

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.
- The earnings premium for tertiary education is substantial and exceeds 50% in more than half the countries studied.
- Across all countries and all levels of education, women earn less than men, and that gap is not reduced with more education.

Significance

This spread examines the relative earnings of workers with different levels of education. Differences in pre-tax earnings between educational groups offer 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 over 50% more than upper secondary and post-secondary non-tertiary graduates. 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, and this gap is not reduced with more education. The gap is smallest among those with upper secondary and post-secondary non-tertiary education, where women's earnings are 76% of men's, and largest among those with tertiary education, at 72%. Despite the earnings advantages of higher education, earnings differentials between men and women with the same educational attainment remain substantial.

The earnings advantage from education increases with age. Tertiary earnings are relatively higher at an older age in all countries except Germany, Greece, Ireland and Turkey. In most countries, then, tertiary education not only improves the prospect of being employed at an older age, but is also associated with greater earnings and productivity differen-

tials throughout the working life. For those with below upper secondary education the earnings advantage generally decreases with age (see Chart A8.3 in *Education at a Glance 2011*).

Trends

The relative earnings premium for those with a tertiary education has been rising in most countries over the past ten years, indicating that demand for more educated individuals still exceeds supply in most countries (see Table A8.2a in *Education at a Glance 2011*). The increase was most notable in Germany and Hungary although these countries have low tertiary attainment levels compared to the OECD average. But in a few countries, most notably Finland, France, New Zealand, Norway, Sweden and the United Kingdom, the premium decreased slightly. Whether this reflects an overall weakening demand for tertiary graduates or simply lower starting salaries for younger recent graduates is unclear.

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 suggests 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 2011* (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 the OECD

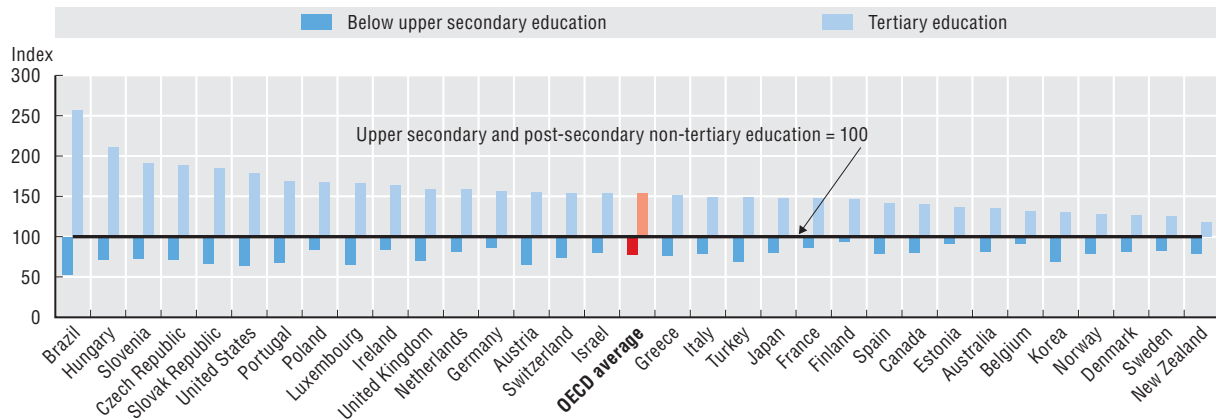
Understanding the Social Outcomes of Learning (2007).

2. THE ECONOMIC AND SOCIAL BENEFITS OF EDUCATION

How much more do tertiary graduates earn?

