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Australians get smart and are rewarded with higher lifetime earnings

Australians with postgraduate degrees will earn almost double, or \$3.2 million, over their working lives compared to people with Year 11 or less qualification, who can expect to earn only \$1.7 million, according to the latest AMP.NATSEM report.

But women still face earnings inequality with the report finding that a 25 year old woman with a postgraduate degree can expect to earn just two thirds of her male counterpart's lifetime earnings, \$2.5 million compared to \$3.2 million.

These are some of the key findings in the AMP.NATSEM Income and Wealth Report *Smart Australians* which explores education and innovation in Australia.

According to the report, there has been a massive generational shift in educational attainment in Australia with 77 per cent of students now completing Year 12, up from 45 per cent in 1984. While more than 44 per cent of 25-34 year olds have achieved a tertiary education, compared to just 30 per cent of 55-64 year olds.

Education is among the top 15 expenditure items for Australian families and in the last six years, average family spending on preschool and primary school education has risen by 79 per cent and spending on secondary education increased even more at 101 per cent.

Over the past decade, there has been an increasing trend in parents sending their children to Catholic and independent schools, especially for high school. Independent high school annual tuition fees are highest in New South Wales and Victoria, at \$19,648 and \$18,620 respectively.

Although Australia is just below the OECD average on education spend, at 6.2 per cent of GDP, ranking 20th, Australian students are positioned 6th in reading and science literacy and 9th in mathematical literacy.

AMP Financial Services Managing Director Craig Meller said it has never been clearer that gaining an education pays off in future earnings.

“The report shows a person with a Bachelor Degree will also receive a high return on education, earning almost 1.7 times someone with Year 11 or below,” Mr Meller said.

“Australians are willing to go the extra mile to make sure their children receive the best possible education.

“A well-resourced education system and a culture of innovation are crucial components of Australia’s enviable lifestyle and investing in both will help ensure our nation is a truly lucky country,” Mr Meller added.

The report found that while educational standards have been increasing, education is not yet for all with only 15 per cent of all university students coming from low socio economic backgrounds, short of the Federal Government’s target of 20 per cent.

The *Smart Australians* report also shows that our education levels are being further bolstered by new arrivals to Australia with 46 per cent of 25-34 year old migrants holding a Bachelor Degree or above, compared to 20 per cent of those born in Australia.

Other key report findings

Getting an education pays off in future earnings

- People with university degrees are likely to earn almost twice as much as their peers in the same industry with no university degree.
- A 25 year old working in the management and commerce sector would earn \$3.6 million if they had a Bachelor or Postgraduate Degree, but only \$2.1 million if they had no university degree.

Women still face earnings inequality

- Women with postgraduate qualifications earn \$1.3 million less over their lifetime than male postgraduates – at \$2.5 million compared to \$3.8 million.

Young Australians are leaving their parents for dust in the education stakes

- Gen Y (those aged 20-35) are more educated than older Australians - on average 66% have completed Year 12, compared to 40% of Baby Boomers (aged between 50-64).

Education apple doesn’t fall far from the tree

- A person whose father has attained a university degree is much more likely to go to university (66%), compared to those whose father only obtained Year 10 or below (29.3%).

An increasing number of parents are choosing private schools for their kids

- Over the past decade, student enrolments in Catholic and independent schools have grown at a faster rate than government school enrolments, with 22% of secondary school students now enrolled at Catholic schools and 18% at independent schools, compared to 20% for Catholic and 14% for independent in 1997.

Vocational or 'technical' education is gaining in popularity

- The level of vocational education training (VET) has risen significantly in recent years with 25% of 15-19 year olds holding a VET qualification, compared to 20% in 2006.
- Victorians are the most likely to hold a VET qualification.
- There is a growing trend of students combining high school education with VET training, with VET training in schools accounting for more than half of total VET students.

Big differences in education across the states and territories

- The ACT has the highest proportion of people with Year 12 or equivalent and the lowest levels are in the Northern Territory - 72% compared to 41%.
- 25% of 15-64 year olds living in the ACT hold a Bachelor Degree, compared to 18% in NSW and a national average of 17%.

