



PULLING OURSELVES UP BY OUR OWN BOOKMARKS

■ Any number of factors can determine a person's fate in the job market. Studies suggest taller men and more attractive women earn higher pay. Some of us are born into the family business. Others are just in the right place at the right time. We can't count on genetics, inheritance or luck, but nothing beats knowledge as a reliable route to greater earnings.

American workers get off to a good start with schooling—the more the better. Among employees aged 25 to 34 in 2003, high school graduates earned an average of \$9,726 more a year than the barely educated—those who didn't even finish ninth grade. The income premium increased to \$13,977 for some college, \$16,673 for an associate's degree and \$29,806 for a bachelor's. It reached \$38,899 for a master's, \$50,064 for a doctorate, and \$61,984 for law, dentistry and other professional degrees. (See *Exhibit 1 on page 8.*)

Salaries rise as workers add experience and knowledge. We can get training in the workplace. We can take classes at universities and community

colleges. We can read work-related books and search the Internet for industry information. Every day, we can improve by applying ourselves, asking questions and seeking mentors.

It pays off. Today's young Americans are more educated than their predecessors, but we can't overlook the value of experience. With only a short time in the workforce, Americans aged 25 to 34 earned an average of \$46,795 in 2003. Those with more work years had time to build job skills. As a result, average pay grew to \$63,818 for those 35 to 44. And it kept rising—to \$64,739 for ages 45 to 54 and \$67,721 for ages 55 to 64. All told, what Americans learned over their working lives added an average of \$20,926 per year from the youngest group to the oldest.

Education leverages the value of experience, creating a kind of one-two punch. Among Americans whose formal education ended with high school, incomes increased with time on the job, topping out at \$7,237 a year more for workers aged 55 to 64 than those 25 to 34.

The earnings edge for the oldest group of workers increased to \$11,342 with some college, \$17,447 for college graduates, \$19,533 for master's degrees and \$42,778 for doctorates. Workers aged 55 to 64 with professional degrees made \$70,399 more than their least experienced colleagues.

The benefits of education and experience really show up over the long term. Working 40 years, high school graduates earn an average of \$1.5 million. The long-term payoff rises to \$2.6 million for finishing college, making a bachelor's degree a four-year investment worth \$1.1 million. Gains continue to rise with more education—to \$3 million for a master's, \$4 million for a doctorate and \$5.3 million for a professional degree.

Unemployment data confirm the advantages of education and experience. Jobless rates are lower for workers with more years of schooling, largely because they're more in demand. Among 25- to 34-year-olds, for example, only 3 percent of Americans with bachelor's, master's, doctoral and professional degrees were unemployed

in 2003—about half the rate for the overall economy.

Unemployment rises to nearly 12 percent for high school dropouts. The good news for this group, though, lies

in the rate's steady decline as workers gain experience. Among dropouts aged 55 to 64, the unemployment rate retreats toward the national average, suggesting that even workers who

start out at a disadvantage can gain the skills, talents and traits to make them valued employees. They earn lower salaries than more-educated workers, of course.

EXHIBIT I Our Wealth of Knowledge

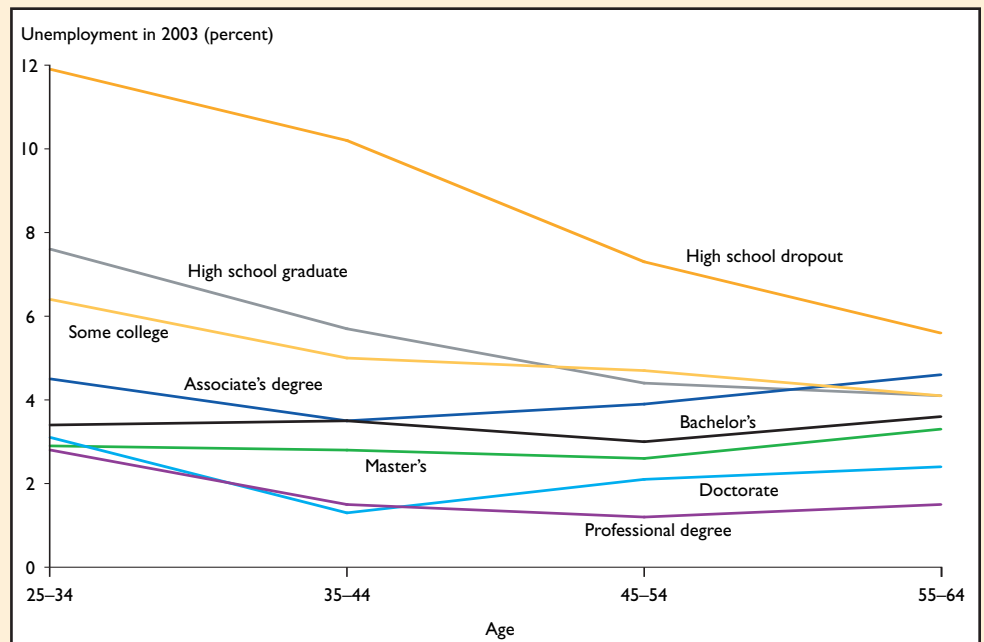
EDUCATION PAYS, AND SO DOES EXPERIENCE

Americans raise their earnings by learning both in school and on the job. Moving down the columns shows the average gains from education. Going across the rows indicates the benefit of added years on the job; the bottom row, how experience pays off for the labor force as a whole. Reading down the second to last column shows that more-educated workers enjoy the largest returns as they gain experience. The last column summarizes the combined effects of education and experience on lifetime earnings.

Education level	Average annual earnings in 2003				Experience premium 25-34 to 55-64	Estimated lifetime earnings
	Ages: 25-34	35-44	45-54	55-64		
Less than 9th grade	\$21,839	\$23,945	\$25,167	\$26,685	\$4,846	\$976,350
High school dropout	25,316	29,177	29,779	30,798	5,482	1,150,698
High school graduate	31,565	36,922	38,235	38,802	7,237	1,455,253
Some college, no degree	35,816	43,469	46,140	47,158	11,342	1,725,822
Associate's degree	38,512	45,594	48,253	47,778	9,266	1,801,373
Bachelor's degree	51,645	67,471	68,509	69,092	17,447	2,567,174
Master's degree	60,738	77,622	77,676	80,271	19,533	2,963,076
Doctorate	71,903	110,564	101,110	114,681	42,778	3,982,577
Professional degree	83,823	139,597	147,777	154,222	70,399	5,254,193
Equally weighted average	\$46,795	\$63,818	\$64,739	\$67,721		

SCHOOLING, EXPERIENCE REDUCE UNEMPLOYMENT

Americans with more education are less likely to be out of work. Unemployment among high school dropouts aged 25-34 is more than three times as high as it is for college graduates. Jobless rates converge for older workers, indicating that experience improves employment prospects for less-educated workers.



America's track record verifies that capitalism and education make a good team. Per capita income has moved steadily upward since World War II, as more Americans have graduated

from high school and pursued higher education. Per capita income across states shows the same strong positive relationship with the population that has bachelor's degrees or better. This

holds true around the world, too. The United States and other nations that rank high in years of schooling generate higher GDP per capita than less educated countries. (See page 12.)

HELPING ECONOMIES GROW RICHER

Going from individuals to economies, we see per capita income moving upward over time as Americans became better educated, indicated by a higher rate of finishing college (top). States with more college graduates also enjoy higher income (bottom). The solid line summarizes the overall positive relationship between college graduates and states' income.

