

# Career Economics

By Jack Geary

Is there a relationship between economics and career planning? If the relationship exists, should it be important to you? With respect to this relationship, what economic concepts would be helpful in career planning? Let me propose that the close relationship between career planning and economics can offer clues in figuring out “what should I do with my life.”

Let me also propose that ideas and concepts discussed in economic literature are equally important if not critical in evaluating occupational and career decisions. Career planning driven by economic concepts has a singular objective to achieve a quality-of-life (QOL) that incorporates (1) wealth, (2) health and leisure to enjoy the fruits of wealth, (3) the ability to contribute to the community, and (4) the “time” to enjoy these activities.

QOL is more inclusive than “lifestyle.” Today the term “lifestyle” more often refers to the narrow definition of “sexual orientation.” No, QOL, in addition to the material attributes, includes spiritual and secular values, relationships with family and friends, community involvement, and personal development. QOL must build on a firm foundation of spiritual and family values to keep the relative components of the QOL in the proper order of importance.

*Your value system will control the relative components of your QOL. So, do not permit fuzzy thinking and attitudes towards wealth to cloud your thinking processes.*

Career Economics argues that career planning must be built on a firm financial foundation. According to Career Economics, the goal of career planning driven by economic principles is to maximize the “earning yield” to the point of “critical mass.”

The concept of “critical mass” coined by a financial planner, Bob Brinker means that the individual can “fund” the desired (QOL) with a source of income that is not based on personal “time” investment. Career Economics further argues that “critical mass” is essential to achieve economic freedom, the foundation of political freedom.

In summary, the purpose of career planning, then, is to achieve and maintain political freedom built on a foundation of economic freedom. Economic freedom is based on achieving a source of income that is not based entirely on the personal investment of “time.” Achieving economic freedom occurs when the QOL is funded on sources of income other than a “job” or what you do with their time.

*Consequently, the traditional prescriptions for career planning, primarily based on trait factors, aptitudes, the data, people, things hierarchy, “interests,” personality, and temperament profiles, emotional intelligence, and other so-called job matching “theories” are inadequate and insufficient to achieve the QOL you want.*

*Career Economics reasons that making the occupational, vocational, or career decision based on trait factors is a unilateral decision that dissociates the individual from economic reality. The decision is unilateral because career and occupational choices and decisions, working conditions, the value the worker contributes to the bottom line, and ultimately the compensation package are controlled by a combination of government policy, the global market place, the industry group, and the individual company.*

Yes, even the decision to enter the ministry or join a social cause must evaluate what is happening with the balance sheet of the congregation or the organization, including personal food and shelter- all of which is supported by the flock in the form of contributions. The factors that are evaluated in making vocational or occupational decisions must include what is happening at the company level and related labor market factors. Certainly, interests, aptitudes, and personality style are important. But they are just tools synthesized by the individual to perform the job- whatever job or vehicle will take the individual closer to achieving maximum earning yield. Unfortunately, career planning is preoccupied with these tools because activity is substituted for real progress and misdirects attention. When you want a hole, you buy a drill. The goal is the hole not to become preoccupied with the drill (status and activity).

Do not expect the money to follow by just contemplating your navel and following your dreams? Most people lose sight of the reality that the employer started the business to achieve his or her dreams not yours. Your dreams are your responsibilities. In addition, the dreams need a focused plan and action to make them happen.

Of what value is it to employ your labor for a customer or an employer if you cannot achieve the QOL you want? Of what value is your investment in an educational institution and/or employment in a corporation or company, if you are living just in sight of the state of poverty, if you depend on supplemental part-time jobs, if you believe that a guaranteed living wages, if you depend on minimum wage and other price controls is your answer, or if you depend on the multitudes of governmental assistance (transfer payments- transfer from one person to another person- aka taxes)?

