

Facts for Education Advocates

The Economic Impact of Education

Investing in a good education for all of America's students benefits both individuals and the nation as a whole. Some advantages are immediate; others pay off over the longer term. The benefits range from personal wealth to lower health care costs to increased tax revenue. The "Facts for Education Advocates" feature in this edition discusses some of the economic benefits of education.

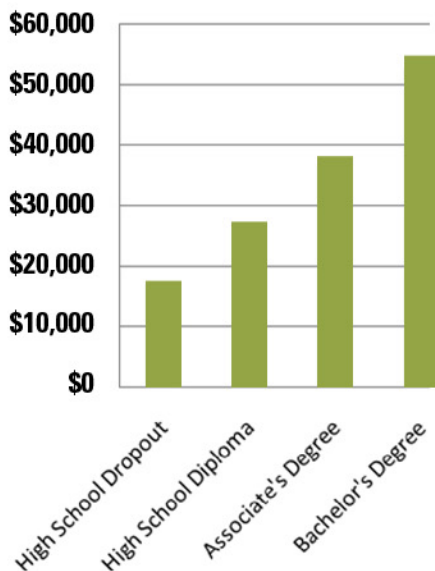
► **NOTE ABOUT THE DATA**

Some of the following data are based simply on statistical correlation. If all high school graduates earned college degrees, they would not necessarily experience the same outcomes as the average college graduate. But there is considerable evidence supporting the causative value of education.



Earnings and Wealth

Average Income by Educational Attainment



- Education's benefits are easily seen in the impact on individuals and their families through the wide range of financial and personal benefits that accrue over their lifetimes.
- The average annual income for high school dropouts is \$17,299. The average annual income for high school graduates is \$26,933. The average annual income for college graduates with an associate degree is \$36,645. And the average annual income for graduates with a bachelor's degree is \$52,671. (U.S. Bureau of the Census, 2006)
- The increased earning power of a college education is worth about \$450,000 in today's dollars, taking into account the fact that some higher earnings are many years in the future. If college graduates who also earn higher degrees are included, the lifetime earnings premium is over \$570,000. (Baum and Ma, 2007)
- Higher salaries equate to much larger wealth accumulation. Households headed by high school graduates accumulate **10 times more** median household financial wealth than households headed by those who dropped out. Households headed by college graduates accumulate **90 times more** median household financial wealth than those headed by high school dropouts. (Gouskova and Stafford, 2005)
- By the age of 33, the average college graduate will recoup the full cost of college tuition and fees at the average public four-year institution, including interest on student loans and lost wages. (Baum and Ma, 2007)

Personal Benefits

- Individuals with higher levels of education are **less likely to experience unemployment**, regardless of race, ethnicity or gender. The unemployment rate for college graduates is just 2.4 percent, which is less than half the rate for high school graduates (5.2 percent) and less than one-third the rate for high school dropouts (8.5 percent). (Bureau of Labor Statistics, 2008)
- A college graduate is more likely than those who earned up to a high school diploma to work for an employer that offers a pension plan (69 percent) and more likely to participate in a pension plan (89 percent). They are also more likely to have employer-provided health insurance. (Baum and Ma, 2007; Kaiser Commission on Medicaid and the Uninsured, 2006)
- On average, a high school graduate lives nine years longer than a dropout and is less likely to suffer from cardiovascular disease, cancer, lung disease, diabetes and other infections. Higher levels of **education are associated with better health across all ages and incomes**. (Muenning, 2005; Wong, Shapiro, Boscardin and Ettner, 2002; Baum and Ma, 2007)

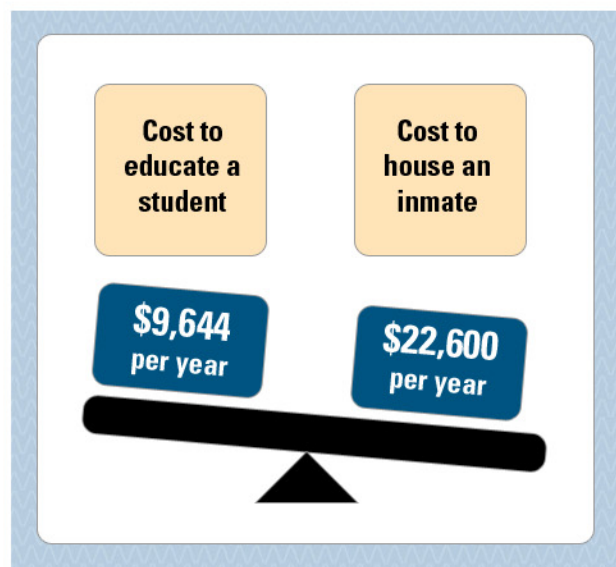


Benefits to Society

- If the approximately 1.2 million high school dropouts from the class of 2008 had earned diplomas along with their classmates, the nation's economy could have benefited from an **additional \$319 billion** in income over their lifetimes. (Alliance for Excellent Education, 2008)
- Each new high school graduate yields **\$209,000 in net economic benefit** through increased government revenues and lowered government spending. (Levin, Belfield, Muenning and Rouse, 2007)
- Individuals with higher levels of education are far less likely to participate in government-funded social programs like Medicaid, school lunch programs and food stamps. In 2005, 34 percent of high school dropouts lived in households that used Medicaid versus 6 percent of college graduates. (Baum and Ma, 2007)
- Educated individuals are also **more likely to volunteer, vote and raise healthier, better educated children.** (Baum and Ma, 2007; Wolfe and Haveman, 2002)

Reduced Crime

- Individuals who are arrested or incarcerated are less likely to have completed high school. Approximately 75 percent of state prison inmates, 59 percent of federal inmates and 69 percent of jail inmates did not complete high school. (Harlow, 2003)
- By increasing the graduation rate among males by just 10 percent, murder and assault arrests would decrease about 20 percent, motor vehicle theft arrests would drop by 13 percent, and arson arrests would drop by 8 percent. (Moretti, 2005)
- In 2007, total state spending on corrections was **over \$49 billion.** (The Pew Center on the States, 2008)
- In terms of reduced policing, government programs to combat crime, state-funded victim costs, trials, sentencing and incarceration, the **average savings per new high school graduate would be \$26,600 a year.** (Levin, Belfield, Muenning and Rouse, 2007)



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