



January 2007

Issue 2007-1

Why Educate the Workforce? – The Effects of Education and Training on Employment

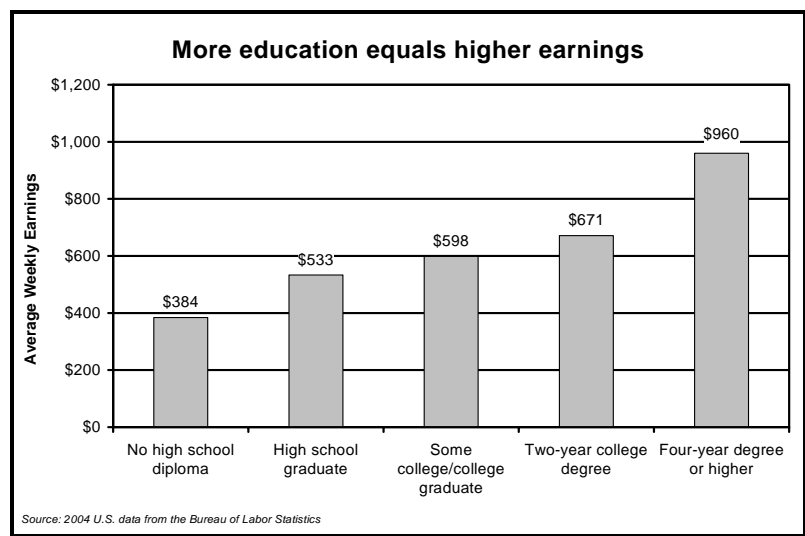
Introduction

During 2005, Oregon's workforce system provided services to more than 200,000 individuals who subsequently got a job.

Studies show that more education leads to higher wages and greater job opportunities. But does the level of education really translate to higher wages for those served by Oregon's workforce system?

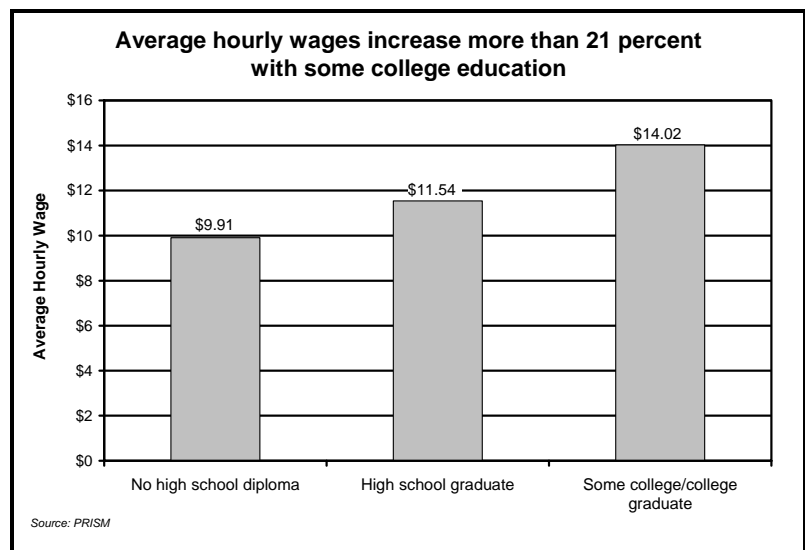
Education Pays!

According to the Bureau of Labor Statistics, U.S. workers with a two-year college degree in 2004 earned an average of \$138 more each week than those who had (only) a high school diploma. Similarly, workers with at least a four-year degree earned an average of \$427 more each week compared with workers with a high school diploma (\$960 vs. \$533). (Graph 1)



Graph 1

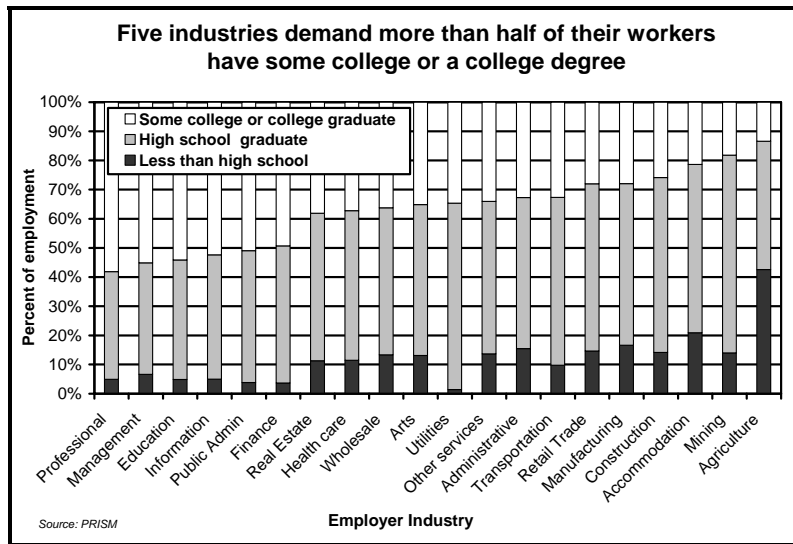
What about individuals receiving services from Oregon's workforce system? How do their hourly wages compare by education level? They appear to be little different from other U.S. workers. As the level of education increases, so do wages. After receiving services and getting a job, individuals with some college or a college degree typically earn beginning wages of \$2.48 more per hour than individuals with a high school diploma. This amounts to \$99.20 per week, for a 40-hour work week. (Graph 2)



