# **Why some university students are doomed to below-average earnings**

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It’s all about the money now in back-to-school planning.

How much will parents spend on school supplies, how much will it cost to go to university or college, and how much debt will that mean for students? These are the questions we’re asking, and good on us for doing so. Education is not so sacrosanct that we shouldn’t look at both benefits and costs.

In fact, it’s time to add another money question to our thinking about education. When attending university, what kind of payoff is there on the cost of earning a degree?

This question is the missing piece in all the efforts to help young people become more financially literate. Sure, talk to them about budgeting, smart and stupid spending and the toxicity of credit cards in the hands of people with no jobs. But then ask them what kind of job prospects and salary they expect to have after completing their chosen course of study.

A recent report from CIBC World Markets takes an unusually direct approach to answering these questions, and the results are just dismal for almost half of recent graduates. These are the young adults who study psychology, humanities, social sciences and education. The report, using the most recent Statistics Canada data available, shows that many people in these disciplines earn less than the median income in Canada, which is just under $30,000.

“Can someone who has a BA in history make less than somebody who [only] went to high school? It’s very possible,” said Benjamin Tal, deputy chief economist at CIBC World Markets and co-author of the report.

With tuition costs rising more than inflation on a regular basis, there’s been talk in recent years about whether a postsecondary education is worth the cost. CIBC finds the unemployment rate for graduates to be 1.7 percentage points below those who have only a high school education, but that’s down from a little over three percentage points in the 1990s.

In consulting StatsCan data, CIBC found that a bachelor’s degree gets you an average earnings premium of more than 30 per cent over a high school graduate. Yet after-inflation weekly wages for high school and college grads grew at a rate of 13 per cent over the previous decade, compared with just 8 per cent for holders of bachelor degrees.

The easy conclusion here is that a university education isn’t worth what it used to be. But that’s only true of certain degrees. In fields such as engineering, computer science, commerce and health, graduates are benefiting from huge earnings premiums over high school grads.

In any given year, an engineering grad can expect to earn 117 per cent more than a high school grad on average, while grads in math, computer and physical sciences make 86 per cent more. Fine- and applied-arts students make 12 per cent less, while grads in humanities and social sciences make 23 and 38 per cent more, respectively.

How can the payoff from studying humanities and social sciences be so puny? Mr. Tal theorizes that a high school grad will be open to a wide range of jobs, whereas holders of a BA may narrow their job search and thus miss out on some opportunities.

The trend of better-paying jobs being found in engineering and computer science has also been observed in the United States, Sweden and other industrialized countries. But, with the exception of commerce, there hasn’t been a meaningful flow of students into better paying careers.

We are not all capable of becoming engineers. I remember the day in Grade 13 calculus when I realized I was in over my head and sinking fast. Always a borderline innumerate, I tried calculus only to keep my options open. But engineering was never a realistic option, and I know plenty of people like me.

“We are not saying by any stretch of the imagination that we have to force people to become engineers if it’s not in them,” Mr. Tal said. But he figures that another 10 to 15 per cent of students could be lured into engineering and the sciences by making related high school courses more appealing.

As for those who prefer to study humanities, Mr. Tal suggests a closer collaboration between colleges and universities that would take a conventional BA and upgrade it with a more practical component.

The risk of spending big money on a university degree with little or no payoff has never been higher, the CIBC report concludes. That’s why both schools and parents need to talk to kids about how what you study influences your chances of having a good job and salary. Call it Financial Literacy For Students 101.

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