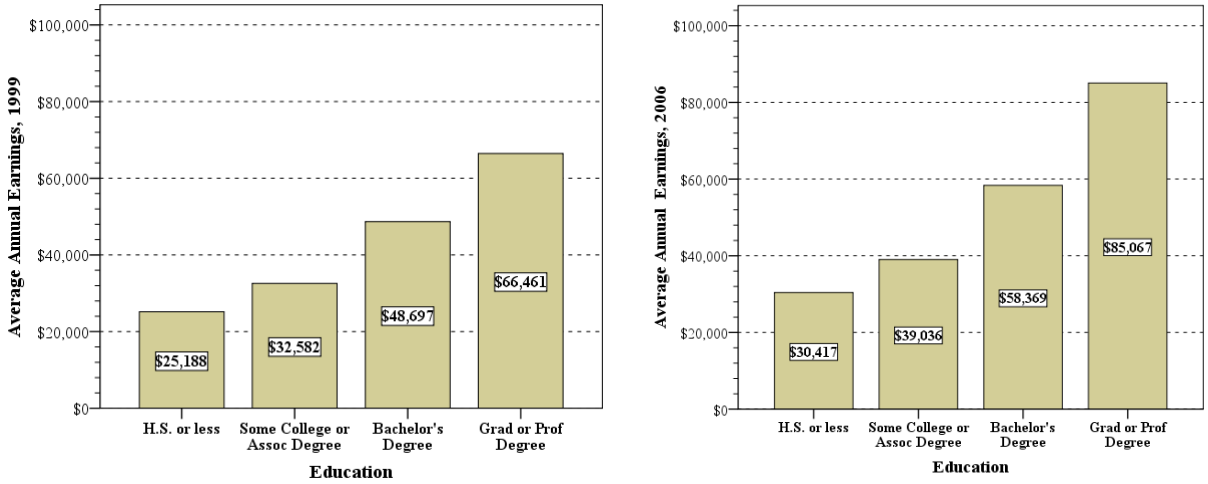
Research Notes

University System of Georgia Board of Regents — Office of Research and Policy Analysis

Education Pays Off for Georgians: Profiles of Earnings by Highest Completed Education

Since World War II, higher education has been a key route to higher paying jobs. With the more recent transition to a post-industrial economy, higher education has grown in its importance for lifetime earnings in the United States. In Georgia, this has also been the case as we show in this brief research note. Using Census Bureau data for 2000 and for 2007 (latest available), this note compares average personal earnings by the highest completed education during this decade. Because this report contains data on adults age 25 and over, it is not explicit as to when the "pay off" of education in job rewards occurs; thus, we compare the earnings-and-education relationship for several periods during the age-span. Finally, so that this relationship is better understood in the context of the nation, it is replicated for the U.S. and the South, as well as for Georgia. The results show that the pay-off of education for Georgians is significant and has been on par with that for the U.S. and the region during this decade. While earnings levels have increased since 2000 regardless of education level, the financial benefits associated with college education remain strong.

Figure 1. Annual Earnings by Highest Completed Education for U.S., 1999 and 2006



Source: U.S. Bureau of the Census, 2000 Public Use Microdata Sample (PUMS), 5 percent national sample; Current Population Survey (CPS) American Social and Economic (ASEC) Supplement 2007; and author's computations. Note that the earnings data are for the previous year (e.g., 1999 and 2006).

Using data from the U.S. Bureau of the Census for 2000 and 2007, Figure 1 displays the average annual earnings by each level of highest completing education. The gap between those with only a high school degree (or less) and those with a bachelor's degree was some $23,000 at the beginning of the decade ($25,188 vs. $48,697) and about $25,000 seven years later in 2006.

(With adjustment for inflation, this gap amounts to $21,660 in constant 2000 dollars.) The respective gaps between adults with graduate or professional degrees and those with a high school diploma or less are even greater.

