

# WEST MICHIGAN VIEWPOINT

## Back to School

As students return to school, it is a good time to review the importance of education, both to the future earning potential of the students themselves and to regional economic development. At the same time, we must recognize that supporting education as an economic development tool carries with it a major challenge. This challenge may be best summed up by the tired first-grader who complains that he or she will be in school *forever*. Even though that may seem to be the case from the child's perspective, "forever" eventually finishes and graduation arrives.

In the same way, although it may seem so, it won't take "forever" to realize the economic payoffs to an area from strongly supporting education. However, it will take many years before the benefits of a more educated workforce surpass the initial cost of education.

The financial return on education for the individual has been known for a long time. According to the Department of Labor, a graduate of a four-year college can expect to earn \$2.8 million over his lifetime, whereas a person who goes no further than high school can expect to earn only \$1.6 million (in 2008 dollars). In addition, college grads have fewer bouts of unemployment. In 2007, the unemployment rate for four-year college graduates was just 2.0 percent, compared to 4.4 percent for high school graduates.

But again, it is the gap in earnings, not unemployment, that is the issue. There are plenty of low-wage job openings that require only a high school diploma and short-term on-the-job training. In fact, according to U.S. Department of Labor forecasts, nearly 42.7 percent of all job openings that arise from growth and replacements during the 10-year period ending in 2016 will require, at most, high school combined with some short-term on-the-job training. Not surprisingly, these jobs pay low wages. In 2006, the average income for occupations requiring only a high school degree and short-term on-the-job training was approximately \$19,500.

When it comes to education, what is good for the individual is good for the community as well. A recently released RAND report, *The Impact of Educational Quality on the Community* ([www.rand.org](http://www.rand.org)), summarizes the findings of an extensive literature review of studies that explore the relationship between the quality of K-12 education and the community's social and economic well-being. The authors found two studies that statistically document a positive and statistically significant relationship between improvements in reading and math scores and the school district's residential property values. In addition, the authors report numerous studies that find a statistical association between school performance and student achievement and lower crime rates.

Just as educational achievement leads to strong financial advancement for the individual, the educational achievement level of a community's workforce is also strongly related to its per capita income growth. The economic development challenge, then, is to attract and retain highly educated workers, who as a group are highly mobile and who can often pick their community. Evidence suggests that high-amenity cities, characterized by having low earning-to-housing cost ratios—as summarized by the old saying, "half your pay is a view of the bay"—are doing better than high-productivity cities, where output per worker is high.

Indeed, economic development has become a race for talent as much as a race for factories. Nowadays, amenities get equal billing with tax abatements on machinery in most economic development brochures. A big part of a community's amenities package is the quality of the community's schools as well as the community's commitment to its schools. The great interest shown by communities throughout the nation in constructing community scholarship programs similar to the Kalamazoo Promise is clear evidence that they see the importance of education to the economic well-being of the community.

However, the tired first-grader has a point. It takes a long time to see the benefits of schooling. Timothy Bartik, a senior researcher at the Upjohn Institute, has found that the net present value of a universal preschool program per \$1.00 invested is \$3.79 on a national basis, compared to \$0.65 for business subsidies. Children who attend a preschool program have a greater probability of doing well in school, staying in school, and going to college. But society must wait at least 20 years for those children to become productive workers before it can enjoy the benefits of its preschool investment. Another disincentive is that since many young people leave home for college and career, a state or community will not see the full benefit of its investment in preschool education; much of it will be cast on the winds to the wider world.

Two of the more important life skills that we try to instill in our children are patience and foresight. And those are two that we must learn as well, if we are ever to reap the benefits of being a high-amenity area boasting a highly educated workforce. Returning once again to the tired first-grader, I am afraid this child is right: he or she will likely be a lifelong learner. School will be forever, as he or she retools for the changing future.