Moving Local Economies Forward by Maximizing the role of Higher Education in the Process

Jim Purcell, Commissioner
LOUISIANA BOARD OF REGENTS

Things We Can All Agree On
1) Economic growth is good
2) To acquire economic growth we need to generate more revenue
3) A real increase in revenue comes from increased output
A Little History of the World
E. H. Gombrich

- Anyone who owned a mechanical loom could, with the help of one or two assistants – perhaps his wife and children – do more work than a hundred trained weavers.
- So whatever became of all the weavers in a town into which a mechanical loom was introduced? . . . they woke up one day to discover that they weren’t needed any more. Everything it had taken them years to learn, first as apprentices and then as journeymen, was useless.
  - Compression of wages
  - Restructuring of the economy
  - Those that adapt flourish
  - Those that could not . . .

The Concept of Human Capital

- Introduced by Nobel Laureate Theodore W. Schultz and Nobel Laureate Gary Becker:
  - Employers pay higher salaries to educated workers because educated workers bring a higher return
  - Individuals acquire skills and knowledge to increase their value to employers

The Virtuous Circle of Economic Growth Through Human Capital Accumulation

- New wealth
  - Increase in aggregate output
  - Education leads to acquisition of new skills & knowledge that increases productivity
  - Resources are freed to create new technologies and businesses

Louisiana is Caught in a Low Wage/Low Skill Equilibrium

- Slow growth
- Little to no human capital accumulation
- Disincentives for investment in education
- Demand for Low Skill

A vicious, as opposed to a virtuous, circle

Theodore W. Schultz and Nobel Laureate Gary Becker
Median Earnings and Tax Payments of Full-Time Year-Round Workers Aged 25 and Older, by Education Level

La. given ‘F’ in skilled workers
Advocate business writer

- The number and quality of skilled workers in Louisiana is dismal, according to a recent report evaluating the state’s manufacturing abilities.
- The 2011 Manufacturing and Logistics National Report by the Center for Business and Economic Research at Ball State University in Indiana gave Louisiana a failing grade in the important area of “human capital.”
- All 50 states were included in the study.

Looking at Louisiana through the lens of what futurists say is needed for economic growth:

- Density of educated/skilled workers
- Access to good schools, colleges, universities, hospitals
- Local leadership
Looking at Louisiana through the lens of what futurists say is needed for economic growth:

- Local/Regional economic development strategies rather than state-wide strategies
- Understanding that the economy is returning to models based upon powerful city-states
  - Sparta and Athens

**Context for Change**

- Rose (2012) found that jobs connected to export industries (such as agriculture, natural resources and manufacturing) changed drastically over the last generation. In 1967, nearly 80% of export industries employed persons with a high school diploma or less. Whereas, a generation later (2007), nearly 60% of the employees in the export industries are persons credentialed with an associate degree or higher.

**Increased Demand for Higher Education Attainment in Export Industries, 1967-2007**

- “States can escape the quandary by producing more postsecondary talent and by modernizing existing industries and attracting new ones.”

  “Anthony P. Carnevale, Georgetown University Center on Education and the Workforce

**Breaking out of the Low-Wage/Low-Skill Equilibrium**

District of Columbia, Massachusetts, Colorado, Minnesota, and Washington will lead the nation in job openings requiring postsecondary education by 2018.

52% of all jobs in L.A. will require some post-secondary training. The national average will be 63%.


114 Projections of Jobs and Education Requirements Through 2018 Texas, Louisiana, Mississippi, Nevada, and California will lead the nation in job openings requiring less than high school by 2018.

High School Graduate Jobs - U.S. Maps: Educational concentrations of job openings by state through 2018.

West Virginia, Louisiana, Arkansas, Tennessee, and Kentucky will lead the nation in job openings requiring high school by 2018.

Associate's Degree Jobs - U.S. Maps: Educational concentrations of job openings by state through 2018.

Alaska, Idaho, Utah, Louisiana, and Arkansas will lead the nation in job openings requiring associate's Degree by 2018.
Current percentage of young adults (25-34) with an associate degree or higher

Those individuals, families, cities, states and—increasingly—countries with the most education are prospering, while those with the least higher education are experiencing relative and often absolute economic decline.