While these are national data, the next question is whether similar improvements in personal earnings occurs in the South and, particularly, for residents of the state of Georgia. Table 1 shows a breakdown of these comparisons. While there are regional differences in the absolute value of average earnings, the relative ranking of the pay-off of higher education degrees in 1999 is clearly similar whether the national, regional, or state figures are used. (In fact, in Georgia, the average annual earnings for holders of a bachelor's degree as the highest educational credential are over $2,000 more than for non-residents of Georgia.) Seven years later, in 2006, the basic patterns are the same. Thus, for all residents, education is linked to substantial benefits in the typical patterns of earnings that employed persons receive.

Table 1. Annual Personal Earnings in Dollars by Education, 1999-2006: Comparisons for U.S., Region, and Georgia

	Average Annual Personal Total Earnings in 1999				
Highest Completed	Nation:	Region:			Georgia
Education:	U.S.	Outside South	South	Outside GA	GA
H.S. or less	$25,188.18	$25,855.45	$24,058.89	$25,192.45	$25,056.76
Some College or Assoc Degree	$32,581.77	$33,253.53	$31,272.76	$32,578.21	$32,711.52
Bachelor's Degree	$48,697.41	$49,409.60	$47,246.02	$48,633.78	$50,824.88
Grad or Prof Degree	$66,461.20	$67,736.27	$63,782.54	$66,502.32	$64,983.96
Total	*$35,756.19*	*$36,831.33*	*$33,752.54*	*$35,765.27*	*$35,453.98*

	Average Annual Personal Total Earnings in 2006				
Highest Completed	Nation:	Region:		Georgia:	
Education:	U.S.	Outside South	South	Outside GA	GA
H.S. or less	$30,416.98	$31,109.80	$29,029.80	$30,425.25	$30,064.45
Some College or Assoc Degree	$39,036.23	$39,741.33	$37,351.65	$39,099.69	$36,101.78
Bachelor's Degree	$58,369.22	$59,025.24	$56,729.47	$58,446.79	$55,112.23
Grad or Prof Degree	$85,067.40	$84,449.09	$86,491.60	$85,352.76	$71,074.99
Total	*$45,050.08*	*$45,891.53*	*$43,168.33*	*$45,130.29*	*$41,513.70*