Vic, ACT and NSW primary school students are high achievers

- Students in Victoria, the ACT and NSW on average achieved higher NAPLAN scores at 499,497 and 496 respectively, compared to the national average of 485.

ACT, Qld and Vic students most likely to complete Year 12

- The ACT, Queensland and Victoria's retention rates are above the national average, at 98%, 83% and 82% respectively, with the national average at 79%.

Research and development spending on par with international levels

- Public and private investment in research and development accounts for 2.2% of GDP, only a fraction lower than the OECD average, ranking Australia in 12th place.
- There has been a significant increase in R&D funding since 2004, with current investment at about \$28 billion.

Australia has a two-speed research and development economy

- Increases in research and development spending have largely stemmed from the mining states – with Western Australia recording a massive increase of 283% over eight years and Queensland an increase of 116 per cent over the same period.

NATSEM lead author of the report, Principal Research Fellow Rebecca Cassells said Australians are efficient educators, spending just below the OECD average on education but ranking high in international standards which raises the question, how might Australia fare with further spending on education?

“Australia's educational achievements are impressive but there are gaps to be narrowed around access to education and differences in educational achievement across the states. Women are also losing out with considerably lower lifetime earnings than men, partly due to lifestyle factors, such as taking time out of the workforce to raise children, but gender inequality is still a big factor in the equation,” Ms Cassells said.

“Increased investment in education is paying off in the innovation stakes, with research and development spending in Australia now virtually level with spending across the OECD. However, Australia is experiencing something of a two-speed research and development economy, especially between mining and non-mining states. Business research expenditure in Western Australia increased by 283 per cent over the last decade, compared to 102 per cent in NSW and 76 per cent in Victoria.”

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The report found Australia punches above its weight in innovation with patents granted to Australian inventors accounting for 10 per cent of the world's total, second only to the United States, and there has been significant increases in research and development funding, with current levels at about \$28 billion, an increase from \$16 billion in 2004.

Since 2002, AMP and NATSEM have produced a series of reports that open windows on Australian society, the way we live and work – and our financial and personal aspirations. AMP publishes these reports to help the community make informed financial and lifestyle decisions and to contribute to important and economic policy debate. /

