



Is a trade qualification better than an arts degree?

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Introduction

A common theme in the tertiary education scene is the lack of esteem for vocational education and training vis-a-vis higher education. Job Skills Australia (JSA) in its report on tertiary harmonisation (Job Skills Australia 2025) voices concerns about the relative status of VET and Higher Education. Commentators bemoan that young men in particular do not give proper consideration to taking up a trade as an alternative to going to university, and intimate that we would be better off if more persons chose VET over higher education. We all know of examples of trades people who have done very well financially, and are richer than many with degrees. There is a general view that tradesmen are able to charge what they like and are making a fortune. The recent Federal government's support for Free-Fee TAFE is a clear example of encouraging a move to VET. If only we could encourage more into the trades. The rhetoric in the Australian Universities Accord Final Report is that Australia should set a target of 80% of the working age population with a post-school qualification rather than a target for the proportion of people with a degree, reinforcing the notion that degrees should not be privileged over VET qualifications. Similarly, Job Skills Australia (2024) estimates that over 90% of employment growth over the next 10 years will be in jobs that need post-secondary qualifications, with only half of that growth in university-qualified roles.

However, is it realistic to expect parity of esteem between university degrees and the VET certificates? After all, the conventional wisdom is there is a return to education and that on average those with degrees earn more than those with diplomas, who in turn earn more than those with a certificate. Therefore, it is not surprising that many parents encourage their children to go to university, and not surprising that over the last (how many?) decades that the proportion of persons with a degree has increased. If those with degrees earn more than those with VET qualifications then surely it is not surprising that there is a lack of parity of esteem between university and VET.

Is it the case that persons with a degree earn more than those with a VET qualification, though? Surely it depends on what degree and what VET qualification. Is it really the case that a person with a trade is better off than a person with an arts degree?

In this short paper we look at the data to examine the relative earnings of persons with degrees compared to those with VET certificates. We look at the Census data on income classified by level and field of study. To get a handle on relative wage rates, we restrict the data to males in full-time employment – after all our interest is how much those with trade qualifications earn relative to those with, say, an arts degree. We could of course undertake the same analysis for women, but there are few women in the trades (and most of those who are in the trades are hairdressers or in the food trades, both notorious for low pay).

Our methodology is to estimate the average weekly income for the various qualification levels and fields of study (for males in full-time employment). In addition, we compare the income distributions, to make the point that just because one group earns on average more than another group does not mean that all persons in the first group earn more than all in the second.

We also point out that we are considering weekly incomes for persons with a qualification at a particular level and in a particular field. There is no assumption about the occupation a person may be working in.¹ This is of particular relevance to persons with an 'arts' degree, which provides general skills rather than preparation for a particular occupation. We also note that the income

¹ For analysis of occupational employment and earnings see Karmel (2023a and b)

measure captures all income not just income earned from employment. Nevertheless, we would expect income to be dominated by employment earnings.

Average incomes

We begin by presenting the average weekly incomes for persons with various levels of qualifications².

Table 1: Average weekly income (\$2021s), males in full-time employment, by highest level of education and field of education, 2021

	Postgraduate Degree Level	Graduate Diploma and Graduate Certificate Level	Bachelor Degree Level	Advanced Diploma and Diploma Level	Certificate III & IV Level	Secondary Education - Years 10 and above
Natural and Physical Sciences	2534	2380	2226	1916	1559	
Information Technology	2259	2428	2328	1990	1698	
Engineering and Related Technologies	2486	2632	2445	2134	1785	
Architecture and Building	2046	2544	2425	2051	1671	
Agriculture, Environmental and Related Studies	2257	2258	2010	1756	1460	
Health	3107	2632	2540	1950	1648	
Education	2159	2085	2045	1889	1866	
Management and Commerce	2658	2777	2345	2121	1689	
Society and Culture	2618	2413	2409	1881	1448	
Creative Arts	2042	2020	1800	1633	1534	
Food, Hospitality and Personal Services	na	na	1458	1432	1420	
All fields	2533	2506	2317	1989	1697	1457

Source: ABS Table builder pro, 2021 Census

We see that there is a clear pecking order, with post-graduate degrees at the top and certificates III/IV at the bottom. We also note that there are several certificates III/IV where the average income is less than the secondary education benchmark, namely *Society and Culture*, and *Food, Hospitality and Personal Services*.

The variation is easier to see if we express the average incomes relative to the secondary education benchmark (Table 2).

