

International New York Times

February 11, 2014, 8:23 pm

Wage Premium From College Is Said to Be Up

By SHAILA DEWAN

The millennials — born after 1980 — are the best-educated generation in history. By early adulthood, a third have college degrees, and those degrees help them earn more than ever before. So scholars at the Pew Research Center were puzzled when they found that the median, inflation-adjusted income of 25- to 32-year-olds had changed very little since 1965.

The reason, they discovered, is that even though a college degree is worth more, a high school degree alone is worth a lot less. Its value, in terms of wages, has declined enough to cancel out almost all the gains by all the millennials who have earned four-year degrees.

From 1965 to 2013, according to a new Pew report called “The Rising Cost of Not Going to College,” the typical high school graduate’s earnings fell more than 10 percent, after inflation.

“That is one of the great economic stories of our era, which you could define as income inequality,” said Paul Taylor, an author of the report. “The leading suspects are the digital economy and the globalization of labor markets. Both of them place a higher premium on the knowledge-based part of the work force and have the effect of drying up the opportunities for good middle-class jobs, particularly for those that don’t have an education.”

Even middle-class jobs that are still available increasingly require a college degree, either because they require more skill than they used to or because employers have become pickier.

The Pew report found that the wage premium for having a college degree was at a record high. The median annual wage for young college-educated workers now is \$45,500, compared to \$28,000 for high school graduates — a

gap of \$17,500. In 1965, the gap was much smaller: \$7,400. (All the figures are in 2012 dollars.)

Not surprisingly, in a survey conducted by Pew, young college graduates were more likely to report satisfaction with their careers. “On virtually every measure of economic well-being and career attainment — from personal earnings to job satisfaction to the share employed full time — young college graduates are outperforming their peers with less education,” said the report, which included economic data from the United States Census in the analysis of the survey results.

The value of a college degree is well established, but the high cost of tuition and fees has made many question whether it is worth the investment. Most young college graduates surveyed by Pew said their degree had already paid off or would pay off, even though many are saddled with debt. In the survey, 66 percent of millennials said they had borrowed to pay for school, compared to 59 percent of Gen Xers, those aged 33 to 48, and 43 percent of baby boomers, ages 49 to 67.

“For today’s young adults, the only thing more expensive than going to college is not going to college,” Mr. Taylor said. “And that sort of captures the dilemma that many find themselves in.”

A version of this article appears in print on 02/12/2014, on page B3 of the NewYork edition with the headline: Wage Premium From College Is Said to Be Up.