

PERSPECTIVES

POLICY EDITION

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The Benefits of College: Public and Private, Economic and Social

For decades Michigan's opportunities for economic participation were shared by more of our state's residents. But recently, the long-term economic well-being of Michigan has been the subject of considerable attention and concern. With the ongoing difficulties of our core industries, many wonder about the future economic prospects of the state. Questions persist about how the state can transform itself from a reliance on manufacturing to a high-performance 21st century economy, that is globally competitive and can sustain the standard of living of Michigan's residents.

A recent study by the National Academy of Sciences (2005) suggests that postsecondary education is a key component to economic vitality and global competitiveness. The study also notes that the United States is falling behind other countries in some areas. Policymakers in many states are picking up on themes of global competitiveness and are promoting a more educated workforce as the primary driver of economic growth and stability. However, acknowledging the economic value of higher education does not eliminate the financial and academic obstacles for some individuals to attain a college degree. State policy that seeks to alleviate these obstacles has the potential to not only enhance residents' quality of life and financial well-being but also the economic stability of the state and the communities where they live.

A report released in June 2006 by the non-profit organization "Michigan Future, Inc." highlights the public and private economic benefits that stem from increased access to and participation in postsecondary education. This report rightly asserts that a highly educated workforce is critical for the future of the State of Michigan and advocates for an increase in the number of talented people in the state by investment in and improvement upon the state's education system.

This edition of *Perspectives* demonstrates that the economic value of higher education cited by Michigan Future, Inc. is but one dimension of the benefits of attending college. There are also compelling social benefits that individuals and states derive from higher levels of educational attainment. As Michigan leaders consider funding and policy priorities, they must keep the wider array of the benefits of higher education in mind.

Figure 1. An Array of Higher Education Benefits

	Public	Private
Economic	<ul style="list-style-type: none">Increased Tax RevenuesGreater ProductivityIncreased ConsumptionIncreased Workforce FlexibilityDecreased Reliance on Government Support	<ul style="list-style-type: none">Higher Salaries and Benefits EmploymentHigher Savings LevelsImproved Working ConditionsPersonal/Professional Mobility
Social	<ul style="list-style-type: none">Reduced Crime RatesIncreased Charitable Giving/Community ServiceIncreased Quality of Civic LifeSocial Cohesion/ Appreciation of DiversityImproved Ability to Adapt to and Use Technology	<ul style="list-style-type: none">Improved Health/Life ExpectancyImproved Quality of Life for OffspringBetter Consumer Decision-makingIncreased Personal StatusMore Hobbies, Leisure Activities

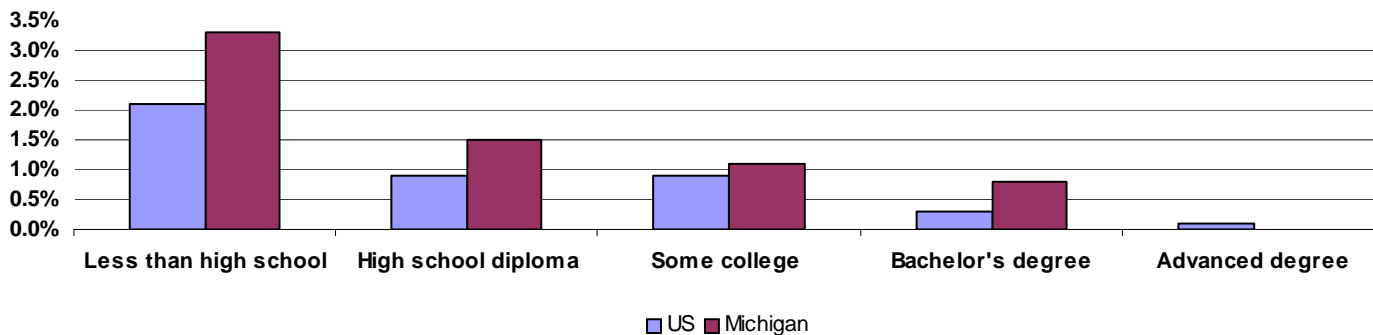
Investment Payoff of Higher Education

Consider the findings of *The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education* (Institute for Higher Education Policy, 2005). This report uses an analytical framework (see Figure 1) to categorize the economic and social benefits of postsecondary education for the general public and conveys these tangible benefits on the state level. Using data obtained from the Current Population Survey of the U.S. Census Bureau IHEP analyzes six indicators including personal income, labor and unemployment, increased volunteerism, reduced reliance on public assistance, improved health, and increased voting. In this brief we focus on the latter three indicators comparing the state of Michigan to the entire United States.