² We have excluded persons with their field of education as 'mixed' field, not stated or inadequately described.

Table 2: Average weekly income premium relative to Secondary education, Years 10 and above, males in full-time employment, by highest level of education and field of education, 2021(%)

	Postgraduate Degree Level	Graduate Diploma and Graduate Certificate Level	Bachelor Degree Level	Advanced Diploma and Diploma Level	Certificate III & IV Level	Secondary Education - Years 10 and above
Natural and Physical Sciences	73.9	63.3	52.8	31.5	7.0	
Information Technology	55.0	66.6	59.8	36.6	16.6	
Engineering and Related Technologies	70.6	80.6	67.8	46.5	22.5	
Architecture and Building	40.4	74.6	66.5	40.8	14.7	
Agriculture, Environmental and Related Studies	54.9	55.0	38.0	20.5	0.2	
Health	113.2	80.6	74.3	33.8	13.1	
Education	48.2	43.1	40.3	29.7	28.1	
Management and Commerce	82.4	90.6	60.9	45.6	15.9	
Society and Culture	79.7	65.6	65.3	29.1	-0.7	
Creative Arts	40.2	38.6	23.5	12.1	5.3	
Food, Hospitality and Personal Services	na	na	0.1	-1.7	-2.6	
All fields	73.8	72.0	59.0	36.5	16.5	0.0

Source: ABS Table builder pro, 2021 Census

In terms of our interest in arts degrees versus the trades, we see that a bachelors degree in *Society and Culture* (which would contain arts degrees) has a premium 65.3% compared to a premium of 22.5% for a certificate III/IV in *Engineering and Related Technologies* and 14.7% for a certificate III/IV in *Architecture and Building*.

One drawback to the above analysis is that the ABS classification at this course level does not identify 'arts' degree as such; the *Society and Culture* group contains disciplines such as law and economics. To better identify 'arts' degrees we produce a table using a more detailed classification for degrees in *Society and Culture* and certificates III/IV in *Architecture and Building* and *Engineering and Related Technologies*. Table 3 shows the premium for bachelor degrees for fields covered by *Society and Culture*. We have excluded some fields if the numbers are too small to give reliable estimates of the average. We sort the qualifications by average weekly income.

Table 3: Bachelor degrees in *Society and Culture*, certificates III/IV in *Architecture and Building and Engineering and Related Technologies*, average weekly income, income premium, and percentage with incomes in the highest income category

			Average weekly income (\$2021)	Return of post-school qual (%)	% with income > \$3500 per week
1	Bachelor degree	Law	2987	105.0	36.3
2	Bachelor degree	Economics and Econometrics	2634	80.8	27.8
3	Bachelor degree	Society and Culture, nfd	2155	47.9	14.1
4	Bachelor degree	Political Science and Policy Studies	2133	46.4	12.7
5	Bachelor degree	Studies in Human Society	2118	45.4	12.9
6	Bachelor degree	Justice and Law Enforcement	2103	44.4	4.5
7	Certificate III/IV	Other Engineering and Related Technologies	2095	43.8	5.4
8	Bachelor degree	Librarianship, Information Management and Curatorial Studies	2079	42.7	10.0
9	Certificate III/IV	Building Construction Management	2044	40.3	8.6
10	Certificate III/IV	Aerospace Engineering and Technology	2030	39.3	5.6
11	Bachelor degree	Behavioural Science	2029	39.2	9.9
12	Bachelor degree	Language and Literature	1957	34.3	11.0
13	Certificate III/IV	Process and Resources Engineering	1956	34.2	8.6
14	Certificate III/IV	Electrical and Electronic Engineering and Technology	1941	33.2	5.6
15	Certificate III/IV	Mechanical and Industrial Engineering and Technology	1825	25.3	4.6
16	Certificate III/IV	Geomatic Engineering	1825	25.2	4.4
17	Bachelor degree	Human Welfare Studies and Services	1814	24.5	2.7
18	Bachelor degree	Sport and Recreation	1811	24.3	5.9
19	Bachelor degree	Other Society and Culture	1804	23.8	4.2
20	Certificate III/IV	Scaffolding and Rigging	1803	23.7	4.1
21	Certificate III/IV	Maritime Engineering and Technology	1792	23.0	5.3
22	Certificate III/IV	Building, nfd	1758	20.6	4.2
23	Certificate III/IV	Engineering and Related Technologies, nfd	1734	19.0	4.4
24	Certificate III/IV	Plumbing	1710	17.4	2.8
25	Certificate III/IV	Civil Engineering	1697	16.5	3.4
26	Certificate III/IV	Floor Coverings	1690	16.0	2.6
27	Certificate III/IV	Building, nec	1678	15.2	2.3
28	Certificate III/IV	Carpentry and Joinery	1673	14.8	2.9
29	Bachelor degree	Philosophy and Religious Studies	1667	14.4	4.0
30	Certificate III/IV	Automotive Engineering and Technology	1610	10.5	3.0
31	Certificate III/IV	Bricklaying and Stonemasonry	1593	9.3	2.2

