

Thinking of going to grad school? This study says it will be worth it

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There has been a lot of talk in the past few years about whether higher education is still worth the investment. Soaring education costs force many students to take on sizable loans, only to face a tough job market upon graduation. There's even evidence that these conditions have translated into fewer young people enrolling in college. According to BLS data, college enrollment was at a high in 2007, when 70.1 percent of high school graduates enrolled in colleges or universities. By 2013, that number had decreased to 65.9 percent.

In his article "[Higher education, wages, and polarization](#)" (Federal Reserve Board of San Francisco, *Economic Letter*, January 2015), economist Rob Valletta examines the benefits of higher education and emphatically affirms that, statistically speaking, college degrees remain a sound investment for most workers—and that postgraduate degrees offer even bigger payoffs.

There are many metrics used to assess the benefits of higher education, but Valletta determines that "the most easily measured and arguably the most important element from an economic and social perspective" is the earnings advantage afforded to workers with a college degree or postgraduate education.

Valletta examines differences in pay among workers with different levels of education, and he concludes that there has been increasing polarization between groups of workers. Over the past 35 years, the wage gap between college-educated workers and workers with a high school degree has rapidly increased, with a notable period of fast growth during the 1980s. During the 1990s and early 2000s, the gap continued to widen, though at a slower pace. In 1979, workers with at least a college degree made 35 percent more on average than workers with no more than a high school degree. By 2013, this gap had increased and reached nearly 80 percent.

Further, Valletta noticed a pattern emerging within the category of college-educated workers, which includes three groups: those who only attended college, those who attended college plus some graduate education, and those with graduate degrees. In 1979, workers with a postgraduate degree earned 11 percent more than those with a college degree; this gap widened to nearly 30 percent in 2013. Since 2000, the relative gains for workers with a postgraduate degree have been particularly obvious, indicating "an increasingly favorable labor market situation" for workers with a postgrad degree compared with those who hold only a college degree. The strong gains for postgrads has propped up the calculation of the overall gain for the group that includes all workers who have at least a college degree.

Valletta's explanation for these changes in the U.S. labor market is the polarization hypothesis, whereby there is increased employment in the top and bottom layers of the labor market while the middle erodes. Job growth and labor demand have been rapid for high-skill and low-skill nonroutine jobs. As the U.S. workplace continues to grow more reliant on computer-related technologies, jobs that were made up of largely routine tasks—clerical office

work or blue-collar production occupations—have become automated. These jobs tended to be concentrated toward the middle of the wage and skill distribution.

On the other hand, a need for highly educated workers to do professional and technical occupations has emerged. These jobs, such as management, engineering, law, and design work, require flexibility, social skills, abstract reasoning skills, and, evidently, postgraduate education. In fact, 90 percent of workers with graduate degrees held these kinds of jobs in 2013 compared with about 64 percent of college graduates without postgraduate education. As these jobs tend to be the highest paying, workers with graduate degrees appear to have a direct, competitive advantage over other college graduates when it comes to getting well-paid jobs.