

LESSON  
**3**

# Understanding Salaries and Wages

Help students understand the many different ways people get paid.

## OBJECTIVES

Students will:

- be able to identify the ways that people can earn compensation from their jobs
- explain the difference between wages and salary
- perform problems using multidigit whole numbers and decimals

## TIME

40 minutes

## MATERIALS

- Pencils and paper
- Figuring Out Summer Job Pay activity sheet
- Talk About Your First Job family activity sheet

## ADDITIONAL RESOURCES

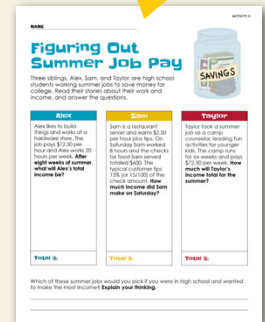
- You and Your Money: Earnings (Section 2), [Elementary School Instructor Guide](#)
- Lesson 3 Earnings, [Elementary School Toolkit](#)

## STANDARDS

- Common Core State Standards, Math, 4.MD.A.2, 5.NBT.A.3, 5.NF.B.6
- Council for Economic Education: Earning Income 3
- Jump\$tart Financial Literacy Standards: Employment and Income 2b

## DIRECTIONS

1. Engage the class in conversation: What are some things grown-ups spend money on? Answers may include **needs** (like food and housing) and **wants** (like baseball-game tickets and designer clothes).
2. Ask the class how grown-ups get the money they need to pay for the items they buy. Answers may include payment methods like credit cards and checks. If so, ask where the money comes from to pay the credit card bill or cover the check. Answers should include money earned from jobs.
3. Explain that income from jobs can be paid in different ways. Many people, school principals, for example, are paid a **salary**: a set payment from an employer, usually paid weekly or every other week. Salaries are often stated as an annual amount. For example, a job paying \$26,000 a year will pay \$500 per week or \$1,000 every two weeks. Show how \$26,000 divided by 52 equals \$500 per week.
4. Note that other people are paid wages. A **wage** is the amount of money an employer pays an employee based on the number of hours worked multiplied by an hourly rate. Wages are usually paid weekly or every other week. Show the following example: A custodian with a rate of \$15 per hour who worked 20 hours in a week would make a wage of \$300 for that week ( $\$15 \times 20 = \$300$ ).
5. Explain that there are other ways an employee can be paid. Salespeople are sometimes paid a **commission**: a fraction of the selling price of an item paid to the person who made the sale. (Commissions are usually shown as percentages, but that's just another way to represent a fraction or decimal.) Show the following example: A real estate agent gets a commission of 2% of the selling price of a home. If the home sells for \$100,000, the agent is paid \$2,000 ( $2/100$  of \$100,000 or  $\$100,000 \times .02 = \$2,000$ ).
6. Note that restaurant servers or delivery personnel may receive some or all of their pay in the form of tips. A **tip** is money a customer pays in appreciation for a service provided. For example, a customer at a restaurant might want to pay a 20% tip to the server for a \$10 meal. Show how the tip of \$2 is calculated ( $20/100 \times \$10$  or  $.20 \times \$10 = \$2$ ).
7. Hand out the Figuring Out Summer Job Pay activity sheet for students to complete as individuals or in pairs. Review activity-sheet answers as a class.
8. Hand out the Talk About Your First Job family activity sheet. Ask students to take it home and complete it with their parents.





## Understanding Salaries and Wages

### ANSWER KEY FOR STUDENT ACTIVITY SHEET

1. Alex's income is \$2,000 ( $\$12.50 \times 20 \times 8$ )
2. Sam's income on Saturday equals \$110 ( $8 \times \$2.50 + .15 \times \$600$ )
3. Taylor's income equals \$435 ( $6 \times \$72.50$ )

### EXTENSION

Provide students with the following scenario about the difference between being paid wages or a salary: They have the choice of being paid one of two ways. Option 1 is to be paid \$15 per hour and only be paid for the hours worked. Option 2 is to be paid \$300 per week, no matter how many hours are worked. Usually, the job takes 20 hours per week, but some weeks, there may be as few as 10 hours of work, while other weeks may require 30 hours. Ask students to explain on a separate piece of paper which option they would prefer and why.

### ASSESSMENT QUESTIONS

Ask your students to answer the following questions on a separate piece of paper:

1. What is the difference between being paid a salary versus wages?

*Key point:* Salaried workers are paid a set amount, while wage earners are paid an hourly rate times the number of hours worked.

2. What are the advantages and disadvantages of having a job that pays a commission?

*Key points:* An employee who makes lots of sales can have a much higher income than employees with few sales. However, if a salesperson goes through a period of making no sales, there will be no income.

NAME \_\_\_\_\_

# Figuring Out Summer Job Pay



Three siblings, Alex, Sam, and Taylor, are high school students working summer jobs to save money for college. Read their stories about their work and income, and answer the questions.

## Alex

Alex likes to build things and works at a hardware store. The job pays \$12.50 per hour and Alex works 20 hours per week. **After eight weeks of summer, what will Alex's total income be?**

**Total \$:**

## Sam

Sam is a restaurant server and earns \$2.50 per hour plus tips. On Saturday Sam worked 8 hours and the checks for food Sam served totaled \$600. The typical customer tips 15% (or 15/100) of the check amount. **How much income did Sam make on Saturday?**

**Total \$:**

## Taylor

Taylor took a summer job as a camp counselor, leading fun activities for younger kids. The camp runs for six weeks and pays \$72.50 per week. **How much will Taylor's income total for the summer?**

**Total \$:**

Which of these summer jobs would you pick if you were in high school and wanted to make the most income? **Explain your thinking.**

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# TALK ABOUT YOUR FIRST JOB



## Dear Parents,

Your child has been learning about different types of jobs and income, like salaries, commissions, wages, and tips, as part of a financial education unit at school. Engage in a discussion: Have your child ask you the following questions and record your answers.

**1** What was your first job? \_\_\_\_\_

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**2** How did you get paid for your job? \_\_\_\_\_

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**3** What did you do with the money you made from your job? \_\_\_\_\_

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**Now let's talk about jobs I might be able to do now, and what I might want to be when I grow up!**

# HABLE DE SU PRIMER EMPLEO



## Estimados padres:

Su hijo(a) ha estado aprendiendo acerca de los diferentes tipos de empleos e ingresos, como salarios, comisiones, sueldos y propinas, como parte de una unidad de educación financiera en la escuela. Fomente el diálogo: haga que su hijo(a) le realice las siguientes preguntas y tome nota de sus respuestas.

**1** ¿Cuál fue tu primer trabajo? \_\_\_\_\_

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**2** ¿Cómo te pagaban por tu trabajo? \_\_\_\_\_

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**3** ¿Qué hiciste con el dinero que obtuviste de tu trabajo? \_\_\_\_\_

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**Ahora, hablemos sobre los trabajos que yo podría hacer ahora y lo que podría ser cuando crezca.**