			Average weekly income (\$2021)	Return of post-school qual (%)	% with income > \$3500 per week
32	Certificate III/IV	Ceiling, Wall and Floor Fixing	1546	6.1	1.7
33	Certificate III/IV	Roof Fixing	1543	5.9	2.3
34	Certificate III/IV	Plastering	1542	5.8	1.7
35	Certificate III/IV	Manufacturing Engineering and Technology	1524	4.6	2.1
36	Certificate III/IV	Glazing	1487	2.1	1.7
37	Certificate III/IV	Painting, Decorating and Sign Writing	1471	1.0	1.6

Source: ABS Table builder pro, 2021 Census

The two best paid degrees in the *Society and Culture* field are *Law* and *Economics and Econometrics*, neither of which are 'arts' degrees as such. However, the remaining *Society and Culture* degrees can be taken as 'arts degrees'³. On the whole, the 'arts' degrees appear towards the top of the table with the exception of *Human Welfare Studies and Services*, *Sport and Recreation*, *Other Society and Culture*, and *Philosophy and Religious Studies* (ranked 17, 18, 19 and 29 out of 37, respectively). While the degree qualifications tend to dominate there are a several certificates that appear toward the top of the table, namely *Other Engineering and Related Technologies* (ranked 7), *Building Construction Management* (ranked 9) and *Aerospace Engineering and Technology* (ranked 10)

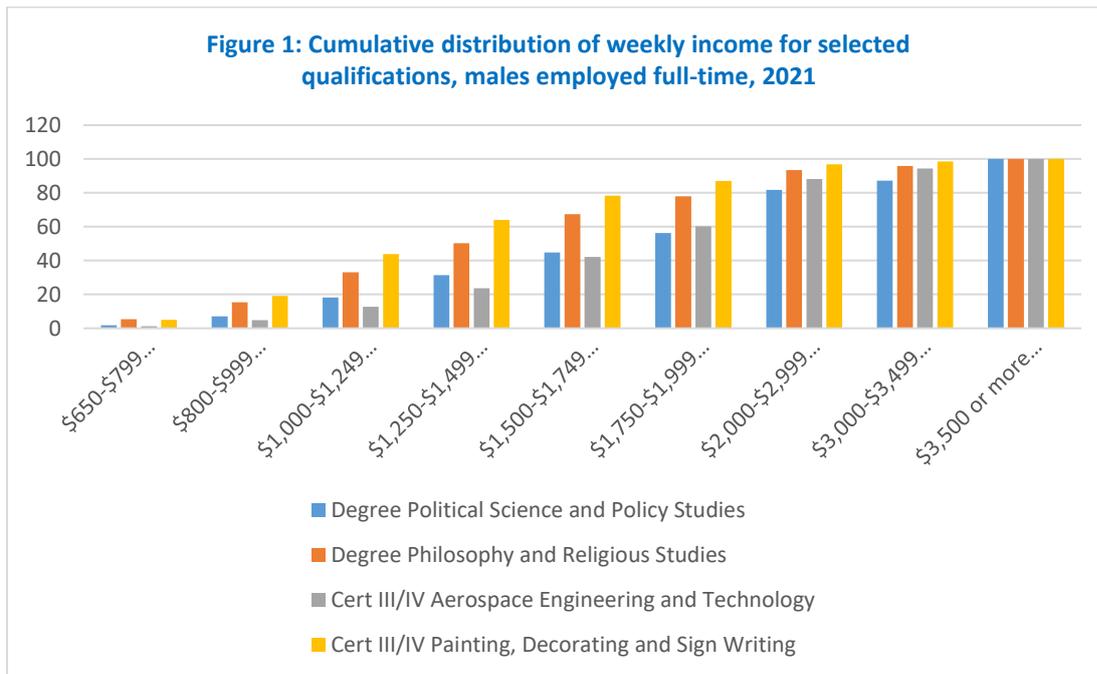
Thus, there is considerable overlap between 'arts' degrees and certificates III/IV. That said, the certificates in the building trades do not on the whole rank highly compared to the 'arts' degrees (the qualifications ranked 31-37 are mostly in the building trades).