Graph 2

Some industries seek the college-educated

Industries vary in their demand for educated workers, but at least five – professional and technical services, management, education, information, and public administration – particularly attract the higher-educated workers served by the workforce system. In those industries, more than half of the workers hired have some college or a college degree. In five other industries – finance, real estate, health care, wholesale trade and arts – 35 percent to 50 percent of workers hired after receiving services from the workforce system have some college or have a college degree. (Graph 3)



Graph 3

Industry demand for high school diplomas

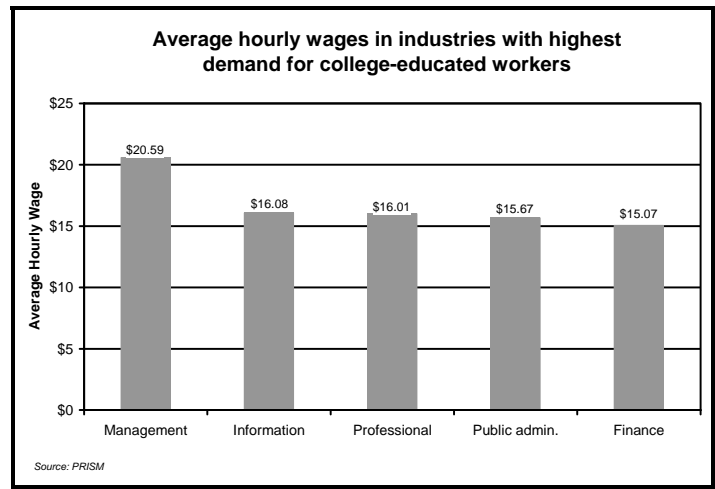
More than half of the individuals served by the workforce system in 2005 had no more than a high school education. Two industries in particular – mining and utilities – hire individuals with this education level. In those industries, six out of 10 workers hired have no more than a high school education. Fifty-five percent to 60 percent of the workforce system participants hired into the construction, transportation, manufacturing, retail trade, and accommodation industries have only a high school diploma.

Agriculture most likely to employ least educated

All industries hired workers with no high school diploma but at a lower percentage than workers who are high school or college educated. Agriculture is almost the exception. In this industry, almost 43 percent of those hired have less than a 12th-grade education. In contrast, agriculture has the lowest demand of any industry for college-educated workers – only 13 percent of the workers have some college or a college degree.

College Educated? Industries with greater demand pay higher wages

Industries with the highest demand for college-educated workers also pay the highest wages. The industries paying the highest wages and demanding college educated workers include management, information, professional and technical, public administration, finance, and education. Workers in these industries earn an average hourly wage ranging from \$15.07 in education to \$20.59 in management (Graph 4). All other industries, with less demand for college-educated workers, pay less than \$15.07 per hour, with two exceptions – utilities and construction – which pays an average hourly wage of \$23.87 in utilities and \$16.66 in construction. In these industries, six out of 10 workers have a high school education. Even though the construction industry average hourly wage is greater than all other industries except utilities and management, those in the construction industry often work seasonal or part-time jobs.



Graph 4

Summary

Higher education equals higher pay for many U.S. workers, as well as for those served by Oregon's workforce system. Individuals with some college or a college degree served by the workforce system earn an average of almost 21 percent more per hour than workers with only a high school diploma.

Technical Note

To be included in this analysis, a customer had to receive workforce development (job placement, training, or education) services any time between January and December 2005 and be employed after receiving those services. Approximately 200,000 records were selected and categorized by educational level at the point of first service. Of the records selected for the study, 15 percent had no high school diploma, 53 percent were high school graduates, and 32 percent had some college or were college graduates.

Additional information

View the interaction between education, employment and wages for individuals served by Oregon's workforce system at <http://www.oregon.gov/PRISM/publications.shtml> (Click on "How education effects employment"). The graph adjusts by education and wage levels with the selection of an industry.

For more information, contact John Glen, (503) 947-1234 or john.l.glen@state.or.us.