American Association of State Colleges and Universities

A Monthly Higher Education Policy Brief • May 2007

The Path to Prosperity: A Policy of Investment

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Creating a talented workforce is a key strategy in gaining a competitive advantage for regional economies in the United States and abroad. With heightened competition for public resources, an invigorated federal-state effort investing in human capital-building enterprises will increase states' capacity while enhancing personal and societal prosperity.

Context

With intense competition at the forefront of the global knowledge-based economy, the United States must embrace a strategy of building a skilled workforce. In the New Economy, the flow of capital—in all its forms—coalesces around regions that have high concentrations of talent. Despite evidence that skilled workers are a vital element of regional economic prosperity, access to and the affordability of quality higher education has eroded. This is due to reduced investment by states and the federal government, as well as heightened cost pressures of college and university operations. More visibility must be raised of the connection between state and regional workforce capacity and economic and social prosperity, and the cycle of growth that is created by public investment in higher education.

Observations

Prosperity is created through the cultivation of talent

The creation and retention of a highly skilled and well-educated workforce is the critical lever that states and regions must pull to compete globally and nationally. Those regions best positioned for an enhanced quality of life use strategies that attract concentrations of knowledge, creativity, innovation, and entrepreneurialism—all fueled by highly educated citizens.

The pace of economic, social and educational advancement combined with the shifting global economy can be understood through narratives, such as Thomas Friedman's writings on the mobility of talent and the fluid nature of economies as they are shaped by enabling technologies. California's Silicon Valley and North Carolina's Research Triangle are powerful examples of what happens when the public and private sector develop high concentrations of talent. From Boston to Bangalore, regions best positioned to be at the forefront of the global knowledge-driven economy have recognized that creating and sustaining a highly educated, innovative and productive workforce requires a commitment of public resources to infrastructure that generates entrepreneurialism and economic growth, including namely, public higher education systems.

All U.S. states are at a critical juncture as they each position themselves in the global market. States have enjoyed considerable prosperity for the past century, yet attaining a middle class standard of living is rapidly becoming more difficult. The economic influence generated by emerging economies show the reality of what it takes for U.S. states and their citizens to prosper. Indeed, much of the rest of the world is catching up and eclipsing the United States in several economic and educational metrics. This is especially true with respect to college enrollments. Canada, Japan, South Korea, Sweden, Belgium, Ireland, and Norway have succeeded in educating their youth to higher levels than their previous generations and at a higher rate than the United States. Alarmingly, college degree attainment (associate's degree or above) in the United States is higher for those aged 45 to 54 than it is for those aged 25 to 34; i.e., the younger generation is collectively less educated than the older generation.

While college enrollment is at a high and postsecondary participation rates remain steady, the current pace of students graduating from college in the United States is insufficient to maintain past levels of economic competitiveness. In fact, according to the Making Opportunity Affordable initiative, the United States could fall short 16 million college-educated workers by 2025, compared to the number of educated professionals produced by competitive nations. The National Center for Higher Education Management Systems estimates that the nation's higher education system will need to increase the annual rate of degrees granted by 37 percent to keep pace with peer countries.

Federal and state governments must employ policies that increase college access and affordability. Increasing resources for higher education institutions and systems is vital if the United States is to remain competitive.

State support for higher education should be viewed as an investment, not a repository for discretionary spending

Public investment in higher education by states and the federal government has been eroding. In 1980, states contributed 79 percent of the dollars needed on average to operate the nation's public four-year universities. Today, that amount has declined to 64 percent. The purchasing power of the federal Pell grant program has declined from 58 percent in 1985 to 32 percent today.

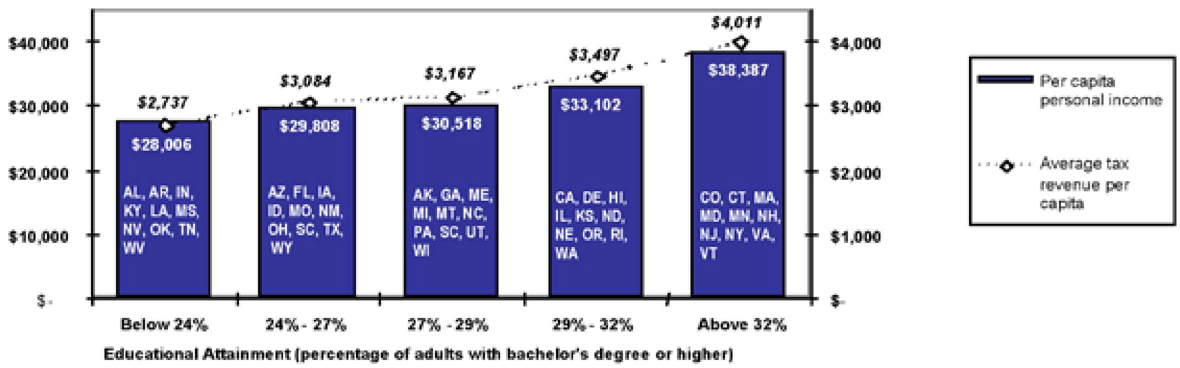
States' general fund budget dollars are increasingly supporting other public needs, such as health care (largely Medicaid), social services, transportation and public safety. And while most states currently are experiencing budget surpluses, the fiscal future is uncertain as expectations that future revenue streams may fall short of meeting demands.

At a time when a dramatic increase in human capital is needed, public investment in the education system is falling short at a critical juncture in the educational continuum. On average, states invest $108,264 to educate a citizen from Kindergarten through the 12th grade, yet this commitment shrinks to $20,376 for those earning a college degree. This comes despite evidence that citizens with a high school diploma are much less likely to achieve an appreciable standard of living, while those with a four-year college degree are better positioned to compete economically and contribute to society.