Time and Place

For people and communities to thrive in the new economy they will need to have access to a good college and good health care.
Looking at Louisiana through the lens of what futurists say is needed for economic growth:

- Density of educated/skilled workers
- Access to good schools, colleges, universities, hospitals
- Local leadership

Observation 1:
You can only have density of educated workers in places where there is density of people: Counties in orange have the greatest economic potential.

Observation 2:
You can only have a modern economy where there are educated people: Parishes in orange have potential, but a HS diploma in the new economy will not give people access to living wage jobs.
Observation 3: Parishes in orange will be the economic engines for LA. All of these parishes have colleges and universities. Energetic and forward-thinking local leadership will determine if a community or region will meet its future potential.

Observation 4: Parishes in orange are the tax base that supports the issues of the other LA Parishes. Greater investment in the economies of these Parishes will produce more jobs and economic growth.

Observation 5: Parishes in orange will be a financial drain on LA. The nature of poverty of these communities will dictate the necessary action.

The following chart gives the biggest clues about local economies in peril and those that are healthy

- When 50% or more of citizens of a local economy are dependent on federal, state, and local government income for their livelihood, the community will eventually decline.
- The economy will not be sustainable.
- Economic restructuring will need to take place, which may include redirection of resources to economies that are more apt to thrive.
The coming world war is an all-out war for good jobs.

-- “A good job is a job with a paycheck from an employer and steady work that averages 30+ hours per week.”

“The lack of good jobs will become the root cause of almost all world problems that American and other countries will attempt to deal with through humanitarian aid, military force, and politics.”

-- “The lack of good jobs will become the cause of hunger, extremism, out-of-control migration patterns, reckless environmental trends, widening trade imbalances, and on and on.”

To Win the Jobs War…

• Recognize that the most important solutions are local.
• Have your whole city wage a war for jobs.
• Align efforts citywide.
• Don’t allow your local constituencies to look to Washington or Baton Rouge for solutions.

Job Magnets

• Density of educated/skilled workers
• Access to good schools, colleges, universities, hospitals
• Local leadership
A Grassroots Effort....

"If you were to ask me, ‘From all the data you have studied so far, where will the next breakthrough...come from?’ my answer would be: From the combination of the forces within big cities, great universities, and powerful local leaders.”

Community Leaders: 100 x 100 To Win the Jobs War...

- All prosperous cities have a self-organized, unelected group of talented people influencing and guiding them.—call them tribal leaders.
- **Local Tribal Leaders** – Tribal leaders are the opposite of “predatory elites,” people with the power to rob their cities and countries blind for their own benefit.

Local Imperative

- 81% of Louisianans were born in Louisiana
- The local population will be your workforce
- Student preparation for college/work is key
- Local support for local students is needed
- Getting adults with with some college to complete their degree can be a strong mechanism for building local communities
- Stewards of the community

Students in Louisiana attend their local community college or university
75% of persons with bachelor’s degree live in 8 parishes.

Employment Rate by Degree Level
Eighteen Months after Graduation - For All Completers

- Certificate: 56.4%, 67.6%, 72.5%
- Diploma: 59.5%, 60.5%
- Associate: 38.3%, 50.4%
**Figure 5**
Employment Rate by Field of Study
Eighteen Months after Graduation - For 2008-09 Bachelor’s Degree Completers

**Figure 7**
Employment Rate by Residency Status
Eighteen Months after Graduation - For All Completers (Collective 2006-07, 2007-08, and 2008-09)

**Table 5**
Average Calculated Salary by Degree Level
For All Employed Completers

<table>
<thead>
<tr>
<th>Max Degree Level</th>
<th>Eighteen Months after Graduation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07</td>
</tr>
<tr>
<td>Certificate</td>
<td>$23,000</td>
</tr>
<tr>
<td>Diploma</td>
<td>$30,607</td>
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<tr>
<td>Associate</td>
<td>$37,799</td>
</tr>
<tr>
<td>Bachelor</td>
<td>$48,737</td>
</tr>
<tr>
<td>Master</td>
<td>$59,863</td>
</tr>
<tr>
<td>Doctoral</td>
<td>$65,368</td>
</tr>
</tbody>
</table>

