

Does higher education really lead to higher employability and wages in the RMI?

By Ben Graham and Charles Paul

The more you learn, the more you earn! Don't be a fool, stay in school! Education pays!

Education proponents around the world use slogans like these to encourage children to get into and, more importantly, remain in school. The bottom-line message: the longer you stay in school, the more likely you are to become employed and, in turn, the more likely you will earn more.

A recent study by the US Census Bureau for the US confirms the connection between a person's level of education and his or her employability and earnings. The study shows that US college graduates earned far more over their lifetimes than people who only graduated from high school.

But do we see this same connection in the RMI? Do we have evidence that staying in school really does lead to better jobs and wages? After all, we all know that many people in higher positions, particularly within the government, got their jobs not as a result of *what* they know, but more as a result of *who* they know.

Data from the 1980 Census of Population and Housing, the 1998 Pre-Census Survey and, most recently, the 2002 Household Income and Expenditure Survey (HIES) suggest that indeed a strong positive correlation exists between a person's level of education and his or her employability and wage earnings.

The most recent data comes from the 2002 HIES, funded by the US Department of Interior's Office of Insular Affairs (OIA) and carried out by the RMI Office of Planning and Statistics. The HIES covered a total of 5,074 people in 657 households on Majuro, Kwajalein, Jaluit and Likiep Atolls (approximately 10% of the RMI population, based on the 1999 census) and collected detailed information on individual education, employment and income levels (among other data), all of which can help us gain insight into this subject.

Educational Attainment and Employment¹

An analysis of the adults (25 years of age and older) covered by the 1980 census, the 1998 survey and the 2002 HIES reveals, firstly, that those with higher levels of education enjoyed higher rates of employment.

Adults who had never attended school had the lowest rates of employment across the board. In other words, those with lower levels of educational attainment had higher rates of unemployment.

In the HIES, only 10% of those who had never gone to school were employed and in the 1998 survey the rate for this same group was 11%. The 1980 rate was higher at 43%, but was still the lowest rate in that given year (note that data from 1980 come from a census, wherein 100% of the population is covered, as opposed to a survey, where only a sample of the population is covered).

Employment Rates of Adults (age 25+) by Educational Attainment: 1980, 1998, 2002			
Educational Attainment	1980	1998	2002
Never attended school	43%	11%	10%
1st grade	45%	13%	--
5 th grade	51%	24%	--
Elem. graduate	55%	33%	40%
10th grade	55%	44%	--
11th grade	54%	47%	--
HS graduate	69%	64%	62%
Associate degree	84%	86%	84%
Bachelor degree	86%	95%	91%
Master degree	85%	86%	83%

Notes: -- means data not available
Associate, Bachelor and Master degree equivalent to 2,4 and 6 years of college, respectively
Source: Insular Areas Statistical Enhancement Program

¹ The census and two surveys asked respondents if they had worked (even for a few days) in the previous year. Those who responded "yes" were considered employed in that given year.

Among those adults who had completed elementary school (8th grade), the employment rates increase to between 30 to 55 percent. For high school graduates, the rates increase even further, to over 60%. Interestingly, analysis of the 1980 and 1998 high school graduates versus those who only finished the 11th grade reveals that graduates enjoyed notably higher rates of employment. This clearly indicates that making the effort to finish that final year of high school is very worthwhile.

Over 80% of the adults who had achieved associate level or higher degrees were employed during all three periods. Bachelor degree holders had the highest levels of employment across the board.

Educational Attainment and Wages

Data from all three periods show that with higher education come higher wages, especially for those with college degrees.

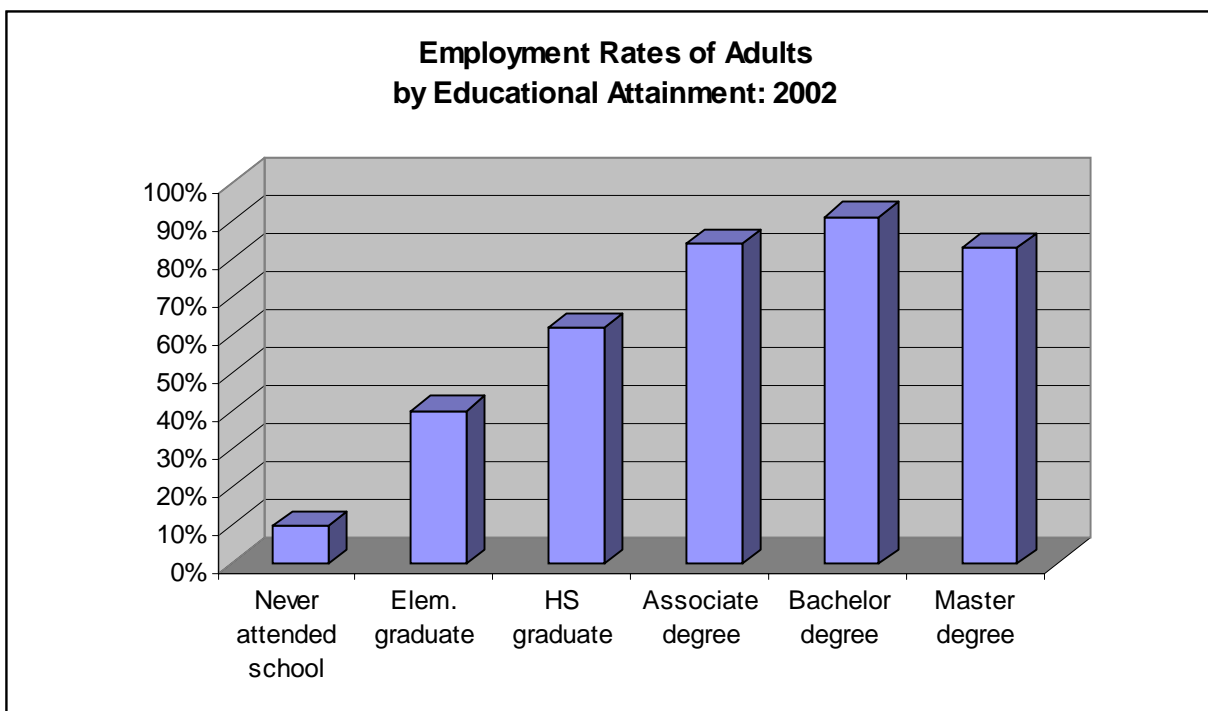
Among those employed adults surveyed in the HIES, the average person who had never attended school earned around \$4,000 annually, while the average master degree holder earned over six times that amount, at just over \$26,000.

