

54. Education outcomes

Key outcomes of education systems include increasing employment and raising the life-long earnings of individuals – which also brings net benefits for governments via increases in the revenue-base and lower public spending on unemployment insurance or other social assistance programmes.

The more education an individual has, the more likely he or she is to find employment. On average in OECD countries, 85% of the population with tertiary education is employed, compared to 76% of individuals with upper secondary and post-secondary non-tertiary education, and to 56% of those without an upper secondary education. In countries such as Belgium, the Czech Republic, Hungary, Israel, Poland, the Slovak Republic and Turkey, over half of those with less than an upper secondary education are unemployed.

Better employment prospects bring private economic benefits to individuals. The private net present value (NPV) of education refers to the economic returns acquired over an individual's working life, after considering the costs of attaining their education such as tuition fees and forgone earnings. Apart from the earnings differential, major components of the return to education are directly linked to public policy: access to education, the level of taxes and the costs of education for the individual. On average across OECD countries, the NPV of investing in tertiary education is USD 146 000 for men. For upper secondary or post-secondary non-tertiary education, the NPV falls to USD 68 000. These high private returns suggest that education may need to be expanded by increasing access and by making loans more readily available to individuals, rather than lowering the costs of education.

Government and society also gain economic benefits from more schooling via additional revenues raised when more people enter the labour market and their earnings rise. On average across OECD countries, the net public return from investment in tertiary education (taking into account the cost to government of providing education) exceeds USD 86 000 for a male student. This is almost triple the amount of public investment in tertiary education, and provides a strong incentive for governments to expand higher education. Germany, Belgium and Hungary attain the greatest public NPV from investing in upper secondary and tertiary education.

Methodology and definitions

The employment rate refers to the number of persons 25-64 years old in employment as a percentage of the population aged 25 to 64. The employed are those who work for pay or profit for at least one hour a week, or who have a job but are temporarily not at work due to illness, leave or industrial action.

Educational attainment is measured according to the International Standard Classification of Education (ISCED 97): Upper secondary (Level 3), post-secondary non-tertiary (Level 4) and tertiary education (Levels 5 and 6).

The private and public economic returns to education for men are measured in terms of net present value. Private (lifetime) costs include after-tax foregone earnings adjusted for the probability of finding a job (unemployment rate) and direct private expenditures on education. Private benefits factor in gross earnings benefits as well as the unemployment effect. The discount rate is set at 3%, which largely reflects the typical interest on an investment in long-term government bonds in an OECD country. Public costs include lost income tax receipts during the schooling years, and public expenditures related to tertiary education. The benefits for the public sector are additional tax and social contribution receipts associated with higher earnings, and savings from transfers (housing benefits and social assistance) that the public sector does not have to pay above a certain level of earnings.

Further reading

OECD (2007), *Understanding the Social Outcomes of Learning*, OECD Publishing, Paris.

OECD (2010), *Education at a Glance 2010: OECD Indicators*, OECD Publishing, Paris.

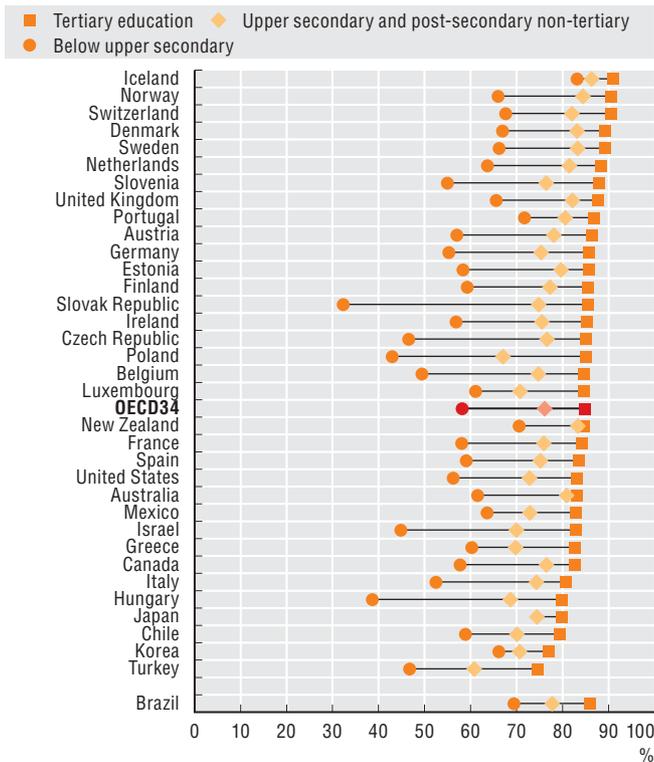
Figure notes

54.2: Countries are ranked in order of private NPV returns for upper secondary education. Data for Korea refer to 2003. Data for Spain refer to 2004. Data for Australia, Belgium and Turkey refer to 2005. Data are not available for Chile, Estonia, France, Greece, Iceland, Ireland, Israel, Japan, Luxembourg, Mexico, the Slovak Republic, Slovenia, Switzerland and the United States.

