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Defining Higher Education Policy Imperatives for New England's Governors

Richard M. Freeland (1941-)
Northeastern University

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Speeches of Richard M. Freeland

"Defining Higher Education Policy Imperatives for New England's Governors," an address presented by President Richard M. Freeland at the New England Board of Higher Education Symposium "Building Human Capital: A New England Strategy"

March 1, 2003

Introduction

Good morning. I am pleased to have the opportunity to join with former New Hampshire Governor Shaheen, President Pattenauade, Commissioner Lewis and all of you as we gather to consider what we might propose to New England's governors regarding higher education's role in building human capital.

I want to commend the New England Board of Higher Education and its leader, Bob Weygand, for sponsoring for this series of symposia on workforce development, and especially for the opportunity during the next hour or so for all of us to focus on higher education's role in addressing this challenge. I believe that New England is confronted with a work-force challenge that is severe, complex, structural and long-term, although the full extent of the problem is masked by the weakened labor market associated with the current economic downturn.

I believe that unless we are proactive in addressing our workforce issues, we risk becoming an economic backwater. This morning, I will discuss three sets of concerns that cry out for concerted action by higher education, in partnership with business, government and the nonprofit sector.

The regional economic and educational landscape

Allow me to begin by offering some data that might help focus our attention on the magnitude of the work-force challenge before us. Virtually all of the job growth in New England over the past two decades has been concentrated in the college labor market. The employment-earning advantages of a post-secondary degree are today truly extraordinary: A young adult with a college degree will earn on average 75 percent more per year than a high-school graduate. This translates into a lifetime earnings advantage in excess of \$1 million. National and state

projections of employment suggest continued strong growth in the demand for college graduates.

One question before us this morning is whether New England's system of higher education is up to the task of meeting these growing skills requirements. During the 1990s, New England colleges and universities were unable to expand at the rate experienced at the national level: In short, we lost market share.

Bachelor's degrees granted across the nation rose by 18 percent over the decade, but only 2 percent in New England. At the associate degree level, the story is worse. Nationwide, the number of associate degrees granted rose by nearly a quarter; in New England, the number of two-year degrees awarded fell by 7 percent. New England's labor supply grew very slowly during the 1990s, resulting in serious labor shortages in the second half of the decade. Forecasts of future labor-supply growth in the region suggest little change in these patterns. Yet our economic future will be heavily influenced by the quantity and quality of the labor supply we produce.

New England can no longer count on growth in our domestic population to solve our long-term, labor-market challenge. This morning, I will suggest that we need to intensify our efforts to help all of our residents maximize their professional potential. I also believe that immigration will play an increasingly important role in solving regional labor-supply problems, especially at the top end.

In this context, there are many issues that merit the attention of colleges and universities in their capacities as educational institutions, and as centers of research and scholarship that can bring their talents to bear on economic and social concerns. This morning, I want narrow our focus and concentrate on what I believe must become three central priorities.

The first of these involves the need for a regional strategy to address the growing crisis involving young men and women who are both out of work and out of school. The second involves a worrisome mismatch between the academic fields college students are choosing to enroll in and the skill needs of the region's work force. Finally, I believe it is time to look again at the critical link between education in the science, engineering and information technology fields and immigration.

Out of school and out of work

As I look across the set of issues confronting the New England work force, one of the biggest challenges I see — and also one of the strongest opportunities for all of to make a difference in work-force development — involves the large number of young adults who are neither working nor at school nor in a training program. We might call these young adults "life's dropouts". They are young people who are being left behind. They are kids on a road to no place, except — maybe, probably — trouble.

In 2001 in New England, 180,000 individuals aged 16 to 24 were

in this category. This represents an "idleness rate" of 12 percent. This is an enormous loss of both current and future human resources for the region. Our labor force grew by just 210,000 workers during the '90s. We simply cannot afford to have 180,000 young adults remain idle year-in and year-out.

As you might expect, the overwhelming majority of this disconnected group of youth has comparatively low levels of educational attainment. Nearly eight out of 10 are high-school dropouts or graduates with no post-secondary schooling. The labor market — with its increasing demand for workers with education and skills — has little room for these young adults. This issue is especially severe in the central cities: In Boston alone, 19,000 young adults were idle during 2001.

As the baby-boom generation ages, a key element of our labor supply challenge will be more fully integrating these young adults into the mainstream job market. What is needed here is straightforward: An intensive development of human capital potential through education and work experience.

