

## 2. THE ECONOMIC BENEFITS OF EDUCATION

### How much more do tertiary graduates earn?

- Earnings increase with each level of education.
- Graduates of tertiary education earn more than people who completed only upper secondary education, with the gap ranging from 15% in New Zealand to 119% in Hungary.
- Older adults (55-64 year-olds) with tertiary education typically enjoy an even larger earnings premium than the general working-age population.

#### Significance

This indicator examines the relative earnings of workers with different levels of education. Although higher levels of education are strongly linked to raised incomes, evidence suggests that some individuals might be receiving relatively low returns on their investment in education – that is, they earn relatively low wages even though they have relatively high levels of education.

#### Findings

The difference in earnings between tertiary graduates and people who have completed only upper secondary education is generally greater than that between people who have completed upper secondary and people who have only completed lower secondary education. The earnings premium for adults (25-64 year-olds) with tertiary education, compared with upper-secondary education, ranges from 15% in New Zealand to 119% in Hungary.

Tertiary education boosts women's earnings more than men's in 10 of the 25 OECD countries examined in this indicator (Australia, Austria, Canada, Korea, the Netherlands, New Zealand, Norway, Spain, Switzerland and the United Kingdom). The reverse is true for the remaining countries, except for Turkey, where the benefits are about the same. However, in all countries, and at all levels of educational attainment, women generally earn less than their male counterparts.

Older people (55-64 year-olds) with tertiary education enjoy an even larger earnings premium than the general population as well as improved employment prospects. By contrast, older people with only lower secondary education see a widening in the earnings gap in every country bar Finland, Germany and

New Zealand. In most countries, tertiary education increases the prospect of being employed at an older age and keeps improving earnings and productivity differentials through to the end of working life (see Charts A9.1 and A9.3 in *Education at a Glance 2008*).

Although the better educated usually earn more, this is not always the case. In some countries, factors such as national wage agreements tie many workers to similar salaries regardless of education levels. At the individual level, educational attainment is only one factor in determining an individual's income – experience and personal characteristics also play a part. Indeed, research from the United States suggests that for women and ethnic minorities, more than half of the variance in earnings cannot be explained by quantifiable factors, such as length of time in education or the workforce.

#### Definitions

Data on earnings are before income tax, except for Belgium, Korea and Turkey. Data on earnings for individuals in part-time work are excluded for the Czech Republic, Hungary, Luxembourg and Poland, while data on part-year earnings are excluded for Hungary, Luxembourg and Poland.

#### Going further

For additional material, notes and a full explanation of sourcing and methodologies, see *Education at a Glance 2008* (Indicator A9).

Areas covered include:

- Trends in relative earnings of the population.
- Differences in earnings by gender and by age.

#### Further reading from OECD

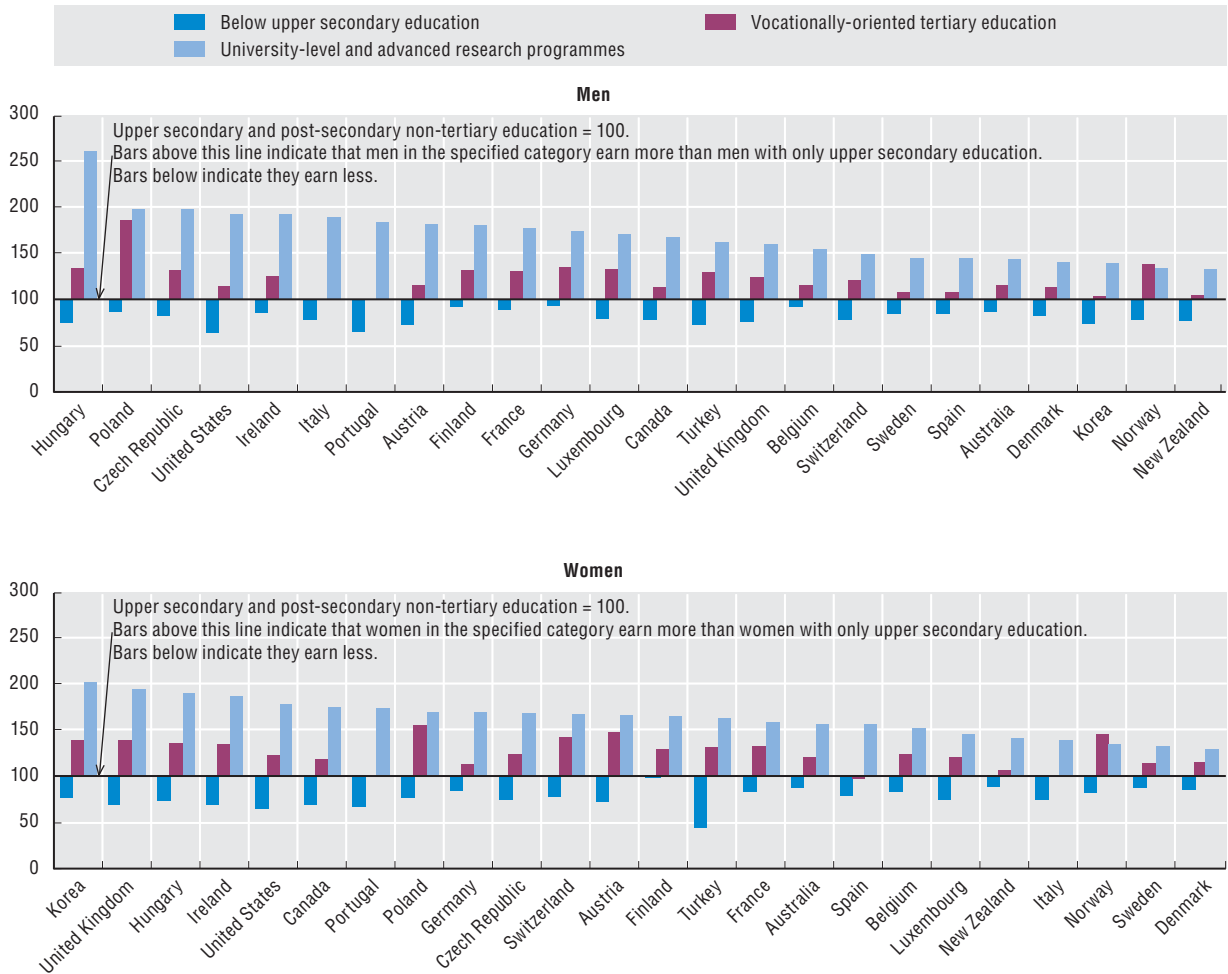
*Understanding the Social Outcomes of Learning* (2007).

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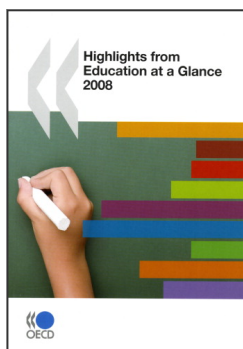
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Figure 2.1. **Relative earnings from employment, 2006**

These figures show the earnings of adult men and women (25-64 year-olds) by their level of educational attainment (relative to the earnings of graduates of upper secondary and post-secondary non-tertiary education).



Source: OECD (2008), *Education at a Glance 2008*, Table A9.1.a, available at <http://dx.doi.org/10.1787/401781614508>.



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