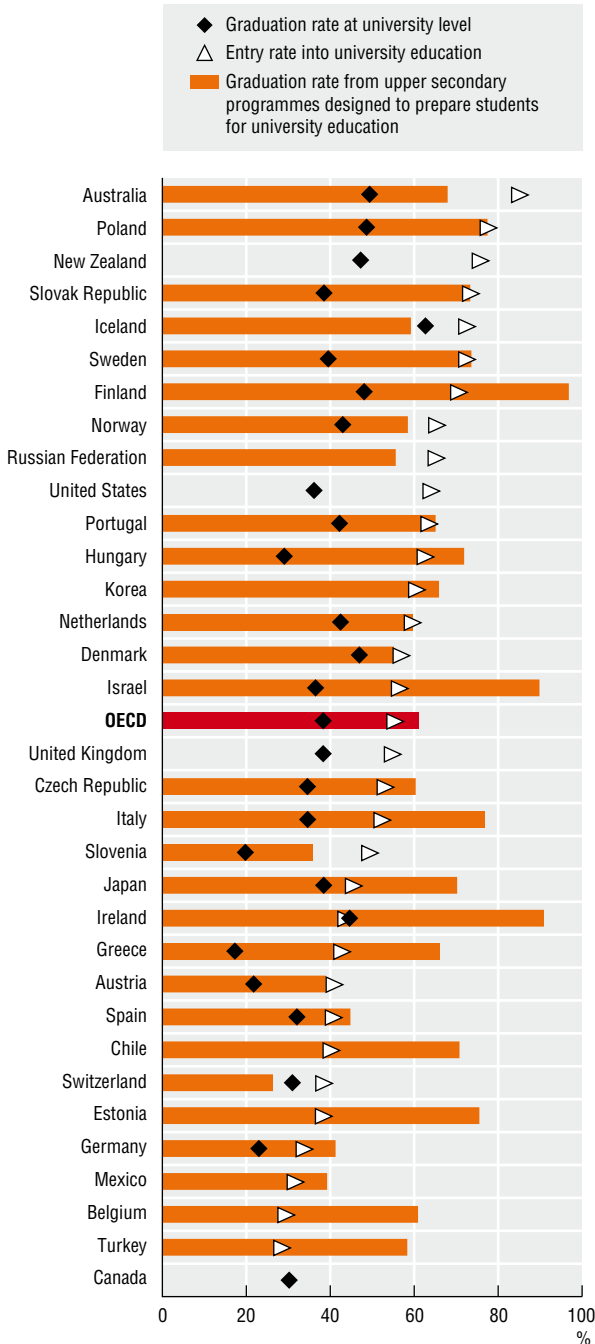


High graduation rates at university level indicate a country’s capacity to develop a highly skilled labour force. Increasing the number of students who enter and successfully complete a university programme requires efficient and flexible higher education systems. The cost and duration of studies and the lack of bridges between university and work may prompt students to leave their studies before graduation to enter the labour market.

Transition from upper secondary education to graduation at the university level, 2007

Graduation and entry rates



Source: OECD (2009a), Education at a Glance 2009: OECD Indicators, OECD, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/835354553320>

DID YOU KNOW?

In OECD member countries, four out of ten young people are expected to obtain a university degree during their lifetime.

(OECD, Education at a Glance 2009.)

Differences between upper secondary and tertiary education graduation/entry rates are due to many factors: the arrival of international students and pathways from vocational programmes inflate university entries, while access restrictions, military service or time spent working deflate entries.

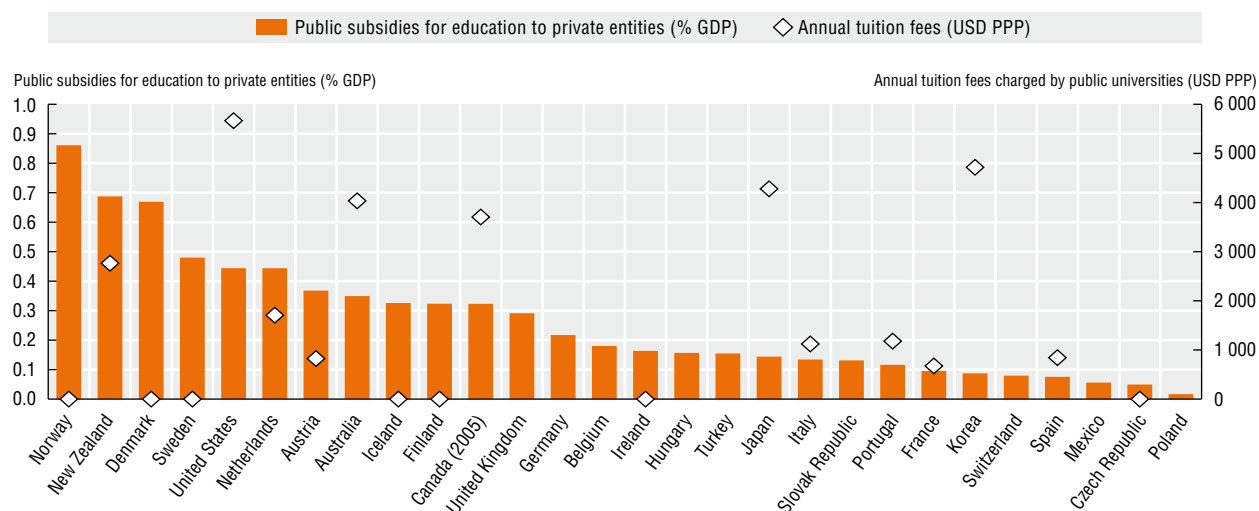
Entry rates are affected by tuition fees. Public subsidies that cover education costs and serve as a substitute for work income may encourage participation in education, particularly among low-income students. Public universities in the Nordic countries do not charge tuition fees, and both the level of public aid and the university entry rate are high.

