

Learning Equals Earning

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True or False – Most millionaires are college graduates.

The answer is **True**.

It might surprise you how many Americans think the answer is false. Why? The question brings to mind well-known people who are extraordinarily wealthy but did not finish school. Bill Gates, for example, famously dropped out of Harvard and went on to become the wealthiest person on the planet; you might even call it the “Bill Gates Effect.”

But very few of us will be like Bill Gates. Rather, most of us earn income the old fashioned way – by getting jobs that pay well. But what factors within your control determine what you earn?

Education Pays Off

Formal education is kind of like investing. In the stock market, you invest some of your current income (instead of spending it!) and buy stock in a company hoping that it will be worth more in the future. With education, you spend the time and money to obtain more schooling now in hopes of earning more in the future.

It’s a pretty good investment. People with more formal education earn more money on average than do people with less formal education.

You might question whether taking the time and money to invest in education is worth it considering the cost of tuition, books, housing, etc. But, Gary Becker, 1992 recipient of the Noble Prize in Economics, has explained that earning a high school and college education raises a person’s income even after accounting for the direct costs (e.g., tuition and books) and indirect costs (e.g., income that a person could otherwise have earned during the time he or she spent in school) of doing so.

Table A – Median Earnings for Workers Aged 25 and Over by Educational Attainment: 2014 Q1

Level of Education **Median Earnings**

Level of Education	Median Earnings
Not a High School Graduate	\$24,960
High School Graduate	\$34,320
Some College	\$39,312
Bachelor’s Degree	\$57,304
Advanced Degree	\$73,788

Want to see how much education matters? Check out Table A. It shows that the median income of high school drop outs was less than \$25,000, while those who graduated with a high school diploma had median earnings of \$34,320. That’s a difference of more than \$9,000 annually.

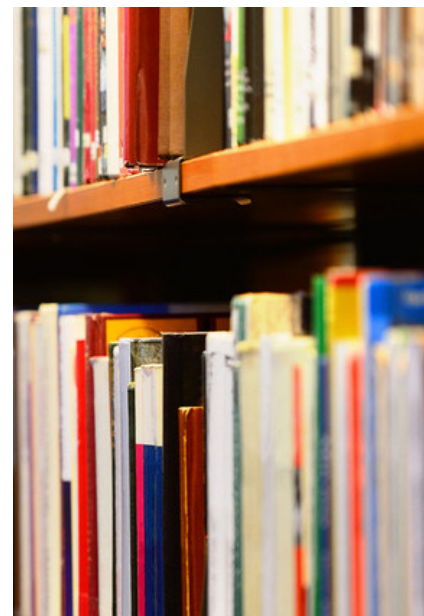
The difference is even greater when we look at those who have some college education and college degrees. Those with some college education earned a median income of \$39,312 and those that obtained a bachelor’s degree had a median income of \$57,304. Note that the difference between a college degree and a high school diploma is almost \$23,000 a year. What does that mean over a lifetime?

Over a lifetime that works out to be almost a million dollar difference. As in all cases there are exceptions; some high school dropouts have become millionaires, and some advanced degree holders are in poverty. However, on average, it is evident that furthering your education is a good idea.

Other Ways to Earn More

Your GPA – If you’re working on furthering your education, you may think that simply obtaining a diploma is the key to a higher paying job. However, economists have noted that your Grade Point Average (GPA) can also affect your earnings. How much more might you earn if you make a 4.0 instead of a 2.5?

The answer is about 13.5 percent more. For each 1.0 increase in GPA, annual earnings increase by about 9 percent. GPA has an



even greater impact on future earnings than what school you attend, what you major in, or your SAT scores (1). Working hard in school can pay dividends later.

Learning on the Job is another way to improve earnings. Learning skills in your work place can improve your value both in your current job and your next.

Hard Work is one of the best ways (aside from education) to earn more. A good work ethic and a willingness to learn and perform to the best of your ability will set you up for a rewarding work environment and earnings you can be proud of.

Labor Markets – Like all markets, labor markets are often changing and all a little bit different. Some pay better than others or have higher demand. One way to improve your earnings is to improve your education and skills in one of the high demand labor markets. Check out the Bureau of Labor Statistics Occupational Outlook Handbook for more detailed labor market information.

(1) James, Estelle, Nabeel Lsalam, et al. “College Quality and Future Earnings: Where Should You Send your Child to College?” *The American Economic Review*, Vol. 79, No. 2 (May 1989) pp. 247-252.