A second point to emerge from this table is that are individuals earning high incomes in all these fields. For example, 1.7% of those with a certificate in *Painting, Decorating and Sign Writing* (the lowest ranked qualification in the table) reported income in the highest income category. We must recognise that incomes are distributed quite widely. While average incomes are higher in some fields than others, there is considerable variation in incomes within a field.

Income distributions

We illustrate this last point in Figure 1 where we present the cumulative distribution of weekly income for four qualifications representing high and low income 'arts' degrees and high and low income certificates (in *Architecture and Building* and *Engineering and Related Technologies*).

³ The inclusion of the *Sport and Recreation* field is arguable.



Source: ABS Table builder pro, 2021 Census

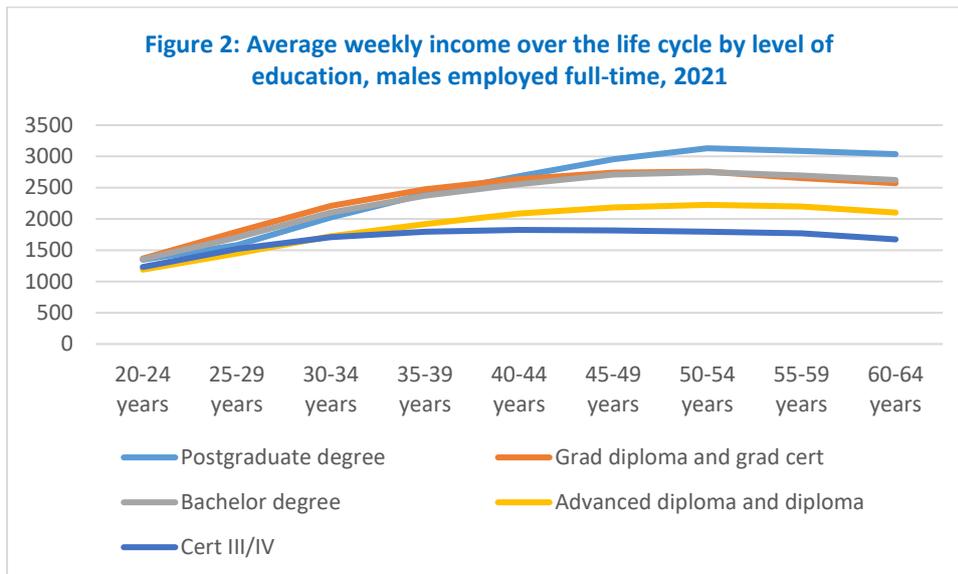
If we look in particular at the \$1250-\$1500 bracket (noting that this contains the average income for those without a post-school qualification) we see that around 30% of those with a degree in *Political Sciences and Policy Studies* had an income in this or a lower bracket, compared to around 25% of those with a certificate III/IV in *Aerospace Engineering and Technology*, 50% of those with a degree in *Philosophy and Religious Studies*, and 65% of those with a certificate III/IV in *Painting, Decorating and Sign writing*. So, no qualification guarantees an above average income and conversely, no qualification disqualifies an individual from a high income. Individual talent, hard work and even luck will all play a part. It is likely also to be the case that those with a propensity for a particular area are likely to be in the upper part of the distribution, and conversely those who don't have a propensity for the area have a higher probability of being in the lower part of the distribution.

This is an important point when individuals are investing time and money in these qualifications. A law degree on average may have a high return but is unlikely to have that return for an individual with little interest in it. We must also remember that there is a consumption element in any investment in education and training. An obvious example is the 'arts' degree with the lowest average income – *Philosophy and Religious Studies* - where the motivation for undertaking the study is unlikely to be future average income.

Income over the lifecycle

A further point to be made is that the income profile over the lifetime is quite different for those with a certificate III/IV compared to those with a degree. In general, there is a higher payoff to experience for persons with a degree than for persons with a certificate III/IV. The income between the groups may be very similar for younger persons at the beginning of their careers but not over the whole lifecycle: starting salaries are not a particularly good indicator of relative earnings.

We illustrate this with two figures. The first graphs average weekly income by the level of qualification. The second looks at specific qualifications.

