

ACHE POLCY BRIEF

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The Price of Knowledge: Education and Wages in Alabama

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Introduction

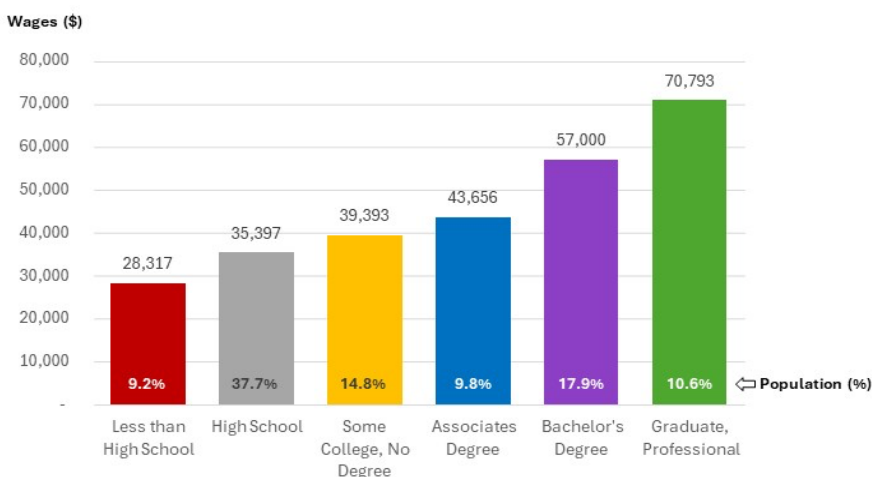
Now, more than ever, the economic value of a college degree is under scrutiny. This comes at a time when the costs of postsecondary education continue to rise, the state faces persistent and daunting challenges around low labor force participation, and many employers are experiencing key workforce shortages. The purpose of this brief is to address the “wage premium” associated with postsecondary credentials in Alabama. The levels of credentials needed, and their alignment with state and regional employment needs, will be addressed in later briefs.

Alabama stands at a crossroads. For decades, the state has wrestled with low educational attainment and persistent poverty, two forces that shape everything from workforce readiness to health outcomes. Higher levels of education are consistently associated with higher earnings and lower unemployment rates (U.S. Bureau of Labor Statistics, 2025). Economists call this the “wage premium,” the additional income workers earn as their education level rises. The topic is gaining national attention because the gap between those with degrees and those without is widening, with real implications for economic mobility and workforce competitiveness.

Workers with college degrees earn substantially more than those who do not. Figure 1 displays educational attainment among Alabama’s working-age adults, ages 25 to 64 – the most common measurement used for adults beyond formal education.

Figure 1

Median Wages Among Working Adults Ages 25 to 64 in 2023 by Level of Education Completed



Source: U.S. Census Bureau, 2023 American Community Survey (Microdata Samples); IPUMS.

Median incomes rise steadily with each level of education completed, with the largest gaps between those with associate degrees or less and those with bachelor's degrees or higher. "Some college, no degree" includes residents who either earned short-term postsecondary credentials or completed some coursework but did not complete a credential. The percentage of Alabama's working-age adults within each educational attainment category is shown at the bottom of each bar. As more of Alabama's working-age residents achieve higher levels of educational attainment, they earn more income, which stimulates state and local economies – resulting in additional tax revenue and the stability of communities.