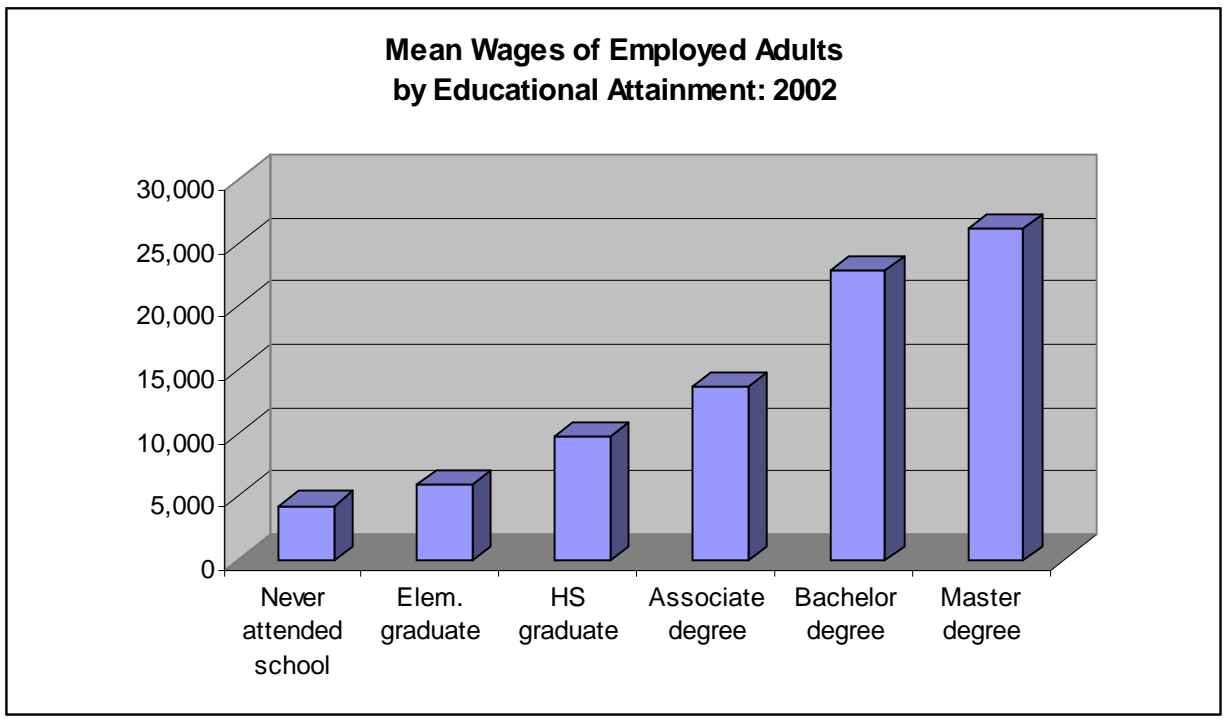
Employed adults who finished elementary school earned an average of nearly \$6,000 while those who finished high school earned almost \$10,000.

In all three periods, the marginal increase in mean wages between those with associate degrees and those with bachelor degrees was significant. In the HIES, for instance, bachelor holders earned around \$9,000 more than associate holders. In both 1980 and 1998, the difference is around \$4,000.

Mean Wages of Employed Adults (age 25+) by Educational Attainment: 1980, 1998, 2002			
Educational Attainment	1980	1998	2002
Never attended school	1,767	2,580	4,272
1st grade	1,736	1,920	--
5th grade	1,536	5,885	--
Elem. graduate	1,741	5,518	5,932
10th grade	2,682	5,790	--
11th grade	2,794	7,603	--
HS graduate	4,093	8,046	9,728
Associate degree	5,358	12,675	13,694
Bachelor degree	9,668	16,535	22,788
Master degree	11,284	32,495	26,100

Notes: -- means data not available, figures not adjusted for inflation
Associate, Bachelor and Master degree equivalent to 2,4 and 6 years of college, respectively
Source: Insular Areas Statistical Enhancement Program





Conclusion

This brief statistical analysis reveals that staying in school really does pay off and that the connection between schooling and employability and wages exists not only today, but also existed over 20 years ago. The more educated you are, the better your chances of getting hired, and the more likely you are to earn more. And all of that, of course, leads to a better overall living standard.

Special thanks to Dr. Michael Levin
Note: This essay is produced under the auspices of the Insular Areas Statistical Enhancement Program and is not an official RMI or US Census Bureau report.
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