

Education Pays More in Some Industries and Areas

Although wages may differ, all industries pay degreed workers more.

All good labor economists know that education pays. Statistically, higher wages are associated with higher levels of education. However, does this pay-for-education association hold true across all industries and areas in Utah? Recently released educational attainment data from the U.S. Census Bureau's Local Employment Dynamics (LED) program can provide the answer to that question.

To understand the relationships between education, industry, area and pay, some data clarification seems in order. This data covers employment and wages for businesses covered by the Utah Employment Security Act—the vast majority of jobs in Utah. These monthly averages reflect the educational levels of only those workers over the age of 25. Currently, we aren't able to distinguish between full- and part-time workers. Finally, these figures represent the educational level of the person, not the education required by the job (for example, someone with a Ph.D. could possibly be working as a fry cook).

The Big Picture

In Utah, the pay-for-education rule of thumb certainly holds as shown by the definite premium for additional levels of education. Obtaining at least a bachelor's degree brings the biggest wage premium of all. For example, in 2010 the average Utah worker with some college or an associate degree made \$490 more per month than the average worker who just graduated from high school. However, the average worker with a bachelor's degree or higher made \$1,600

more than their some-college counterpart. These relationships remained fairly constant over time.

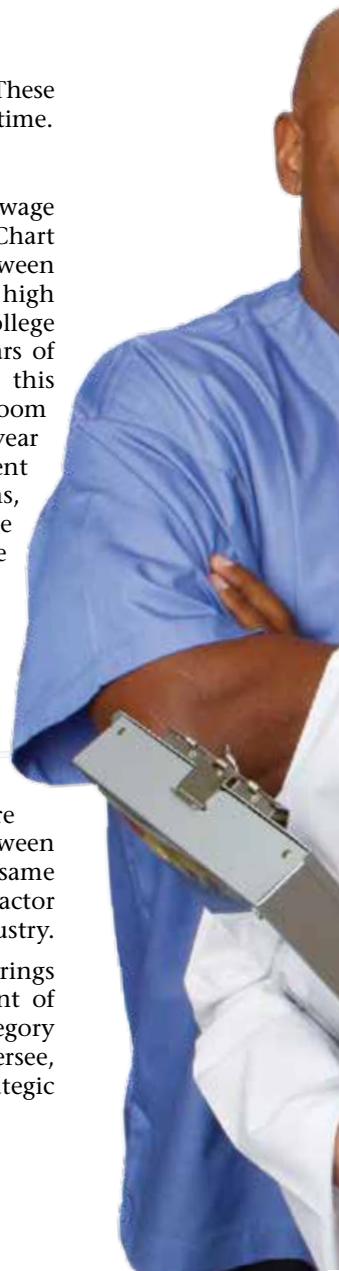
The Industry

Does a bachelor's degree bring a dissimilar wage premium in different industries? Yes. Chart 2 displays the percentage difference between workers with at least a bachelor's degree, high school graduates and workers with some college for an average of the most recent five years of data—2006–2010. Averaging the data for this range of years helps blunt the effect of boom to bust to recovery and levels out any one-year anomalies. While industries show different rates of bachelor's degree wage premiums, all industries do pay degreed workers (those with bachelors' degrees and higher) more than non-degreed workers.