Educated People Need Less Public Assistance

One indicator of the public economic benefit of a more highly educated population is a reduced reliance on government financial support. Figure 2 illustrates that as people 25 years old and older attain more education they receive less public assistance. This is a particularly important issue for Michigan as, in 2003, our residents were more reliant on public assistance than the national averages. By promoting policies to increase the educational attainment of Michigan residents policymakers will reduce the dependence on and demand for government services which will improve the fiscal health of the state. Equally important are the social benefits that accrue to self-sufficient residents through an enhanced quality of life, stronger families, etc.

Figure 2. Percent of Population 25 & Older Who Received Public Assistance in 2003 by Educational Attainment



Educated People Are Healthier

The Investment Payoff also analyzed the general health of individuals based on their differing levels of education and found that persons with more education generally reported higher satisfaction with their personal health than less educated individuals (shown in Figure 3). There was a 20 percent difference between those with less than a high school diploma and those with a bachelor's degree in terms of how they rated their overall health. It is clear that postsecondary education positively effects individual's perceptions of their health. These perceptions, in turn, provides private social benefits of improved quality of life and public social benefits such as lower health care costs that can be passed on to consumers.

Educated People Vote More Frequently

The IHEP analysis also found that higher levels of education were positively related to voting and civic engagement. Figure 4 demonstrates that a higher percentage of persons over 25 years of age voted with every additional level of education they achieved. The figure also illustrates that Michigan residents outperform their peers nationally in this regard. Voting behavior is clearly impacted by education. This behavior, in turn, conveys societal benefits through strengthened engagement, participation, and support in our state or communities.

Figure 3. Percent of Population 25 & Older Who Described Their Health as Good, Very Good, or Excellent in March 2004 by Educational Attainment

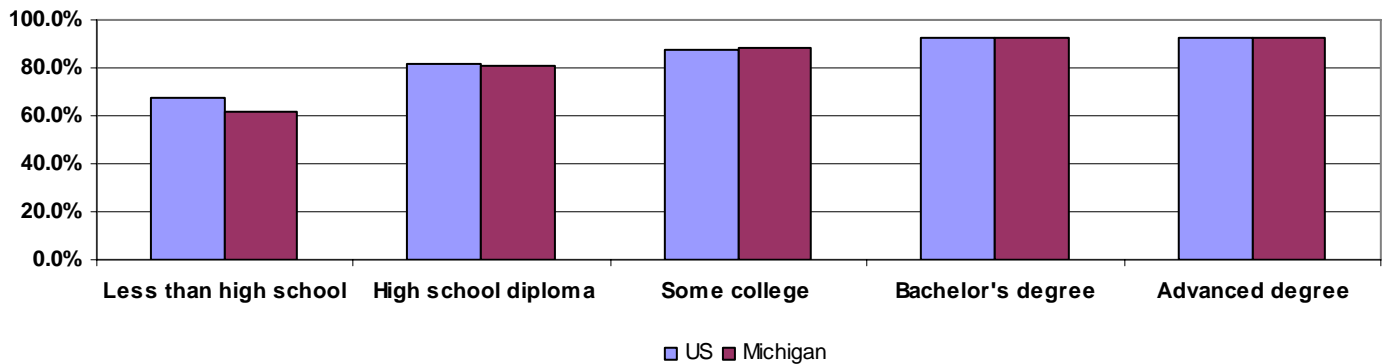
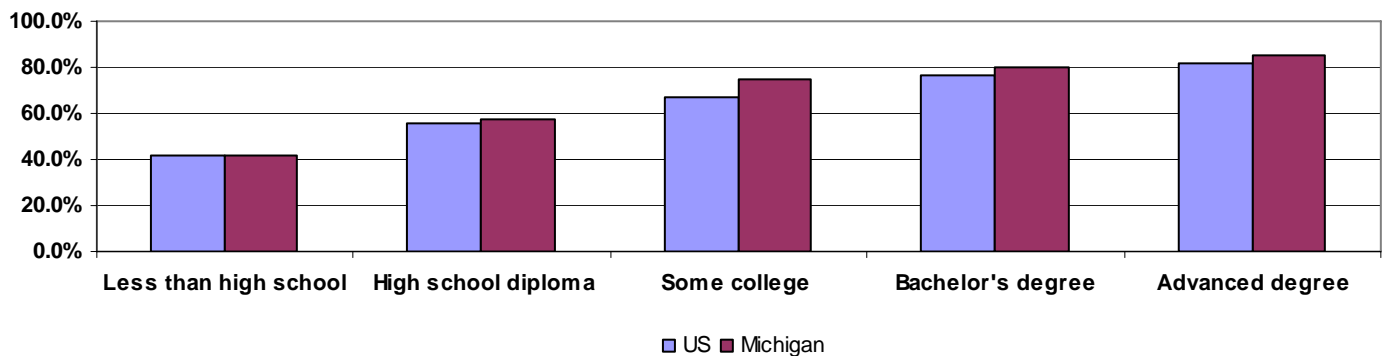


