

Education pays

Education pays, not only for the income-earner and his or her family but also for the company the person works for and the community in which he or she lives. For the individual worker, differences in education yield substantial monetary payoffs:

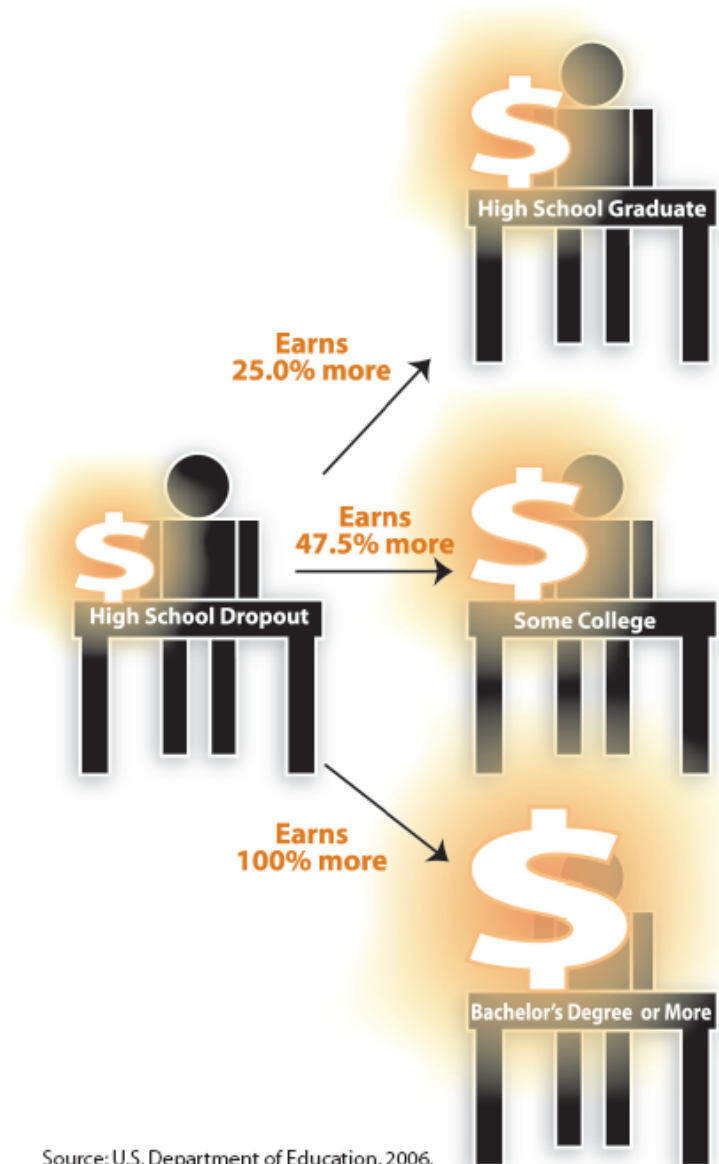
- Men with college degrees earned 62% more and women 65% more in hourly compensation than did those with a high school degree at the end of the 20th century (U.S. Department of Labor, 2001).
- Between 1980 and 2004, average earnings increased with education across the board—for the total population as well as for male, female, white, black, and Hispanic populations (U.S. Department of Education, 2006).

Individual returns from education are enormous and are growing over time. Consider the situation for young adults pictured at right. Young adults, aged 25–34 who worked full-time, in terms of inflation-adjusted earnings (2004) show very large differences in earnings when compared to a high-school dropout (for Tennessee dropout rates, see pages 56–61).

In 1980, the median earnings of a high school graduate were 21% more than a high school dropout, while the median earnings for an individual with a bachelor's degree or higher were almost 52% more. In 2004, a high school graduate earned 25% more than the dropout while those with a college degree earned 100% more, double that of the high school dropout. A worker who has taken some college courses earns 48% more than a high school dropout. These income differentials may very well expand in the new economy as the need for skilled workers rises faster than supply while the demand for unskilled workers declines.

Again, the higher wages tied to education do not benefit only the individual and his or her family. These higher wages flow through the local economy, generating wealth and translating into higher earnings for the entire community. Tennessee data indicate a clear positive relationship between education and income, to wit, counties with a more highly educated population have higher levels of personal income. However, this is just the tip of the proverbial iceberg.

What education does to earnings —



Source: U.S. Department of Education, 2006.