## **VALUES & ECONOMICS**

Textbooks on economics include passages that would be appropriate in any career planning text. For instance, consider the following passage from Economics, 6th Edition, Ralph T. Byrns & Gerald W. Stone:

“...by assuming that people act purposefully to maximize their satisfactions, given their limited time, information, resources, and budgets. That people act rationally merely implies that people try to act in ways consistent with their own objectives, even if their goals seem absurd to most outsiders. For example, if misanthropes used grotesque, full-facial tattoos to signal their contempt for society, economists would view this disfigurement, as rational-the tattoos are consistent with their objectives. Personal values powerfully influence our perceptions of costs and benefits. Most of us consider others to some extent and we want our actions to benefit others and try to do more good than harm.

Thus, humanitarianism is not an exception to self-interested behavior. People's self-esteem and their reputations are boosted by picking up litter or contributing to charity. Audience members often share in a "warm glow" when benefit concerts generate funds to support human rights, aid the homeless, or improve environmental quality."

With respect to careers, do people act rationally and in their best interests? Do they analytically consider the most efficient course of action towards maximizing happiness? What is happiness? Is it possible for happiness to be a goal or is it the state of mind that is perceived when you are moving towards your goals? Do people make the best choices in the selection of an occupation, an employer, training program, and/or choose the best courses or fields of study? Do people make the best decisions with respect to trade-offs?

Do you act rationally? If you are currently investing your time and financial resources in education, can you justify this decision? Can you relate your attendance today with a rational goal? Have you selected the most efficient course of action towards maximizing your happiness- however you define it? Can you describe what you mean by happiness? Are you making the best choice in the selection of an occupation, an employer or a training program? Or, are you acting on the trust placed in the educational system to lead you to "a good job?" You are basing your decision on the "if come" rather than the "expected income."

Tough questions. Most people in general regardless of age or apparent occupational success would have difficulty with these questions. The correct answer for you today may not be the best answer two years from this date. The answers to these questions and related questions are what the analytic tools of economics portend to help you answer. Perhaps the study of economics is the best course of action to figure out the best career choice!

There are additional questions that are equally at home in a course in economics as they would be in a course in career planning. With respect to "work," is it possible for a person to achieve a comfortable standard of living by solely relying on employment with a company or corporation to generate the funds needed to support the standard of living? Should a person rely on a company or a corporation for the funds needed to support a desired standard of living? Should the government step in and pick up the short fall when a person's employment income falls short of supporting the desired of living?

If you agree that the government should step, then how much of your income do you want to contribute to help other people who cannot or who do not want to work? In addition, even if they cannot work who said that you must step in? Should a worker be forced to contribute a percentage of his or her wages to support another person who is unable to work or who is determined to be unemployable?

Who is responsible for making sure that a person earns a "living wage?" What is a "living wage?" Is this a moral issue? Who is determining what your standard of living should be?

Should the market forces, the invisible hand, reward an individual for their level of intelligence, ability to complete a four-year degree or master's degree, or the ability to work harmoniously with people? Should a city government require businesses to pay a "living wage" to secure a permit to do business in the city? Using the word "should" implies that someone or some entity can back up the "should" if the activity does not happen. The other half of the "should" is "and if you do not, such and such will happen."

Invisible hand advocates will argue that market forces will allocate resources the efficiently. I believe this. Yet, invisible hand advocates will admit that as market forces make adjustments to arrive at an equilibrium there are dislocations or frictions- such as, some workers who will earn less than the cost of living in the short term. Small businesses do not want to be the first business to raise wages unless other competitors also raise wages simultaneously. In the meantime, the workers twist slowly in the wind seeing their economic base evaporate. Public policy to insert a price support or a minimum wage may be appropriate in this situation to counter the inefficient response of the small business community.

Small businesses may agree that the wage increase is not justified based on the revenue generated by the worker. This fact may be true, but if the business is economically inefficient who should suffer the entrepreneur or the worker? If education should result in generating the earnings, needed to support your standard of living that honors this implied contract, what will you do if education does not result in increasing your earnings?

