

The earnings premium from education is an important incentive for individuals to enrol in tertiary education. In all OECD countries, annual earnings increase with educational attainment levels. In Hungary, the average annual earnings of tertiary-level diploma holders was more than twice that of upper secondary and post-secondary non-tertiary education diploma holders in 2006. The next highest relative earnings were in the Czech Republic (183%), Portugal (177%) and the United States (176%). Such earning differentials are traditionally smaller in Nordic countries (129% in Norway, 126% in Sweden and 125% in Denmark) followed by New Zealand (115%).

In many OECD countries, earnings differentials between individuals with tertiary education and those with upper secondary education are generally more pronounced than those between upper secondary and lower secondary or below. The exceptions are again the Nordic countries, but also Australia, Belgium, Canada, New Zealand and Spain.

Over the past decade, earnings differentials between workers with tertiary education and those with an upper-secondary and post-secondary non-tertiary educational attainment decreased the most in Italy (-6.4%), Ireland (-4.3%), Hungary (-4%), Germany (-3.4%) and Poland (-2.9%). In other words, the earnings premium of highly skilled workers decreased compared to that of medium-skilled workers. The opposite trend is observed in New Zealand, Spain, Australia and Sweden where the earnings premium of highly skilled workers increased at an average annual rate of between 1% and 3%.

In terms of gender, at identical levels of education, earnings differentials between males and females remain significant in all OECD countries. In Italy, Germany, the United States and Austria, women earn at least 40% less than men with tertiary level attainment. This gap is smaller in Belgium (22%), Luxembourg (25%), Spain (22%) and Turkey (22%). However, these figures should be interpreted with caution since most countries' earnings data include part-time work, which is an important characteristic of women's employment.

Measuring earnings by educational attainment

At the international level, educational attainment is measured according to the International Standard Classification of Education (ISCED 1997).

Earnings are before-tax income except for Belgium and Korea where they are after-tax income.

Earnings data for the Czech Republic, Hungary, Luxembourg, Poland and Portugal exclude part-time work. Earnings data for Hungary, Luxembourg, Poland and Portugal also exclude part-year or seasonal employment.

The length of the reference period is one week for Australia, New Zealand and the United Kingdom; one month for Belgium, France, Hungary, Ireland and Portugal; the calendar year for Austria, Canada, the Czech Republic, Denmark, Finland, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain and Sweden; and other 12-month period for Korea, Switzerland and the United States.

Source

OECD, raw data for *Education at a Glance 2008*.

Going further

OECD (2008), *Education at a Glance 2008: OECD Indicators*, OECD, Paris, www.oecd.org/edu/eag2008.

OECD and Eurostat (1995), "Manual on the Measurement of Human Resources Devoted to S&T - 'Canberra Manual'", OECD general distribution document, OCDE/GD(95)77, www.oecd.org/dataoecd/34/0/2096025.pdf.

Figure notes

Population is 24-65 years old.

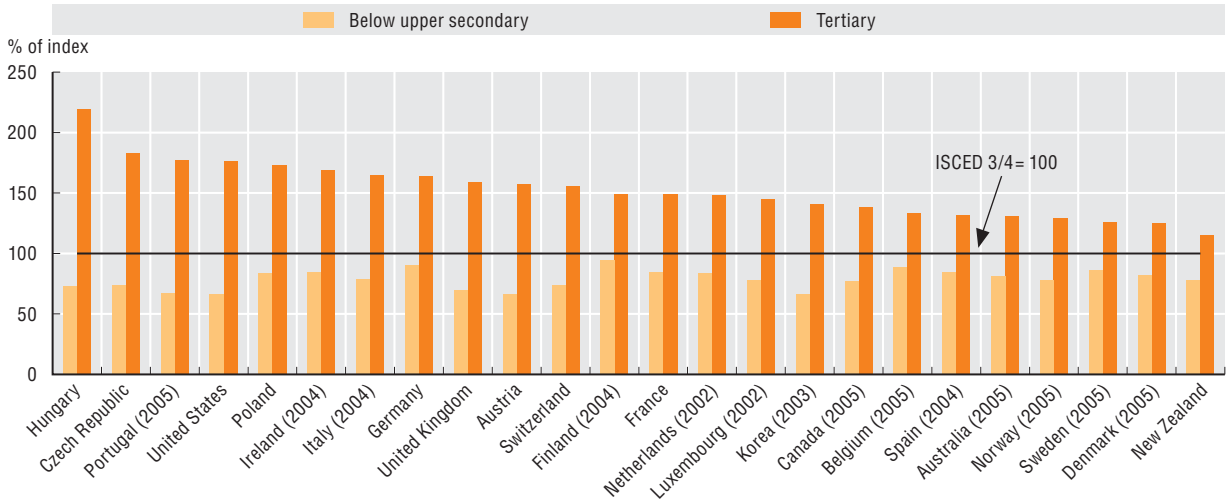
Changes in earning differentials are calculated as follows:

