

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.
- People with higher (tertiary) education in OECD countries can expect to earn 1.5 times as much as a person with only an upper secondary or post-secondary non-tertiary education.
- The difference in 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, but the largest gap is among individuals with tertiary education, where women earn 72% as much as men.

Significance

This section examines the relative earnings of workers with different levels of education. Higher levels of 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 university-level education earn more than twice as much as adults with upper secondary or post-secondary non-tertiary education in Brazil, Chile and Hungary. At the other end of the education scale, individuals with below upper secondary education face large earnings disadvantages in all countries. In Brazil, Greece and the United States they generally earn less than 65% of what people with upper secondary or post-secondary non-tertiary education earn.

More education does little to narrow the gender gap in earnings. 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 75% or more of men's earnings in only six countries: Austria, Belgium, Finland, New Zealand, Slovenia and Spain; in Brazil, Chile and Estonia, 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; relative earnings for tertiary-educated 55-64 year-olds are 16 percentage points higher than those of all adults with tertiary education (25-64 year-olds) on average. At the other end of the educational scale, the earnings disadvantage for those with below upper secondary education increases with age in all countries except Australia,

Denmark, Estonia, Finland, Germany, Luxembourg, Norway, the Slovak Republic, Sweden and the United Kingdom.

Age also narrows the gender gap in wages for women with an upper secondary or post-secondary non-tertiary education. These women can expect to earn 79% as much as a man in the same age group when they are 55 to 64 years old.

Trends

Between 2000 and 2011, the relative earnings of adults with below upper secondary education decreased in most OECD countries with a few exceptions – Germany, Hungary and Switzerland. On the other hand, in most OECD countries, including Belgium, Germany, Hungary, Switzerland and the United States, relative earnings for adults with tertiary education increased. These differences suggest that the demand for young professionals with tertiary education has kept up with the increasing supply from higher educational institutions in most OECD countries – and that individuals with lower levels of skills are more vulnerable today.

Definitions

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 2013* (Indicator A6).

Areas covered include:

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

Further reading from OECD

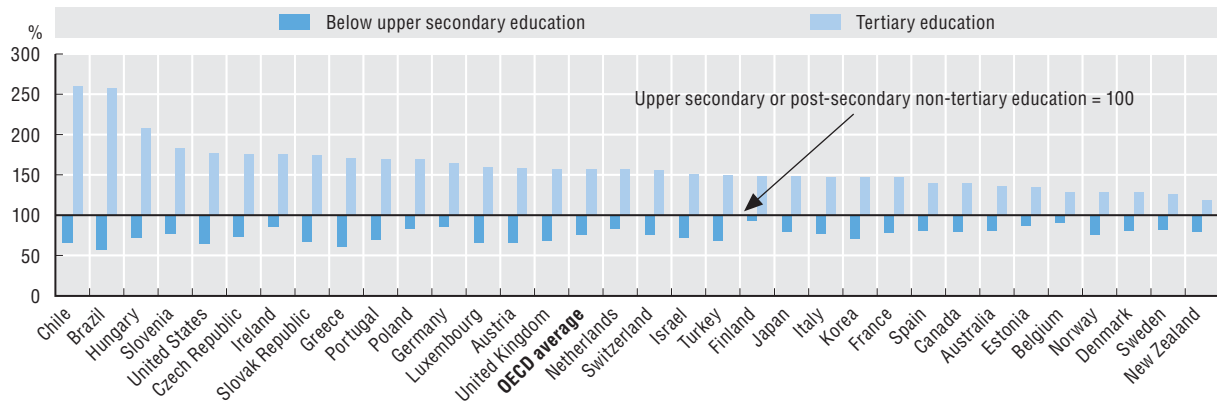
Better Skills, Better Jobs, Better Lives (2012).

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How much more do tertiary graduates earn?