Unfortunately, national funding for summer jobs has been effectively discontinued, although a number of mayors around the region have successfully organized local summer jobs initiatives. The federal School-to-Work program has been discontinued. And resources for out-of-school young adults are quite scarce under the federal Workforce Investment Act, especially in New England where we receive a disproportionately small share of these resources.

We need to turn this around. New England needs a comprehensive system that targets these dispossessed young adults and offers them basic skills and occupational proficiencies development combined with opportunities for work experience. This could be achieved by an investment of something in the order of a new \$1 billion per year. Perhaps such an outlay is hard to fathom in the midst of our current budget difficulties. But bringing more of this cohort back into the educational system and back into the economy is one of the keys to meeting the region's long-term, work-force needs.

Governors and other policymakers have several models to build upon to address the challenge of our lost youth. One superb program is an effort led by the Boston Private Industry Council, which provides early-work experiences to high school students. The program has been quite successful not just in finding students jobs while in school or over the summer, important as that is. It has also had considerable success in placing Boston public school students in jobs that typically do not employ teens or even young adults in their early 20s.

PIC job developers have had success in building relationships with the city's health-care system, its banking and financial institutions and many other areas that we do not normally think of as places that teens might work. Exposure to these pathways seems to influence their decision to continue their education beyond high school. Last year, 70 percent of the graduates of

Boston public schools went on to college, a rate higher than the national average. This is an impressive achievement for an urban school district.

Down in Rhode Island, I know that the chancellor of higher education, Jack Warner, has proposed establishing a Metropolitan College in Providence. This effort is designed to support disconnected communities and bring them into the mainstream of the state's work and education system.

There are other models we can explore during our discussion. But my first priority for higher education is that we should work with government and business to make sure that every young person in New England is engaged in some kind of positive activity that would build their human capital.

Enrollment in high demand fields

My second priority for New England involves a somewhat different cohort: students who do well in high school and matriculate at one of the region's colleges or universities. Here, the question is not whether these young people will be connected to the work-force development system. Instead, it concerns the programs they choose to enroll in.

I mentioned earlier that New England is not keeping pace with the nation in the number of bachelor and associate degrees we award. Looking underneath the aggregate data, however, we find an even more acute problem: In certain fields — nursing and other health professions; teaching at the primary and secondary level; and (perhaps not at the moment but certainly in the 1990s and surely in the future) science, engineering and information technology professionals — we have a substantial mismatch between the fields our students are choosing to enroll in and the skills needs of our region's employers. Permit me a few words about each of these fields.

Health care professionals

The regional economic downturn since early 2001 has brought unemployment in many sectors, but not health care. The region's health services industries face severe shortages of professionals. The best estimates suggest that one in 10 jobs in health are vacant.

Much of the imbalance seems to be on the supply side of the equation. Between the mid-1990s and the end of the decade, the number of associate and bachelor degrees we granted in health fields in New England fell by 18 percent. Despite excellent long-term opportunities in health careers, qualified undergraduates are choosing other fields of study. Over the past five years, the proportion of SAT test-takers in the region headed toward health-related fields has declined by about one-third.

Certified teachers

A second critical labor shortage can be found in the region's primary and secondary schools. A recent Northeastern study revealed that nearly one-quarter of all newly hired secondary teachers in Massachusetts lacked certification in the area of their primary teaching responsibility. The shortage was particularly acute in special education, foreign language and math and science.

The shortage of well-prepared math and science teachers represents a serious labor market crisis in and of itself, especially at a time when high-stakes testing is in full stride. But what is most ominous about this shortage is that it is precisely inside the classes where these teachers work that the imaginations and the talents of our future scientists and engineers must be awakened, nurtured and developed.

And what is most vexing about this challenge, especially in good economic times, is that so many of those whom would be magnificent math and science teachers can find much more lucrative work — and, frankly, easier work environments — outside the field of education.

SEIT Workers

And finally, scientists, engineers and information-technology professionals — the so-called SEIT fields. Perhaps New England's biggest work-force challenge during the 1990s was finding enough well-educated and highly skilled workers in these fields. The miniscule growth in the region's work force — combined with out-migration of young, well-educated workers at a time when the economy was recovering strongly from the recession of the early 1990s — produced widespread labor shortages that, in turn, seriously inhibited corporate expansion and job growth.

