



the CENTRE *for*
LABOUR MARKET RESEARCH

The Private Rate of Return to a University Degree





Highest Educational Attainment, 2006, per cent

	25-34 years	55-64 years
Higher Education	29.2	17.8
Vocational Education	27.5	25.2
Year 11 or 12	26.2	15.6
Year 10	17.1	41.4

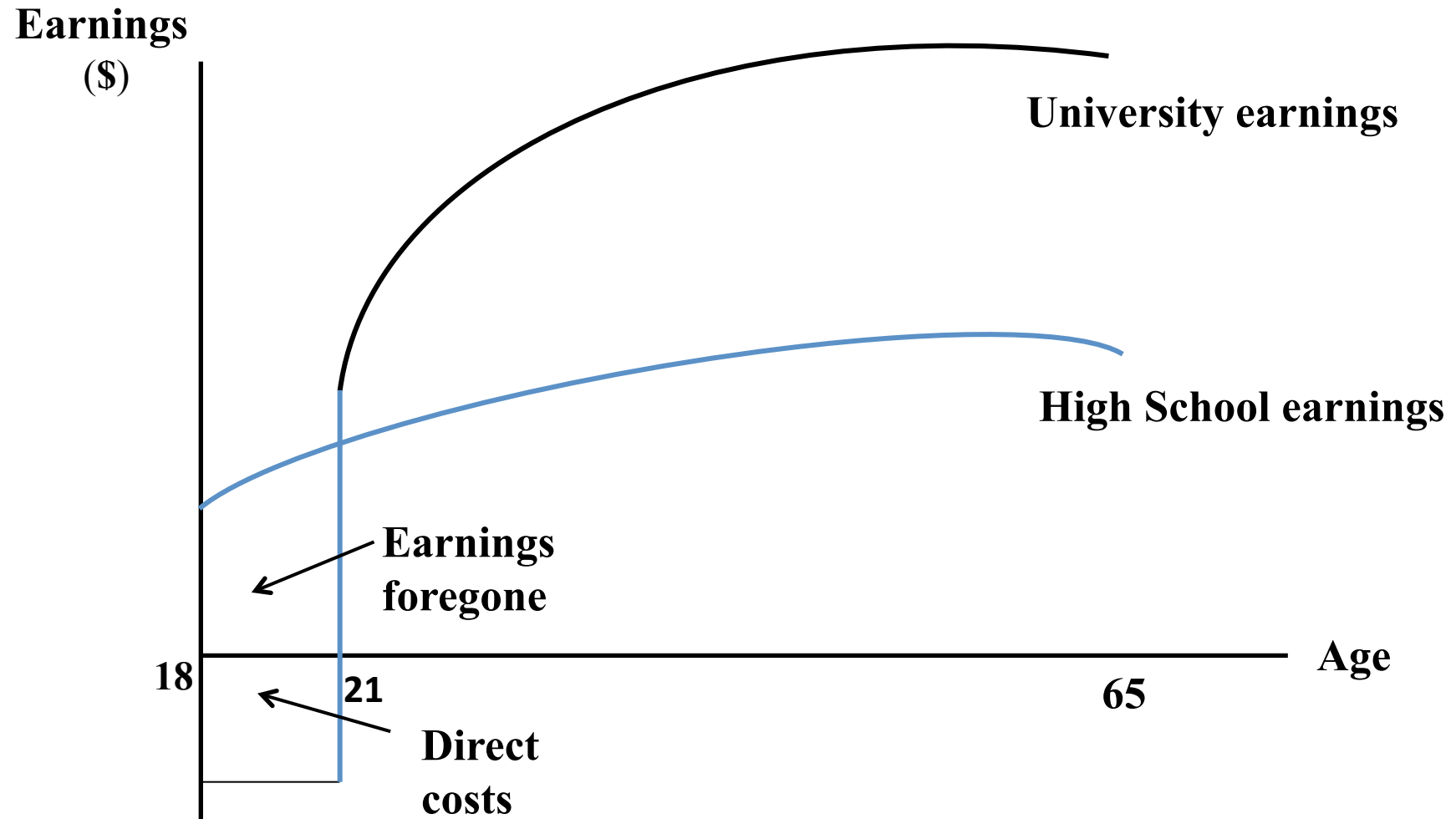


Median Incomes of Graduates Compared Year 12, 1986-2006

	1986	1991	1996	2001	2006
Males					
Grad/Year 12	1.76	1.82	1.86	1.98	1.64
Females					
Grad/Year 12	1.27	1.85	1.72	1.79	1.65

