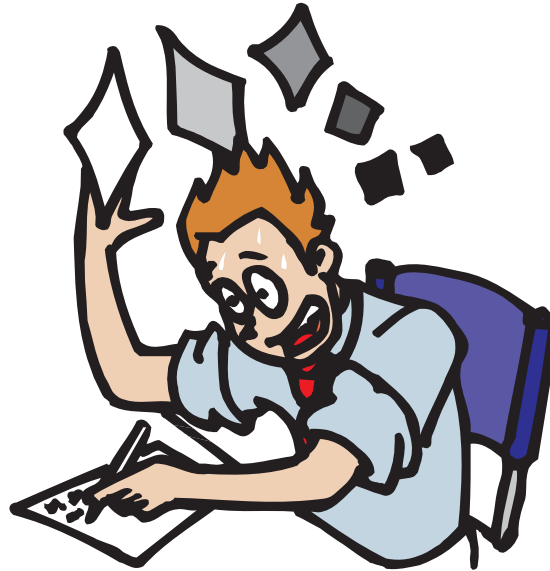
**Estimated salary (per month):**

**(\$227,000)**

**Ranking:**

**1**

**Post H:**



**Clerk**

**(F.5 Graduate, no experience required)**

**Demand is high / low; supply is high / low**

**Estimated salary (per month):**

**(\$4,800)**

**Ranking:**

**4**

**G. Assignment:**

**Assignment 1:**

Read the following information.

*Peter graduated from university last year and now works in an accounting firm as junior accountant. Without any working experience, he earns more than \$15,000 per month.*

*However, Henry has been a junior clerk in a shipping firm for five years after completing secondary school education. He is very experienced and hardworking, but his boss is only willing to pay him \$9,000 per month.*

- (a) Apart from experience and education level, explain why Henry and Peter have different wage payment. Illustrate your answer with the aid of a demand and supply diagram.
- (b) What factors contribute to the difference in the demand for, and also the supply of, junior accountants and junior shipping clerks? Explain your answer.
- (c) Can you suggest any situations under which the salaries of a junior shipping clerk may be higher than that of a junior accountant?

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## Assignment 2:

### For more able students

Read the following information.

*In England, the average salary of a soccer player in Barclays Premier League is £650,000 per year while James Gordon Brown, the Prime Minister of the U.K., earns about £187,000 per year. But in Hong Kong, our Chief Executive earns about HK\$5,000,000 per year while a local soccer player rarely earns more than HK \$1,000,000 per year.*

Write an essay to explain the above phenomenon based on the concepts you learned in the lesson.

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