As a result of the recession, compression of wages for new hires has occurred. The trend in other states show that at five years in the workforce, bachelor's degree recipients will earn more, on average, than associates.
### Average Calculated Salary by Field of Study
For 2008-09 Associate Degree Completers

<table>
<thead>
<tr>
<th>Field Of Study</th>
<th>Number of Completers</th>
<th>Wages Eighteen Months after Graduation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Agriculture Operations</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Biological &amp; Biomedical Sciences</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Business, Management, Marketing</td>
<td>429</td>
<td>$25,347</td>
</tr>
<tr>
<td>Communication, Journalism</td>
<td>32</td>
<td>$20,305</td>
</tr>
<tr>
<td>Communications Technologies</td>
<td>26</td>
<td>$17,928</td>
</tr>
<tr>
<td>Computer &amp; Information Sciences</td>
<td>88</td>
<td>$28,531</td>
</tr>
<tr>
<td>Education</td>
<td>53</td>
<td>$25,993</td>
</tr>
<tr>
<td>Engineering Technologies</td>
<td>396</td>
<td>$48,112</td>
</tr>
<tr>
<td>Family &amp; Consumer Sciences</td>
<td>52</td>
<td>$18,149</td>
</tr>
<tr>
<td>Foreign Languages, Literatures</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Health Professions</td>
<td>957</td>
<td>$46,784</td>
</tr>
<tr>
<td>Liberal Arts &amp; Sci; General Studies</td>
<td>555</td>
<td>$23,584</td>
</tr>
<tr>
<td>Mechanic &amp; Repair Technologies</td>
<td>20</td>
<td>$36,431</td>
</tr>
<tr>
<td>Multi/Interdisciplinary Studies</td>
<td>22</td>
<td>$19,952</td>
</tr>
<tr>
<td>Natural Resources &amp; Conservation</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Personal &amp; Culinary Services</td>
<td>32</td>
<td>$27,178</td>
</tr>
<tr>
<td>Physical Sciences</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Security &amp; Protective Services</td>
<td>161</td>
<td>$30,031</td>
</tr>
<tr>
<td>Visual &amp; Performing Arts</td>
<td>39</td>
<td>$19,001</td>
</tr>
</tbody>
</table>

### Seek Revenue Streams that are compatible with the mission and soul of the university
- Work to have all Academic departments produce the credit hours, research dollars and other revenue to be self-sustaining.
- Sequence courses so that students graduate within a two year or associate or four-year time for a bachelor’s degree (or less).
- Group courses in a block so that students can take required courses in a steady sequence.
- Provides for interdisciplinary instructional opportunities and community building among students.
- Maximizes space utilization and student time.
- Expand internships and co-op opportunities in the local community.

### Moving Higher Education Forward Legislation
- **Funding Stability is essential**
  - A sustainable and appropriate revenue stream is needed
    - (Not 61% of the SREB Average)
- **How?**
  - Stabilize state funding for higher education
  - Move tuition approval to Systems within BOR defined ranges not to exceed the SREB Average
  - Allow tuition rates to be market driven
    - Allow differential tuition for high cost programs
  - Allow per credit hour tuition charges
- **All of these options need legislative support**
Louisiana has both low state support and low tuition

Funds for Educational and General Operations Per Full-Time-Equivalent Student at Public Two-Year Colleges

- State General Purpose/Educational Special Purpose
- Local
- Tuition and Fee Revenues
- Total

Louisiana has both low state support and low tuition

Funds for Educational and General Operations Per Full-Time-Equivalent Student at Public Four-Year Colleges and Universities

- State General Purpose/Educational Special Purpose
- Tuition and Fee Revenues
- Total

2011 Tuition Equalization legislation for community colleges and GRAD Act tuition increases of 10% will bring Louisiana Community Colleges much closer to their peers.

