

July 15, 2010

, Esquire

RE: Education and Earnings

Dear :

We are pleased to announce that George has been elected President-Elect of the American Rehabilitation Economics Association (AREA). His one-year term as President will begin July 1, 2011. George serves on the seven-member Board of Directors of AREA and is the editor of the Association's journal *The Earnings Analyst*.

In this newsletter, we revisit a topic which generated interest by some of you a few years ago, and we update the relevant U.S. government data to the latest available. IF YOU WERE TALKING TO A CHILD, YOUNG PERSON, OR ANYONE ELSE, WHAT WOULD YOU SAY TO THEM ABOUT THE VALUE OF EDUCATION? Our Tables 1 and 2 (below) provide the best data available on the monetary value of an education. In Table 1, we concentrate on average, annual earnings levels for full-time, year-round work, by highest educational attainment, age range, and gender. The earnings differences are eye-popping, even

Table 1  
Annual Earnings, And Percentage Earnings Differentials, by Educational Attainment,  
Age Range, and Gender, U. S. Census Bureau, 2008

Age Range	9th to 12th Non High School Graduate	% (Below) High School Graduate	High School Graduate	Bachelor's Degree	% Above High School Graduate	Professional Degree	% Above High School Graduate
All Females							
25-34	\$18,417	(34.6%)	\$28,170	\$45,813	62.6%	\$72,434	157.1%
35-44	\$22,467	(26.9%)	\$30,728	\$63,517	106.7%	\$119,679	289.5%
45-54	\$24,784	(27.1%)	\$33,980	\$61,110	79.8%	\$94,439	177.9%
All Males							
25-34	\$32,212	(12.3%)	\$36,742	\$62,840	70.1%	\$109,109	197.0%
35-44	\$34,998	(25.6%)	\$47,057	\$86,705	84.3%	\$161,200	242.6%
45-54	\$34,707	(29.2%)	\$49,003	\$94,642	93.1%	\$190,909	286.6%

Table 2

Work Force Participation-Employment (PE) Rates, and Percentage Differentials by Educational Attainment, Age Range, and Gender, U. S. Census Bureau, 2009

Age Range	Less Than High School PE	% (Below) High School Graduate PE	High School Graduate PE	Bachelor's Degree PE	% Above High School Graduate PE	Professional Degree PE	% Above High School Graduate PE
All Females							
25-34	43.1%	(32.6%)	63.9%	81.7%	27.9%	87.0%	36.2%
35-44	50.6%	(26.9%)	69.2%	77.3%	11.7%	85.8%	24.0%
45-54	47.5%	(32.2%)	70.1%	79.9%	14.0%	85.2%	21.5%
All Males							
25-34	76.0%	(7.5%)	82.2%	91.5%	11.3%	90.8%	10.5%
35-44	77.4%	(8.6%)	84.7%	93.5%	10.4%	97.0%	14.5%
45-54	67.8%	(20.6%)	81.5%	91.7%	12.5%	96.2%	18.0%

for those of us who work with these numbers every year. The four educational attainments considered are high school dropouts, high school graduates, bachelor's degree, and professional degree. Earnings of dropouts are shown as percentages below high school earnings. Professional degree persons comprise the highest-earnings category, which is dominated by medical doctors, lawyers, and ministers (an interesting combination). The three age groups represent the prime working decades, and the data and percentage differences are disaggregated for females and males.

It should be noted that the government reports other educational attainments than the four shown in Table 1. Earnings of (usually 2-3 years) Associates degree holders, for example, are at levels between the high school and bachelor's levels shown. Also, there are much data and research on earnings differences by racial and ethnic categories. Educational attainment, however, has a significantly greater effect upon annual earnings levels than anything else--age range, gender, or racial or ethnic grouping. The monetary benefits compared to the costs of education are likewise impressive, without regard to academic arguments about how to measure benefits and costs.

There is an additional benefit to education in regard to the amount of lifetime work. Table 2 shows that higher educational attainments are also associated with higher probabilities of working more each year and working more years. Labor force participation (P) and employment (E) rates are the two key variables behind most worklife expectancy measurements. The

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participation rate is the percentage of a group who either have a job or are actively seeking work; the employment rate is the percentage of these participants who are actually employed. Thus, the joint PE (probability) is the percentage of a category who are actually employed. It is seen in Table 2 that, in addition to earning at higher levels when working, those with higher educational attainments also are participating and employed more per year in each year of the prime age ranges shown (and worklife extends longer after age 55).

We are always pleased to participate in continuing legal education sessions and hope that you will give us a call or email if we can be of help.

Sincerely,

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Forensic Economist

George A. Barrett, MBA, MSRC, CRC, CVE  
Forensic Economist  
Vocational Analyst

MLB/GAB/gf