

Post-compulsory education and training: do young Australians know what pays?

Chris Ryan
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FACULTY OF
BUSINESS &
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Presentation description

- The paper uses information on the self-reported education and occupation plans of young people (aged 18 to 20), and anticipated income levels at age 30 years to assess (*Youth in Focus* data)
 - how closely anticipated returns to education match those realized by 30 year olds in Australian (*HILDA*) data,
 - and what factors are most closely associated with inaccurate estimates.

Research questions

- Do young people have an accurate picture of the impact of education and training on their future incomes and occupations?
- What personal characteristics are associated with their education and training plans?
- Do they understand what education is required for their intended occupations?
- Does the accuracy of these views vary across the social background distribution?

The YIF expectations questions

- “What kind of work do you expect to be doing when you are 30 years old?”
 - Household formation for women
- “What do you expect your total annual income to be in 10 years time when you are 30 years old?”
 - Gross (priming) or Net? Inflation? Full-time work? Career interruptions? Personal or household? Economy productivity growth?

Dimensions in literature

- general versus specific groups (college)
- period covered – on graduation to age 40
- qualification only or field of study
- longitudinal data versus two cross-sections
- one expectation versus hypotheticals for different education levels
- single expectation versus income of others
- mean expectation versus distribution

Results in the literature

- individuals never underestimate their likely future income
 - overestimation depends on approach
- males particularly are prone to overestimation
- people believe incomes rise with education
 - expectations increase with hypothetical levels
- same patterns of increase for poor as rich
- expectations of future incomes change if the information on which they are based changes

Data

- *Youth in Focus*
 - Survey of young people from government payment records
 - Linked to administrative data
 - Parent survey
- *HILDA*
 - Representative household panel
 - Use people aged 30 from first 10 waves

Key results

- Youth plans imply much higher educational attainment than found among 30 year olds⁽¹⁾
- Youth plans imply employment in much higher status occupations than found among 30 year olds
 - Unrealistically high⁽²⁾
- Young people anticipate much higher income than found among 30 year olds⁽³⁾
- Implied rates of return are also too low⁽⁴⁾

Attainment distribution (%)^(a)

Educational attainment - males and females; YIF and HILDA

	HILDA		YIF	
	Female	Male	Female	Male
	%	%	%	%
No postschool qualification, no Year 12	20.6	15.3	4.9	6.1
Postschool qualification, no Year 12	9.5	18.0	9.8	15.8
Year 12, no postschool qualification	18.1	17.5	8.3	9.9
Postschool qual, Year 12	15.7	19.4	18.3	22.3
Degree	26.1	21.1	39.0	31.0
Postgraduate qualification	10.1	8.7	19.8	14.9

Attainment by occupation (females)

Educational attainment and broad occupation, females: HILDA and YIF
(summary)

	Managers	Professional	Labourers
	%	%	%
HILDA			
No postschool qual, no Year 12	10.6	1.2	24.4
Postschool qual, no Year 12	12.9	9.1	9.9
Degree	8.0	64.5	1.0
Total	9.6	36.2	6.7
YIF			
No postschool qual, no Year 12	13.7	20.3	1.4
Postschool qual, no Year 12	23.2	20.4	0.0
Degree	10.6	77.8	0.1
Total	13.2	59.0	0.2