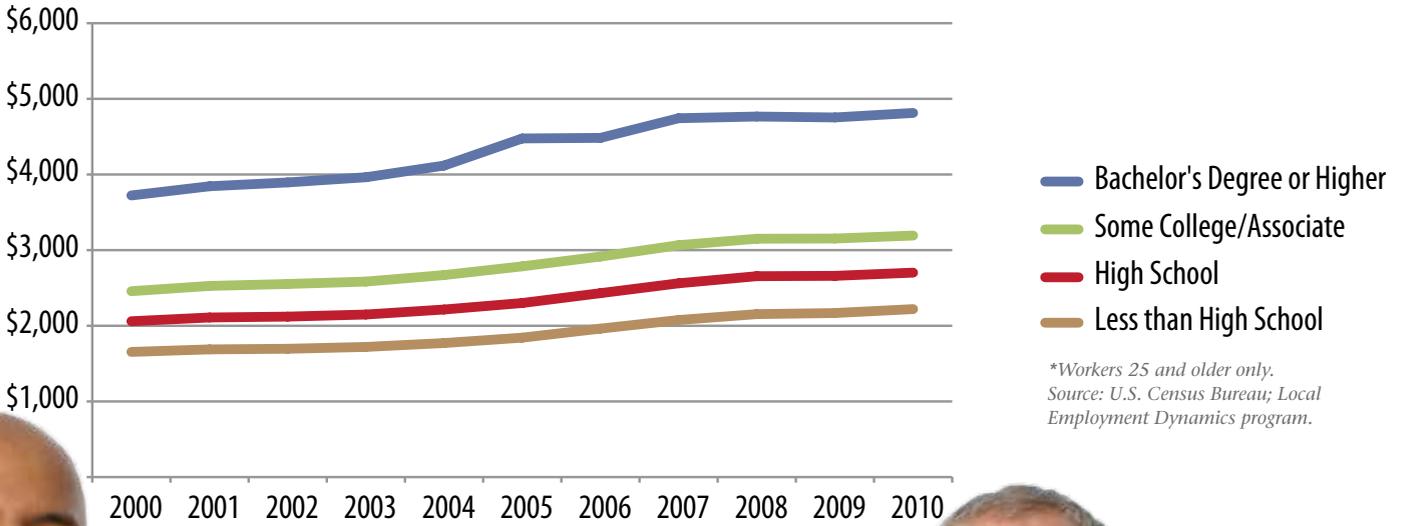
The Larger Premium

In Utah, a college-educated worker is likely to receive the highest wage premium in the healthcare/social assistance industry. Workers with at least a four-year degree make 124 percent more than their high-school educated peers. All healthcare jobs are not high paying: there is a great divide between the wage of a physician and a janitor at the same hospital. This divide undoubtedly plays a factor in the large premium in this particular industry.

A four-year-plus college education also brings a high wage premium in the management of companies/enterprises industry. This category includes businesses that administer, oversee, manage and normally undertake the strategic



**Chart 1: Utah Average Monthly Wage
by Worker Education***



**Workers 25 and older only.
Source: U.S. Census Bureau; Local
Employment Dynamics program.*



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in Some Industries and Areas Cont.

or organizational planning/decision-making role in the company or enterprise. It makes sense that this particular industry also shows such a wide gap between individuals with bachelors' degree and others (more than double the wage for degreed workers than high school graduates). High-paid, top-level company executives are usually located at these particular worksites.

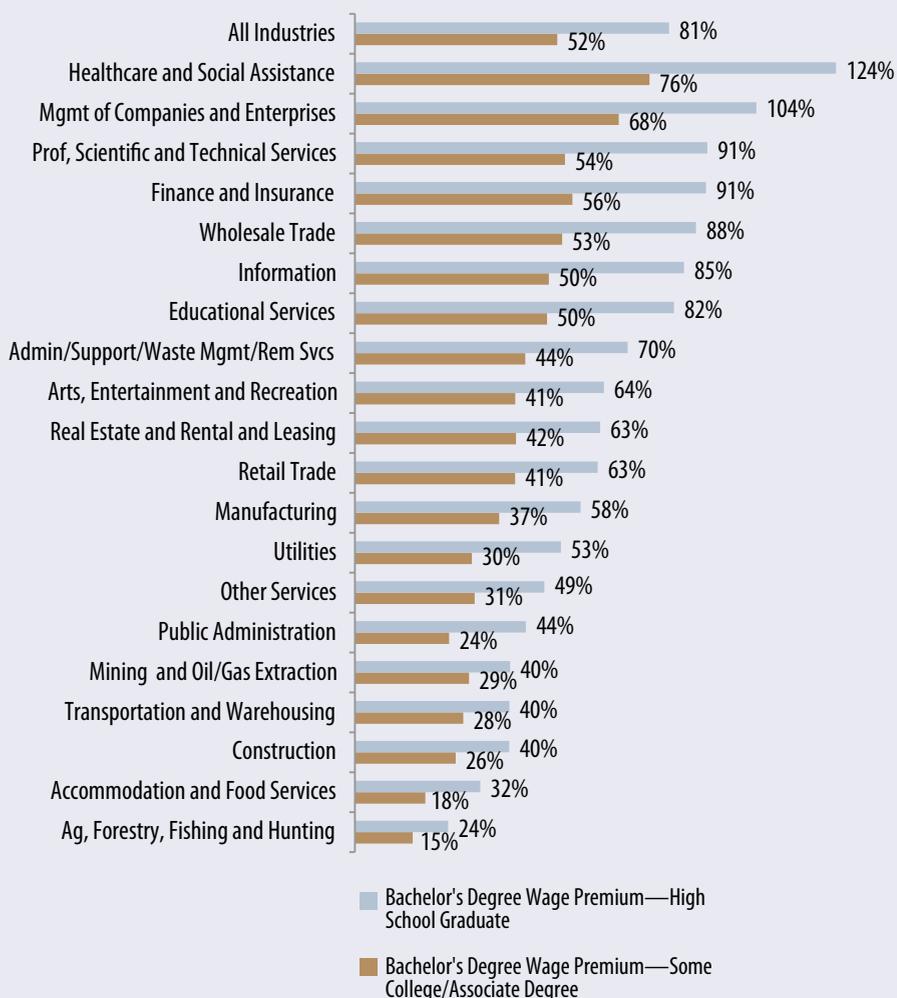
Other industries with higher-than-average bachelor's degree wage premiums include finance/insurance, professional/scientific/technical services and educational services (includes colleges and public education). Again, these are industries where technical and/or financial skills may separate the wages of the degreed from the non-degreed.

