

## 2. THE ECONOMIC AND SOCIAL BENEFITS OF EDUCATION

### How expensive are graduates to hire?

- On average employers pay USD 74 000 for a man with tertiary education and USD 53 000 for a woman.
- At the other end of the education scale, the cost of hiring a male worker without upper secondary education is USD 40 000 and USD 29 000 for a female worker.
- Annual labour costs are at least USD 20 000 below the OECD average for all education levels in the Czech Republic, Hungary, Poland and the Slovak Republic.

#### Significance

The skills of a country's workforce provide a substantial advantage that can bring economic benefits over the long term. But the extent of this advantage will be determined by the cost – in other words, how expensive is it to hire skilled workers? To answer that question, this spread looks at the relative cost of hiring workers with different levels of education across OECD countries.

#### Findings

The cost of hiring tertiary graduates varies substantially among countries. In Iceland, Italy, the Netherlands, Norway and the United States, over the course of a year, employers pay USD 20 000 or more than the OECD average to employ higher educated individuals. By contrast, they pay at least USD 20 000 less than the average in the Czech Republic, Hungary, New Zealand, Poland and the Slovak Republic. Among other factors, these differences reflect productivity differentials and prevailing wage rates among countries.

Annual labour costs increase sharply for workers with higher levels of educational attainment. On average across OECD countries, labour costs for those with below upper secondary education are USD 40 000 for men and USD 29 000 for women. For those with upper secondary education, the cost rises to USD 48 000 for men and USD 36 000 for women. But the big rise is for highly skilled workers: On average employers pay USD 74 000 for a man with tertiary education and USD 53 000 for a woman.

There are substantial differences between countries in hiring costs for workers with different levels of educational attainment. In the Czech Republic, Hungary, Poland and the Slovak Republic, annual labour costs are at least USD 20 000 below the OECD average across all educational levels. Even though tertiary graduates in these countries enjoy high relative earnings compared with non-graduates, overall these countries' relative cost advantage is still typically in the high-

end skill segment. New Zealand and Spain also enjoy a substantial cost advantage in the market for highly skilled workers; however, educated workers are relatively inexpensive compared with their less educated peers. In a few countries with higher cost levels overall, labour costs decrease with higher educational levels. Compared to other OECD countries, individuals with higher education are less expensive to employ than those with lower levels of education in Belgium, Denmark, Finland and Sweden.

Generally, differences between countries in the cost of hiring younger graduates (25-34 year-olds) are less pronounced than for the total workforce (25-64 year olds). Annual labour costs also vary substantially between countries when it comes to hiring inexperienced and experienced tertiary workers. They range from less than USD 20 000 for a recent graduate (25-34 year-old) in Poland to over USD 140 000 for an experienced graduate (45-54 year-old) in Italy. On average across the OECD area, an employer can expect to pay an additional USD 27 000 per year for an experienced tertiary graduate (see Chart A10.3 in *Education at a Glance 2010*).

#### Definitions

Calculations are based on a new data collection on the earnings of individuals who work full-time and full-year. This data collection is supplemented with information on employers' social contributions and non-tax compulsory payments from the OECD's Taxing Wages Database.

#### Going further

For additional material, notes and a full explanation of sourcing and methodologies, see *Education at a Glance 2010* (Indicator A10).

Areas covered include:

- Annual full-time earnings and annual labour costs by age group.
- Foreign direct investment and annual labour costs for tertiary-educated population.

