

The Value of a Degree: Education, Employment and Earnings in Canada

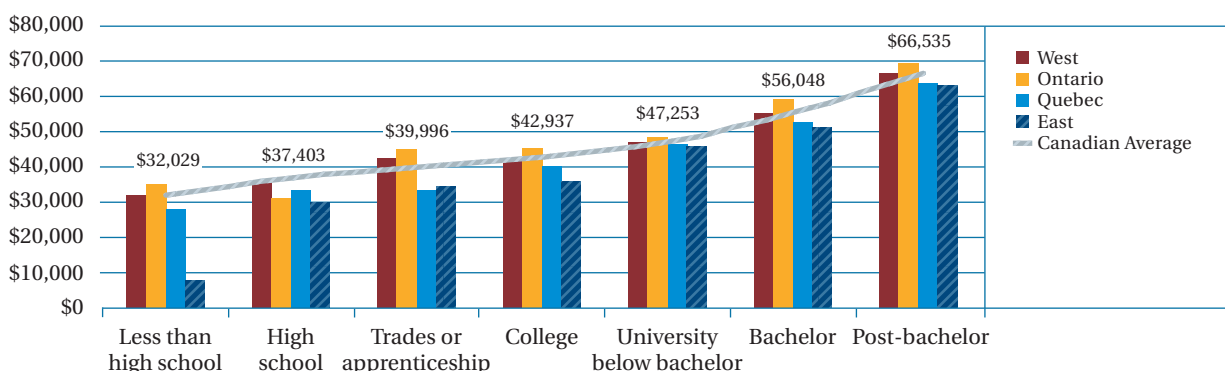
The Argument:

To counter a recurring myth — that post-secondary education is over-valued — we provide an update on the data on the benefits of a college diploma or university degree, showing that the earnings of post-secondary graduates increased above the rate of inflation between 2000 and 2007. We demonstrate that the earnings premium, which captures the relative difference between individuals with higher and lower levels of education, has continued to increase since 1980. This has occurred during a time of significant growth in the population of post-secondary graduates in Canada. The value of a post-secondary credential has increased at a faster pace than the share of the population completing some form of higher education: in other words, degrees have grown more valuable even as they have become less scarce. Finally, we demonstrate that the benefits of post-secondary education accrue both to the individual and to Canadian society at large.

Key Facts:

- Canadian workers without a high school diploma are two and a half times more likely to be unemployed than are those with a bachelor’s degree. In the case of Aboriginal peoples, the ratio rises to three and a half times.
- In 2005, a Bachelor’s degree holder earned \$18,000 more per year than a high school graduate; a university graduate with a post-Bachelor’s degree earned \$29,000 more than a high school graduate.
- Over the course of 40 years, a college graduate will earn \$394,000 more than a high school graduate. A bachelor’s degree holder will earn a premium of \$745,800 over the course of 40 years.
- Post-secondary graduates pay the lion’s share of taxes in Canada and receive a relatively small portion of government transfers. In 2006, university degree holders, who made up 22 percent of the population, paid 41 percent of the income taxes collected but

Figure 1 — Median 2005 Earnings for Full-Year, Full-Time Earners Age 25–64, by Education and by Region



Source: Statistics Canada, Income and Earnings Highlight Tables, 2006 census. Statistics Canada Catalogue no. 97-563-XWE2006002. Ottawa. Released May 1, 2008; Author’s calculations.²

received only 14 percent of the income transfers paid out by governments.

What's New:

This chapter reviews the latest data on education and earnings made available from the 2006 census and the recently released National Graduate Survey of the Class of 2005.

Myth: More Access Erodes Quality

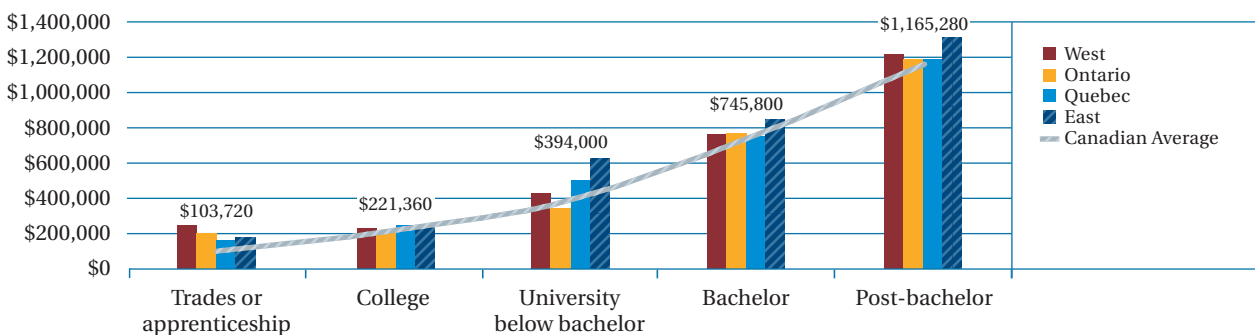
This chapter challenges the claim that we have been pushing too many unmotivated and unprepared young people to continue their studies and that, in response, universities have had to adapt by lowering their standards. Some commentators have recently expressed a concern about the “bulk of the population” being pushed toward university — a concern that seems puzzling given that the university degree attainment rate among 25- to 34-year-olds in Canada is 23 percent. It is a concern that stems from both a limited appreciation of human potential and a restricted appreciation of what post-secondary educators should be striving to accomplish. The authors of this chapter are more inclined to agree with Ben Levin, who in his

recent report to the Government of Manitoba wrote that “research and experience both tell us that people are capable of more than we think; that whenever we stretch our sense of what people can do, many will rise to the new level... In short, history tells us that we have underestimated how many people can reach high levels of education.”

Perhaps the idea that widening access necessarily erodes quality within post-secondary institutions is not so much a myth as a self-fulfilling prophecy. If educators assume that no other outcome is possible, they will not take the steps necessary to ensure that students from all backgrounds have the opportunity to succeed in their studies. There is no reason why access and excellence cannot be managed as two sides of the same coin so that our efforts to promote excellence lead us to open up higher education to students from a wider range of backgrounds and policies to promote access include measures designed to promote academic achievement.

In the end, our argument is this: it is not the widening of access itself that threatens the quality of post-secondary education, but rather the questionable thinking that leads some to believe that our society must choose between these two goals—that we can pursue either access or excellence but not both.

Figure 2 — Earnings Premium Relative to a High School Graduate over 40 Years, by Region



Source: Statistics Canada, National Graduates Survey.