The Smaller Premium

On the other hand, in some industries a college degree means only slightly more pay. Employees with at least a bachelor's degree who are working in businesses "covered" agriculture/forestry/fishing (covered by unemployment insurance laws) receive only a 24 percent wage premium. Also, in mining, construction, transportation/warehousing and accommodations/food services a degree generates less than a 40 percent increase in wages. The blue-collar industries often pay typical workers compensating wage differentials for difficult and strenuous working conditions or odd-hour shifts. In other words, higher-than-average pay for non-degreed workers shrinks the education wage gap with the college-educated. In fact, these blue-collar industries show higher-than-average wages for workers with just a high school education.

On the other hand, average workers in the accommodation and food services industry don't make higher-than-average wages. In fact, this industry

Chart 2: Utah Bachelor's-Degree-or-Higher Wage Premium Compared to Wages of Workers With Other Educational Levels* • 2006-2010 Average



*Workers 25 and older only.

Source: U.S. Census Bureau; Local Employment Dynamics program.

shows the lowest average monthly earnings of any major industry, and many jobs are part-time. It also ranks as the lowest-paying industry for those with at least a bachelor's degree. In this industry, it appears that wages are just low regardless of educational attainment.

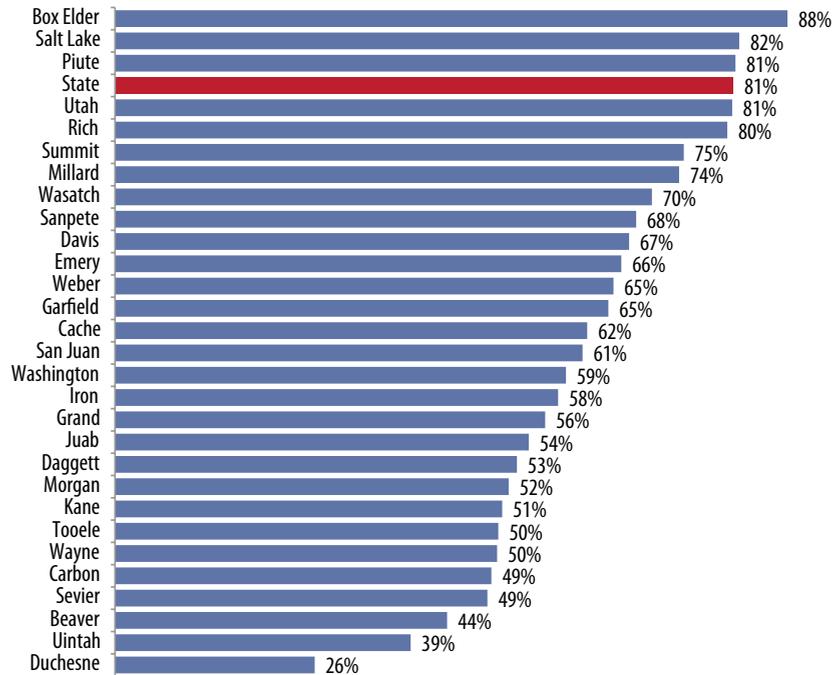
The County Divide

Location is another important component of the educational wage gap. First, keep in mind that employment figures are counted where people work rather than where they live. Statistically, if you want the biggest wage-premium bang for your bachelor's-degree buck, live in Box Elder County. Here a worker with a bachelor's degree or higher makes 88 percent more than their counterpart with only a high school education. Metropolitan Salt Lake and Utah counties also pay large premiums for a college education.

However, in a number of small, nonurban counties, bachelors' degree premiums prove significant. In Piute, Rich, Summit, Millard and Wasatch counties, average workers with at least a four-year degree earn at least 70 percent more than those with a just high school education. This correlation may occur because in many small counties, government—which includes higher and public education—dominates employment.

Often in smaller communities, jobs requiring a bachelor's degree are among the highest-paying wage and salary positions. On the other end of the scale, Uintah and Duchesne counties, with their high growth in oil and gas positions, show the smallest educational wage gap. ①

Chart 3. County-Level Bachelor's-Degree-or-Higher Wage Premium Compared to Wages of Workers With High School Education* 2006-2010 Average



*Workers 25 and older only.

Source: U.S. Census Bureau; Local Employment Dynamics program.

For more detailed information about educational wages in your area, check out our upcoming *Local Insights* newsletter: <http://jobs.utah.gov/wi/pubs/publicat.html>

