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Education Pays in Iowa Report: Strong Return on Investment in Workforce Education

IOWA CITY, Iowa (May 28, 2009) — Iowa could boost its economy and budget, help low-income workers and better prepare for the future if the state were to invest more in workforce education.

“Whether the indicator is unemployment rates, wages, or poverty, it is undeniable that education pays for Iowans,” said Lily French, research associate for the nonpartisan Iowa Policy Project (IPP) and co-author of a new report on the state’s return on investment from workforce education.

“You give people access to higher education and there are a myriad of benefits that happen at the individual and state levels,” French said.

French and IPP Research Director Peter S. Fisher proposed a scholarship program and other post-high school education to help lower-income adults get the skills they need in a changing economy.

“Economic issues and public policy choices are linked,” Fisher said. “When low-income adults have access to increased education and workforce training, they see greater lifetime earnings. This generates tax revenue — and we find that the gains more than offset the costs of providing that better education access.”

French and Fisher found that investing in postsecondary education for low-income adults returns tax revenue more than double the state’s costs.

“For every dollar the state invests in helping someone get education beyond high school if they otherwise would not, it gets more back. For an associate’s degree, the return is \$3.70 for each dollar; for a bachelor’s degree, it’s \$2.40,” French said.

The most recent data from Iowa Workforce Development show nonfarm, or payroll, jobs were at a 40-month low in April, with a sharp drop in recent months in a state where wages already were stagnant for less-educated workers. Combined with a projected shortage of skilled labor and rising costs of postsecondary education, the authors said the situation is daunting — and an opportunity — for workers who currently have low skills.

“The critical issue is access to education,” French said. “We already know workers who increase their skill levels ultimately work and earn more.”

The report stated that Iowans with a bachelor’s degree earn, on average, \$7.26 per hour more than those with a high school diploma. And the education-wage gap has grown. Between 1979 and 2007, the wages of workers with a college degree grew 17 percent while the wages of workers with less than a high school diploma declined by 27 percent, after inflation, other IPP research has noted.

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The authors said Iowa needs to address its current low standing (37th) in the percentage of college-educated heads of households, its need for more highly educated workers in the future, and the high cost of college.

“Iowa may well have up to 150,000 more jobs than workers by 2012,” Fisher noted. “And the fastest-growing sectors demand workers with postsecondary education and training — for jobs that are most likely to provide family-supporting wages. Is Iowa offering what its residents need to meet those demands? We think it’s clear more can be done.”

The report recommends that the state:

- Expand financial aid for postsecondary education with a tuition scholarship program for low-income workers and fully funding Iowa’s Work-Study program;
- Promote education and training for clients in Iowa’s Temporary Assistance to Needy Families program and using federal stimulus funds for support; and
- Modify Iowa’s Workforce Investment Act plan to enhance training provisions from the stimulus legislation, and using discretionary funds to advance postsecondary education opportunities.

The Iowa Policy Project is a nonpartisan, nonprofit policy research and analysis organization in Iowa City. IPP reports on economic opportunity, tax and budget policy, and energy and environmental issues are available at www.IowaPolicyProject.org.

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