

3. THE ECONOMIC AND SOCIAL BENEFITS OF EDUCATION

How much more do tertiary graduates earn?

- Earnings tend to rise in line with people's level of education, in all OECD countries.
- Adults with university-level education in OECD countries can expect to earn 70% more than those who have only attained upper secondary education.
- The difference in relative earnings between younger and older workers increases with educational attainment, on average across OECD countries, benefitting more educated older workers.
- Men earn more than women at all levels of education in many countries, but the largest gap is among individuals with tertiary education, where women earn about 75% as much as men.

Significance

This section examines the relative earnings of workers with different levels of education. Higher levels of education and skills usually translate into better chances of employment and higher earnings. Differences in pre-tax earnings between educational groups provide a good indication of supply and demand for education. Combined with data on earnings over time, these differences provide a strong signal of whether education systems are meeting the demands of the labour market.

Findings

Educational attainment is strongly linked to average earnings. Adults with tertiary education earn more than twice as much as adults with upper secondary education in Brazil, Chile and Hungary. At the other end of the education scale, individuals without upper secondary education face large earnings disadvantages in all countries. In Brazil, Turkey and the United States they earn, at best, 35% less than people with upper secondary education.

Gender gaps in earnings persist, in many countries, regardless of the levels of education and skills. The gap is smallest among those with upper secondary and post-secondary non-tertiary education, and largest among those with tertiary education. Women with tertiary education earn 80% or more of men's earnings in only four countries: Belgium, Slovenia, Spain and Turkey; in Brazil, Chile and Hungary, women who have obtained a tertiary degree earn 65% or less of what tertiary-educated men earn.

The earnings advantage from education increases with age in most OECD countries; relative earnings for tertiary-educated 55-64 year-olds are up to 35 percentage points higher than those of 25-34 year-olds with tertiary education on average. At the other end of the scale, the earnings disadvantage for those with below upper secondary education increases with age in all countries except Denmark, Finland, Germany, Norway, the Slovak Republic, Sweden and the United Kingdom.

Age also narrows the gender gap in wages for women with an upper secondary education. Women aged 55-64 with this education level can expect to earn about 80% as much as their male peers.

Trends

Between 2005 and 2012, the relative earnings of adults without upper secondary education either remained stable or fell in countries with available data. In addition, in most of these countries, relative earnings for tertiary-educated adults increased or remained stable; the only exceptions are Hungary and the United States. These differences suggest that the demand for higher-level and updated skills has grown, and that individuals with lower levels of skills are even more vulnerable today.

Definitions

Relative earnings are percentages of the earnings of adults with levels of education other than upper secondary relative to the earnings of those with upper secondary education.

Earnings data differ across countries in a number of ways, including whether they are reported annually, monthly or weekly. Thus results shown here should be interpreted with caution. For some countries, data on full-time, full-year earnings are based on the European Survey on Income and Living Conditions (EU-SILC), which uses a self-designated approach in establishing full-time status.

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

Going further

For additional material, notes and a full explanation of sourcing and methodologies, see *Education at a Glance 2014* (Indicator A6).

Areas covered include:

- Trends in relative earnings of the population.
- Differences in earnings by gender and by age.
- Differences in earnings distribution according to educational attainment.

