



**The Emerging Policy Triangle:
Economic Development, Workforce Development, and Education**

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Abstract:

The policy triangle this paper explores is the relationship among a state's workforce, its workplace, and the education system. Its premise is that human capital drives economies in the information age. States need to assure access to postsecondary education and to strengthen the connection between postsecondary education and the state workforce. Some states need to import educated workers for their workplace. Some states export educated workers. Those that import need to improve their education of residents. Those that export need to improve their workplace to provide higher wage jobs that utilize the educated workers. Ideally, a state can maintain a balance of producing educated workers who fill higher paying jobs that result in a higher standard of living and economic stability for residents within a state.

Summary:

A state needs to focus policy decisions on producing and maintaining a robust economy that can compete globally in good times and bad. Where physical capital drives industrial economies, human capital drives economies in the information age. Strong economies are characterized by an abundance of well-paying jobs; and overwhelmingly, well-paying jobs are held by individuals who have knowledge and skills obtained through education beyond high school.

The U.S. ranks eighth among the industrialized countries of the world in the proportion of the population aged 25 to 34 with at least an associate's degree. The U.S. has been consistent in its educational attainment, but many other countries are improving theirs. The college attainment rates of the past 20 years in the U.S. will no longer suffice.

The dynamics of the state workforce and the economy are illustrated by the movement of human capital. There are four ways the workforce changes: 1) retirements; 2) self-removal from the labor pool; 3) "coming of age"; and 4) in- and out-migration. Little can be done about retirements or the number of residents "coming of age," but those trends cannot be ignored.

In order to maximize human capital within a state, policymakers need to examine the characteristics of the in- and out-migrations. If in-migration is characterized by educated workers entering the state, then a state may be failing to educate its own residents for the jobs it has. If out-migration is characterized by educated workers leaving the state then the state, is failing to provide the well-paying jobs or other amenities needed to retain those educated workers. It is in a

state's best interest to develop policies that maximize its human capital and to foster new job growth that will retain the existing educated workers and attract well educated workers from other states.

Oregon has two attributes from which to build: most of the adult residents are in the workforce, and Oregon imports educated residents. At 78.2% Oregon is just above the U.S. average of 77.8% for the "Percent of Civilian Population Age 25-64 Participating in the Workforce." The "Net Migration of Residents Age 22-29 with an Associate's Degree or Higher, 2004-05" shows Oregon is a net importer of 3,904, and for the age group 30-64, we again are a net importer of 10,572, for a net total in-migration of 14,476 residents with an associate's degree or higher. The conclusion is that Oregon needs to further educate its residents to take these higher-paying jobs.

A state needs to establish policies to foster educational success by its youth. Those residents "coming of age" need to be well-educated both to replace the retiring portion of the workforce, and to foster new growth in knowledge-based jobs. The educational pipeline is key, with benchmarks at high school completion, percent of high school graduates entering postsecondary education, and attainment of associate, bachelor's and advanced degrees.

One measure of the success of the pipeline is the number of high school graduates that stay in the state. States that lose the best and brightest are at an immediate disadvantage. At 82.5% Oregon is below the U.S. average of 84.1% for first time freshmen staying in-state for postsecondary education (fall 2004). However, we attract first time freshmen from other states to the extent that we import 1.24 first time freshmen for every one we export.

A second component of the migration issue is whether a state imports or exports recent college graduates. If a state imports first time freshmen but exports recent college graduates, it is incurring the expense of education but not realizing the benefits of the educated workforce. Oregon is a net importer of young college graduates with a ratio of 1.42, the 14th highest ratio of the 50 states. Again, Oregon has room for more educated residents.

These last two points are highlighted in Figure 13 in the NCHEMS report, reproduced below.

Figure 13.

Imports vs. Exports of College Students and Young College Graduates

State	Import/Export Ratio of College-Going Students in Fall 2002 (<1=Exporter, >1=Importer)	Import/Export Ratio of Young College-Educated Residents Age 22-29 from 1995 to 2000 (<1=Exporter, >1=Importer)
Alabama	2.10	0.96
Alaska	0.16	0.78
Arizona	3.06	1.65
Arkansas	1.44	0.74
California	0.57	1.71
Colorado	1.27	1.71
Connecticut	0.63	1.08
Delaware	1.71	1.01
Florida	1.44	1.43
Georgia	1.22	1.16
Hawaii	0.78	1.55
Idaho	1.11	1.12
Illinois	0.49	1.29
Indiana	1.95	0.63
Iowa	2.54	0.85
Kansas	1.38	0.75
Kentucky	1.77	1.27
Louisiana	1.68	0.47
Maine	0.71	0.71
Maryland	0.58	1.55
Massachusetts	1.45	1.19
Michigan	0.94	0.90
Minnesota	0.81	1.03
Mississippi	2.08	0.83
Missouri	1.20	1.00
Montana	0.91	1.58
Nebraska	0.94	1.26
Nevada	0.81	1.81
New Hampshire	1.07	0.84
New Jersey	0.13	1.63
New Mexico	0.90	0.95
New York	1.10	1.23
North Carolina	2.17	1.63
North Dakota	1.72	0.46
Ohio	0.84	0.83
Oklahoma	1.90	0.98
Oregon	1.24	1.42
Pennsylvania	1.64	0.79
Rhode Island	3.07	0.88
South Carolina	1.92	1.61
South Dakota	1.00	1.01
Tennessee	1.30	1.05
Texas	0.70	1.47
Utah	4.34	0.65
Vermont	1.56	0.80
Virginia	1.37	1.18
Washington	0.58	1.94
West Virginia	2.31	0.64
Wisconsin	0.90	1.36
Wyoming	2.37	0.93

Source: NCES-IPEDS Residence and Migration Survey, U.S. Census Bureau.

holders results in a high income, educated workforce prepared to compete in the global economy of the 21st century. Oregon is a state with an economy strong enough to attract college-educated residents from other states and so should place emphasis on meeting the educational needs of its own residents, as depicted in the report's Figure 19.

