

Unit 1.2 – Alternative Ways to Earn Money

Self-Employed:

- when a person works for themselves.
- "They own their own business."

Piecework:

- when a person gets paid by the amount of products they produce
- ex) Strawberry picker gets paid \$5 for every pail they pick.

Commission:

- for salespeople: they will get paid a certain percentage of what they sell.

Contract:

- a legal agreement that outlines terms, conditions, and payments for work to be done.

ex) contractor - lots of trades.

Think about it...

You have a home renovation business that specializes in adapting existing homes for people with disabilities.

1. How would you calculate how much to charge customers for the renovations they are requesting?

→ What needs to be done.

→ How long it will take.

→ What supplies you need (cost)

→ What do you want for a profit?

2. If you bid on a contract with a price of \$14,500.00 and your potential client requests a reduction of 8% to match a lower bid, what would your new bid be?

8% of \$14,500

$$\$14,500 - \$1,160 = \$13,340$$

↓
 $0.08 \times 14,500 = \$1,160$

3. Would you consider making this reduction? Why or why not? What factors would you take into account?

This depends on the cost of your supplies, the time it will take, and the profit you want.

Example 1

Gwen works as a sales clerk in a clothing store. She earns a base salary of \$8.00/h plus a 15% commission on the price before taxes of each item she sells. Her work day is 8 hours. One day, Gwen sells a suit with a price of \$625.00, a sweater priced at \$95.00, 3 T-shirts that cost \$45.00 each, and a raincoat priced at \$225.00. How much does she earn that day?

$$\text{Wage} \rightarrow \$8.00/h \times 8 = \underline{\$64} \text{ per day}$$

$$\text{Total sales} \rightarrow \$625 + \$95 + \$45 + \$45 + \$45 + \$225 = \underline{\$1080}$$

$$\text{Commission} \rightarrow 15\% \text{ of } \$1080$$

$$\downarrow \\ 0.15 \times 1080 = \underline{\$162} \text{ from sales}$$

$$\text{Total earnings} = \\ \text{wage} + \text{commission} \\ = \$64 + \$162$$

$$= \boxed{\$226}$$

Example 2

Hien is a painting contractor. He negotiates a contract with a homeowner to paint the exterior siding on a house at a rate of \$30.00/h plus the cost of materials. It takes Hien six 8-hour days to prepare and paint the siding, and he uses 15 gallons of paint that cost \$45.00 each. What is the total value of the contract?

$$\text{Wage} \rightarrow \$30/h \times \overset{6 \times 8h}{48} h = \underline{\$1440}$$

$$\text{costs} \rightarrow \text{paint} \rightarrow 15 \text{ gallons} \times \$45 = \underline{\$675}$$

$$\text{Total contract} \\ = \text{wage} + \text{costs} \\ = \$1440 + \$675$$

$$= \boxed{\$2115}$$

Discussion: Pros

Suggest two benefits self-employed people might enjoy. Suggest two disadvantages of self-employment. Would you prefer to be self-employed? Why or why not?

Pros

- make your own hours (flexible)
- tax write-offs.
- set your own prices.
- work alone

Cons

- extra book keeping
- may not have steady work
- no coverage/insurance.
- lonely

Unit 1.2 – Alternative Ways to Earn Money Practice

1. Gerald, an aluminum fabricator in Richmond, BC, accepts a contract to make an aluminum gate for \$500.00.

- a) If the cost of materials and labour to make the gate is \$425.00, how much is his profit on this gate?

$$\text{profit} = \$75$$

- b) What is this amount expressed as a percentage of the contract?

15%

- c) If the cost of materials were to increase after the contract was signed, could Gerald adjust the price? Explain your reasoning.

Usually, no. Contracts are legally binding and cannot be changed.

2. Leo is a self-employed plumber. One month, his plumbing business had three contracts for \$2500.00, \$7000.00, and \$275.00. The cost of Leo's expenses and materials to complete these contracts was \$7200.00.

- a) How much did Leo earn an hour based on a 40-hour work week?

\$14.87 per hour

- b) Suggest two ways in which Leo could raise his hourly rate to \$20.00.

- 1) Charge more money
- 2) Work quicker
- 3) Reduce the cost of his supplies.

3. Laurie works as an assistant to a florist. She can be paid \$2.75 for every arrangement or ~~\$8.25~~^{8.25}/h. Laurie estimates she could create about five arrangements an hour. Which payment scheme would you recommend and why?

Getting paid by piecework is the better payment scheme (\$13.75 per hour if she does 5 arrangements.)

4. This is a challenge question-

William is a salesperson at an electrical supply company. He earns a base salary of \$24,000.00 a year plus a commission of 12% on electrical supplies such as wire, switches, and fixtures. If William aims to earn a total of \$32,000.00 a year, how many dollars' worth of electrical supplies will he need to sell?

He needs to sell \$66,666.67 worth of supplies

5. Dorothy, a cabinet installer, earns income on a piecework basis. When she has to return to a customer's home on a service call to make changes or repairs, she is paid by the hour. The service-call rate is \$30.00 an hour.

- a) If Dorothy installs 6 upper cabinets at a rate of \$15.00 each, 6 lower cabinets at a rate of \$15.00 each, and returns twice for service calls that each take 3 hours, how much will she earn in all from this job?

\$360

- b) Think of two ways that piecework benefits a working person.

1) If you work quickly you have the opportunity to make more.
2) Your speed determines your wage

- c) What ^(con) advantages or ^(con) disadvantages might piecework have for an employer

Pro - it prompts efficiency (slow people are penalized)
Con - if you work too fast you won't have any work left.