**For a full copy of the report, please contact Katherine Perry 03 9622 5209 or
Renaë McGregor 02 9257 6160.**

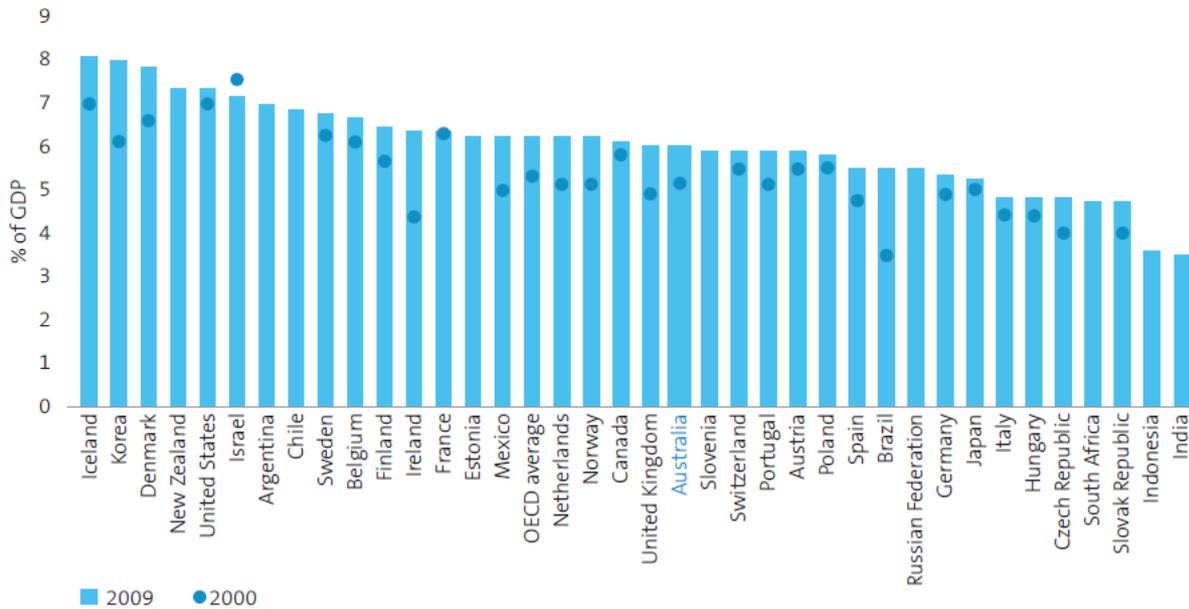
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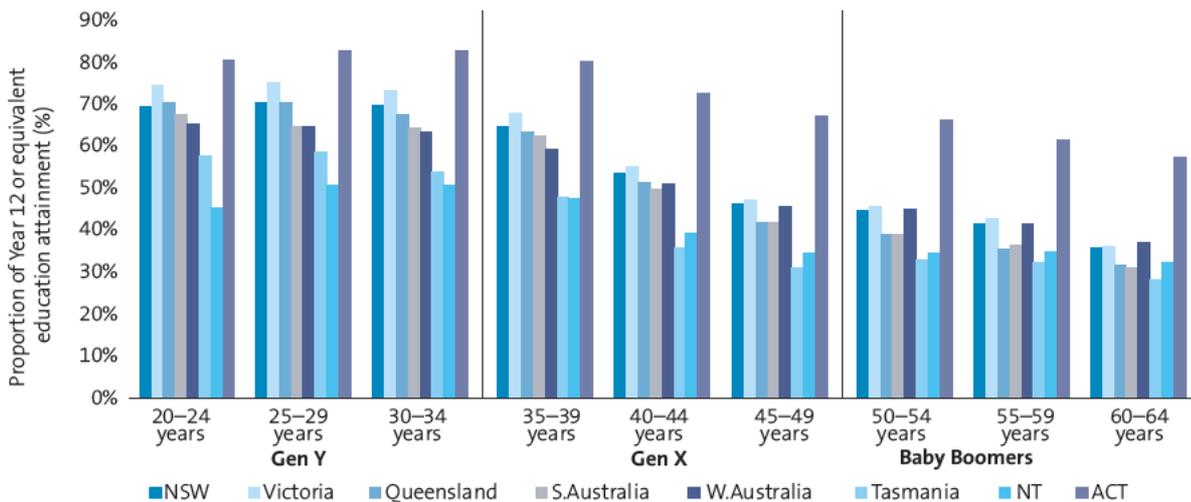
Appendix

Figure 4 Estimates of education spending by OECD countries as a proportion of GDP, 2000 and 2009