Further reading from OECD

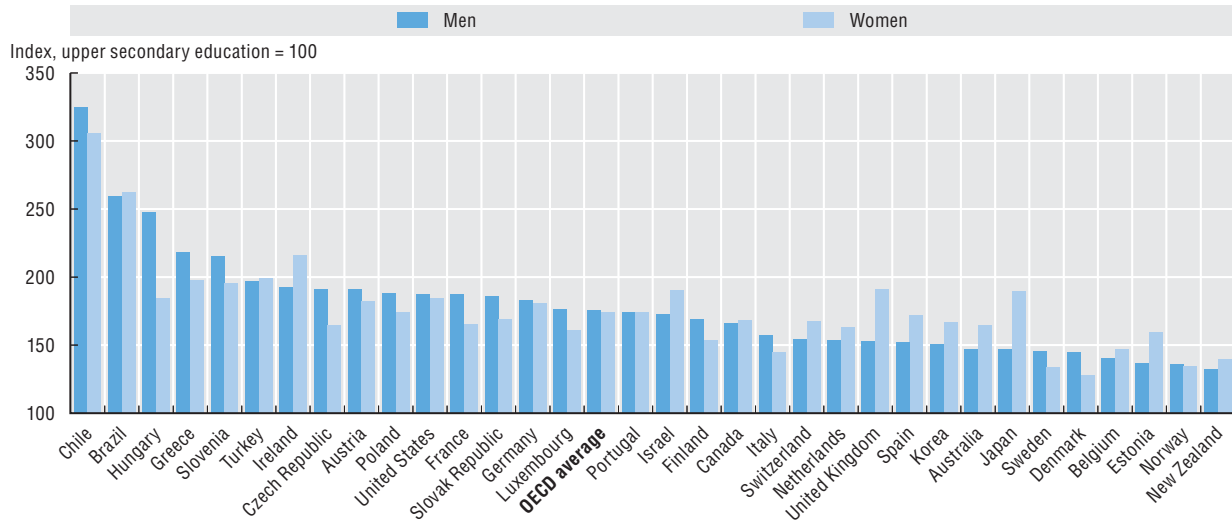
OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing, Paris,
<http://dx.doi.org/10.1787/9789264177338-en>.

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Figure 3.3. Relative earnings of workers with university education or higher, by gender, 2012

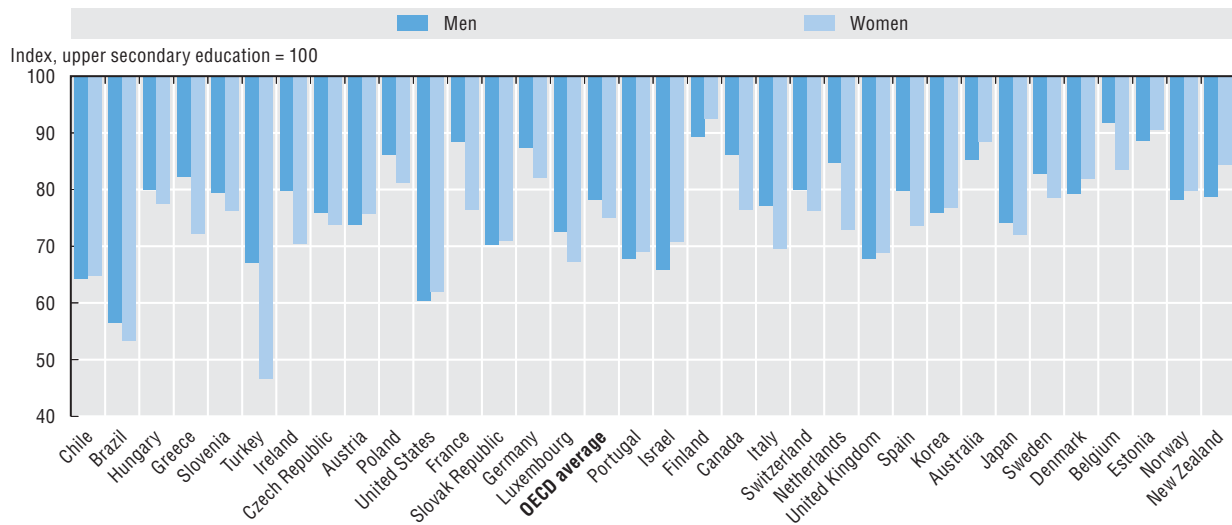
This figure compares earnings of 25-64 year-old men and women with university or advanced research level education, using upper secondary education as a baseline (the line labelled 100 in the left-hand scale on the graph).



Source: OECD (2014), Education at a Glance 2014, Chart A6.1, available at <http://dx.doi.org/10.1787/888933116205>.

Figure 3.4. Relative earnings of workers with below upper secondary education, by gender, 2012

This figure compares earnings of 25-64 year-old men and women with below upper secondary education, using upper secondary education as a baseline (the line labelled 100 in the left-hand scale on the graph).



Source: OECD (2014), Education at a Glance 2014, Chart A6.1, available at <http://dx.doi.org/10.1787/888933116205>.



From:
Education at a Glance 2014
Highlights

Access the complete publication at:
https://doi.org/10.1787/eag_highlights-2014-en

Please cite this chapter as:

OECD (2014), "How much more do tertiary graduates earn?", in *Education at a Glance 2014: Highlights*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eag_highlights-2014-14-en

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