

HAND IN HAND: EDUCATION AND ECONOMIC DEVELOPMENT IN IDAHO

Paul A. Lewin • Willem J. Braak



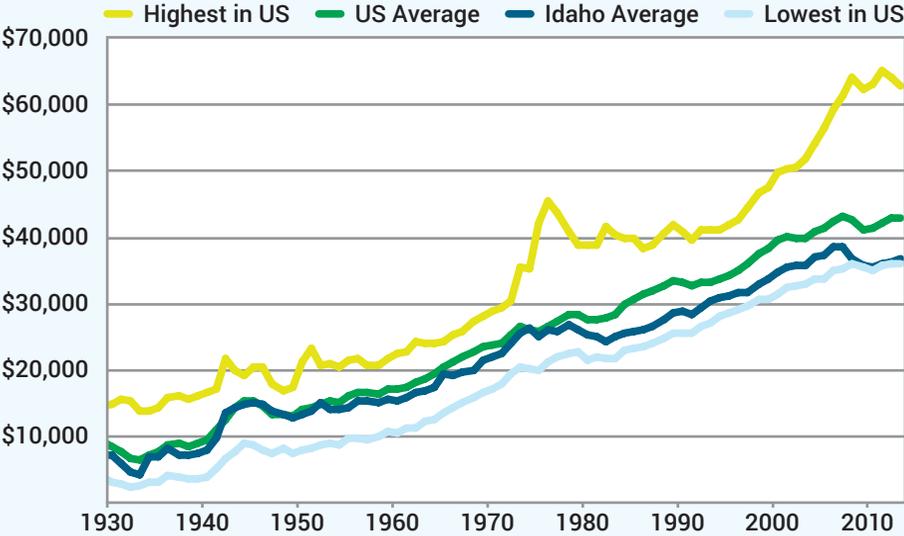
This is a snapshot of key findings and insights from “Economic Returns to Education in Idaho,” in which the University of Idaho’s Paul Lewin and Willem Braak shed light on the interconnectedness of post-secondary education and economic development in Idaho.

The full report is available online at
www.rociidaho.org/research-publications

Idaho's per capita income is one of the lowest in the US

Between 1929 and 1977, the state's per capita income was near the national average. It dropped during the 1980 recession; however, unlike the national average, it failed to return to its original trajectory. This pattern repeated with the 2008 recession. As of 2014, Idaho's per capita income was one of the lowest in the nation.

Per capita income: Idaho v. US



There are two related explanations for Idaho's low per capita income:



Idahoans have a lower average educational attainment



The Idaho economy is dominated by low-wage industries

Of course, individuals' decisions to pursue higher education are influenced by the perceived value of that education in the job market.

Similarly, a company's decision about whether to locate in Idaho is influenced by its perception of the available workforce.

Economists and policymakers agree that higher education levels generally produce higher incomes. Unfortunately, although the state has a high percentage of high school graduates, too few Idahoans go on to college. Those who do go on to college are more likely to drop out than graduate.

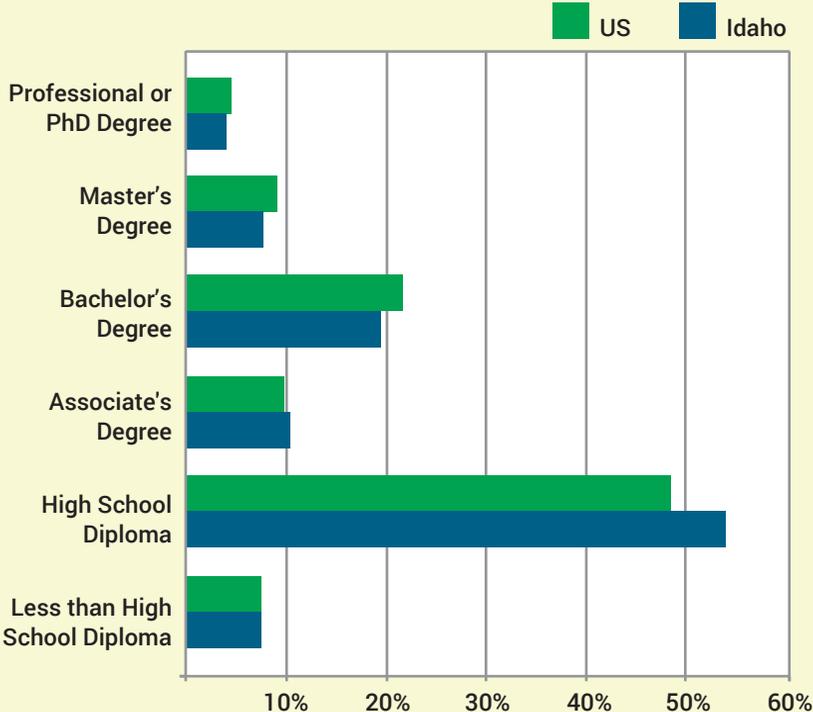
In 2008–09, Idaho had the fifth lowest high school dropout rate in the nation, but...