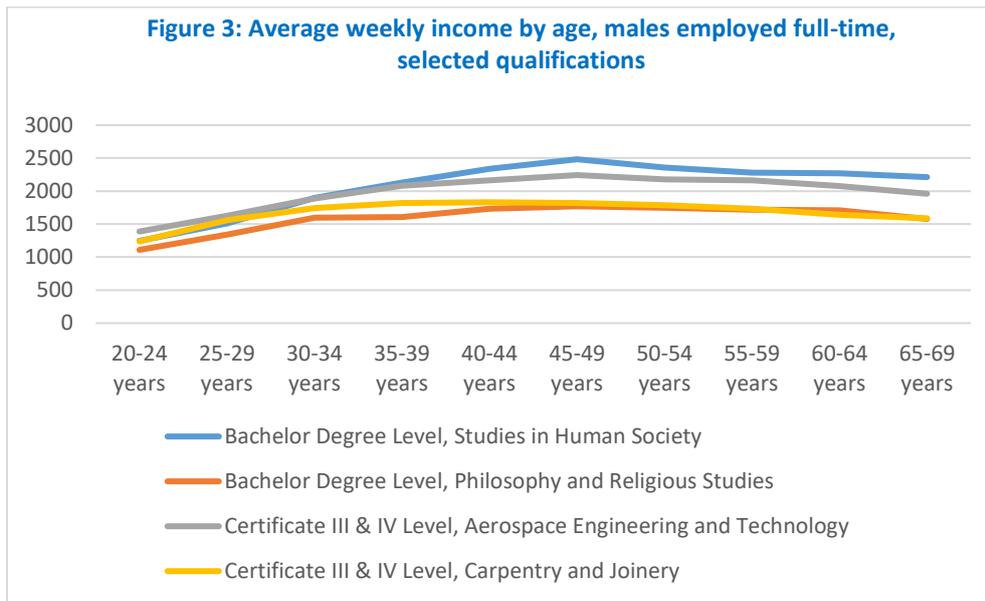


Source: ABS Table builder pro, 2021 Census

We see that the differences in incomes are very small at the beginning of a person's working career (20-24 years and 25-29 years) but increase over the life cycle. The maximum average income is achieved at age 50-54 years for those with degrees (and those with advanced diplomas and diplomas) but is achieved at 40-44 years for those with a certificate III/IV. This indicates that the return to experience tends to be the highest in the higher level qualifications and lowest for those with a certificate III/IV.

We plot analogous graphs for selected fields to illustrate the difference between careers for those with an 'arts' degree or a trade qualification. For the 'arts' degrees we select a typical arts degree - *Studies in Human Society* - and the least remunerative 'arts' degree - *Philosophy and Religious Studies*.⁴ For the trades we select a high earning certificate III/IV - *Aerospace Engineering and Technology* - and a very large typical building trade - *Carpentry and Joinery*.

⁴ Studies in human society includes *Anthropology, History, Archaeology, Human Geography, Indigenous studies, and Gender specific studies*.



Source: ABS Table builder pro, 2021 Census

We see a similar pattern as that in the previous figure, with small differences in the age groups 20-24 years and 25-29 years, and larger differences emerging around the age of 40. In all groups incomes rise in the first half of lifetime careers, with the maximum occurring at age 45-49 years for both degrees and the certificate III/IV in *Aerospace Engineering and Technology*. The maximum for *Carpentry and Joinery* occurs younger, at ages 40-44 years. We also note that the profile is flattest for the two qualifications with the lower levels of remuneration – *Carpentry and Joinery*, and *Philosophy and Religious Studies*.

Concluding comments

There is a current focus on the idea of parity of esteem in respect of the VET and university sectors. There is little doubt that there is a tendency for parents to push their children toward the university path rather than a VET path. I argue that the lack of parity of esteem is a product of the labour market rather than any innate snobbery in respect of the two sectors. That is, the university sector will be more highly regarded as long as it is the sector that leads to the better paid jobs. However, is it still the case that a university degree leads to a more highly paid job than a VET certificate? In particular, would individuals be better off doing a trade certificate rather than an arts degree?

The point of this paper is to look at the data on weekly incomes to throw light on this issue, making use of the Census data that provides average weekly income data classified by level and field of education. In order to focus on earnings and a comparison of ‘arts’ degrees and the trades we restricted the analysis to males working full-time.

