

A Return on Investment Analysis of Functional Reading Skills Training

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The concept of competitive employment is inextricably linked to the reality of competitive skills. The costs associated with the acquisition of these skills can be viewed as an investment in that person's successful vocational outcome and ultimate societal contribution.

To demonstrate a business benefit, skills must be equated with something that people within a business care about. This paper focuses on the foundational skill of functional reading; with or without an accommodation.

Isolating the Cost of Core Education

The premise of this paper is that a person needs to possess functional reading skills as the foundation to generating competitive employment skills. As such, the investment (or educational cost) decisions can be supported with standard business analysis tools supporting Internal Rates of Returns (IRR) of investments. Accepting that when the IRR is greater than or equal to the k-value (or the required return rate) the implication for an investment decision is positive.

The following financial analysis for a financial investment in functional accommodated reading skills can be made.

Given that $IRR = CF_1 / I_0 - 1$ (where *CF1* is Cash Flow and *I0* is initial investment)

If $IRR = 0\%$ or 0. (Positing that the full investment cost of core academic cost is recouped without the need to generate a profit beyond a cost payback)

Then $CF_1 / I_0 = 1$

Or in other words, when Cash Flow can equal the Investment, the investment must occur.

Elements of Cash Flow

Looking at core elements that make up Cash Flow in this investment model, we will consider only several basic widely affirmed components, namely:

- State Income Tax on Earnings,
- Employer Paid State Unemployment Tax,
- Employee Social Security Taxes, and
- Employer Social Security Taxes.

Assuming a State Tax rate of 2.8% (Pennsylvania), a State Unemployment Tax burden of 1.8% and assigning 7.65% to each element of Social Security Tax paid, it stands to reason that each dollar (\$1) earned by the investment beneficiary yields 19.9¢ of Cash Flow towards the Investment payback.

Based on this Cash Flow yield, a beneficiary would need to generate \$5.03 to satisfy the IRR requirements to justify \$1.00 in training. This represents an hourly salary rate that is 2.3% less than the current minimum hourly wage.

Assuming then that an investment in training to develop functional reading skill needs to occur to provide the minimum competitive skills required for nominal entry-level employment (*meaning employment which at minimum wage would not exceed \$211.00 per month*)ⁱ. The Investment Decision is reasonably satisfied by beneficiary outcomes that conform to the following matrix.

Table 1: Months of Beneficiary employment required at minimum wage (capped at \$211.00 maximum monthly income) to satisfy a core educational training investmentⁱⁱ. Calculated without adjusting for inflation or changes in minimum wage rate.


	\$1250 Investment	\$2500 Investment
20 Hours of Work per month	<i>58.4 months (4.9 Years)</i>	<i>116.8 months (9.7 Years)</i>
40 Hours of Work per month	<i>29.2 months (2.4 Years)</i>	<i>58.4 months (4.9 Years)</i>

With this base investment for core competitive skills, additional investment allows for a potentially disproportionate Return on Investment timeline to occur based on increased possibility for Cash Flow generation.

A Building Block that Pays Off

In conclusion, the investment required to build functional reading that results in nominal employment not only justify a ROI model in a reasonable time period, they create the educational foundation for future skill development.

“Give a man a fish; you have fed him for today. Teach a man to fish; and you have fed him for a lifetime”—Author unknown



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ⁱ The maximum amount which can be earned in a month without requiring Federal Income Tax deductions or offsets.

ⁱⁱ The costs of accommodations and assessments are not in and of themselves skill building and are therefore excluded.