- ranked 46th in terms of high school students going on to college



- has a 38 percent graduation rate at four-year public colleges, among the lowest in the nation

Educational attainment in Idaho and the US



THE WILD CARD: MIGRATION

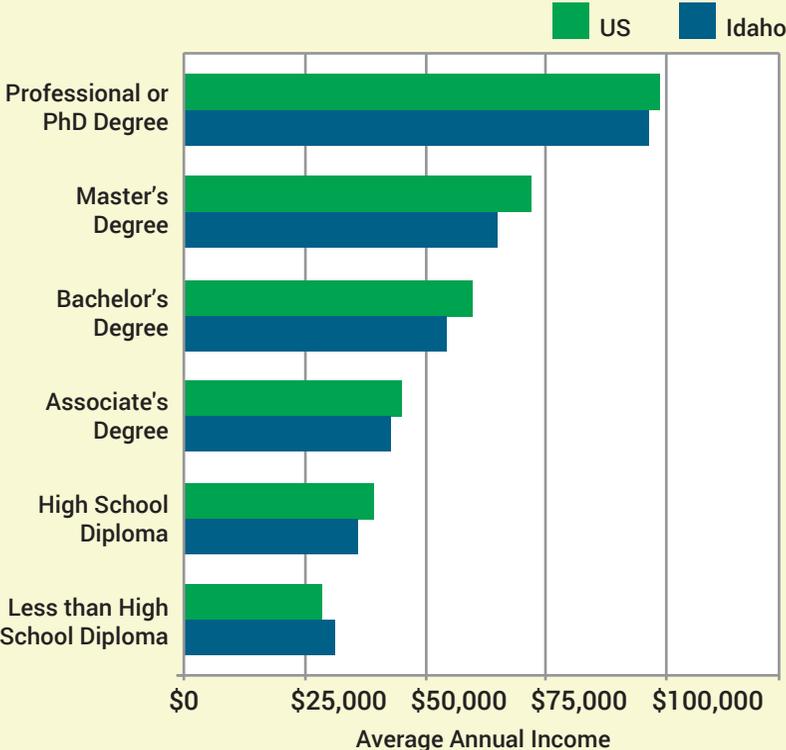
In addition to the educational attainment of Idahoans, there is also the issue of migration across state borders.

There is a slight net in-migration of college-educated workers into Idaho, meaning that more college-educated people move into Idaho than leave.

However, the in-migration of workers with a high school diploma or less is much higher than the out-migration.

Migration yields a lower average educational attainment overall.

Those with college degrees in Idaho earn more than those without. Unfortunately, they earn less than their college-educated peers in other states.



The total earned income of Idaho workers is 6.8 percent lower than the national average. The difference in educational attainment between Idaho and the US accounts for **17 percent** of this gap.

What else contributes to this gap?

Idaho's economy is concentrated in low-wage industries.



