What Have We Learned?

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A Changing Economic Landscape

- Family-wage jobs requiring only high school education are disappearing

- Most jobs now require at least some post-secondary education

- Employers report difficulty finding educated workers
Washington’s Changing Economic Landscape
Increasing Role of Technology- and Information-Dependent Industries
Decreasing Reliance on Manufacturing and Resource-Based Industries

Change in Washington’s Industry Composition
1975 - 2030

Sources: Forecast Council, OFM.
Global Competency Matters

• Washington is like a small nation
• Washington is most trade dependent state (one out of three jobs)
• Tomorrow’s workers will
  - Buy and sell to the world
  - Manage global work teams
  - Compete for jobs with workers in other nations
Snapshot: Looking Forward to a Reshaped Global Economy

Percentage of World GDP

<table>
<thead>
<tr>
<th>TODAY</th>
<th>2025</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>China</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Japan</td>
<td>4%</td>
<td>15%</td>
</tr>
<tr>
<td>US</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>EU</td>
<td>34%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Keystone India
In the new global economy:

- Education is our currency
- Other nations are making strategic investments in education, while we continue with “business as usual”
- United States and Washington are slipping behind other industrialized nations
How do we compare internationally?

- Compared to 12 industrialized nations participating in student assessments in math at grades 4 and 8 and at age 15, U.S. ranks:
  - 8 out of 12 in 4th grade
  - 9 out of 12 in 8th grade
  - 9 out of 12 at age 15

Source: American Institutes for Research, 2005
Global Challenge States: How do we compare?

- New Economy Index = 21 indicators of potential to perform in new global economy
- Washington ranks 2nd of all 50 states ranked by the New Economy Index
- However, among the 10 Global Challenge States we reviewed, WA ranks:
  - 5th on pre-K spending per child
  - 10th on percent of 3-4 year olds enrolled in nursery school or preschool
Global Challenge States: How do we compare?

Washington ranks:
- 8th on expenditures per K-12 student
- 9th on student-teacher ratios
- 7th on average teacher salaries

Yet WA ranks 3rd on percent of students proficient on 8th grade math (NAEP, 2005)

At our research universities, WA ranks 8th for both $/FTE and tuition and fees.
Global Challenge States: How do we compare?

- WA ranks 1\textsuperscript{st} on the number of associate degrees awarded per 1,000 population
- WA ranks 2\textsuperscript{nd} on the percent of adult population with a baccalaureate or higher
- But 8\textsuperscript{th} on the number of baccalaureate degrees awarded per 1,000 population
Growing diversity = new challenges and new opportunities

- Number of ESL families has doubled since 1993
- Nearly 250,000 adults in Washington speak limited English
- Total minority population increased from 15.7% in 1990 to 22% in 2003
- By 2030, the projected non-white and/or Hispanic population will have nearly doubled
Washington Labor Force
Projected Composition by Race and Hispanic Origin

Population Age 18-64
6,000,100
5,000,100
4,000,100
3,000,100
2,000,100
1,000,100
100


Key
Hispanic = Hispanic/Latino (can be of any race)
Other Race = Black/African-American, American Indian and Alaska Native, Asian and Pacific Islander, Two or More Races, Other Race

Source: Office of Financial Management
Preparation and Access Gaps

- Only half of all children enter kindergarten ready to learn.
- One out of four 18-24 year olds does **NOT** have a high school diploma.
- Only 70 every 100 9th graders graduate from high school with their class (Only about 50 of 100 9th graders who are low-income and/or minority students).
- Overall, participation rates for non-white and Hispanic students are significantly lower at Washington’s public four-year universities and slightly lower at the CT/Cs than for white and Asian students.
High School Graduation Rates

College-Attending Rates
by Race and Ethnicity

*Completers include on-time and delayed recipients of regular high school diplomas as well as IEP graduates, Adult Diploma recipients and GED recipients.

Washington workers are losing opportunities

• Washington businesses import highly educated workers from other states and nations

• This short-changes many Washington citizens who are not prepared to compete for the best-paying jobs or fully participate in the global economy

Source: Census, IPEDS, higheredinfo.org (NCHEMS)
Trending in the Wrong Direction:

Percent with Associate’s or Higher Degree

Census 2000

*States where the percentage of population age 35-64 with Associate’s or higher degree is greater than that for the age 25-34 population.

Source: U.S. Census Bureau 5 Percent Public Use Microdata Sample (PUMS) for Washington.
Participation Rate: State Rankings

Based on Fall 2002 Enrollment and Population 18 & over

Enrollments include students who are residents of other states plus foreign students.

Competition for Scarce Resources

- Proportionate share of general fund has declined in the last two decades

- Spending pressures in education are increasing

- Public schools and higher education institutions struggle for funding amidst soaring public costs for Medicaid, health inflation and prison populations
Share of State Spending on Education

1986
- Public Schools: 45.7%
- Higher Education: 15.8%
- All Other: 38.4%

2006
- Public Schools: 39.5%
- Higher Education: 10.6%
- All Other: 49.9%

Source: Office of Financial Management
Investing in Education Pays

- Research shows a “tipping point” (significant earnings increase) for those who receive an additional year of college

- Increased lifetime earnings as educational level rises

- Social benefits and “externalities” also benefit society at large
Individuals benefit with increased education

Source: U.S. Census Bureau, Census 2000, 5 Percent Public Use Microdata Sample (PUMS) for Washington.

Analysis by OFM.
Rate of Return to College Education Increased over Last Two Decades

FIGURE I:3
RATIO OF MEAN ANNUAL EARNINGS OF UNIVERSITY GRADUATES TO HIGH SCHOOL GRADUATES
Full-time, Year-Round Workers in the United States

Source: Hill et al. *The value of higher education*, 2003, p. 15
Education also benefits everyone

- Investments in education benefits communities through significant social returns. The more education people in a community have,
  - The lower the crime rate
  - The higher the level of civic participation
  - The lower the dependence on public assistance
  - The better the health outcomes
Moretti’s externality study

- Cross sectional data from 282 cities at three points in time PLUS a longitudinal study of 6,791 individuals from 201 cities

- 1% increase in college grads in a city result in wage increases of:
  - 1.9% for workers who did not graduate from high school
  - 1.6% for high school grads in the city
  - 0.4% for college grads
In Summary

- The economic landscape of the 21st century requires a better educated work force.

- Washington is a small nation, poised to excel in the global economy, but we are falling behind.

- Without increased educational achievement-to educate everyone at higher levels-we will lose our competitive edge.

- We must simultaneously “raise the educational bar” and “close the gap” that academically sidelines too many of our students.
Our task:

We must create a world-class education system to make sure our prosperity touches all of us, not just a few.

-- Governor Chris Gregoire
Washington Learns

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