$$[(\text{Final index value}/\text{Initial index value})^{1/n} - 1] \times 100;$$

where n is equal to the difference between final and initial year.

Relative earnings by level of education, 2006

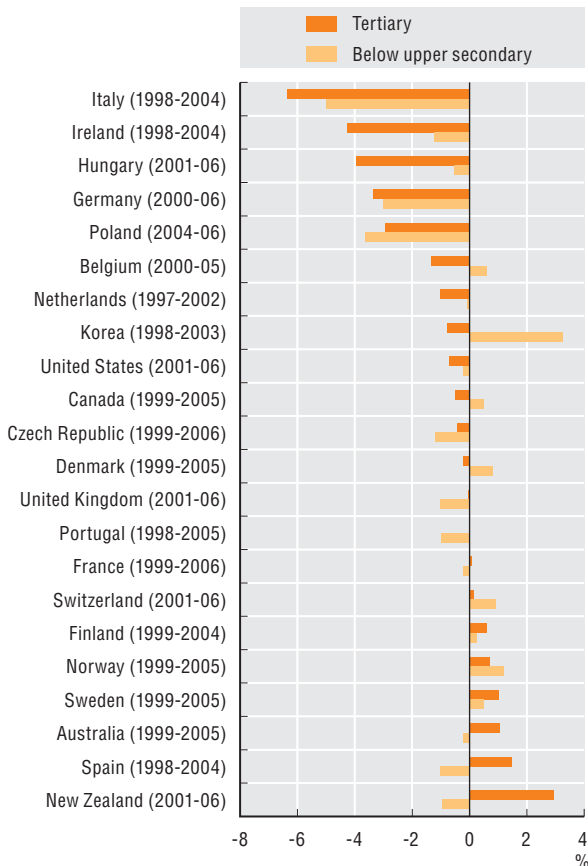
Upper secondary and post-secondary non-tertiary education = 100



StatLink <http://dx.doi.org/10.1787/746738877323>

Change in earning differentials

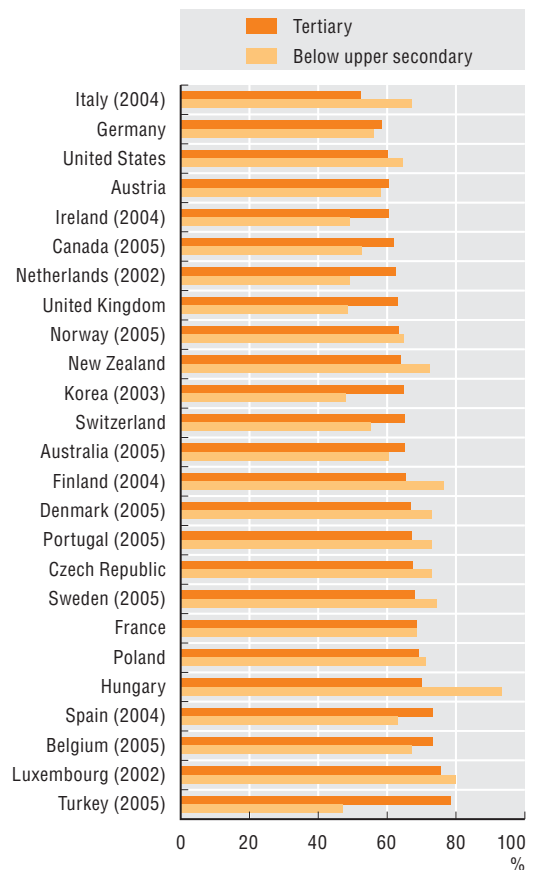
As compared to workers with ISCED 3/4
Average annual growth rate



StatLink <http://dx.doi.org/10.1787/7467445505164>

Differences in earnings between females and males, 2006

Average annual earnings of females as a percentage of males' earning



StatLink <http://dx.doi.org/10.1787/746822606135>



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