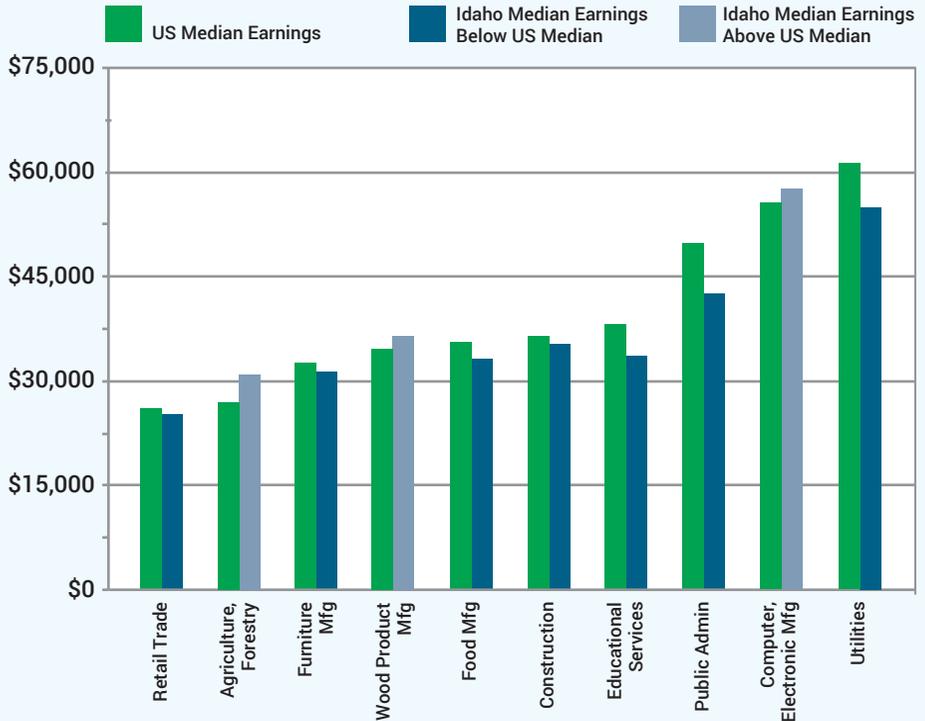
Industries important to Idaho's economy

These five industries represent 22.3 percent of employment in Idaho, compared to 12 percent in the US overall:

- Agriculture & Forestry
- Wood Products
- Food Manufacturing
- Construction
- Computer & Electronic Manufacturing

Of the 5 industries critical to Idaho economy, all but Computer & Electronic Manufacturing are low-wage.

Median earned income per industry: Idaho v. US



Economists use the term ***return on schooling*** (or return on education) to describe the relationship between the earnings premium—the boost in wages that often comes with higher education—and the cost of education.

The rate of return on education for full-time workers in Idaho is 7.3 percent per year, slightly below the national average of 7.7 percent per year.

The rate of return on education measures how much an additional year of schooling increases the total earned income of an individual.



What industries are important to the return on education in Idaho?

Agriculture & Forestry

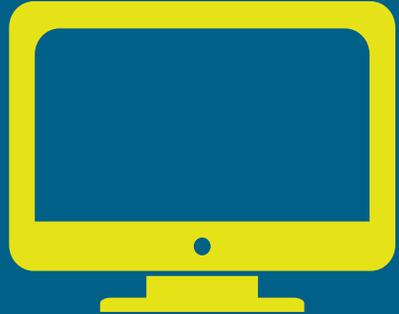


Although median income is not significantly different between Idaho and the US, the average full-time agricultural worker in Idaho is more educated.

This industry has the lowest return on education. Each year of additional education increases earned income by just 4.3 percent. However, it represents 6.2 percent of the state's workforce.

Computer & Electronic Manufacturing

This industry, which employs 3.2 percent of Idahoans, has one of the highest rates of return on education in the state. One year of additional education earns a full-time worker in this industry 8.7 percent more pay.



There is no significant difference in median income between Idaho and the nation, but Idahoans in this industry are again more educated than their US peers.

Health Care & Social Assistance



Health Care & Social Assistance, which employs 12 percent of Idahoans has the highest rate of return on education in the state. One year of additional education earns a worker in these industries 9.8 percent more pay.

Idahoans who work in this industry earn 5.2 percent less than their US peers. Idaho workers are less educated than their national counterparts, and their lower levels of education explain 23 percent of the pay gap.

SO FAR, WE KNOW:

- The average Idaho worker has lower-than-average educational attainment
- Idahoans generally earn lower wages than their peers with similar educational backgrounds across the state's borders
- Idaho's economy is concentrated in low-wage industries

What can we do to change this?