Our findings are:

In general, those with a higher degree have higher average incomes than those with bachelor degrees, who in turn have higher average incomes than those with an advanced diploma or diploma, who in turn have higher average incomes than those with a certificate III/IV. And these differences are of real substance.

When we look at ‘arts’ degrees, which we define as a subset of bachelor degrees in the field of *Society and Culture*, the picture is more nuanced. We ranked, on the basis of average income, these ‘arts’ degrees against certificates III/IV in the fields of *Architecture and Building* and *Engineering and*

Related Technologies (some 37 qualifications). The ‘arts’ degrees dominated the top of the table. However, certain certificates ranked highly: namely *Other Engineering and Related Technologies* (ranked 7), *Building Construction Management* (ranked 9) and *Aerospace Engineering and Technology* (ranked 10). So, it is not the case that all arts degrees are remunerated better than a VET certificate III/IV. On the other hand, the building trade qualifications were at the bottom of the table.

As an example, a person with a bachelor degree in *Studies in Human Society* had an average income of 45.4% higher than a person with no post-school qualification, while the premium was 14.8% for a person with a certificate III/IV in *Carpentry and Joinery*.

On this basis, an arts degree is a good proposition compared to a trade certificate.

We also note that a large difference between the incomes of those with an ‘arts’ degree compared with a trade is the return to experience. The differences between the two groups are small for young persons but considerably larger for middle aged persons. Incomes for those with degrees increase at a greater rate and for longer compared to those with a certificate. The maximum average income is achieved at age 50-54 years for those with degrees (and those with advanced diplomas and diplomas) but at 40-44 years for those with a certificate III/IV.

However, there are caveats:

- There are some fields where there is little payoff to a degree on average. Examples are *Philosophy and Religious Studies* and *Creative Arts*.
- There is considerable variation in incomes within a field: No qualification guarantees a high income. In all fields there are individuals who earn considerably less than the average income for persons without a post-school qualification. Similarly, we observe individuals with high incomes in all fields of study; even in the lowest income field we looked at – *Painting, Decorating and Sign Writing* - almost 2% of the individuals were in the highest income band.
- An individual’s income will depend on many factors: hard work, their propensity and talent for the type of work they have chosen, and luck. Average returns are exactly what they describe – averages over many individuals. The fact that there is a handsome return on average does not mean that there will be a return for every individual.
- It is also the case that our analysis uses cross-sectional data at a point in time, and therefore the life cycle analysis does not track particular age cohorts. It is always possible that the return to experience may be different in the future from what we have observed historically.

While ‘parity of esteem’ may be of concern to politicians, what really matters is the return to a particular qualification for an individual person. This will depend on what is going on in the labour market, educational participation levels, and individual characteristics. The labour market balances the demand for and supply of labour. Demand depends on factors such as demographics and technological change. Supply depends on individuals’ willingness to work and their qualifications.

Historical analysis (Karmel 2023b) suggests that the supply of people with qualifications grew faster than demand over the period 2011 to 2021, resulting in a decline in the premium attached to qualifications. The decline was observed in all qualifications from certificates III/IV to higher degrees, but was most pronounced for higher degrees, followed by bachelor degrees. There were smaller

declines for those with diplomas and certificates. If these trends continue then the average incomes of those with arts degrees may decline somewhat relative to a trade certificate, but there would have to be a dramatic oversupply of persons with an arts degree to remove the premium associated with the degree.

However, as we have noted a number of times, averages are simply averages. Life is driven by what happens to an individual, rather than average income levels. Average incomes across different qualifications are an important consideration but that is all.

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Technical note

Our measure of earnings is the weekly income variable collected in the census using the ABS Census TableBuilder Pro for 2021 on individuals' characteristics. This variable is expressed in ranges and so to calculate overall averages we need to impute an average income for the group of employed (full-time) persons we are interested in.

Our methodology is to:

- Exclude those whose income was less than \$650 in 2021. This figure was chosen as the income range that was less than the legal minimum wage \$772.60 per week in 2021 (Hamilton 2022, page 74). Those with negative incomes were also excluded.
- Estimate an upper bound for the top income interval of more than \$3500 in 2021. This was done by assuming that the distribution in the top two intervals (i.e. \$3000 and \$3500 plus) was uniform. For example, if there were 1000 persons in the 3000-3500 interval and 1500 in the 3500+ interval the upper bound was estimated by $\$35000 + 1500/1000 * 500 = \4250 .
- Use the mid-point of each income interval in the calculation of the average.