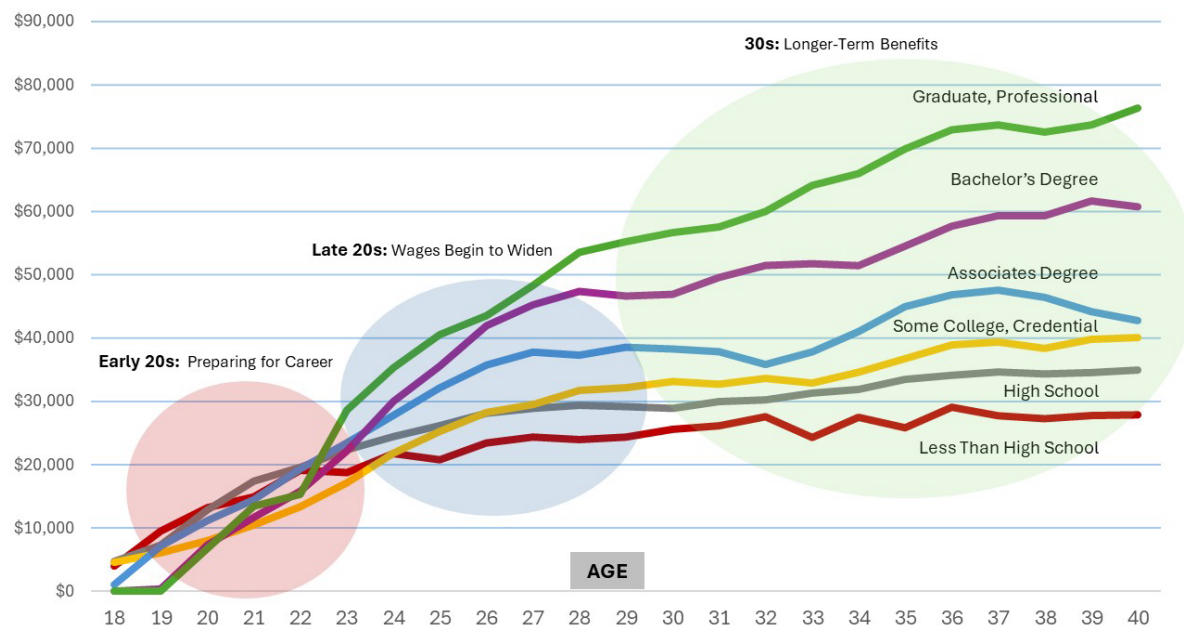
Figure 2 displays wages by education and age for those entering the workforce in recent years (ages 18 to 40), providing a more accurate reflection of the monetary value of attaining credentials in today's economy. Briefly:

- At age 18, wages are similar regardless of education.
- Immediately after high school, completing only high school or less actually yields slightly higher incomes.
- By our 20s, wage gaps by education level begin to widen.
- Gaps in median wages continue widening through early career and level off in the late 30s.

Some of the key issues and practices associated with these trends are discussed below.

Figure 2

Median Annual Wages by Age and Education Level Among Alabama's Young Workers, 2023



Source: U.S. Census Bureau, 2023 American Community Survey (Microdata Samples); IPUMS.

Early 20s: Preparing for a Career

Alabama's public institutions are not only educating students but also strategically adapting to build a skilled, flexible workforce that meets the state's evolving economic demands. Rising policy pressures are reshaping how these institutions operate. State priorities around dual enrollment, the expansion of stackable industry-recognized credentials, and the integration of apprenticeships and work-based learning models are pushing higher education systems to strengthen alignment with regional labor market needs. These initiatives emphasize accelerated pathways, reduced time-to-degree, and stronger connections between classroom learning and real-world experience.

As Alabama deepens its focus on workforce alignment, institutions are increasingly adopting practices that connect educational outcomes with labor-market performance. One emerging practice involves matching student credential data with employment wage records to better understand which programs lead to strong employment outcomes. By examining actual earnings and job placement trends, policymakers and educators can better identify credentials of value – degrees, certificates, and short-term training programs that consistently lead to high-demand jobs and sustainable wages.

This analysis is especially important as more students enter college through dual enrollment and progress through stackable credential pathways at a faster pace. With students committing to a field of study earlier than ever, the state's postsecondary education systems should provide educational workforce pathways that offer meaningful economic opportunity. Wage-record matching allows Alabama to see which credentials provide immediate labor-market payoff and may need redesign, consolidation, or deeper industry partnership.

Similarly, as apprenticeships and work-based learning expand, wage and employment data help determine whether these experiences translate into long-term career success. Evaluating outcomes using real earnings, not just enrollment or completion metrics, provides a clearer picture of how well the state's workforce initiatives are performing.

In this way, matching wage records and determining credentials of value becomes a guiding practice that supports evidence-based decision-making and improves career readiness.

In the Late Twenties

As Alabama's young workforce enters its late 20s, their highest levels of educational attainment become more fully realized. Wage differences become increasingly pronounced, with earnings rising predictably by credential level. By age 30, those with postsecondary credentials earn nearly double the wages of those without. For many reasons, young people may choose not to enter or complete postsecondary education or may simply choose a program that is not the best fit. It is essential that the state's postsecondary education system provides opportunities for individuals with only a high school diploma, short-term credentials, or incomplete postsecondary coursework to retrain and retool to remain competitive in the workforce.

