

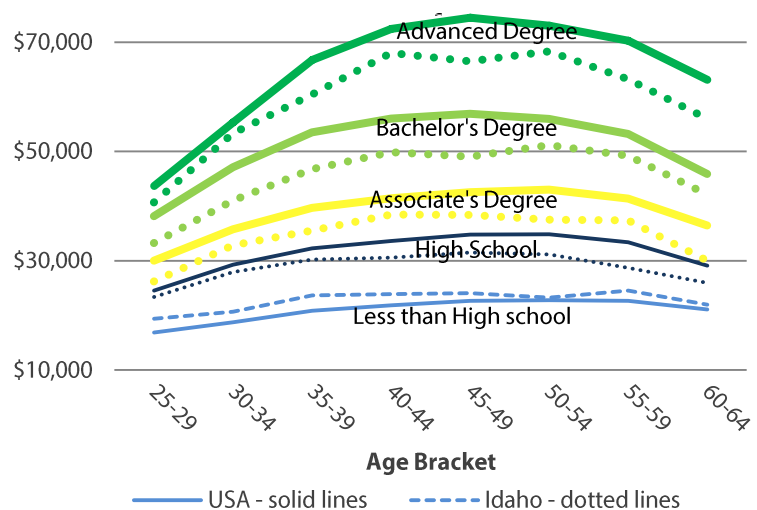


## ***Economic Returns to Education in Idaho*** **Executive Summary**

Original Study by Paul A. Lewin and Willem J. Braak

Like many other states, Idaho has felt the negative effects of the economic recessions over the past several decades. But, unlike other states, Idaho has not regained its footing. In fact, the average earnings of Idaho residents have been deteriorating since 1980. Today, Idaho leads the nation in minimum wage workers and has the second-lowest per capita personal income. While the high school dropout rate for Idahoans has declined in recent years, the four-year college graduation rate is just 38 percent. Even Idahoans who do graduate from college, or earn a master’s or professional degree, earn less than similarly-educated peers in other states. In fact, the more educated and experienced an individual is, the greater the gap they can expect between their earnings in Idaho and what they could earn in another state. Idaho’s economy will not improve without increasing the education level of its workforce; the education level of the work force will not increase unless workers can reasonably expect a favorable economic return.

**Avg Earned Income by Educational Attainment**



### *Income by Industry and Occupation*

The industries in Idaho may help explain the earnings gap between Idaho (especially areas outside of Boise) and the rest of the country. Idaho is generally under-represented in high-paying sectors such as utilities and computer and electronic manufacturing. It is over-represented in low-paying sectors such as retail and agriculture and forestry. Returns to education vary significantly between these industries.

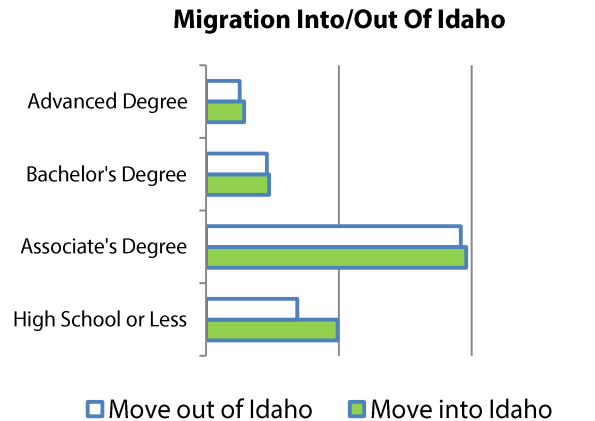
For example, agriculture and forestry employs 6.2 percent of full-time workers in Idaho. While the average agriculture and forestry worker in Idaho is more educated than their peers in other states, their return on that education level is quite low. Each additional year of education increases the earned income of full-time workers by just 4.3 percent. In contrast, for full-time workers in the computer industry—which employs 3.2 percent of full-time workers in the state—the return on each year of education is 8.7 percent.

In addition, there are significant differences in income based on the occupations individuals hold within these industries. Idahoans in higher-paying jobs, such as management, tend to have

lower education levels and salaries than the national average. Thus, Idaho's economy is not only biased towards low-paying industries but even those in high-wage occupations tend to earn less and be less educated than their national peers.