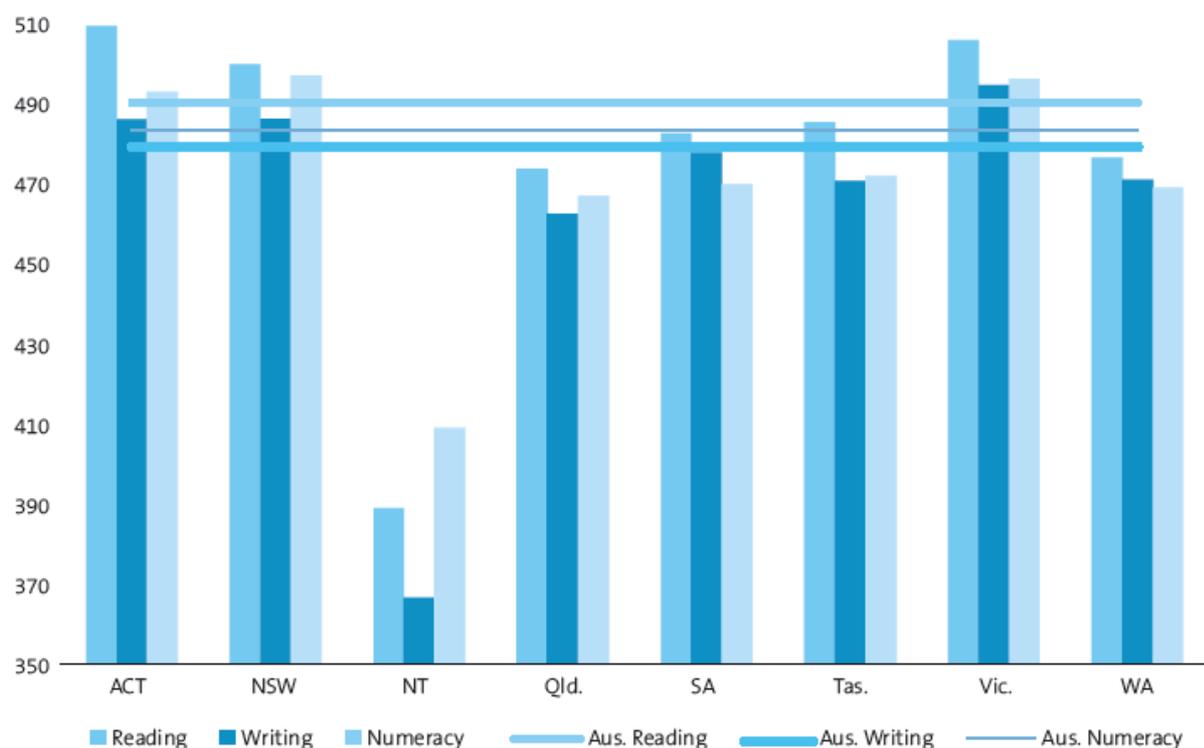
Source: OECD 2012 Education at a Glance, Indicator B2.1 Public Spending on Education

Figure 7 Year 12 or equivalent education attainment across generations, by state and territory, 2011



Source: NATSEM calculations from 2011 Census Table Builder

Figure 18 Average Year 5 NAPLAN score, by state and territory, 2009



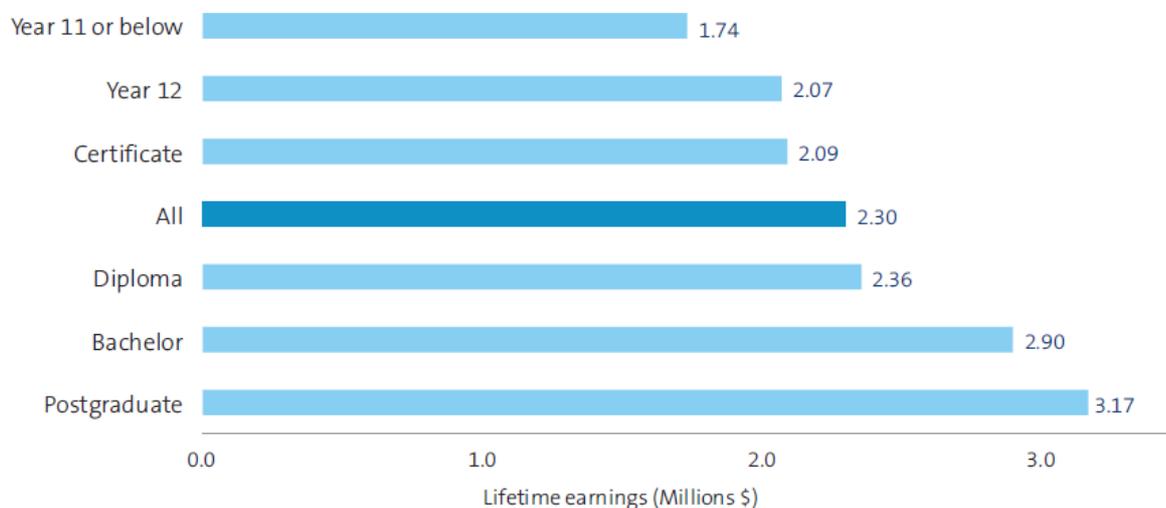
Source: NATSEM calculations from unpublished data, ACARA