Alternatively, if you acquire the education you want and subsequently do not achieve the standard of living you want, whom do you sue for not complying with the implied contract? Is there an implied contract or promise that education will lead to a higher income for you? A guaranteed living wage and a minimum wage are "price controls." These controls attempt to guarantee employees a floor regardless of the value that is added to the product of service.

You must understand that if the government can impose a guaranteed wage or minimum wage through the force of law, the government can also place a ceiling on your income. Would you like the government to limit your income anymore than the present progressive tax system achieves? This type of tinkering is supported by individuals who want to distribute your wealth by force- through the force of the law, installed by your local elected politicians (bag men & women for the tax collectors).

Be careful! Accepting employment with a firm that is required to pay wages without regard to the value contributed by the employee or the market forces may not be a long-term employment relationship. Businesses seldom remain in business in these circumstances. Business must listen to the earning yield required on the investment of capital. **According to Walter Wriston, former CEO of Citicorp, capital goes where the yields are higher and stays where it is welcomed.**

## **EFFICIENT USE OF RESOURCES**

According to economic textbooks, economists define economics, as the study of scarcity and choice and the allocation of limited resources to try to satisfy unlimited wants. Further, the texts state that scarcity involves opportunity costs- that is something must be given up to get what you want and trade-offs- that is you must select from alternatives.

What is your present “opportunity costs?” What trade-offs are you making to attend classes today? Are you taking risks? Do you have faith that by just completing a college education or occupational certificate program you will achieve economic benefits? Demographics of large groups of individuals show a positive correlation between the length of education and degrees with higher income levels. However, will these statistics be true for you? Can you place a number on the benefits of higher education and control the timeline when you receive the benefits? What are the risks that you will not achieve what you believe has been promised to you? Who made the promise? Should you be protected against these “risks” of failure? Who should pay or make good for this protection if such protection were available beyond unemployment insurance? There is another economic concept that should never be forgotten. It is, “there is never a free lunch.”

## **ECONOMICS IS PERSONAL**

Economics is very personal and subjective despite all the graphs and math. Perhaps economics is perhaps more philosophical than mathematical. At the street level economics is very practical. In economic texts, certain resources are defined as factors of production. They are land (natural resources), labor (physical and mental states), capital (improvements that make natural resources more productive), and entrepreneurship (risk taking). These factors are limited in supply.

Contemporary textbooks state that technology and knowledge combined with the limited factors of production produce something desirable that we want. Contemporary books and magazines opine that developments in technology have reached a point that certain aspects of technology have become “factors of production.” That is “technology” is in itself a factor of production and a “technological know-how” is a limited resource. Contemporary technical and financial books, magazines, and newspapers report that in addition to “technology,” “knowledge or information” and “time” are factors of production. Bill Gate’s recent book is titled the “Speed of Thought” attests to the importance of “time” (How fast do you want to go today?) combined with “knowledge” (What do you want to know today?).

If you need additional facts attesting to the importance of “knowledge” ask why major corporations have labeled top corporate officials the CIO or Chief Information Officer. Knowledge or information and innovation have become “industries” in themselves. Consider the new vocabulary used in WEB sites, such as “knowledge base,” “knowledge manager,” “information technology (IT),” “Chief Information Officer (CIO),” and “Information Technology Manager (IT Manager).”

These changes in the lexicon parallel the exponential changes in the value of environmental resources. Less than thirty years past, economic texts considered “air” and “water” a resource without economic consequences. Not today.

Today economic texts use the rays of the Sun as a free resource. However, even this resource may soon acquire a “cash” value. Perhaps in a large city high-rise buildings could interfere with solar panels on your property. In the situation, location with respect to the sun’s rays takes on special values. Soon, economic texts will shift “time” and “knowledge” from the “materials of production” to a fundamental “resource.” “Knowledge” is no longer just something you acquire. Today, time and knowledge are “catalytic entities” that when combined with innovation and the right “vehicle,” help us achieve economic freedom.

