



*formerly The Poverty Institute*

**Press Release**

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## **As Labor Day approaches, new report provides evidence that investing in education will build a stronger Rhode Island economy**

(Providence) - The best way for Rhode Island to grow its economy is by investing in a well-educated workforce, according to a new paper published by the Economic Policy Institute, a Washington, DC think tank. Their study, titled “*A Well Educated Workforce is Key to State Prosperity*” written by Noah Berger, president of the Massachusetts Budget and Policy Center, and Peter Fisher, research director at the Iowa Policy Project, finds a strong link between the educational attainment of state workforces and both productivity and median wages.

Expanding access to high quality education will improve economic opportunity for residents and strengthen state economies, according to the report. Meanwhile, strategies such as cutting taxes to lure employers and capture private investments from other states are shortsighted, and promote a race to the bottom which undermines states’ ability to invest in and attract an educated workforce. The paper finds no clear relationship between a state’s tax rates and its wages.

“As we celebrate Labor Day, we must ramp up our commitment to making our workforce more productive through increased investments in high quality education for both current and future workers,” said Kate Brewster, executive director of The Economic Progress Institute, a local non-partisan research and advocacy organization. “This paper provides strong evidence that an educated workforce may be the best incentive we can give employers to grow jobs and wages in the Ocean State.”

While this may seem obvious, it was not always the case that education and high wages were so strongly correlated. According to the report, as recently as the late 1970s, many states with higher wages didn’t necessarily have a well-educated workforce. This was because the wage premium for a college degree (the gap between wages of college and high school graduates) was much smaller when economies were different in the 1970s. But as states, like Rhode Island, shift from an industrial to a knowledge-based economy, the importance of an educated workforce cannot be ignored or underestimated.

The Economic Progress Institute provided data about how Rhode Island workers are faring when it comes to wages, education, and the state economy. According to the Institute:

- Rhode Island has lost the largest percentage of manufacturing jobs (56%) in the nation since the 1990s; these were jobs that once paid family-supporting wages for less educated workers. *(see chart 1)*
- The gap between low and high wage workers has grown since the late 1970s; the difference in the median wage of the 20<sup>th</sup> and 80<sup>th</sup> percentile went from \$12.22 in 1979 to \$20.12 in 2012, an increase of 65 percent. Wages at the bottom of the wage scale have been stagnant while those at the top have risen over the past three decades. *(see charts 2 and 3)*
- For Rhode Islanders age 25 and over who have a bachelor’s degree and above, their median wage (\$26.55) is almost twice that for those with just a high school diploma (\$14.35). *(see chart 4)*

“States have fewer tools to build a strong economy than the federal government does, but states do play a major role in education—one area that turns out to be crucial for building a high-wage economy.” said Noah Berger, co-author of the report. “Across the board, states with better educated workforces have higher wages and more productive economies. For states trying to build long term economic strength, there is no more important challenge than expanding access to quality education and supporting children in the classroom.”

The Economic Progress Institute suggests that there are a number of actions Rhode Island can take to increase the educational attainment of their current and future workers including:

- Improve access to early childhood learning by continuing planned expansions of pre-kindergarten classrooms and maintaining expansions of affordable, quality child care;
- Increase the number of Rhode Islanders who obtain high school equivalency diplomas by helping them to meet the new test requirements and fees;
- Increase investments in adult education, including basic literacy, math, and English Language Services for non-native speakers; and
- Continue to invest in quality K-12 education and continue to reinvest in higher education to slow down, or preferably freeze, tuition increases.

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**About The Economic Progress Institute**

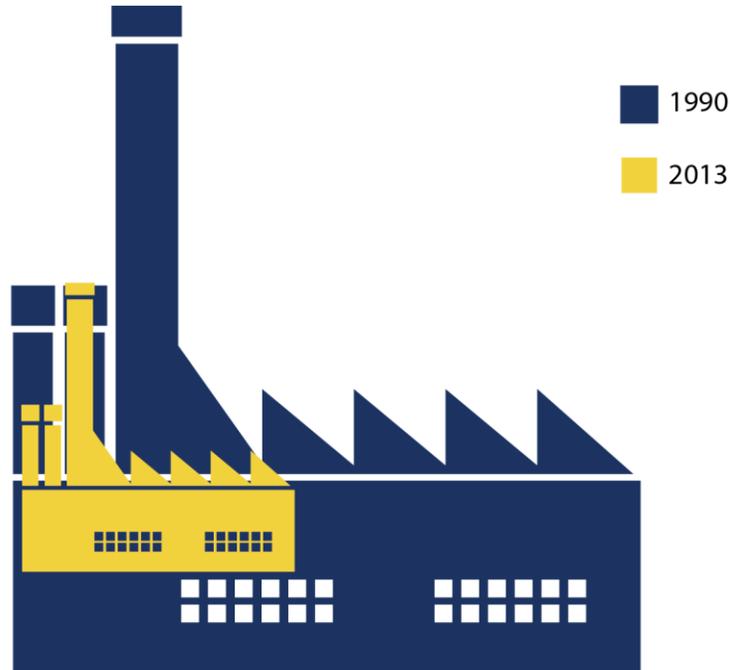
The Economic Progress Institute is a nonpartisan research and policy organization dedicated to improving the economic well-being of low- and modest-income Rhode Islanders.

