

Update September 2015:

Since the publication of this comment, the findings of *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 12* have been updated **by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne** to correct a coding error. The difference between graduate earnings of IRU graduates and other groupings has been revised. The main difference highlighted by the correction was the extent of variance on earnings according to gender specifically that female IRU graduates earn 17% less and male RUN graduates earn 33% less than Go8 graduates through their careers. The corrected table can be found [here](#) with the report in full to be found [here](#).

However, the main point of the analysis below remains relevant. There was no broad difference in graduate earnings based on grouping – bearing true that it does not matter where one studies, it is important that one studies.

In defence of good research wherever it is found - July 2015

The commentary on *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 12* by Roger Wilkins of the Melbourne Institute of Applied Economic and Social Research at The University of Melbourne has been sidetracked by one plausible statistic, neglecting the full import of the Survey.

The Survey confirms the earning value from higher levels of education, particularly for women. It shows that for women having a higher education degree is important for the likelihood of employment. That is not so for men who tend to be employed but with lower earnings if not a graduate.

Those outcomes are not necessarily new but since they based on a cohort covering multiple generations they underpin the value from expanding the take up of higher education, a core mission of IRU members.

The new aspect coming from the survey is the hint that school results let alone intelligence are not long term strongly correlated with income. Rather it is the fact of education.

The report's tables of graduate earnings include two versions adjusted and not adjusted for cognitive ability (based on tests which HILDA administers to its participants). The interesting point is that the results do not alter much when adjusted for those tests. My reading is that the report supports arguments that end of school capability does not carry through to later year outcomes, at least if measured by income. This is a further blow to the use of the ATAR as a valid sorting mechanism for excluding applicants when places in a course have been limited.

In short while some like to argue it is not where you study but what you study, the Survey shows that what matters is that you do study. It is further confirmation of the drive since WWII to expand take up of higher education, in particular the sense of the Dawkins reforms whose graduates make up much of the HILDA cohort. It is too early to test whether the expansion since 2009 through demand driven funding will show the same outcome but nothing in the results suggests the contrary.

An important element to the Survey's results is its focus on graduates aged from 25 to 64. HILDA emphasises what happens once a graduate is established in the labour market, stepping over the noise in graduate earnings data that so limits the graduate employment survey undertaken 6 or so months from graduation. The 25 year age point means that school leaver entrants have had the chance to complete more than one degree if needed and that those who do not immediately seek university entry have been captured when they return in their early 20s. The HILDA sample would include some mature age recent graduates but not many and as their earnings might be lower than for an established graduate they would tend to lower the outcome for universities enrolling older students.

HILDA also compares graduates to those who have the equivalent of year 11 or lower, not to those with year 12 only, which has been the more common comparator. Its data shows that it uses the better benchmark, with the year 11 and under group larger than the year 12 only group at all ages. Few people it appears have achieved year 12 and little else, hence those who have only done so are likely to be an unusual group not suited to be the benchmark for assessing the value of a degree.

The critical point in commentary has been to explain away that graduates of the older universities have on average lower earnings than students of IRU members and like institutions founded in the 1960s and 1970s or through the technology universities and their predecessor institutions.

The argument about lack of discipline adjustment I find weak. All universities have a considerable stock of generalist degrees that are regarded as producing a lower future income on average. That includes IRU members, which have a long-standing commitment to humanities and social sciences.

The important point is that people choose the degree they study where the university will permit them, usually following their personal instincts.

It is interesting if a set of students, selected for being from the top of the school leaver cohort only, chooses to complete a generalist degree only and then appears to earn less than graduates from elsewhere. Presumably those students are aware of the likely outcome and are happy with it. To the extent they are not aware then the release of this data and others that may follow may improve understanding. The Government may choose to ask whether it is best value for those students to follow that path.

IRU members do not lack for high ATAR entrants, but they have many other direct school leavers and a large set of those who do not immediately seek higher education. The data on earnings suggest that group does comparatively well. The greater focus on use of knowledges and greater experience in application during the degree appears to pay off.

The discipline argument is also unsteady against the evidence that people do not stick with professions over time but have varying careers building off their general capabilities more than the precise skill set initially acquired.

Including only those HILDA participants who have full time employment is a potential weakness. The exclusion of self-employed graduates is likely to leave out an important subset of practicing professionals. How much of a difference that makes is less evident (something which the HILDA research team could test). It would leave out some high flyers with outlier, and average distorting incomes, but as a group we need to bear in mind the suburban lawyers as much as the silks fronting royal commissions. I am less sure of the implications of part time employment or no employment status, because it depends on whether the person prefers that status or cannot achieve a greater level of employment. Again HILDA would be in a position to ask.

The third issue is the impact of age groups. The report says it adjusts for age differences but I would like to understand that in more detail. The older groups in the survey are more likely to have gone to Go8 members and also to IRU members, with the data showing that the Go8 produced close to half the graduates for the older groups. To the extent incomes at the older levels may have moderated this could lower the average income. Offsetting any such effect is that there would be fewer graduates in those age groups since as a whole fewer have completed higher education.

Overall it is a valuable report, not (just) because IRU comes up well, but for it revealing with more depth the nature of employment and income as connected with education. By following a set of real people it adds perspective.

The HILDA study from the Melbourne Institute of Applied Economic and Social Research is a good example of research grounding in current issues. It is one to follow for its future analyses if higher education questions continue to be asked. The potential weaknesses discussed should be considered to avoid distractions from the key results and the important information about the success of higher

education in supporting employment and good outcomes for graduates, apparently with limited regard to the academic ranking at age 17.

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