54.3: Countries are ranked in descending order of the public NPV returns for tertiary education. Data for Korea refer to 2003. Data for Ireland and Spain refer to 2004. Data for Australia, Belgium and Turkey refer to 2005.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

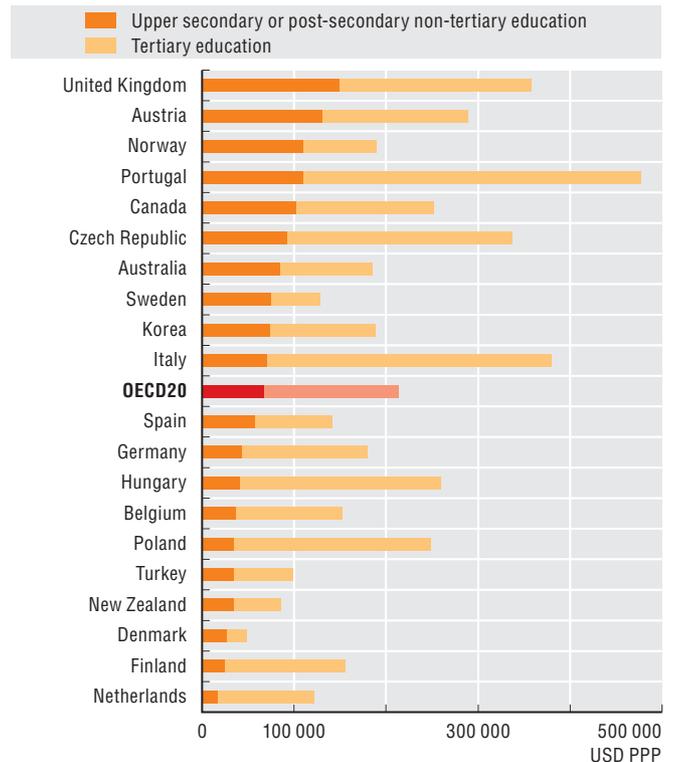
54.1 Employment rates by level of educational attainment (2008)



Source: OECD (2010), *Education at a Glance 2010: OECD Indicators*, OECD Publishing, Paris, Table A6.3a. See Annex 3 for notes, www.oecd.org/edu/eag2010.

StatLink <http://dx.doi.org/10.1787/888932391545>

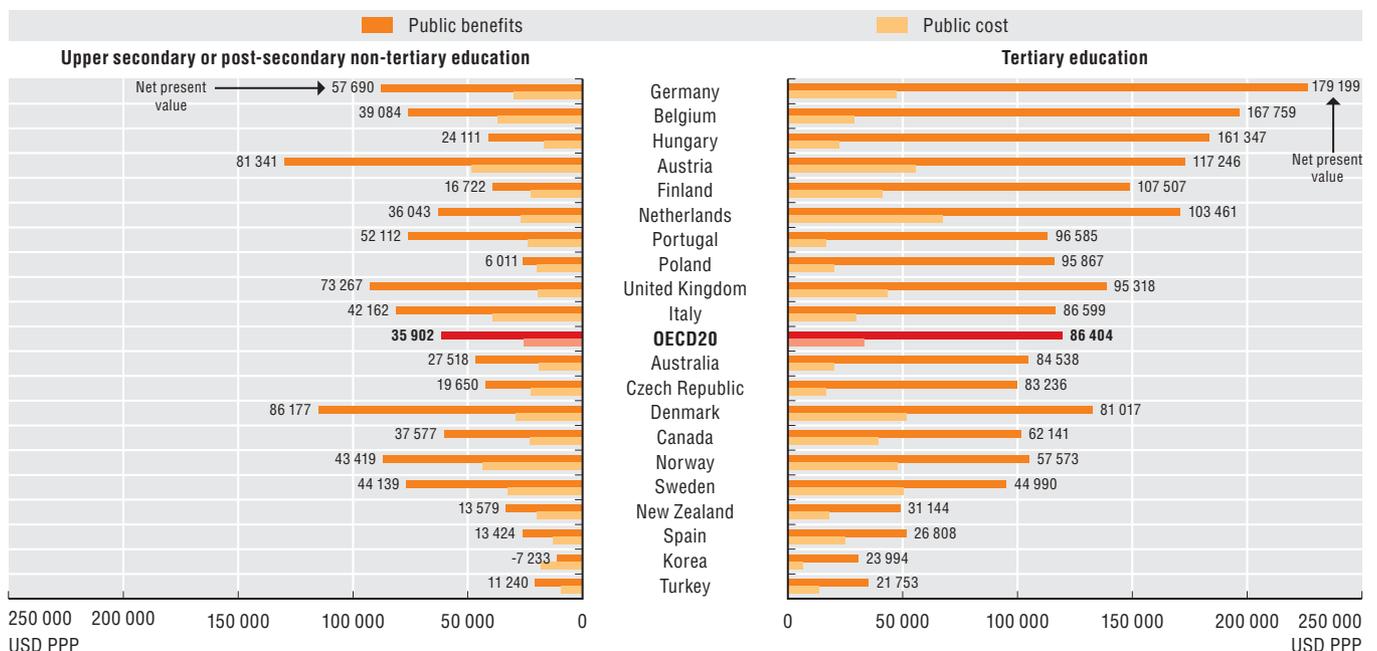
54.2 Cumulative private net present value for a male obtaining higher levels of education (2006)



Source: OECD (2010), *Education at a Glance 2010: OECD Indicators*, Indicator A8, OECD Publishing, Paris. See Annex 3 for notes, www.oecd.org/edu/eag2010.

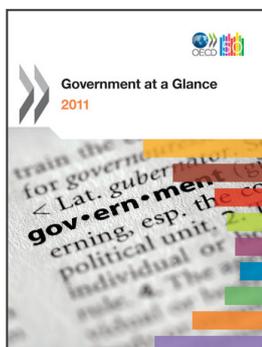
StatLink <http://dx.doi.org/10.1787/888932391564>

54.3 Public net present value for a male obtaining upper secondary or post-secondary non-tertiary education and tertiary education (2006)



Source: OECD (2010), *Education at a Glance 2010: OECD Indicators*, OECD Publishing, Paris. Tables A8.3 and A8.4. See Annex 3 for notes, www.oecd.org/edu/eag2010.

StatLink <http://dx.doi.org/10.1787/888932391583>



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