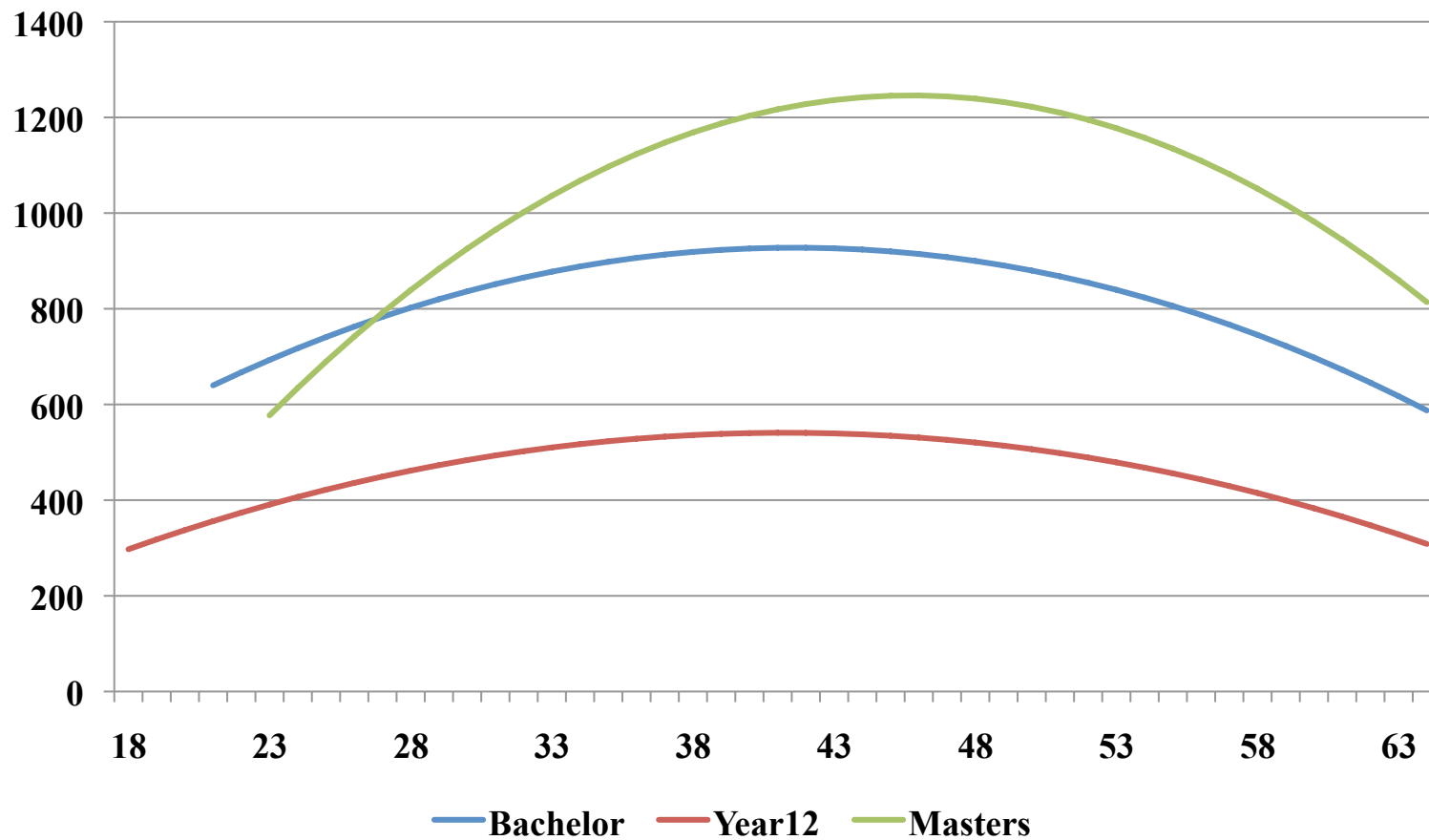


The Rate of Return





Age Earnings Profiles, Females 2006





Rate of Return and NPV

$$\sum_{t=1}^3 \frac{C_t}{(1+r)^t} = \sum_{t=4}^{44} \frac{R_t}{(1+r)^t}$$



Data

- **2006 Census**
- **Questions on highest qualification held and field of qualification**
- **Median gross weekly income by age**
- **Employment status**



Base Assumptions

- **Direct costs of \$1720 for undergraduate and \$1990 for post-graduate while studying**
- **No employment income while studying**
- **HECS paid up front with 20% discount**
- **Retirement at 65 years**
- **No ability adjustment**
- **Length of degrees**



Private Rates of Return, All 3-Year Bachelor Degrees

Males **15%**

Females **12%**



Private Rates of Return, Bachelor Degrees

Maths & Stats	15%
Info Technology	18%
Science	11%
Engineering	18%
Architecture	11%



Private Rates of Return, Bachelor Degrees

Medicine	17%
Dentistry	20%
Nursing	15%
Allied Health	13%



Private Rates of Return, Bachelor Degrees

Education	13%
Humanities	6%
Visual & Performing Arts	5%



Private Rates of Return, Bachelor Degrees

Business	13%
Economics	16%
Law	15%



Private Rates of Return, Bachelor Degrees, by Gender

	Males	Females
Humanities	3%	9%
Education	11%	10%
Visual & Perform Arts	*	*



Summary for Bachelors Degrees

- **Highest RRs for men**
Dentistry, Nursing, Medicine, Engineering and Information Technology
- **Highest RRs for women**
Dentistry, Medicine, and Information Technology



Summary for Bachelors Degrees

- **Lowest RRs for men**
Visual & Performing Arts, Humanities and Architecture
- **Lowest RRs for women**
Visual & Performing Arts, Humanities and Architecture



Conclusion

- **High rates of return on most Bachelor degrees imply significant incentives to individuals to complete these degrees**
- **Only a slight difference between the genders mostly favouring males**
- **But there are significant variations between disciplines**

Private Rates of Return, Masters Degrees

Discipline	Males	Females
Humanities	8%	9%
Science	1%	3%
Allied Health	*	5%
Mathematics and Statistics	4%	4%
Information Technology	*	*
Engineering	*	5%
Architecture	2%	6%
Medicine	*	*
Nursing	12%	10%
Dentistry	*	8%
Visual and Performing Arts	2%	4%



Changing the Assumptions

- **Additional year's study**
- **Employed full-time after graduation**
- **How do the worst paid get on?**
- **Working part-time during study (Bachelor)**
- **Paying HECS on completion**
- **Working full-time during study (Masters)**



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Conclusion & Policy Implication