Public awareness of the return on investment in higher education must be enhanced

The case for creating greater numbers of skilled workers to ensure competitiveness is substantiated by evidence of the economic benefits to the state economies derived from a higher-educated citizenry. The Institute for Higher Education Policy has produced a state-by-state analysis of the public and private benefits of higher education. The data identifies public economic benefits of an educated workforce, such as increased tax revenues, greater productivity, increased spending, and decreased reliance on government financial support. And the public benefits of a highly educated citizenry are

Figure 1. States' Educational Attainment Rates, Per Capita Income and Tax Revenue



Sources: U.S. Census Bureau, *2005 American Community Service* and State Higher Education Executive Officers, *State Higher Education Finance FY 2005.*

more than just economic. From a social perspective, higher educational attainment rates can also be linked to reduced crime rates, increased charitable giving, increased volunteerism and voter participation, and an overall enhanced quality of life.

Most of the focus of earning a college degree has been on individual outcomes—higher salaries, decreased risk of unemployment and greater professional mobility. Data illustrates that the earnings gap between college-educated men compared to male high school graduates has increased from 19 percent in 1985 to 63 percent in 2005. The income differential between college educated women and female high school graduates has widened to 70 percent. Furthermore, the most recent data from the Bureau of Labor Statistics finds that high school graduates are 60 percent more likely to find themselves unemployed compared to those with college-degrees.

A positive correlation exists between educational attainment rates, per capita income, and the resulting revenues generated by the states and communities that are in turn reinvested in public pursuits that fuel further economic growth (see Figure 1). States with more than 32 percent of their citizens with bachelor's degrees earn per capita incomes nearly $10,000 higher and per capita tax revenues (state and local) nearly $1,300 higher than those states with a college educational attainment rate below 24 percent.

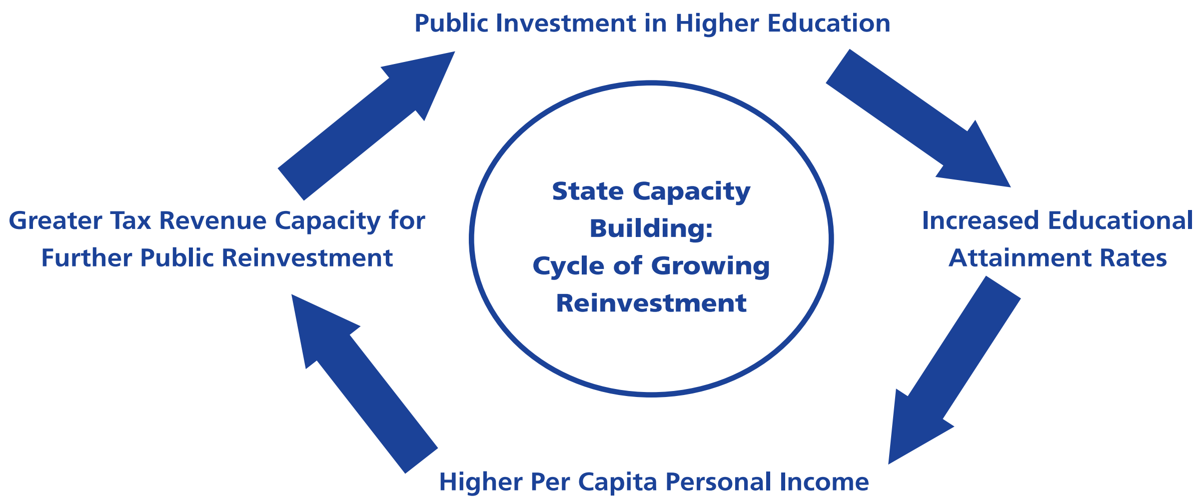
Higher education leaders, policymakers and other stakeholders must articulate the public benefits of public investment in higher education. Greater emphasis must be placed on the collective benefits of a high quality, affordable and accessible higher education system throughout the United States. Increased visibility must be given to America's need to strengthen its talent capacity and the economic and social value returned to states and regional economies when greater public investment in the nation's postsecondary education system is made.

Increased public investment in higher education leads to enhanced economic and social prosperity

A comprehensive state and national strategy for higher education is integral to personal and public economic prosperity. Increased public investment in higher education—provided through a creative mix of increased state appropriations, grant aid at the state and federal level, and strategies enhancing students' likelihood of postsecondary success—will ultimately lead to more adults with college degrees. This will in turn lead to higher per capita income, generating greater tax revenue for the states—allowing for reinvestment in public programs and infrastructure that collectively contribute and attract talent that fuels economic activity. As shown in Figure 2, enhanced public investment in higher education can lead to a cycle of economic prosperity.

Figure 2: Model of State Capacity Building

Public investment in higher education stimulates greater economic activity and generates enhanced returns that can be further reinvested in a state's composite infrastructure: health care, transportation, public safety, education, etc.



Conclusion

There are many factors that shape and influence economic conditions in the United States. Among them is the quality and competency of state and regional workforces. Enhanced public support for institutions of higher education should be at the forefront of a strategy for building greater economic workforce capacity. Increased investment in human capital building, generating increased access to and participation in postsecondary education, may well be the most effective strategy for better positioning the nation in the global economy.

State policy discussions regarding economic growth, improving quality of life, and long-term prosperity must focus on the critical role public colleges and universities play in creating talent.

Resources

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