Table 5 Estimated cost of school tuition, levies and charges, by level and sector, 2012

	ACT \$	NSW \$	NT \$	Qld. \$	SA \$	Tas. \$	Vic. \$	WA \$	Natl. \$
Primary									
Government	259	496	408	408	408	408	535	306	454
Independent	7,238	11,565	7,224	8,000	7,224	7,224	10,589	6,480	9,516
Catholic	3,077	3,140	3,669	3,385	3,669	3,669	2,314	3,098	3,043
Secondary									
Government	513	866	759	755	759	759	1,068	899	878
Independent	13,588	19,648	12,141	11,953	12,141	12,141	18,620	13,549	16,246
Catholic	7,769	7,895	7,318	8,645	7,318	7,318	7,830	7,884	7,973

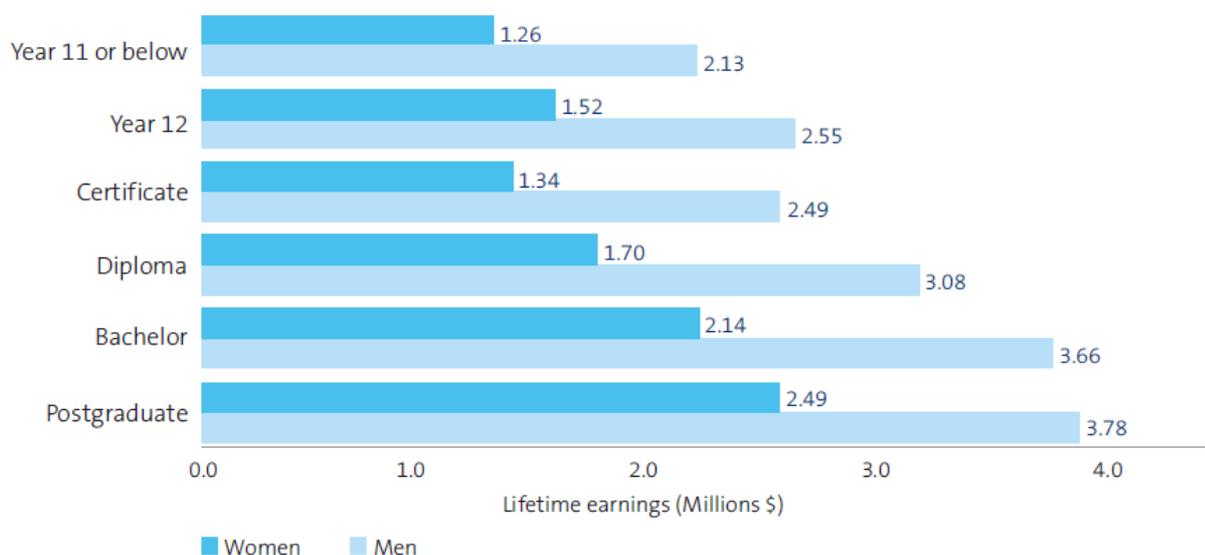
Source: Australian Scholarships Group (ASG) schooling costs calculator: www.asg.com.au/calculator

Figure 24 Lifetime employee income of persons at age 25 years, highest educational attainment



