

2. 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.
- People with higher (tertiary) education can expect to earn 55% more on average in OECD countries than a person without tertiary education. Those who have not completed secondary education earn 23% less than those who have.
- Across all countries and all levels of education, women earn less than men, and that gap is not reduced with more education.

Significance

This section examines the relative earnings of workers with different levels of education. 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

Variations among countries in relative earnings reflect a number of factors, including the demand for skills in the labour market, minimum wage legislation, the strength of unions, the coverage of collective bargaining agreements, the supply of workers at various levels of educational attainment and levels of part-time and seasonal work. Still, earnings differentials are among the more straightforward indications as to whether the supply of educated individuals meets demand, particularly in the light of changes over time.

As the data show, educational attainment is strongly linked to average earnings. On average across OECD countries, graduates of tertiary education earn 55% more than upper secondary and post-secondary non-tertiary graduates. The earnings premium for tertiary education is substantial in most countries, and exceeds 50% in 17 out of 32 countries. At the other end of the education scale, people who have not completed upper secondary education earn 23% less than those with an upper secondary or post-secondary non-tertiary education.

More education does little to narrow the gender gap in earnings. Women earn substantially less than men, on average, whatever their education level. 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 five countries: Finland, New Zealand, Slovenia, Spain and the United Kingdom. In Brazil, Estonia, Italy and Korea, 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. Tertiary earnings are relatively higher at an older age: the earnings premium for a person with tertiary education ranges from 37% at 25-34 years old to 69% or more at 55-64 years old. For those with below upper secondary education the earnings disadvantage increases with age in all countries except Australia, Denmark, Finland, Ireland, Norway, the Slovak Republic, Sweden, the United Kingdom and the United States.

Trends

Demand for young professionals with tertiary education has kept up with the increasing supply from higher educational institutions in most OECD countries. Despite an increase in the proportion of 25-64 year-olds with tertiary attainment from 21% in 2000 to 30% in 2010, the earnings premium for those with a tertiary education has increased by 10 percentage points over the same period.

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. Similarly, the prevalence of part-time and part-year earnings in most countries suggest that caution is needed in interpreting earnings differentials in countries, particularly between men and women.

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 2012* (Indicator A8).

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

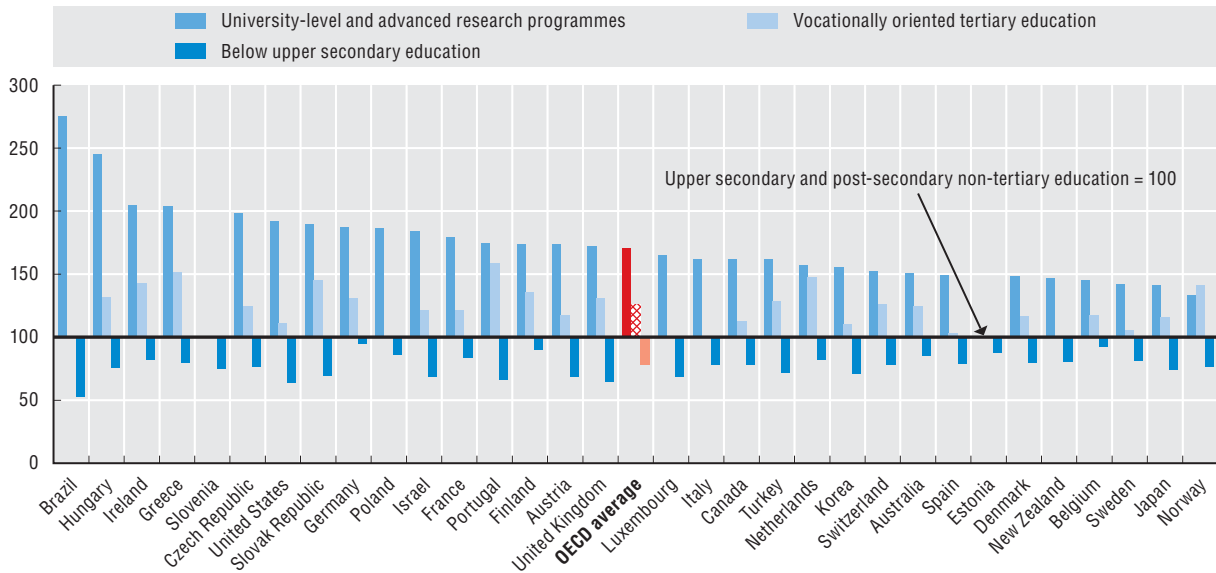
Better Skills, Better Jobs, Better Lives (2012).

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How much more do tertiary graduates earn?

Figure 2.1. **Relative earnings by level of education for men (2010 or latest available year)**

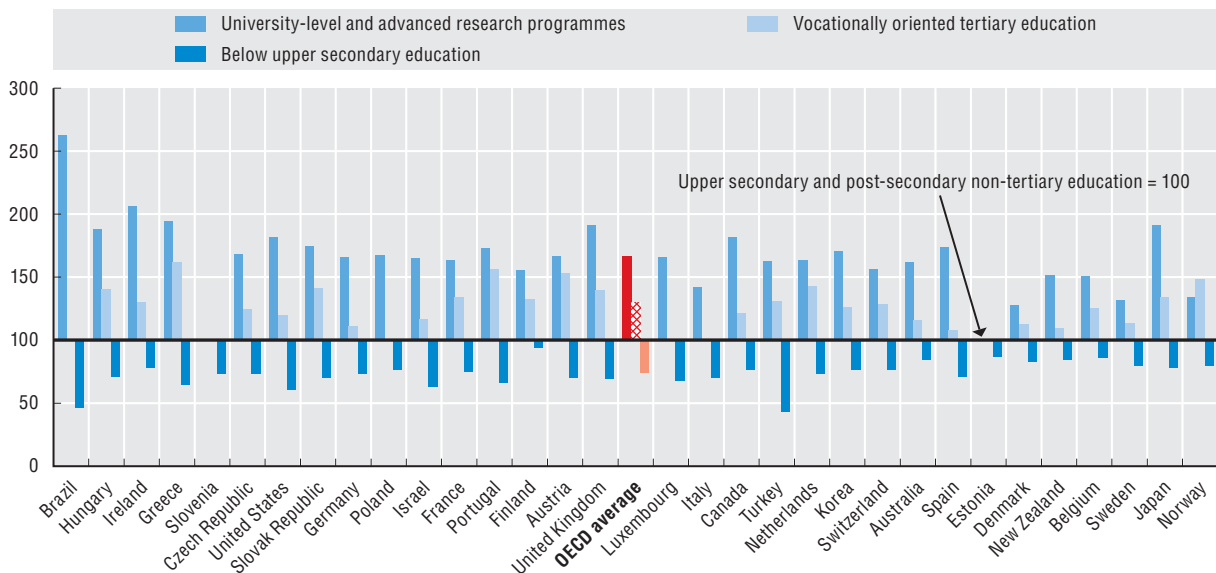
This figure compares earnings between the different levels of educational attainment among 25-64 year-old men, using upper secondary and post secondary non-tertiary education as a baseline (the line labelled 100 in the left-hand scale on the graph).



Source: OECD (2012), *Education at a Glance 2012*, Table A8.1, available at: <http://dx.doi.org/10.1787/888932665335>.

Figure 2.2. **Relative earnings by level of education for women (2010 or latest available year)**

This figure compares earnings between the different levels of educational attainment among 25-64 year-old 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 (2012), *Education at a Glance 2012*, Table A8.1, available at: <http://dx.doi.org/10.1787/888932665335>.



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