**We can learn from
Idaho communities
that are investing
in innovation,
partnerships,
and education.**

Connections between industry, education, and opportunity

In Twin Falls, Idaho, yogurt-maker Chobani is helping to transform the local economy:

In 2012, Chobani built a \$450 million plant in Twin Falls, taking full advantage of the nearby dairy industry. This is now the world's largest yogurt plant, processing 4.2 million cases of yogurt per week.

The College of Southern Idaho has collaborated with Chobani to support job-training programs—from floor workers to managers.

The University of Idaho is also dedicating more research to issues that affect the dairy industry, such as how local farms can turn byproducts of the manufacturing process into profits.

Rural communities are responding to a changing economy and a rapidly aging workforce

A partnership in North Central Idaho is helping to prepare high school students for high-skill jobs. Consisting of local economic development agencies, higher education institutions, school districts, and a manufacturing association, the partnership was formed in response to a decline in traditional industries such as timber and agriculture as well as a need for entry-level workers in the burgeoning manufacturing industry.

The partners developed a preparation pipeline for local high schools. Activities included: introducing students to tools used on the job, such as Computer Aided Drafting and Design (CADD); providing training for teachers in CADD methods and software; and pairing students with mentors from local businesses.

Idaho communities are moving forward with place-based initiatives to improve education and the economy

Residents of McCall started a privately funded initiative in 2013 to offer advanced education in fields connected to the local economy, such as tourism and hospitality. They also teamed up with the local economic development council to support a new business initiative aimed at stimulating local entrepreneurship and sustainable economic diversification.

This is an example of a community playing to its strengths—located next to Payette Lake and Payette National Forest, the town’s residents have created businesses that cater to tourists looking for a relaxing dip in the hot springs and those looking to ski and snowboard on the nearby slopes. They also provide services and activities appealing to locals, such as hunting trips and a winter carnival.

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**THREE
RECOMMENDATIONS**
for education, business, and
policy leaders.

RECOMMENDATION

1 Rural areas can be great places to live and work—but they must support change

In order to attract highly skilled workers and retain the best and brightest workers, rural communities need to be livable communities.

This doesn't mean scrapping a rural way of life. It means broadening access to the amenities and infrastructure that are necessary to attract and retain leaders, entrepreneurs, and a new generation of rural residents.

This should include:

- **Access to amenities:** Community colleges, bike paths, green spaces
- **Robust communications infrastructure:** Access to broadband in schools and libraries

RECOMMENDATION

2 Invest in education and explore partnerships with local industries

Rural communities must invest in education. In communities throughout rural Idaho, industries as diverse as agriculture, tourism, manufacturing, and technology—in the presence of robust educational training programs or institutions—have helped to jumpstart economic growth.

These investments can take many forms:

- **Internships** with local businesses
- **Advanced education** in fields connected to the local economy
- **Partnerships** between schools and the business community

RECOMMENDATION

3 Reinforce connections between schools, community, and industry

Regions that resemble ecosystems of innovation, such as Twin Falls—home to Chobani, where need, opportunity, and local know-how reinforce each other—have sparked tremendous economic growth in recent years.

These regions also demonstrate three distinct feedback loops that increase the pace of innovation:

1. **Industry Linkages:** Where the ideas or problems of one company spur innovation for suppliers or users
2. **Research Linkages:** Where knowledge centers prompt ideas, inspire entrepreneurship, and learn from the results of industry experience
3. **Spatial Concentration:** Where geographic proximity allows for cooperation and spillover benefits

**For more on this topic, read the full paper,
“Economic Returns to Education in Idaho”
at www.rociidaho.org**

About ROCI:

The Rural Opportunities Consortium of Idaho (ROCI) was launched by the J.A. and Kathryn Albertson Family Foundation of Boise, Idaho during the summer of 2013. Since then, Bellwether Education Partners and a task force of experts led by Dr. Paul T. Hill have been working to foster a better understanding of the issues that affect rural education, inform policy discussions, and bring attention to the unique needs and circumstances of rural school children. To learn more about ROCI and read our publications, visit our website, www.rociidaho.org.

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