Figure 4. Percent of Population Who Voted in the November 2000 Election by Educational Attainment



Societal Benefits of Higher Education

There are significant societal benefits of higher education in addition to the well-documented financial return that individuals receive in terms of income. The examples above highlight that education beyond high school conveys substantial rewards to society and individuals. Again, higher educated individuals are productive community members who are less reliant on government services freeing up limited resources for other public priorities, strengthening families and enhancing individuals quality of life. Persons with more education perceive themselves as healthier allowing them to live more fulfilling lives and helping to control health care costs for all consumers. And finally, education beyond high schools equates to residents who are more civically engaged and vote more often.

Who Receives the Higher Education Payoff?

The IHEP analysis clearly demonstrates that the social and economic benefits of college are real, however, not everyone has the same opportunities to gain an advanced education. In *Education Pays* (2004), the College Board conducts an analysis of the benefits of higher education similar to that of IHEP, but *Education Pays* also examines who enrolls in and completes a college degree. For example, income and race matter in ways that allow higher education to benefit some more than others. Consider the following findings:

- 80% of students from families with the highest incomes enrolled immediately in college after high school compared to only 49% of the students from the bottom two income brackets.
- About 66% of White high school graduates enroll in college within a year after completing high school. Only 57% of African American high school graduates and 52% of Latino high school graduates follow this path.

- Less than half of African American and Latino students who enroll full-time in a four-year institution had completed their degree six years later, compared to 67% and 70% of White and Asian American/Pacific Islander students, respectively.

It is clear from the College Board analysis that there are significant differences between students of distinct racial and socioeconomic groups. In addition, this data does not even consider the disparities within racial and ethnic groups (i.e. Japanese American vs. Vietnamese Americans; domestic vs. international students, etc). Addressing these inequities is a challenge that involves financial obstacles, college preparation, and student aspirations and multiple other factors in combination.

Conclusion

In December 2004 the Cherry Commission on Higher Education & Economic Growth released its final report which detailed how Michigan was trailing most states in terms of per capita income and educational attainment. Like the “Michigan Future, Inc.” report, the Cherry Commission focused largely on the public and private economic benefits that stem from postsecondary education and stated “that Michigan, over the next decade, should forge a new compact with its residents: an expectation that all students will achieve a postsecondary degree or credential coupled with a guarantee from the state of financial support linked to the achievement of that goal.” This is an important recommendation based on the economic value of postsecondary education; however as the data presented in this brief suggest there are broader social justifications for increased investment in higher education as well. The public social benefits of higher education (i.e. improved health and enhanced civic engagement) that accrue through individuals to benefit the communities where they live and the state as a whole. The call for greater public investment in higher education can be supported for both social and economic reasons.

The future prosperity of the State of Michigan requires honest conversations about the benefits of higher education, who has access to those benefits, and what is at stake for the state if those benefits are not expanded. Michigan has a great need for more educated and talented individuals to not only raise the state’s competitive economic position but also sustain and enhance the quality of life of it’s residents. As we move forward to create a stronger, economically viable, healthier and engaged state, we must remember the economic benefits of higher education but also value the social elements of that public good.

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Please feel free to share this document with others. If you have not received it directly but would like to receive future issues, e-mail us at ndaunba@umich.edu. We always welcome comments and suggestions as we continue to foster and facilitate the conversation about promoting educational success in Michigan.

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