**About The Economic Policy Institute**

The Economic Policy Institute (EPI), a non-profit, non-partisan think tank, was created to broaden discussions about economic policy to include the needs of low- and middle-income workers.

**Chart 1:**

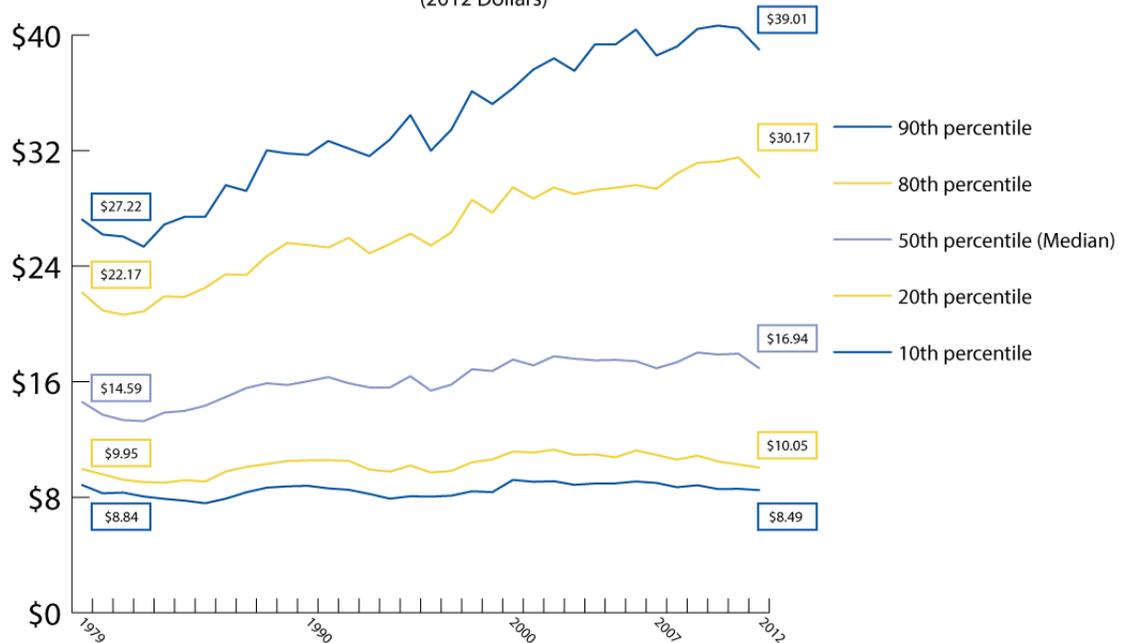
The Ocean State Leads the Nation in the Percentage of Manufacturing Jobs Lost Since December 1990 at 56%



Source: Bureau of Labor Statistics, CES data (Jobwatch)