Economics can be abstract and impersonal. Yet, economics is also very concrete and personal. For instance, is life “priceless?” You may ask whose life? What about your life, the life of a family member, or a friend’s life? What about a single person randomly selected from the entire population- a stranger? What about the life of individuals in the Balkan countries, Tibet, Cambodia, or in tornado alley in the States? The courts routinely place an economic value on life called hedonistic value, loss of earnings during the worklife.

With these thoughts in mind, consider the following issues: How much are you willing to pay for traffic safety, reducing crime, feeding starving children, procuring medical treatment, pleasant working conditions (higher wages), selecting less dangerous occupations (and higher wages), voting for the draft so young men and women can fight wars, and greater security. (It is said that the price of greater security is less freedom!)

Most of us believe everyone should have access to safe and secure living quarters until someone wants to build a low cost housing project next to our home. Do we collectively have to pay an individual for the consequences of their decision to smoke cigarettes, i.e., that is, pay for their medical costs? Should we continue to empower the court to force the manufacturer to pay this individual for his or her decision to smoke cigarettes? Do we really believe the cigarette smoker was duped into believing cigarettes were not addictive? Does econometrics factor in dishonesty and ignorance? These questions and situations and the associated issues and decision-making process can get emotional, serious, and very expensive. Just attend and observe a City Council or Board of Supervisor’s meeting.

Career Economics is also very concrete and personal. The consequences of career and vocational decisions are very serious. Career Economics involves your hopes, dreams, opportunity costs, trade-offs, and risk. It is said that a person cannot achieve what they cannot first perceive. It is also said that a person’s dreams are limited by their capacity to generate income. But I would argue to reverse. A person’s dreams or vision will limit their capacity to generate income. Career Economics has serious financial implications.

*Career Economics focuses on the ability to use the resources of “time” and “knowledge.” Together with the right temperaments of innovation, the right skills or “technology” and the right occupation or “vehicle” you will be able to “leverage your time” and “maximize your earning yield.”*

For instance, knowledge or information is the basis of computer software that mines information to produce databases. Computer databases and the ability to access data actually result in two apparently mutually exclusive events: Computer software removes the power of some individuals who have in the past controlled access to knowledge; yet, ability to create and/or access computer software and databases empowers the creator or user. There are some losers and some winners. Unless you acquire the knowledge to use the computer software and the knowledge to access the databases, you will continue to be the servant of technology.

The only element changing is that a new master moved in and replaced the old master. (Most people this very moment cannot explain the electrical system that turns the lights on.) Time cannot be produced or saved, shelved, or inventoried. Time is not money. Time is more valuable than money. Money is not limited. Governments can print money. We can borrow money. Time is limited. Time cannot be borrowed. We only get 24 hours each day, no more, no less.

Knowledge is not owned by anyone. Knowledge is not a factor of place or location. Knowledge is actually independent of the person. Knowledge can be acquired. People can possess Knowledge but it must be applied to have value. Knowledge is power so long as the access to a particular Knowledge is limited. Knowledge has evolved from the noun to the adverb in order to define the individual who has critical knowledge, called the “Knowledge Based Manager,” or the critical article, the “Knowledge Based Articles,” or the “knowledge base.” This “base” has become a “resource,” a factor of production.

Computer programs “mine” this base, access this “warehouse” the knowledge base, and account for the “base” as profit center in its own right. Career Economics focuses on the factor of production called “labor.” However, the point of view is not to view “labor” as something to be used or discarded at will.