#### Further reading from OECD

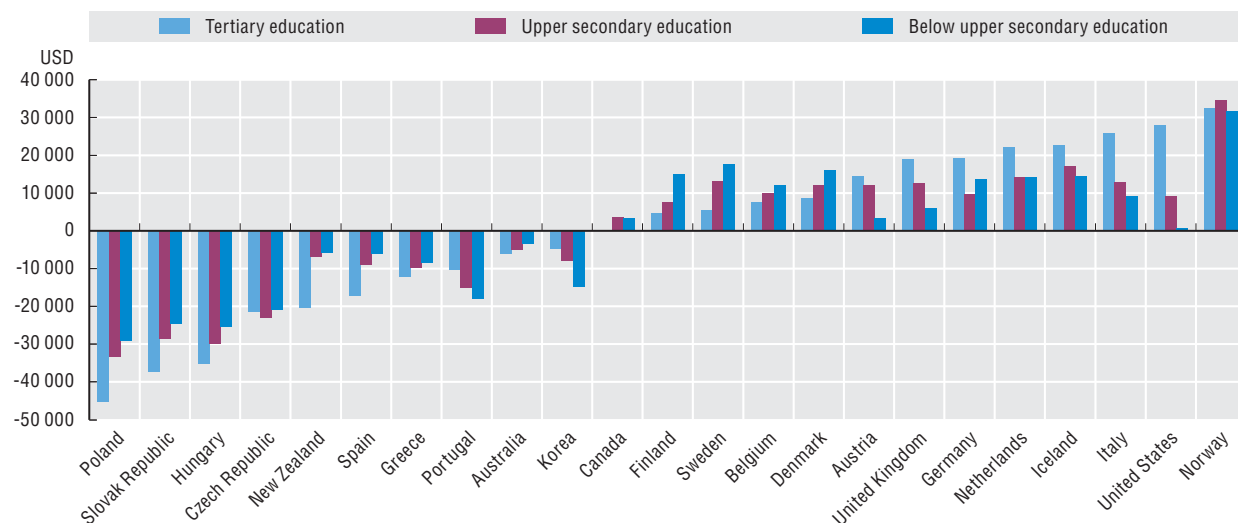
*Taxing Wages* (annual).

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Figure 2.9. **Annual labour costs for workers by educational attainment**

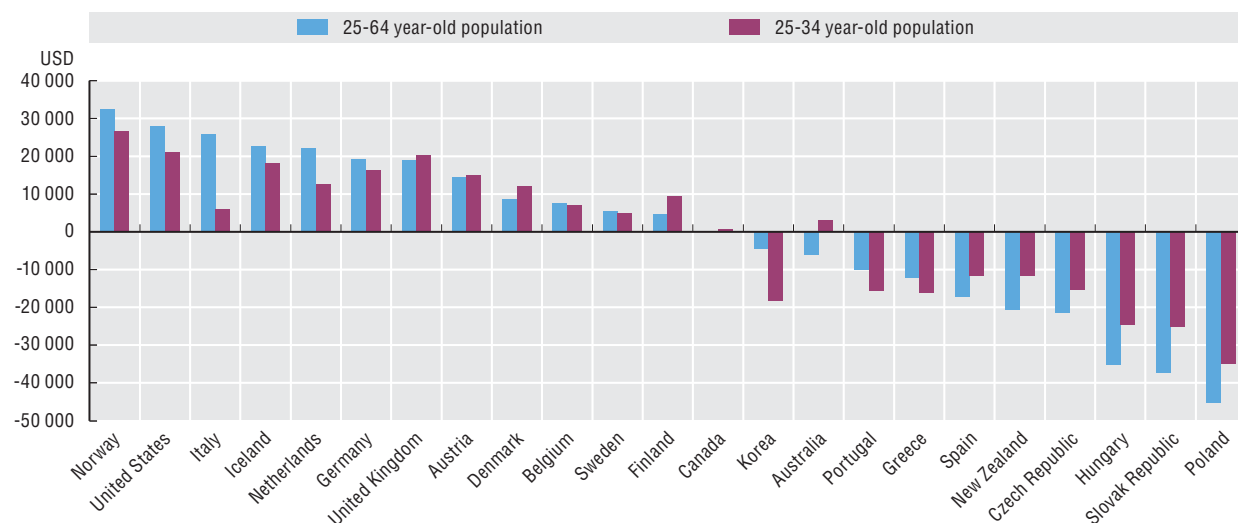
This figure shows the extent to which countries deviate from the average (specifically, the OECD mean) in annual labour costs for workers by various levels of education attainment



Source: OECD (2010), *Education at a Glance 2010*, Table A10.1, available at <http://dx.doi.org/10.1787/888932310263>.

Figure 2.10. **Annual labour costs for tertiary graduates by age group**

This figure shows the extent to which countries deviate from the average (specifically, the OECD mean) in annual labour costs for tertiary-educated workers by age group



Source: OECD (2010), *Education at a Glance 2010*, Tables A10.1 and A10.2, available at <http://dx.doi.org/10.1787/888932310263>.



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