**Chart 2:**

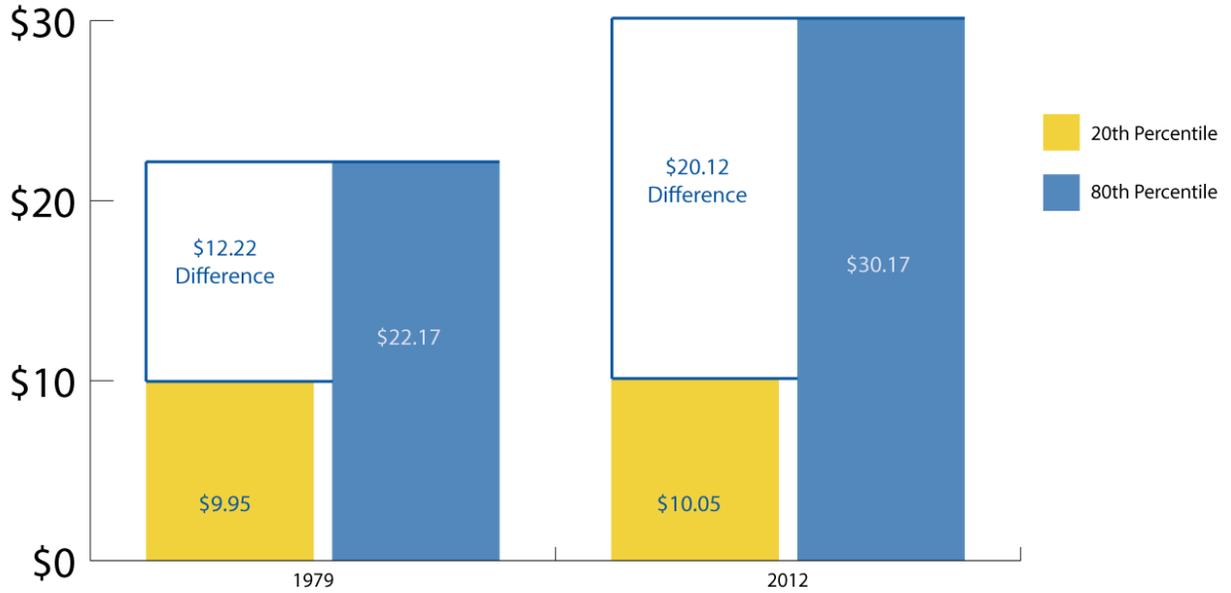
Wages in RI Steadily Increase for the Highest Earners Over Last 3 Decades, Remain Stagnant for Those at Bottom (2012 Dollars)



Source: Economic Policy Institute Analysis of Current Population Survey Data  
 \*\*Using CPI-U-RS

**Chart 3:**

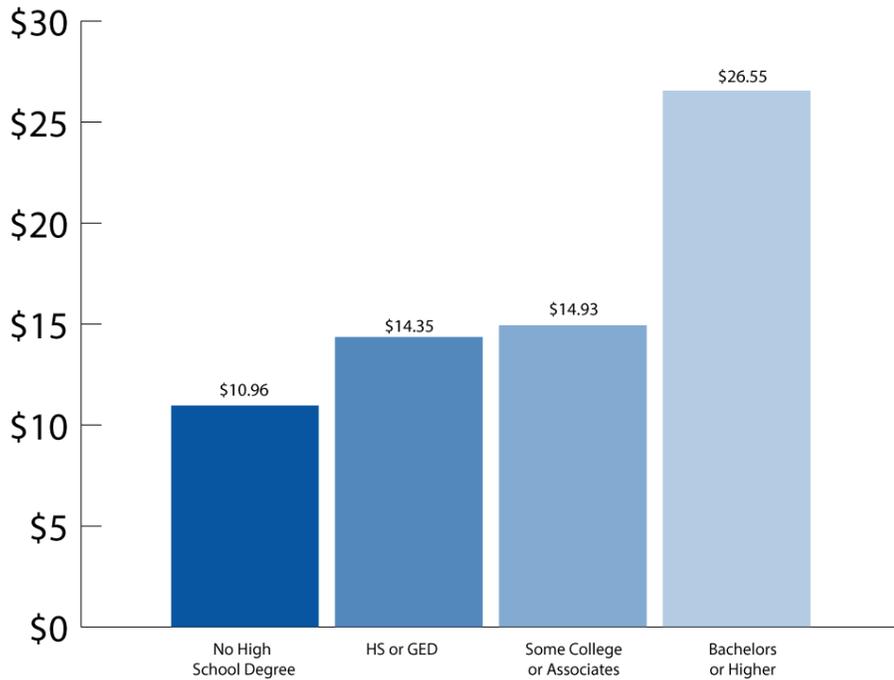
The Gap Between High and Low Wage Workers has Grown Over Past Three Decades  
Difference in Median Wages for 20th and 80th Percentiles in 1979 and 2012



Source: Economic Policy Institute Analysis of Current Population Survey Data  
\*\*Using CPI-U-RS

**Chart 4:**

Learn More, Earn More  
Relationship between Education & Median Wage for Rhode Island Residents Age 25 and Older  
(2012)



Source: Economic Policy Institute analysis of Current Population Survey Data  
\*\* Using CPI-U-RS