The Alabama Commission on Higher Education (ACHE) works with institutions to address the challenges associated with attracting and supporting students of non-traditional college age. Two initiatives currently underway are Pathways to Progress and (Re)Engage Alabama.

Pathways to Progress is a data-driven approach used to identify regions of the state that exhibit particularly challenging conditions related to education and workforce development. One of its main goals is to build more effective pathways from associate and shorter-term credentials to bachelor's degree completion in fields of study sorely needed locally. It supports economic growth and social stability in communities that exhibit strong components of a burgeoning economy but require alignment between educational credentials and workforce skills to optimize success. Three regions in the state were provided scholarships for adults to return to college to earn a degree so as to increase the educational attainment level of their communities. The northeast and southeast regions showed a misalignment on key factors related to education and workforce conditions that were impeding future economic progress.

As a result of this initiative, state and local leaders are collaborating with colleges, universities, and employers to better align educational programs with local industry needs. Scholarship opportunities are being developed to support programs offering high "local value," particularly those tied directly to higher-wage jobs within the region. Full implementation will include scholarship opportunities for students enrolling in programs with high local value for residents and employers. When educational attainment and workforce needs are aligned, communities benefit from shared economic and social prosperity (Kelly and Purcell, 2023).

Another effort underway is (Re)Engage Alabama. While Pathways to Success is regionally focused, (Re)Engage encourages adults statewide who have earned some college credit to return and complete a degree program that lead to careers identified in Alabama's high-demand occupation list. It also provides financial assistance to adult learners enrolled in these majors. The goal is to increase the number of Alabama adults with college degrees and encourage those with some college credit to return and complete programs aligned with workforce needs. Currently, (Re)Engage Alabama provides financial assistance to eligible students enrolled in more than 100 approved degree programs related to high-wage, high-demand occupations. More information is available at <https://www.ache.edu/index.php/reengage/>.

To provide clear and meaningful opportunities for younger adults to redirect their education and career pathways, the long-term success of these initiatives will depend on continued improvement in aligning education and workforce policies with state and local needs – and with the lives of Alabama residents.

Longer-Term Benefits

As shown in Figure 2, the wage differences associated with educational attainment continue to widen well into a worker's thirties. By this stage of life, most adults have settled into more stable career pathways, and the long-term economic benefits of completing postsecondary credentials become increasingly evident. Workers with bachelor's degrees or higher experience sustained wage growth through their mid- to late thirties, while those with only a high school diploma or some college but no degree see their earnings level off much earlier.

These early- and mid-career wage trajectories accumulate over time. Even modest differences in annual wages compound into substantial lifetime advantages. By age 40, individuals with bachelor's degrees or higher have earned significantly more in total than those with only high school or short-term credentials. These earnings differentials translate into greater financial stability, improved ability to weather economic downturns, and more opportunities to save and invest.

The long-term benefits extend beyond wages. Many studies have shown that higher educational attainment is also associated with increased civic engagement, stronger health outcomes, and greater access to employer-provided benefits, such as retirement plans and health insurance. Higher wages also enhance a family's capacity to build generational wealth through homeownership, educational opportunities for children, and long-term financial planning.

Taken together, the wage patterns illustrated in Figure 2 underscore that the benefits of education do not end at labor-market entry – they continue to grow over time. The cumulative impact of higher earnings and enhanced economic security reinforces the importance of ensuring that more Alabamians can access, complete, and benefit from postsecondary education.

Conclusions and Recommendations

Momentum is building. Alabama has set ambitious goals to increase credential attainment and strengthen workforce alignment. Initiatives are underway to expand short-term training programs, improve transfer policies, and help adults return to college and finish what they started. Regional partnerships are forming to tackle local challenges, recognizing that solutions must be tailored to the communities they serve.

But the work is far from done. Thousands of young adults remain disconnected from opportunity. Large numbers of working-age residents ended their formal education after high school or started college but never completed a degree. Many live in families struggling to achieve a middle-class lifestyle. Closing these gaps will require more than policy alone. It will require collaboration, creativity, and commitment among key stakeholders toward a shared vision of a more educated, prosperous, and healthy state.

This brief provides a snapshot of wages in 2023. The next brief will focus on how wages by level of education have changed in recent years and the levels and types of degrees needed to prepare Alabama's citizens for the current and future economy.

References

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