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EDUCATION PAYS IN IOWA

State Sees Return on Investment in Workforce Education

Investments in workforce education improve economic prospects for Iowa families, and in the process boost the state budget. Our analysis finds that investing in postsecondary education for low-income adults returns tax revenue more than double the state's costs. In fact, the state can garner \$3.70 in increased tax revenue for every dollar invested in an associate's degree and \$2.40 for every dollar invested in a bachelor's degree for low-income adults.

State investments in workforce education can also greatly improve the economic futures of Iowans struggling to support their families. In a state where wages are stagnating for less-educated workers, many Iowans were having a difficult time making ends meet even before the current recession began. Further, a projected shortage of skilled labor combined with the rising cost to families for postsecondary education demands that Iowa invest in workforce education to address our state's education gap.

No matter the indicator — unemployment rates, wages or poverty — it is undeniable that education pays for Iowans. This holds true even in hard times, as better-educated workers are less likely to fall into poverty when they hit economic difficulties because they spend less time without work after a job loss and are more likely to be re-employed at comparable wages and at jobs that offer health insurance.¹

Where Iowa Stands

➤ **Iowans struggle to get by as wages for less-skilled workers shrink.**

At one time a high-school diploma or GED provided reasonable access to jobs that pay well. However, changes in technology, labor markets and global competition have resulted in the loss of well-paying jobs in manufacturing, information and wholesale trade, and an increase in lower-paying employment opportunities. As wages for less-skilled workers shrink, families struggle to cover basic living expenses.

➤ **Iowa lacks a college-educated workforce.**

While Iowa leads the nation in many indicators of educational quality, we rank 37th in the nation for the percentage of household heads with at least four years of college. Iowans are more likely to have a high-school diploma or GED than their counterparts nationally, but less likely to have a college degree. Over 56,000 more Iowans would have postsecondary degrees if Iowa were at the national average.²

➤ **Iowa will need more highly educated workers.**

While Iowa and the nation are currently experiencing high rates of unemployment, Iowa will face a labor shortage when the current economic crisis ends and the state economy recovers due to the state's historically stagnant population growth and the impending baby-boom retirements.³ Additionally, the top 10 fastest-growing Iowa occupations all demand workers with postsecondary education and training.⁴

➤ **College in Iowa has become less affordable.**

Higher education has become too costly for many without financial assistance, making it increasingly difficult for Iowans to invest in their own education and training. In *Measuring Up 2006: the State Report Card on Higher Education*, the National Center for Public Policy and Higher Education gave Iowa a failing grade on the

affordability of postsecondary education due to two factors: (1) the large share of family income needed to attend public two- and four-year colleges, particularly among low- and middle-income students; and (2) the very low state investment in need-based financial aid and the lack of low-tuition college options.

Policy Recommendations

When low-income adults have access to increased education and training, their lifetime earnings increase substantially, generating tax revenue for the state that more than offsets the cost of investing in this access. To garner the largest fiscal returns and set the state firmly on the path toward economic growth, Iowa must ensure that low-income workers get the education, training and supports they need to gain the skills and credentials required to access good jobs with family-sustaining wages. Based on a review of relevant research and our return-on-investment findings, Iowa should:

- Expand financial aid to help low-income working adults pay for postsecondary education, by
 - Creating a tuition scholarship program for low-income workers to pursue an associate or bachelor's degree at one of Iowa's public colleges;
 - Fully funding Iowa Work-Study at its standing-limited appropriation of \$2.75 million.
- Promote education and training within Iowa's TANF program, by
 - Directing program administrators and case managers to promote education with Promise Job clients;
 - Using American Recovery and Reinvestment Act (ARRA) TANF Emergency Contingency funds to support education and training for a greater number of TANF participants.
- Modify Iowa's WIA plan to enhance training provisions, by
 - Setting local funds for training at minimum level required for eligibility to additional discretionary funds;
 - Using discretionary funds to advance postsecondary educational opportunities.

Conclusion

Iowa is already struggling with declining wages and will face a workforce shortage and a critical skills gap when the economy recovers. While education boosts wages, Iowa's current investments are inadequate to assure access to education for those who need it to improve skills, but cannot afford it. Without skills, Iowa workers face increasing difficulties in securing a family-supporting wage. Without skilled workers, Iowa businesses and the state's economy suffer. Providing education and training opportunities can improve workers' long-term employment and earnings prospects, as well as generate additional revenue.

Our analysis finds that a scholarship program for low-income workers to obtain an undergraduate degree yields a positive fiscal return. With stimulus funding available to serve more families under both TANF and WIA, now is the time to make investments for Iowa's growth. Expanding access to education and training for low-wage workers is particularly important when economic prospects are dim. An investment in workforce skills would prepare Iowans for the future and contribute to rebuilding our economy.

For more information, please see the Iowa Policy Project's analysis *Education Pays in Iowa: The State's Return on Investment in Workforce Education*.

Executive Summary <http://iowapolicyproject.org/2009docs/090528-ROI-educ-xs.pdf>

Full Report <http://iowapolicyproject.org/2009docs/090528-ROI-educ.pdf>

¹ Jason E. Bordoff, Jason Furman and Paige L. Shevlin, *A Hand Up: A Strategy to Reward Work, Expand Opportunity, and Reduce Poverty* (The Brookings Institution, 2007).

² Charles Bruner and Mike Crawford, *Securing Iowa's Economic Future: Strengthening Skills, Work Supports, and Economic Security for Working Families* (Iowa Fiscal Partnership, 2006).

³ Iowa Works Campaign, *Meeting Iowa's Workforce Challenge* (Iowa Works Campaign, 2006).

⁴ *Iowa State WIA Plan, 2005-2007*; Bureau of Labor Statistics, *Occupational Outlook Handbook, 2006-2007 edition* (U.S. Department of Labor, 2006); Iowa Department of Workforce Development, *2012 Statewide Iowa Job Outlook*.