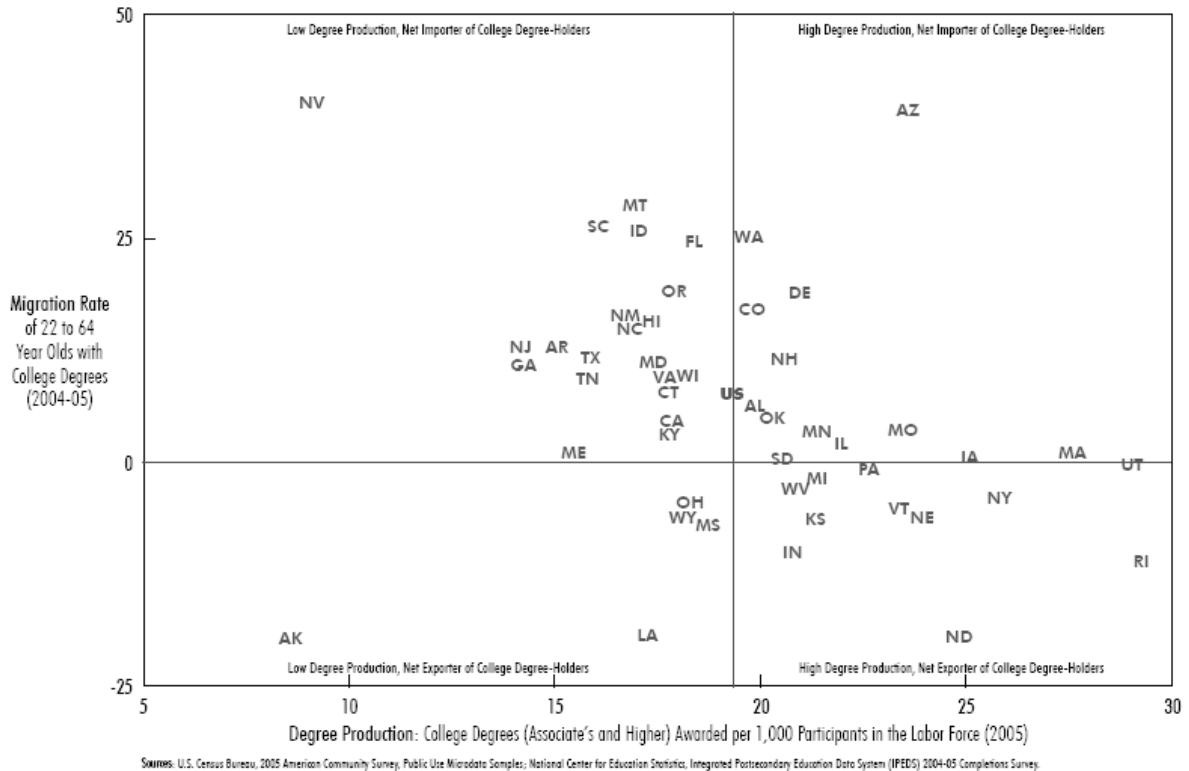
A concern for many states, including Oregon, is the projected change in demographics and the educational success rate by race/ethnicity. The highest rates of population growth are among Latino and African American Oregonians. These two groups have high school completion and college participation rates that fall below the level required to be nationally and globally competitive.

In addition to being conscious of workforce flows, a state needs to further educate the existing workforce. The majority of workers who will be employed in the year 2020 are already working in this economy. "Reentry" students who fell from the educational pipeline earlier in their careers need to be encouraged to return. The greatest challenge is for those who did not complete high school.

Nationally, only 56.8% of high school dropouts participate in the workforce, though in Oregon that percentage is 64.7%. Oregon has a lower than average percentage of those of workforce age who have less than a high school diploma and, consequently, a higher percentage of the population age 25-64 with some college or higher (ranking 9th). It should be noted that Oregon does not fare as well on the measure "part time graduate and professional enrollment as a percent of the population age 25-44 with bachelor's degrees," ranking 41st with 5.4%, indicating that there may be additional opportunities to develop Oregon's educational capital.

The combination of high degree production and net importation of college degree

Figure 19.
Ability to Produce College Graduates vs. Ability to Retain and Attract College Graduates



Some key statistics by state for Oregon:

- Oregon's public high school graduation rates rank 28th in the nation.
- Compared to national averages, Oregon has a lower percentage of adults with associate's degrees and higher by age group for every age group except those aged 55-64.
- A higher percentage of Oregon's high school dropouts are able to enter our workforce.
- Oregon has a net in-migration at every educational level, including those with less than a high school diploma.
- Oregon's in-migration rates of college graduates ages 22 to 64 ranks 8th among all states.
- Oregon's six-year graduation rate of bachelor's students ranks 22nd.
- Oregon's State New Economy Index ranks 11th.

NOTE: There are data in the NCHEMS report for the educational pipeline that indicates Oregon has a low college-going rate of students directly out of high school (ranked 45th). In the annual IPEDS reports submitted to the national Center for Education Statistics (the data used in the report), the Oregon community colleges underreport their first time freshmen by about half (due to reporting inconsistencies among the community colleges), so the data used in this report do not agree with the survey data from the OUS study, *Where Have Oregon's Graduates Gone?*, which indicates a healthy college-going rate of around 70% of Oregon's high school graduates.