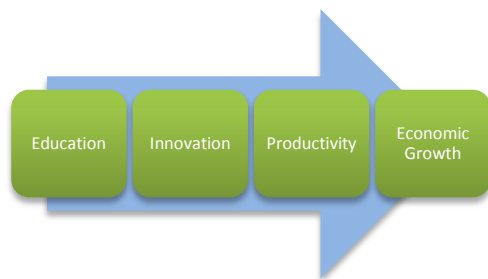
### Migration

Importantly, the workforce in Idaho is not static. Workers move in and out of Idaho. Qualified workers may look for jobs across state borders; if a business cannot find qualified workers, they may hire from outside the state. Idaho has more college-educated workers moving into the state than moving out of the state. However, substantially more workers moving into Idaho have a high-school diploma or less. The net effect is an increasing number of workers with low levels of schooling.



### Education and Innovation

Idaho's economy is increasingly biased towards lower-wage industries and, with some exceptions, is fueled by a workforce with lower-than-average education. Investing in education at the state level seems like a logical step. However, without better opportunities for Idaho graduates, educated workers may simply leave Idaho for another state.



This is particularly problematic in rural Idaho, as wealth and talent have followed industries and opportunities to the Boise metropolitan area. Rural schools often encourage diligent students to leave for college, trapping the more modestly educated workers close to home. This decreases the economic viability of rural towns with fewer tax payers, consumers, and educated workers.

This creates a significant challenge to economic growth.

Economic growth is ultimately generated by increased productivity. The overriding driver of productivity is innovation. Education is the linchpin that provides the skills and knowledge that facilitate the pursuit of innovation. For instance, in regions like Silicon Valley, need, opportunity, and local know-how reinforce each other to spark tremendous economic growth.

Although Idaho's rankings in education and economic standing are concerning, there are some innovative ecosystems that have proven to be fruitful around the state. These ecosystems can grow into strong, inter-connected economies. Some examples of organizations that are using these innovative ideas are:

- Chobani built a \$450 million plant in Twin Falls, Idaho in 2012. They purposefully leveraged the strong dairy sector in the surrounding region. Twin Falls spent \$6.5 million to upgrade its wastewater treatment facility, realizing that the investment would improve the growth of the regional economy. The local College of Southern Idaho collaborated with Chobani to create

supportive job training for students, while the University of Idaho initiated research on issues that affect the dairy industry, like turning waste-stream (manure) into an economic input.

- Idaho's successful computer industry is concentrated in the Boise metropolitan area, started and dominated by Micron and Hewlett Packet. The region is now host to over a thousand high-tech companies, the majority employing less than 10 people. The Boise metro area had been the lone metropolitan area in the USA without a community college until the local chambers of commerce joined with businesses like Micron to campaign for the necessary supermajority vote, which they achieved in 2007.
- Residents of McCall in Valley County, Idaho started a privately funded initiative in 2013 to offer advanced education for place-based topics like hospitality and natural science. They teamed up with the local economic development council to support a new initiative to stimulate local entrepreneurship and sustainable economic diversification.
- Mike Mehan, the founder of BikeTronics, a manufacturer of high-end motorcycle electronics in Moscow, Idaho, started working with youth to engage them into innovation and entrepreneurship by acquainting them with 3D printing and laser cutting. The initiative grew into an incubator of sorts in nearby Lewiston in 2011.
- Kendra Kenyon, president of the Idaho Council of Governments, experimented with an idea called "Building It Forward", where high-school students use the concepts of businessman Jim Collins to work with local business mentors and explore place-based trades and entrepreneurship.
- The Community Review Program of the Idaho Rural Partnership is a non-profit that joins diverse public and private Idaho resources into innovative collaborations to strengthen rural Idaho. On invitation from a community, it deploys a team of volunteer professionals to work with the community for three days to audit for opportunities in community and economic development.

### *Next Steps*

First, education plays an important role in encouraging entrepreneurship, and entrepreneurship can create opportunities for workers to stay in or return to the community. But it is essential to invest in the right infrastructure, building cutting-edge digital technology to reduce the costs of conducting business far from urban centers.

Second, high school curricula should be modeled to funnel youth into vocational and professional training that meet the needs of local employers. Modeling high school curricula after community college programs in fields like accounting, business, computer science, and nursing, could help fill holes in the rural labor force.

Third, educated workers can also be encouraged to stay in rural areas by creating livable communities. Communities and companies need creative people and should invest in amenities that draw those people in.

Finally, a responsive government can listen to its business community, link to educational and support organizations at the regional and state level, and create a fair and predictable working environment for businesses and organizations.

*The Rural Opportunities Consortium of Idaho (ROCI) is an initiative of the J.A. and Kathryn Albertson Foundation, Dr. Paul T. Hill of the University of Washington Bothell, and Bellwether Education Partners. To learn more, visit our website at [www.rociidaho.org](http://www.rociidaho.org) or follow us on Twitter [@ROCIIdaho](https://twitter.com/ROCIIdaho).*