Career Economics views “labor” as having an individual mind, self-determination, potential to withhold its potential value, potential to grab on to “technology” and the “knowledge” to transform itself into the “entrepreneur” to produce “value.” The entrepreneur is the innovator and the risk taker. *Career Economics is based on “labor” or the individual who “thinks,” “innovates,” and manages “time,” by selecting the “vehicle” that offers opportunities to “leverage time.”*

*“Labor” is defined as the physical and mental talents that remain static until the innovator employs the talents. However, “labor” unlike land and capital thinks and makes decisions. Career Economics empowers “labor” potential to make decisions and think to transform into the innovator. Marx appears to have ignored this point that labor has the potential in a politically free society to become the “entrepreneur” or innovator.*

Since “labor” thinks there is no excuse to be constantly in conflict with other individuals who may have temporarily more resources. Therefore, there it is not axiomatic that the “haves” and the “have-nots” will clash. The “have-nots” have as much intellectual power to innovate- to use technology, to use knowledge, to use time. Marx failed to look at the whole picture. Adam Smith, however, got it right.

Career Economics implies that the individual has an internal locus of control, that is, the individual believes he or she can control the outcome of events and not under the control of fate. Individuals do not have to remain in a “class.” Therefore, Career Economics dismisses vocational interest theory; the personality-job fit theory, the trait factor theory of career choice, sociological theory, personality theory, or so called personality styles. These theories or speculations are treated in practice as fact with the practitioners acting with a degree of certainty that cannot be supported.

The contemporary vocational choice practices are “fuzzy” practices that offer no clear goals other than to select job that results in “job satisfaction.” Job satisfaction is defined as “feeling good” about the job or claiming a high “self-esteem.” First, work has to satisfy basic economic needs usually referred to as a “standard of living” or the more comprehensively a “quality of life.”

Even missionaries with a mission in life have to eat. They must trade services for in-kind remuneration or dollars. An individual should not have to confine their psychological or emotional satisfactions to the work environment. Work does not have to be satisfying. Smart individuals do not permit work to rise to a level that their total life satisfactions depend on work. Smart individuals have a goal or purpose that is bigger than their work life.

Yes, there are bandits called attorneys who created a profession of stealing from the employer, funding their (investment portfolio) and throwing a few crumbs to the designated victim. The preoccupation with job satisfaction and contemporary notions of vocational choice appear to serve the government worker and human resource professionals more than the individual worker. This statement is not necessarily meant to conspiratorial but you must consider who achieves the greater value. If the employer can sooth the worker with “perks” rather than hard cash, so much the better. Many employers are socialist in capitalistic skins.

Compensatory time is another perk. Comp time is just what it is “your time.” You cannot take this time and drive over to the shopping mall to buy a new wardrobe. Career Economics is built on a foundation that states the individual should have the right to design a “quality of life” plan. However, the individual has the right to make decisions that have trade-offs and opportunity costs.

The individual has the right to take risks up to their level of “risk tolerance” in their attempt to achieve the level of the quality of life that they want. Conversely, the individual also has the right to fail, change, and start over. The worker’s right is not the employer’s responsibility.

Career Economics focuses on you, an individual and your ability to use two very important resources that are within your control. Yes, you guessed correctly, “time” and “knowledge.”

“Time” and “knowledge” are essential to “maximizing” your “earning yield.” “Time” must be “leveraged” to “maximize” the “earning yield” that is needed to achieve the “quality of life” that you want. Time is a limited resource. It cannot be saved or accumulated. Time passes- whatever you do.

However, “time” can be leveraged. To leverage time is to secure the benefits of a resource far greater than the amount of time and financial resource invested. Knowledge or information is a resource that can be earned, acquired, accumulated, or purchased. Leveraged time is the fuel that drives the vehicle built with the right knowledge.

Earning Yield requires a few steps to explain and to understand. The short explanation is that earning yield means you earn income far greater than the personal time you invested. A high earning yield means that a large percentage of the income you earn is not based on your personal time investment.

Earning yield measures the results of the use to which you invest your income or the cash you earn. Earning yield is not to be confused with earnings from a job such as a wage or salary.

