Job market demand and postsecondary grad supply are in sync while earning gap is growing for non-PSE grads

Despite higher numbers of graduates from Ontario’s colleges and universities, there’s no shortage of opportunity in the job market. Graduates are not only finding jobs; they’re out-earning high school graduates by almost 25 per cent, and the gap between earnings has more than doubled in the last 20 years, according to two recent studies commissioned by the Higher Education Quality Council of Ontario (HEQCO).

Significantly more students are graduating from Ontario’s colleges and universities, according to the studies, and when they enter the workforce they are making more money than their less educated counterparts. Their lower rates of unemployment indicate that the supply of highly educated labour does not exceed labour market demand.

Project Description

The first study, Exploring the Alignment between Postsecondary Programs and Labour Market Outcomes in Ontario by David Walters and Kristyn Frank, is based on data from Statistics Canada’s 2005 National Graduates Survey (NGS), composed of all graduates of Canadian postsecondary education institutions (PSE) who had obtained a credential during the 2005 calendar year. The second study, Postsecondary Education and the Labour Market in Ontario by Torben Drewes, analyzed data from the NGS supplemented with data from the Canadian Censuses and Statistic Canada’s Enhanced Student Information System.

Findings

Both reports show that the earnings gap between postsecondary education grads and non-PSE grads is widening, and that for PSE graduates there is considerable variation in earnings based on factors such as field of study.

From 1986 to 2005, notes Drewes, the number of male and female university graduates in Ontario increased by 43 and 91 per cent, respectively. Despite this remarkable increase, there are no symptoms of a general over-supply of highly educated labour, such as declining relative wages among PSE graduates or greater likelihood of unemployment.

Based on the 2006 Statistics Canada census, he finds that both male and female college graduates between the ages of 21 and 30 benefited from an earnings advantage of almost 25 per cent over high school graduates, as compared to just 12 per cent in the 1986 census. For young males with a bachelor’s degree, the proportional difference in earnings relative to high school graduates has grown from less than 30 per cent in 1986 to over 40 per cent in 2006; the earnings premium for women with a bachelor’s degree has grown from about 35 per cent to over 50 per cent. The report also found that, for all groups of postsecondary graduates, men are more likely to be employed full-time and to earn significantly more than women.

Field of study strongly influences PSE graduate labour market success, according to the study by Walters and Frank. Generally, graduates of engineering and computer science programs
obtain the highest earnings within two years of graduation, followed by graduates of health, and business and commerce programs. Earnings in the engineering and mathematics/computer science fields have seen significant increases in recent years, even though there has been no real growth in the number of graduates in these fields. Drewes argues that this is evidence of greater career opportunities in these technologically driven fields.

Female graduates of trades programs earn the least in comparison to graduates at all other levels of schooling. In contrast, women with advanced (graduate or professional) degrees earn more than males at all other levels of schooling, although they continue to obtain lower earnings than males with similar credentials.

University graduates with advanced degrees have the highest probability of being employed full-time, says Drewes. The likelihood of being employed full-time for university graduates range from 74 per cent for liberal arts graduates to 90 per cent for engineering/computer science graduates. Falling within this range are graduates with science degrees (79 per cent), degrees in health related fields (86 per cent), and undergraduate degrees in business (88 per cent).

**Policy Implications**

These findings have policy implications for postsecondary institutions in terms of funding and budgetary decisions, as well as admission strategies. For example, these findings may influence the degree and nature of relationships institutions forge with potential employers and may impact the number of student spaces institutions allocate for different fields. In addition, Walters and Frank note that for future postsecondary students, job prospects could play a larger role in the decisions they make in school.

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