

## **3.2: The major factors of income differentials**

### **A. Objectives:**

After the lesson, students will be able to:

- identify the sources of income for an individual;
- explain the factors affecting the income inequality;
- understand under certain conditions income cannot (and should not) be equalised across individuals;
- suggest policies that the government can adopt to narrow the income gap.

### **B. Prerequisite knowledge:**

- Wage differentials across occupations.
- Concept of flow versus stock.
- The fact that income can be generated from wealth.
- Concept of human capital.

### **C. Materials needed:**

1. Information cards of different characters
2. Blank A4/A3 papers for drawing mind-maps

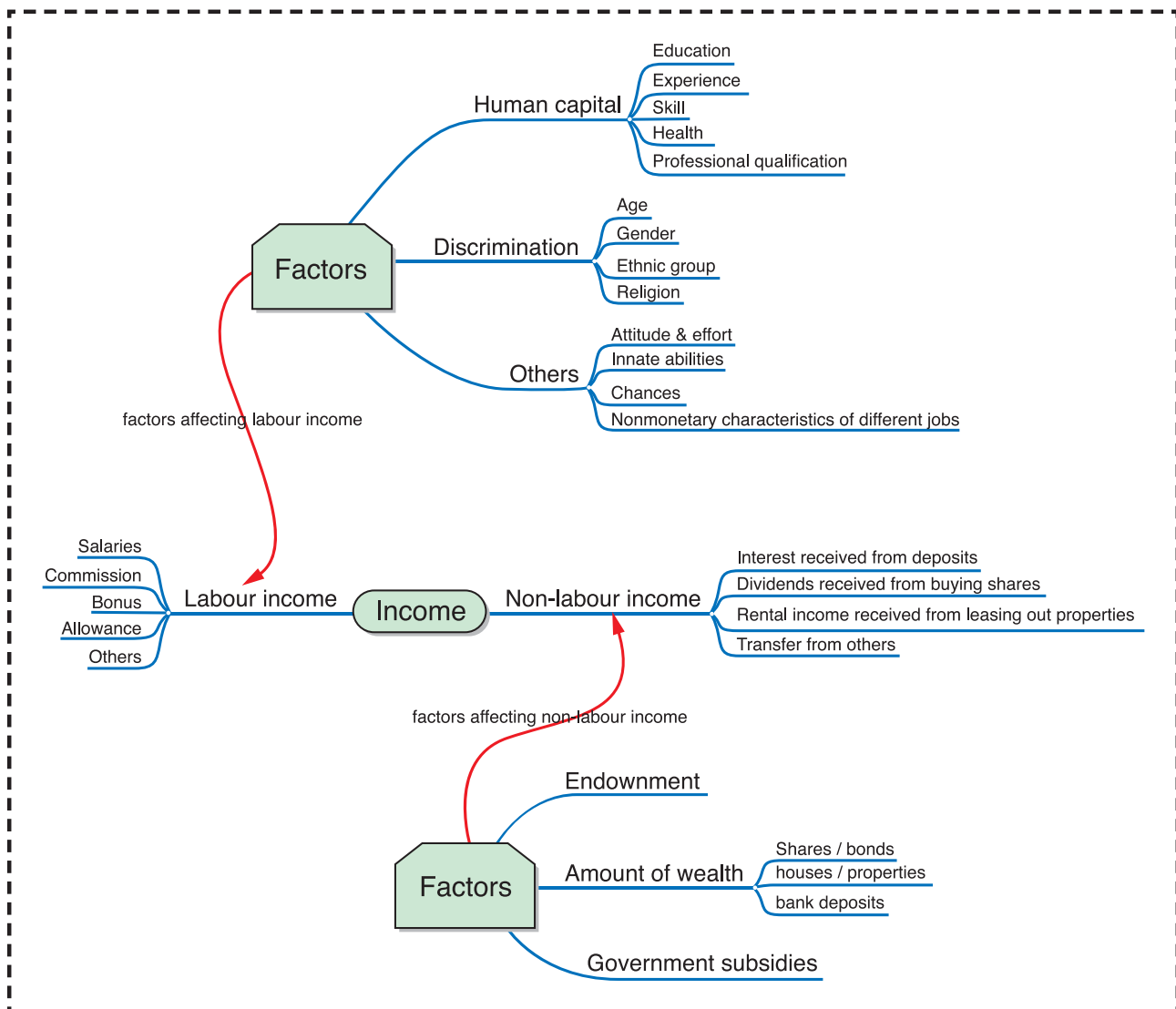
### **D. Time required:** 80 minutes

**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. Each group will receive a card, which bears a photo and/or name of an individual with some data. There are totally 8 different cards.</li> <li>3. Ask students to identify the possible sources of income for this individual.</li> </ol>	<ol style="list-style-type: none"> <li>1. Discuss in groups and complete the tasks.</li> <li>2. Group the factors and present the result using a mind-map.</li> <li>3. Present their work.</li> </ol>	10 + 20	<ul style="list-style-type: none"> <li>• Share their views and compromise.</li> <li>• Brainstorm and offer ideas.</li> <li>• Present and organise information.</li> <li>• Presentation skills.</li> </ul>	
<ol style="list-style-type: none"> <li>4. Summarise the presentations by pointing out that income can be classified into two main categories, i.e. labour income and non-labour income.</li> <li>5. Explain briefly the concepts of wealth and income.</li> </ol>	<ol style="list-style-type: none"> <li>4. Listen to teacher's presentation.</li> <li>5. Modify the mind-map.</li> </ol>	10		<ul style="list-style-type: none"> <li>• It is not necessary to refer to the concept of present value or discounting to distinguish the concepts of wealth and income.</li> </ul>
<ol style="list-style-type: none"> <li>6. Ask students to identify factors that affect the level of income from different sources.</li> <li>7. Ask students to identify which factors are 'controllable' and which are not.</li> </ol>	<ol style="list-style-type: none"> <li>6. Suggest factors affecting income from different sources based on the mind-map.</li> <li>7. Choose two groups to present their mind-maps.</li> </ol>	10 + 8	<ul style="list-style-type: none"> <li>• Presentation skills.</li> <li>• Classification of relevant information.</li> </ul>	

8. Consolidation. Summarise the sources of income inequality.		15		
9. Ask students whether the income differentials should be reduced by government policies.	8. Brainstorm and collect different views.	7		• Assignment

**F Teaching materials:**



**Card A****Famous Soccer Player, Mr. David Young**

Mr. Young is a famous soccer player. He earns around US\$30 million per year.

**1. Possible sources of income:**

**2. What factors affect his income?**

**Card B****Executive Director of a Listed Company,  
Mr. Chan Wing**