To begin, (1) your gross income from work is reduced by taxes and the non-reimbursed and essential expenses related to performing your job resulting in net income. There are other costs associated with your job that are not considered non-reimbursed employee expenses, such as commuting costs, childcare, clothing, in-service training, etc.

(2) After these expenses are deducted from your net income, the resulting income is labeled net, net income.

(3) After your cost of living and reasonable savings or investment contributions are deducted the resulting income is labeled the “net, net, net income or 3N\$ for short.

(4) If you develop a “vehicle” such as a self-employment venture that permits you to “leverage” your time to develop additional 3N\$ the resulting amount of 3N\$ increases your yield on the personal time invested. The goal of the “vehicle” is to maximize the level of the 3N\$. With few exceptions, the typical job cannot enable you to “leverage time.” In fact, most self-employment ventures cannot enable you to “leverage time.” Most self-employment ventures are actually a job that you purchased. It has been reported that a self-employed individual cannot earn an average yearly income greater than an employed individual.

(5) To continue, when 3N\$ or totally discretionary income is invested the resulting interest or capital gains act to further increase the amount of 3N\$. The existence of and the amount of 3N\$ is the key factor that permits the achievement of the QOL you want. Most important, the amount of the 3N\$.

(6) When the income from the total invested discretionary income begins to fund a large percentage of the supporting the quality of life you want you have maximized your earning yield.

(7) When the income from totally invested discretionary funds 100 per cent of the costs of supporting the desired quality of life you have reached critical mass. Career Economics assumes you, the individual, want to improve your quality of life. The quality of life (QOL) is the combination of leisure- or time, health to enjoy leisure- or time, and wealth- the income over and above what is necessary to fund basic essential living expenses.

Let's stop and recap. You need time to enjoy the QOL you want. Therefore, you need to use your "knowledge base" to design a "vehicle" that permits you to leverage time so that you are able to produce an income that permits you to maximize your earning yield. The "earning yield" (ERN-YLD) is not your wage rate or yearly salary, or your net deposable income after living expenses, taxes, and normal investments. The "earning yield" (ERN-YLD) is a measure of the ratio of the earnings that are not based on your personal physical effort or the actual personal time you invested.

ERN-YLD requires that you leverage time. In order to leverage time, you must design a "vehicle" that permits you to develop a source of income that is not based on your "personal time" investment. As the "vehicle" increases your leveraged time, the income generated by the "vehicle" increases exponentially. Maximizing your ERN-YLD means that you are spending less personal time investment to achieve greater level of 3N\$. When you can support or fund the QOL you want totally on the 3N\$, you have reached "critical mass."

Consequently, through "knowledge," "leveraged time," in combination with the "vehicle" your 3N\$ will increase. The increased income is available for supporting your QOL. Furthermore, as your income increases beyond your essential needs for self-support, your investment in other income earning "vehicles" generates "income" that is not based on your time. Career Economics seeks to reach "critical mass" sooner rather than later. Critical mass is the point at which you can "fund" your quality of life (QOL) without the investment of your personal time to earn the income.

Career Economics seeks to identify the "vehicle" that can "leverage time." The traditional job is supplementary, transitional, and terminal. The ultimate objective of career economics is economic freedom. Without economic freedom, there can be no political freedom.

The preoccupation with job satisfaction, the occupation, or the career means the individual want to remain a factor of production “labor” and a servant to other individuals who control your quality of life. These individual should have the right to be servants and accept the consequences.

The consequences are the inability to move ahead of inflation, an earning trend line that at best can just be above subsistence, and a standard of living that is entirely dependent on the employer who pays the wage. The desired quality of life is seldom achieved. Economic freedom is in jeopardy. Economic freedom is “critical mass.” Career Economics seeks to allocate personal resources of “time” and “knowledge,” combine these resources with a technology or the “vehicle” that enables you to leverage time, so that you have the opportunity to maximize your earning yield and achieve “critical mass.”