A postsecondary education has been identified as a key factor in labour market success, but youth from lower income families are far less likely to pursue a college or university education than their counterparts from higher income families. To address this gap, student loans and grants, as well as education savings incentives are largely designed to provide assistance to families with limited means. However, there has been no evidence on the economic benefits of a postsecondary education by level of parental income until now.

A new Statistics Canada study examines differences in median annual earnings between postsecondary graduates and individuals who did not pursue postsecondary studies, by level of parental income. Postsecondary graduates included individuals who, in 2010, were 20 to 23 years of age, and graduated from an Ontario college diploma program or an Ontario university bachelor's degree program in that year. Their earnings were observed in 2015 (five years after graduation) and compared with the earnings of a group of Ontario residents of the same age, who had never attended a postsecondary institution. After-tax income of the parents was measured when the youth were 19 years old and living with at least one parent. Youth were then grouped into one of five quintiles (each group representing 20% of the population) based on parental income. The data were primarily drawn from the Postsecondary Student Information System and the T1 Family file, as well as the Youth in Transition Survey, Cohort A.

The study found that completing a postsecondary education is associated with a larger increase in earnings among youth from lower-income families than youth from higher-income families. This was the case for those with a college diploma as well as for university bachelor's degree program graduates, when compared with youth who did not attend a postsecondary institution.

For example, youth from families in the bottom 20% of the income distribution who obtained a university bachelor's degree registered $52,238 in median earnings five years after graduation, compared with $19,744 among youth from the same quintile, but who did not attend a postsecondary institution. This resulted in a net benefit of $32,494, or 165% in relative terms.

In contrast, the difference in median earnings between youth from families in the top 20% of the income distribution with a university bachelor's degree and with no postsecondary was $28,922 ($62,420 among university bachelor's degree graduates, compared with $33,498 among those who did not attend postsecondary). In relative terms, this corresponds to a net benefit of 86%.

The net benefits associated with a college diploma (compared with no postsecondary) are generally smaller than those of a university bachelor's degree (compared with no postsecondary). However, the benefit was also higher among youth from families in the bottom 20% of the income distribution ($15,286, or 77%) than among youth from families in the top 20% of the income distribution ($11,056, or 33%).

The study also demonstrated that the higher estimated benefits of postsecondary education among youth from lower-income families were not likely due to different field of study choices, or to differences in cognitive or non-cognitive skills between the groups of youth examined.

This study is the result of a partnership between Statistics Canada and the Higher Education Quality Council of Ontario.
The research paper "Do Youth from Lower- and Higher-income Families Benefit Equally from Postsecondary Education?" which is part of the Analytical Studies Branch Research Paper Series (Catalogue number 11F0019M), is now available.

For more information contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Marc Frenette at 613-864-0762; marc.frenette@canada.ca, Social Analysis and Modelling Division, Analytical Studies Branch.