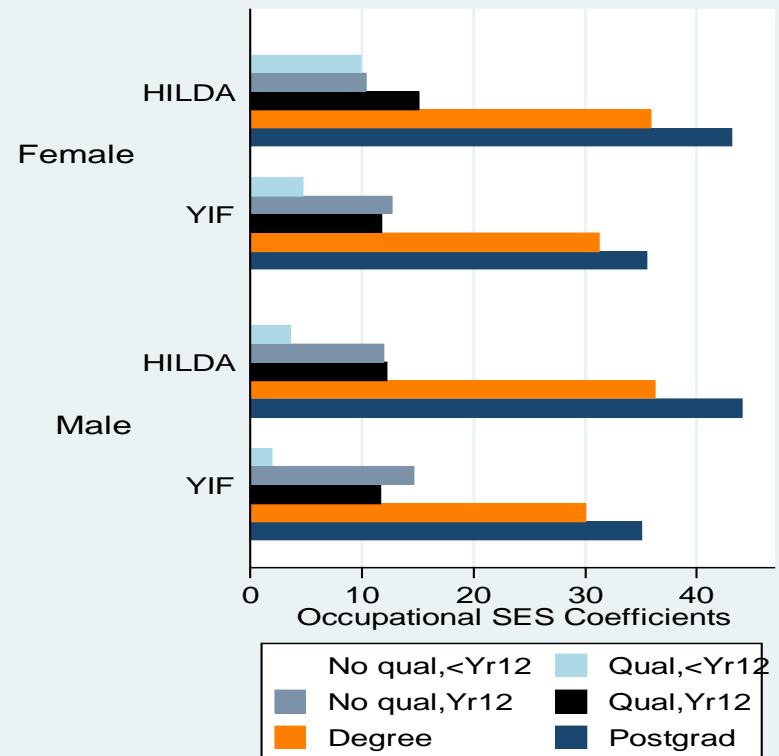
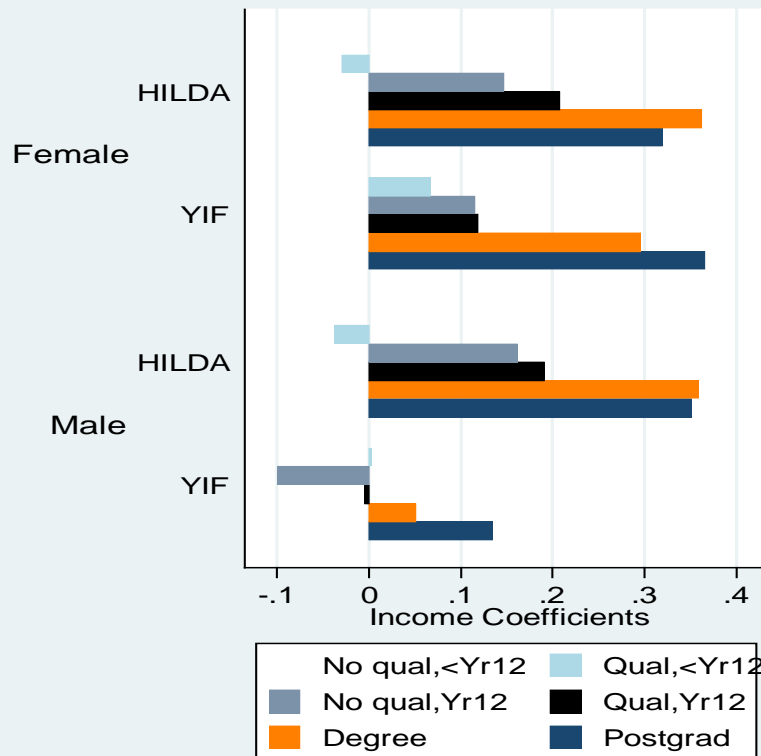
Attainment and incomes

Educational attainment and incomes: HILDA and YIF

	Female		Male	
	Income	% of base	Income	% of base
	\$	%	\$	%
HILDA				
No postschool qual, no Year 12	32,336		38,265	
Postschool qual, no Year 12	28,802	89.1	49,035	128.1
Year 12, no postschool qual	29,004	89.7	54,031	141.2
Postschool qual, Year 12	35,922	111.1	54,393	142.1
Degree	47,613	147.2	66,454	173.7
Postgrad qual	47,334	146.4	72,479	189.4
Total	37,466		55,030	
YIF				
No postschool qual, no Year 12	52,879		95,018	
Postschool qual, no Year 12	60,825	115.0	95,784	100.8
Year 12, no postschool qual	60,580	114.6	78,982	83.1
Postschool qual, Year 12	59,604	112.7	91,167	95.9
Degree	69,919	132.2	88,553	93.2
Postgrad qual	82,096	155.3	97,093	102.2
Total	67,537		91,086	

Relationship attainment & income

Income ----- Occupational SES



Other results

- No differences by social background
 - Attainment interactions by
 - SES
 - Welfare receipt history
 - were insignificant (as were base effects)
- Ambition and locus of control matter
 - But these do not explain “unrealistic” expectations
 - Not higher for low education groups

Conclusions & implications

- All young people are too optimistic about jobs and incomes
- But seemingly problem for low educated males
 - Not clear how good the information they get is
 - Better careers counselling?
 - *MySkills* and *Skills Gateway* websites
 - Information experiments; & role of self-efficacy
 - Plus side, cohort is getting lots more education