Figure 3.1. **Relative earnings by level of education, 2011**

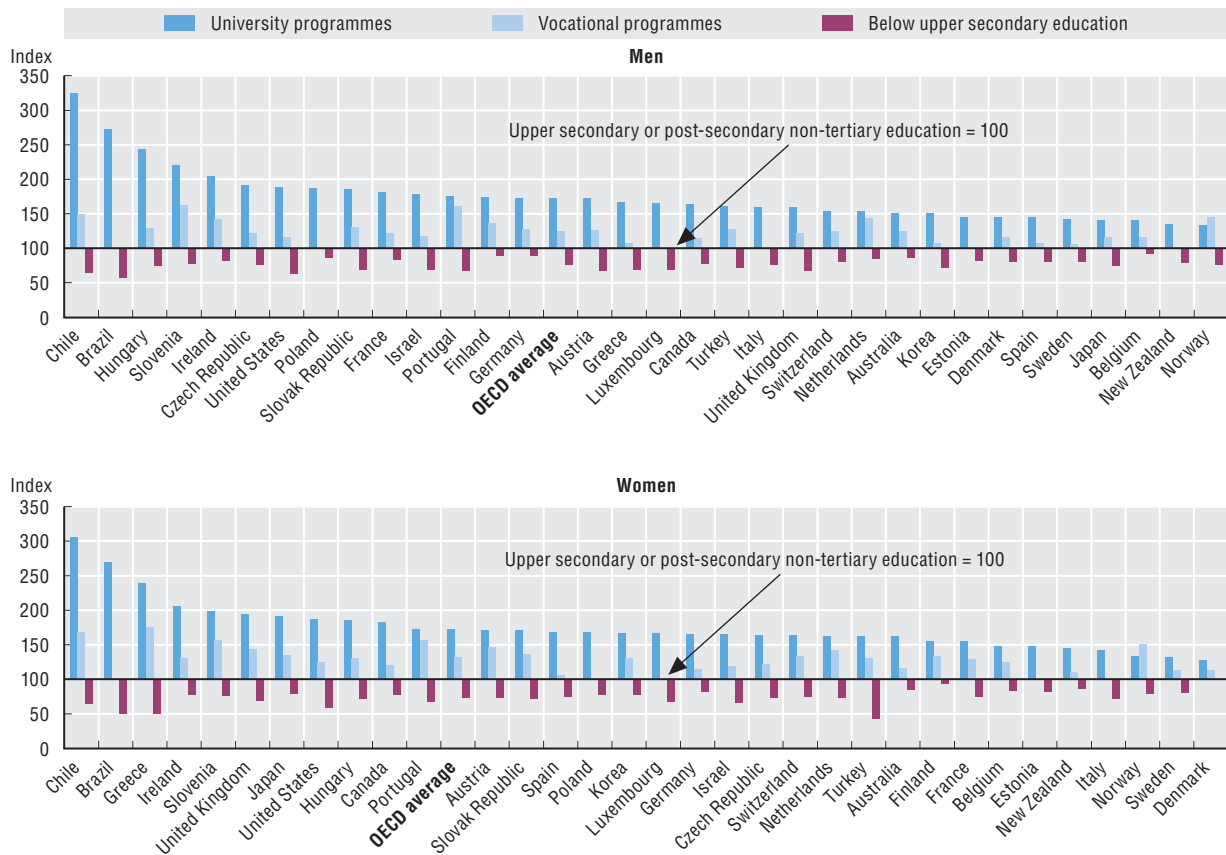
This figure compares earnings between the different levels of educational attainment among 25-64 year-old workers, using upper secondary and post-secondary non-tertiary education as a baseline (the line labelled 100 in the left-hand scale on the graph).



Source: OECD (2013), *Education at a Glance 2013*, Chart A6.1, available at <http://dx.doi.org/10.1787/888932846557>.

Figure 3.2. **Relative earnings by level of education and gender, 2011**

This figure compares earnings between the different levels of educational attainment among 25-64 year-old men and women, using upper secondary and post-secondary non-tertiary education as a baseline (the line labelled 100 in the left-hand scale on the graph).



Source: OECD (2013), *Education at a Glance 2013*, Chart A6.2, available at <http://dx.doi.org/10.1787/888932846576>.



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