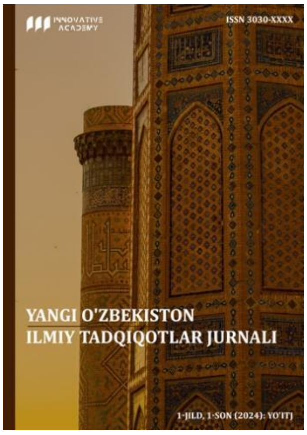

THE RELATIONSHIP BETWEEN EDUCATION LEVEL AND INCOME

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ABSTRACT

This study examines the relationship between education level and family financial outcomes using secondary data from the U.S. Bureau of Labor Statistics (2024) and the Federal Reserve Survey of Consumer Finances (2022). The analysis compares income, wealth accumulation, and the wealth-to-income ratio across four distinct educational cohorts. The results show that higher educational attainment is strongly associated with greater income, wealth, and financial efficiency. Families with advanced degrees earn over three times the income of those without a high school diploma and accumulate nearly 18 times more median wealth. These findings underscore education as a primary driver of economic mobility and highlight the need for policies ensuring equitable access to higher education.

1. Introduction

Education is widely recognized as one of the most powerful determinants of economic prosperity and social development. It equips individuals with the knowledge, skills, and competencies required to participate effectively in modern labor markets. As economies shift toward knowledge-intensive industries, the premium placed on higher education continues to grow, widening the gap between educational cohorts in terms of both income and accumulated wealth.

Numerous studies support a strong positive relationship between educational attainment and earnings (Becker, 1993; Wolla & Sullivan, 2017; Stryzhak, 2020). According to the OECD (2024), the private net financial return for obtaining tertiary education averages USD 343,000 for men and USD 292,700 for women across member countries — a compelling indication of education's long-term financial value. Moreover, data from the OECD's Education at a Glance (2024) reveals that the employment rate among 25–34-year-olds without upper secondary qualification stood at 61%, compared to 79% for those with at least upper secondary attainment.

Despite this evidence, less attention has been paid to the compounding effect of education on wealth accumulation — a metric that captures long-term financial security more comprehensively than income alone. This study addresses that gap by analyzing the relationship between education level and a range of financial outcomes: median income, median net worth, and the wealth-to-income ratio.

The purpose of this article is therefore twofold: (1) to document the magnitude of financial disparities across educational cohorts using recent national data, and (2) to discuss the policy implications of these disparities in the context of human capital theory and social equity.

2. Methodology

This study employs a quantitative, descriptive analysis approach using secondary data. Two primary data sources were used: (1) the U.S. Bureau of Labor Statistics (BLS, 2024) for median annual earnings by educational attainment, and (2) the Federal Reserve Survey of Consumer Finances (SCF, 2022) — the most recent triennial survey of U.S. family finances — for median net worth figures.

The analysis compares five key economic indicators across four educational cohorts: families headed by someone with no high school diploma, a high school diploma, a two- or four-year college degree, and an advanced (postgraduate) degree. A derived metric — the Wealth-to-Income Ratio — was calculated by dividing median net worth by median income for each cohort. This ratio measures financial efficiency, i.e., how effectively households convert annual earnings into long-term wealth.

Table 1 below presents the compiled data for all four cohorts.

Table 1. Family Financial Outcomes by Educational Attainment (2022/2024)

Education Level	% of Families	Median Income (2024)	Median Wealth (2022)	Wealth-to-Income Ratio
No high school diploma	~10%	$38,376	$38,100	0.99
High school diploma	~27%	$48,516	$106,800	2.20
Two- or four-year degree	~38%	$80,184	$464,600	5.80
Advanced degree	~14%	$122,876	$689,100+	5.60+

Sources: U.S. Bureau of Labor Statistics (2024); Federal Reserve Survey of Consumer Finances (2022).

3. Results

The data reveal a strong, consistent positive relationship between educational attainment and all three financial indicators. The key findings are summarized below.

3.1 Income and Education

The median annual income for families without a high school diploma stands at $38,376, while high school graduates earn $48,516 — a 26% increase. The gap widens substantially at the college level: families with a two- or four-year degree earn $80,184 (109% more than high school graduates), and those with an advanced degree earn $122,876, more than three times the income of those without a diploma (BLS, 2024).

3.2 Wealth Accumulation

The disparity in median wealth is even more pronounced. Families without a high school diploma hold a median net worth of $38,100, compared to $106,800 for high school diploma holders — nearly triple. College graduates hold a median wealth of $464,600, over 12 times that of the lowest cohort, while families with advanced degrees reach $689,100 (Federal Reserve SCF, 2022).

3.3 Financial Efficiency (Wealth-to-Income Ratio)

Importantly, the wealth-to-income ratio increases from 0.99 (no diploma) to 2.20 (high school diploma), 5.80 (college degree), and 5.60+ (advanced degree). This indicates that higher-educated families are not only earning more but are also converting their earnings into wealth at a significantly higher rate — suggesting greater financial literacy, access to investment tools, and long-term financial planning.

4. Discussion

The findings confirm that education functions as the primary engine of socio-economic mobility, consistent with Human Capital Theory (Becker, 1993). While income differentials across educational levels are significant, the disparities in wealth accumulation are even more striking — reflecting a compounding "multiplier effect" of education over time.

The increase in the wealth-to-income ratio from 0.99 to 5.80 suggests that higher education enables households to engage more effectively with financial markets, retirement planning, and investment vehicles. This is consistent with findings by Stryzhak (2020), who documented positive associations between education, income, and broader measures of economic well-being.

These results also have important equity implications. Families with only a high school diploma — representing approximately 27% of the population — hold a median net worth of $106,800, which may be insufficient for long-term retirement security in developed economies. The growing gap between educational cohorts risks entrenching social inequality across generations.

Furthermore, OECD (2024) data indicate that children from low-income families are, on average, 18 percentage points less likely to be enrolled in early childhood education, suggesting that inequality begins well before tertiary-level decisions are made. Addressing this requires systemic policy interventions targeting affordability and access across all levels of education.

One limitation of this study is that the data are drawn primarily from the United States; generalizability to other national contexts — including transition economies such as Uzbekistan — may be limited. Future research should incorporate cross-national comparisons and explore contextual factors such as labor market structure and education system quality.

5. Conclusion

This study demonstrates a robust and consistent correlation between educational attainment and family financial health. Using 2022–2024 data, the analysis confirms that higher education is associated with substantially greater median income, accumulated wealth, and financial efficiency. Families with advanced degrees earn over three times the income of those without a diploma and accumulate nearly 18 times more wealth.

The transition from high school to a college or advanced degree does not merely increase earnings — it transforms households' capacity to build long-term financial security. These findings reinforce the case for treating education as a critical public investment rather than a private good.

To foster a more equitable society, policymakers must prioritize the affordability and accessibility of higher education. Bridging the educational divide is not only an academic imperative but an economic necessity for reducing structural inequality and ensuring broad-based financial well-being.

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