Overall economic returns are a key driver of individuals’ decisions to invest in education beyond compulsory schooling. Very high private returns suggest that education should be expanded by increasing access and making loans more readily available, rather than by lowering the costs of education. Low returns indicate insufficient incentives for individuals to invest in education, either because education is not rewarded in the labour market, or because costs, in terms of tuition fees, foregone earnings and taxation, are relatively high.

Definitions

University education is tertiary-A education. Graduation rates are the estimated percentage of an age cohort that will complete the corresponding level of education during their lifetime. Entry rates represent the estimated percentage of an age cohort that will enter a university programme for the first time during their lifetime. Tuition fees are annual fees charged to students by public tertiary-A institutions. Public subsidies to households include grants/scholarships, student loans, family or child allowances contingent on student status, public subsidies in cash or in kind and interest-related subsidies for private loans. The net present value approach compares the discounted cash flows of costs (tuition fees and foregone earnings) and benefits (higher levels of earnings) from tertiary education (ISCED 5/6).

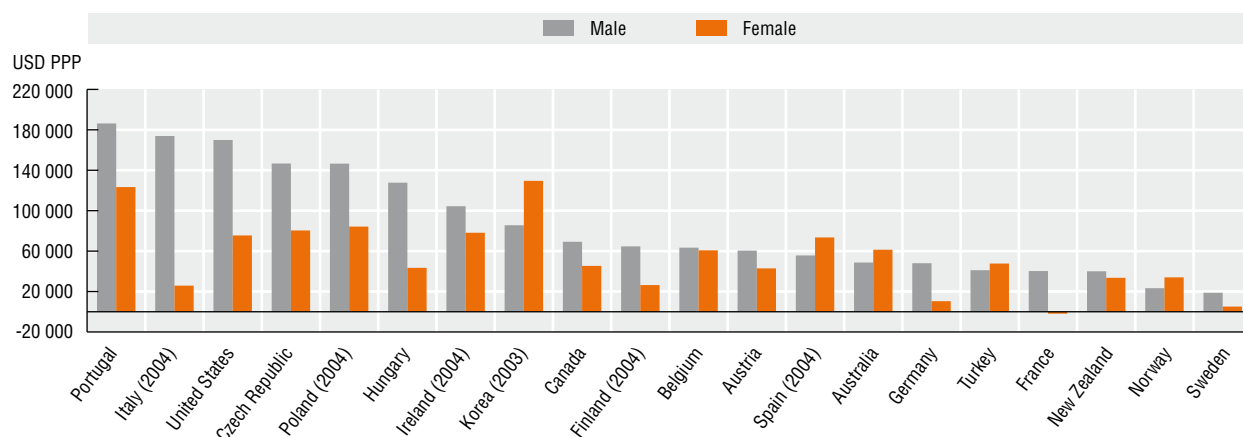
Annual tuition fees charged by public universities and public subsidies to private entities, 2007



Source: OECD (2009a), *Education at a Glance 2009: OECD Indicators*, OECD, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/835354553320>

Private net present value for an individual obtaining tertiary education as part of initial education, 2005



Source: OECD (2009a), *Education at a Glance 2009: OECD Indicators*, OECD, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/835354553320>

Measurability

In the calculation of private net present value, private investment costs include after-tax foregone earnings adjusted for the probability of finding a job (unemployment rate) and direct private expenditures on education. On the benefit side, the age-earning profiles are used to calculate the earnings differential between different educational groups (below upper secondary education; upper secondary or post-secondary non-tertiary education; and tertiary education). These gross earnings differentials are adjusted for differences in income taxes and social contributions as well as social transfers to arrive at net earnings differentials. The cash flows are further adjusted for the probability of finding a job (unemployment rates). These calculations are done separately for males and females to account for differences in earnings differentials and unemployment rates. From a policy perspective, awareness of economic incentives is crucial to understanding the flow of individuals through the education system. However, developing estimates of returns to education has some broad conceptual limitations and involves a number of restrictive assumptions for international comparability, see Chapter A8 in OECD (2009a), *Education at a Glance 2009: OECD Indicators*, OECD, Paris.