Proposed tuition equalization and stability fee legislation designed to assist Universities failed to move forward in the 2012 session. Even with GRAD Act tuition increases of 10%, Louisiana Universities will remain woefully underfunded.
Top 25 Cities for College Graduates

1. Fayetteville, NC 3. Oklahoma City, OK
2. Omaha, Neb. 4. Austin, TX
5. Houston, TX 7. Durham, NC
6. Lexington, KY 8. Dallas, TX
13. Boston, MA 14. Corpus Christi, TX
24. Kalamazoo, Michigan 25. Honolulu, Hawaii

Review

- Economic growth is good, providing both private and public returns
- Human capital accumulation is the engine for economic growth
- Human capital accumulation occurs when high-skill labor demand meet a supply of educated workers
- To be successful requires us colleges and universities to:
  - support the workforce needs of our current economy and
  - broaden our academic and research efforts to create a robust economy
- Local and statewide leaderships is needed for this effort
- Louisiana lags in both high-skill jobs and educated workers
- Developing Louisiana’s human capital is the most important need of our time and worthy of both state and local investment

Civic Involvement

Volunteer activity by education levels:

- Less than high school diploma: 9.9% (48 hours)
- High school diploma: 21.7% (48 hours)
- Some college: 34.1% (52 hours)
- B.A. or higher: 45.6% (60 hours)

Blood donation by education level, 1994:

- Less than high school diploma: 6%
- High school diploma: 11%
- Some college: 13%
- B.A. or higher: 17%


Less Than High School Diploma | High School Diploma | Some College or Bachelor's Degree or More
---|---|---
24.3% | 10.2% | 4.6%

**Ever Participated in Assistance Programs**
Source: Postsecondary Education Opportunity, May 28, 1997, pg 47.

Less Than High School Diploma | High School Diploma | Some College or Bachelor's Degree or More
---|---|---
1.9% | 1.2% | 0.3%

**Incarceration Rates by Education Levels**

Less Than High School Diploma | High School Diploma | Some College or Bachelor's Degree or More
---|---|---
1.9% | 1.2% | 0.3%

Economic

**Percent Below Poverty Threshold, 2004**
Source: Census Bureau

Less Than High School Diploma | High School Diploma | Some College or Bachelor's Degree or More
---|---|---
32% | 15% | 10%

Economic

**Unemployment Rates and Education Level, 2004**
Source: Employment Policy Institute

Less Than High School Diploma | High School Diploma | Some College or Bachelor's Degree or More
---|---|---
9.7% | 7.5% | 5.1%
Quality of Life

Home Ownership

Census Bureau, American Housing Survey for the United States 2005

Safety

Seatbelt Use while intoxicated, 1990

Source: American Journal of Public Health

Economic

Average family income by educational attainment, 2003

Source: Postsecondary Education Opportunity, 2005

Economic

The Impact of Education on Individuals: Lifetime Earnings

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Estimated Lifetime Earnings</th>
<th>Difference Compared to High School Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 9th grade</td>
<td>$976,350</td>
<td>-$478,903</td>
</tr>
<tr>
<td>High school dropout</td>
<td>1,150,698</td>
<td>-304,555</td>
</tr>
<tr>
<td>High school graduate</td>
<td>1,455,253</td>
<td>0</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>1,725,822</td>
<td>270,569</td>
</tr>
<tr>
<td>Associate degree</td>
<td>1,801,373</td>
<td>346,120</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>$2,567,174</td>
<td>$1,111,921</td>
</tr>
<tr>
<td>Master's degree</td>
<td>2,963,076</td>
<td>1,507,823</td>
</tr>
<tr>
<td>Doctorate</td>
<td>3,982,577</td>
<td>2,527,324</td>
</tr>
<tr>
<td>Professional degree</td>
<td>5,254,193</td>
<td>3,798,940</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Bank of Dallas, 2005
At the end of WWII, the U.S made a bold decision to invest in the future of its economy by providing $1.9 billion annually to the education of returning veterans of the war. This commitment to human capital helped enable the WWII generation to become the “greatest generation.”

Possibly, this state’s greatest generation is at the schoolhouse door waiting for the opportunity to propel your state into the global economy.