Mr. Chan has been an Executive Director of a listed company since 1984. He holds the degree of Bachelor of Business Administration at CUHK. Mr. Chan earns over HK\$200,000 a month.

**1. Possible sources of income:**

**2. What factors affect his income?**

**Card C****Fireman, Mr. Chan Tai Ming**

Chan Tai Ming is a fireman. He is about 23 years old. He joined the Fire Services Department after he had completed secondary education. He earns HK\$14,685 per month.

**1. Possible sources of income:**

**2. What factors affect his income?**

**Card D****Salesperson, Ms. Ng Mei Lai**

Ng Mei Lai is a cake shop salesperson. She is about 23 years old, and has completed secondary education but did not get a good result in HKDSE. Also she does not have any special skill.

**1. Possible sources of income:**

**2. What factors affect her income?**

**Card E****Famous Author, Ms. Rowling**

A famous author, Ms. Rowling has finished a series of master pieces and gained worldwide attention, won multiple awards, and sold nearly 400 million copies.

**1. Possible sources of income:**

**2. What factors affect her income?**



**Card F****Chairman of a Private Limited Company,  
Mr. Cheung Siu**

Mr. Cheung was an accountant before he succeeded to be the chairman of a company at the time his father retired. The net worth of the company is HK\$10 billion. He earns HK\$100 million per year.

**1. Possible sources of income:**

**2. What factors affect his income?**

**Card G****Cleaner, Mrs. Chui**

Mrs. Chui (60 years old) works in a fast food shop as a cleaning staff. She does not have any formal education and vocational training.

**1. Possible sources of income:**

**2. What factors affect her income?**

**Card H****Famous Investor, Mr. Butterfly**

Mr. Butterfly is an American investor, businessperson and philanthropist. Butterfly has amassed an enormous fortune from astute investments. He has current net worth of around US\$50 billion.

**1. Possible sources of income:**

**2. What factors affect his income?**

## G. Assignment

### Assignment 1:

1. Compare the sources of income / earning / wealth of Chan Tai Ming and Ng Mei Lai by using the concepts learned in the lesson (you may refer to the mind-map).
2. Do you think that the earning / income / wealth differentials between them are justifiable? Why or why not? Explain your answer.
3. If the differentials are not justifiable, then should the government reduce them? If yes, how?
4. Compare any other two of the eight characters discussed in the lesson.

### Assignment 2: (For more able students)

Choose two of the eight characters discussed in the lesson and write an essay to explain whether the income differentials between them should be reduced by government policies. If yes, suggest some policies that can achieve the objective. If no, provide rationale to justify the existence of such differentials.

#### Characters I choose:

I. \_\_\_\_\_ and II. \_\_\_\_\_

I think the income differentials between the two characters (should / should not) be reduced by government policies. It is because \_\_\_\_\_

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