Figure 2.1. **Relative earnings by level of education, 2009 or latest available year**

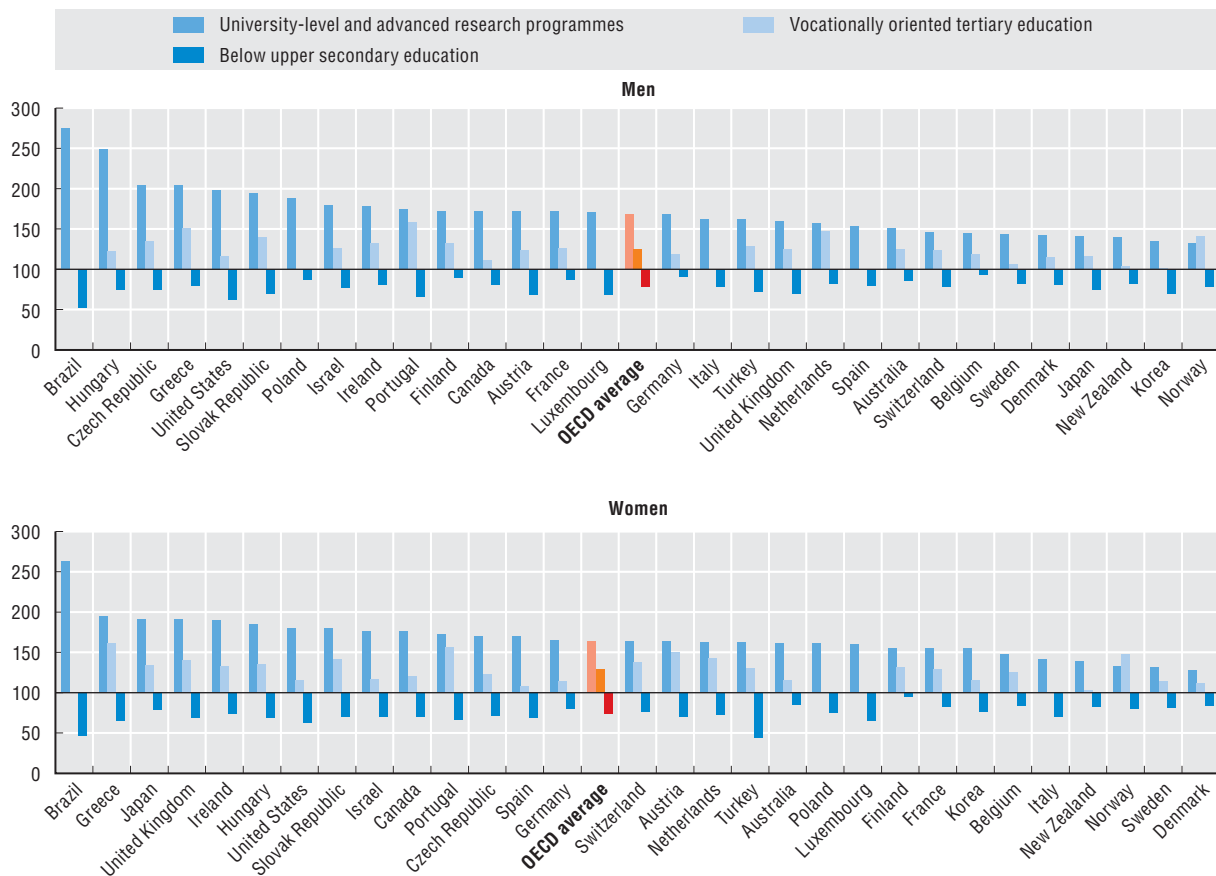
This figure compares earnings between the different levels of educational attainment among 25-64 year-olds, using upper secondary and post-secondary non-tertiary education as a baseline.



Source: OECD (2011), *Education at a Glance 2011*, Table A8.1, available at <http://dx.doi.org/10.1787/888932463118>.

Figure 2.2. **Relative earnings by level of education and gender, 2009, or latest available year**

These figures compare earnings between the different levels of educational attainment by gender among 25-64 year-olds, using upper secondary and post-secondary non-tertiary education as a baseline.



Source: OECD (2011), *Education at a Glance 2011*, Tables A8.2b and A8.2c, available at <http://dx.doi.org/10.1787/888932463156> and <http://dx.doi.org/10.1787/888932463175>.



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