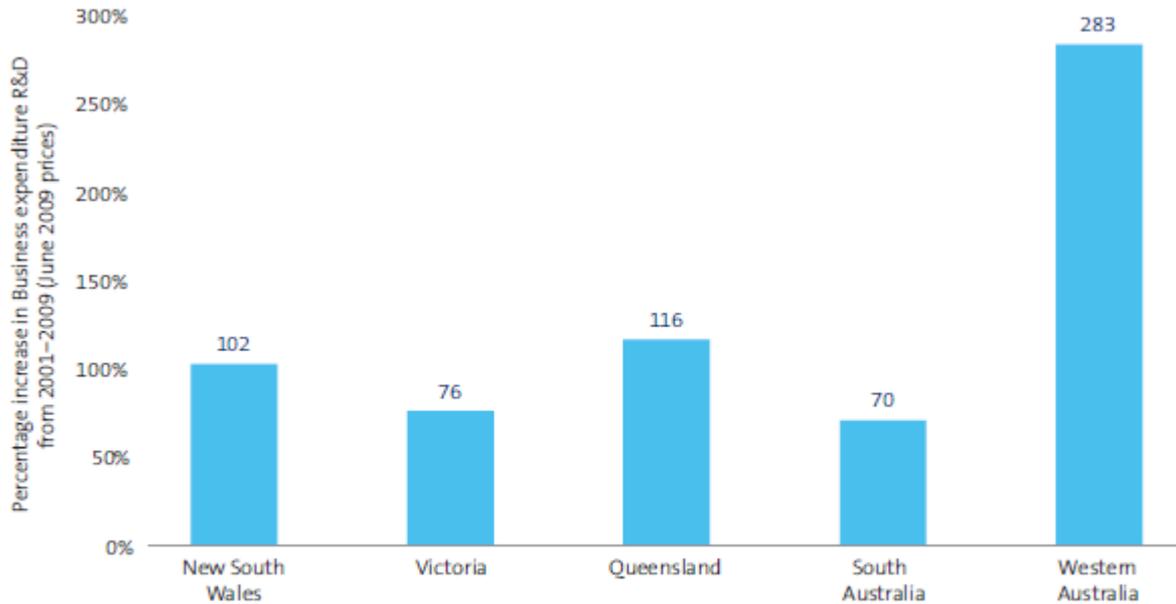
Source: NATSEM calculation from 2009–10 Survey of Income and Housing Basic Confidentialised Unit Record File.

Figure 25 Lifetime employee income of persons at age 25 years, by gender



Source: NATSEM calculation from 2009–10 Survey of Income and Housing Basic Confidentialised Unit Record.

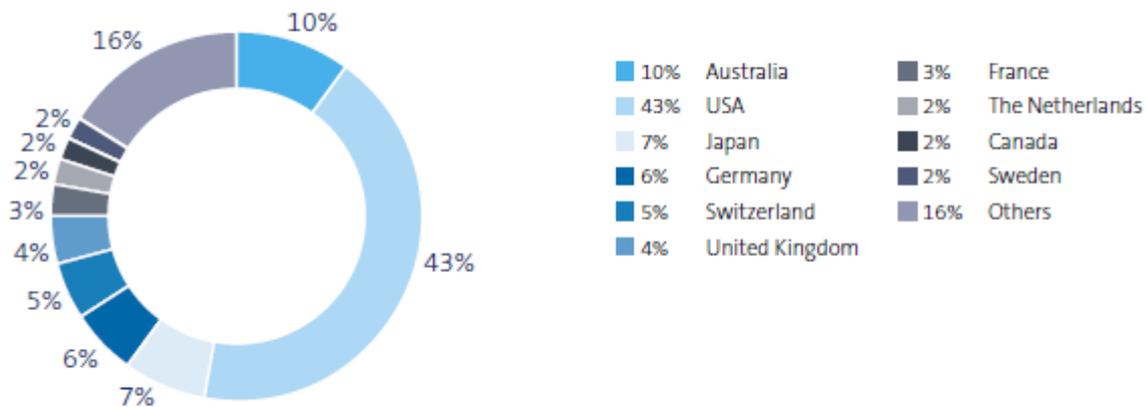
Figure 30 Increase in business R&D from 2001–2009, by state



Source: Research and Experimental Development, All Sector Summary, Australia, ABS Cat No. 81120DO001_200809

Note: Tasmania, ACT and Northern Territory have not been included due to missing data or small sample sizes.

Figure 31 International complete patent applications, 2010



Source: DIISTRE (2011) IP Stats Australia