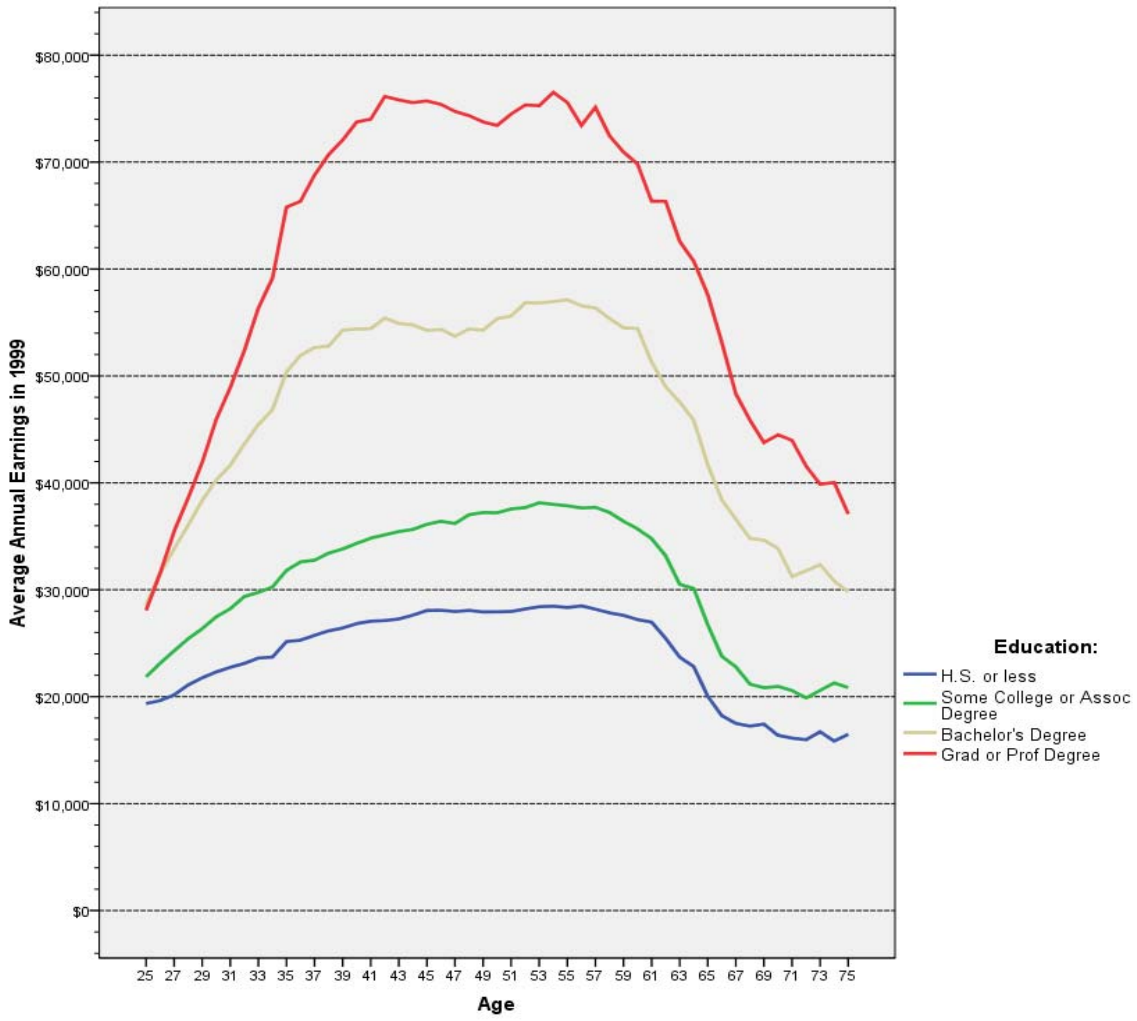
Source: U.S. Bureau of the Census, 2000 Public Use Microdata Sample (PUMS), 5 percent national sample; Current Population Survey (CPS) American Social and Economic (ASEC) Supplement 2007; and author's computations. Note that the earnings data are for the previous year (e.g., 1999 and 2006).

But the data thus far have simply been analyzed with all age groups of workers pooled together. It is well known that age and earnings (as well as income) are lower at both the beginning and the end of work careers with peak earnings during the fifties for most workers. This pattern is illustrated in Figure 2 using Census 2000 data, but the age-earnings curve is illustrated separately for each level of education.

These patterns illustrate how the pay-off of higher education typically plays out in the U.S. labor force. Even at the beginning stages of a work career, age 25 in this chart, there are clear and distinct advantages accruing to those with a bachelor's degree or above. There is also an observable difference for those with an associate's degree versus a high school diploma or less in

the year 2000, but the gains are not as significant as for bachelor's degree earners. While workers of all education levels exhibit a peak in earnings during their fifties, college-educated workers experience much higher earnings during these career peaks than do those with less education. Moreover, those with post-baccalaureate degrees enjoy significantly higher earnings than do those with bachelor's degrees only. (These age-earnings patterns are similar in 2006 and are not shown due to space limitations.)

Figure 2. U.S. Age-Earnings Curve by Highest Completed Education, 1999



The results of this analysis show that college education is linked to significantly higher earnings at work. This relationship occurs throughout the working age span but is especially pronounced during the prime employment period of ages 25-44. Those with college degrees tend to establish middle-class wealth during this period through the investment of these enhanced earnings trajectories into housing equity, saving accounts, life insurance coverage, retirement plans, and so forth. Such "opportunity gain" enjoyed by college graduates is one of the distinctive characteristics identified in these data. This is observed at the national and regional levels as well

as for residents of Georgia: a college education is a key instrument through which most create a middle-class life style.

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