Impact of education on income

Average earnings are 24% higher for those with a tertiary education compared to those with only upper secondary and post-secondary non-tertiary education

Indicator Description
Relative earnings by educational attainment.

Why This Is Important
A significant component in assessing the success of a qualification is in the ability of graduates to find sustainable employment, and in the relative average wage of employees with said qualifications. A substantial body of evidence shows that a graduate with higher levels of education faces a lower risk of unemployment, and has greater access to further training opportunities and higher average earnings.

Differences in earnings are a measure of the premium paid for the likelihood of enhanced skills and/or higher productivity. They also reflect the financial incentives in a particular country for an individual to invest in further education.

International variations in relative earnings reflect a number of factors, including wider changes in the labour market affecting the demand for skills (such as technological change) and rates of pay (such as minimum wage legislation), as well as the supply of skills from education, training and net migration. Differences in earnings may to some extent reflect differences in the supply of graduates or barriers in access to different levels of education.

This indicator reports on relative earnings and aims to illustrate the national income based on level of education,
thus illustrating the economic advantages associated with tertiary study.

How We Are Going

In 2010, average earnings were 24% higher for New Zealand 25 to 64 year olds in paid employment with a tertiary qualification in comparison to those whose highest qualification level was upper secondary or post-secondary non-tertiary. This difference in average earnings is lower than the average for OECD countries (55%).

Compared to both New Zealand and Australia, both the United States (77%) and the United Kingdom (65%) had very high premiums for those with tertiary qualifications in 2010. Australia had a 35% average earnings gap between the two groups in 2009.

An analysis of median hourly earnings by highest qualification confirms that people with tertiary education earn more on average than those with lower level qualifications. In 2011 New Zealanders with a tertiary type-A qualification (equivalent to bachelor’s degree or higher) earned, on average, 29% more than those with only upper secondary or post-secondary non-tertiary qualifications. In 2011, the average median hourly wage for those with tertiary degrees was $27.81, approximately 1.6 times higher than those with high school qualifications only.

How To Find Out More

Income is interrelated with unemployment rates. To obtain more information on unemployment and education consider the indicator:

- Unemployment rates by highest qualification.

For a breakdown of average earnings based on level of tertiary education, consider the indicator:

- Graduate income premium

References