The New England Council was so concerned about the SEIT shortage that it established a task force that I co-chaired with Anne Finucane, executive vice president for corporate marketing and communications at FleetBoston Financial. We held hearings, reviewed the data and conducted two job vacancy surveys. What we found was a critical sector of the New England economy struggling almost frantically to find and retain talent.

Our survey in 2000 found SEIT vacancy rates in the double digits. Area institutions used a variety of strategies to cope with this challenge, from rapid increases in entry-level wages and attractive benefits packages and stock options, to expanded recruitment efforts and stepped up reliance on foreign-born workers. Our task force found all of these efforts to be useful but we also found that, taken together, they were no where near adequate considering the dimensions of the situation.

And so, during the 1990s, we saw that substantial numbers of firms decided to expand their organizations outside the region to other parts of the nation thought to have better overall labor supply in SEIT fields. We also saw many high-tech firms opening offices outside of the U.S. to take advantage of the labor supply

available in other nations. And, in addition, some work was simply jobbed out to overseas organizations, especially to the "three I's" — India, Ireland and Israel — all three nations possessing strong college and university sources of labor supply in technical fields.

These strategies for corporate growth help explain the dramatic loss suffered by New England in the share of jobs created in the national economy during the 1990s. And they reveal in stark terms what happens to the New England economy when we are unable to deliver a sufficient number of well-educated and highly skilled workers.

Each of the labor shortages I have just described — in health care, in education and in science and technology — is critical to the region's future; and each requires a particular and carefully tailored response.

Response: Health care workers

In the health professions, it is clear that we must take measures to reverse the trend of declining enrollments. Doing that will require that colleges and universities intensify our student recruitment efforts here in the region and in other parts of the country. We have found at Northeastern that by investing heavily in a new health sciences center and intensifying our recruitment efforts we have been able to reverse a decline in enrollments and have brought in much stronger classes in the last two years. Public policy could help in this area, too, through measures such as targeted scholarship and loan programs and encouragement to institutions to strengthen programs in health-care fields.

Educators and policymakers also need to work in partnership with the health-care industry to address the longstanding challenge of limited opportunity for upward mobility for workers already in the health-care professions. Today, many workers who seek to advance receive little encouragement to move to higher levels of skill and responsibility within the health-care field.

Many of these people leave health care altogether in search of better opportunities. We could retain many of these individuals with programs that recognized relevant prior experience and that made it possible for health workers to gain new skills while remaining on the job. If more nursing assistants, for example, could get education and clinical training while still working, the industry could grow more new talent in-house.

Retention of health professionals has been problematic for other reasons, as well. Hospitals have been squeezed by tightening reimbursements from public and private insurers; they, in turn, have called upon their staff to accept ever heightening workloads under ever more stressful conditions. The long-term prospects for sustaining a steady supply of health-care professionals in the region depend in part on improving the working conditions of those who care for us when we need care the most. There is an important role here for policymakers at both the state and

federal level.

Response: Certified teachers

Turning now to the challenge of developing our work force of teachers, we find ourselves confronted with a truly daunting problem. Here, as in health care, targeted scholarship programs could play a useful role. But let me also try out a more radical approach to a key part of this issue, especially the shortage of math and science teachers. We have arrived at a moment when it is time to rethink a teacher recruitment and compensation system that has not kept pace with the contemporary economy and now increasingly acts as an encumbrance that keeps us from placing the teachers we need in front of students.

Historically, the evidence suggests that elementary and secondary teaching has been viewed as "not quite a profession" in the way that accountants, physicians and lawyers have attained professional status. Instead, teaching has been viewed more as an art than a science; that is to say that the command of a specific field of complex knowledge was not a key element for entry into the field. But this has changed.

Today, teachers must possess mastery over content. Teachers of math and science must first be mathematicians and scientists before they are teachers. This, of course, means that the skills will be in demand not only in the education industry, but in industries throughout the regional labor market. Yet the compensation system in most school districts fails to differentiate among the professional skills that their teachers employ. Indeed, the gym teacher and the chemistry teacher are essentially paid the same.

Higher education has long understood the need for a differentiated pay structure based on skills and market wage rates. School districts may need to develop new compensation systems that more closely reflect the economic realities that confront them, and state policymakers also need to play a role in opening up this difficult but important topic.

Response: SEIT workers

With respect to the third of our high-demand and low work force fields, scientists and engineers, we can surely look forward to renewed problems of labor supply over the coming decade, the current economic slowdown notwithstanding.

I have already spoken of the many strategies firms adopted in the 1990s to try to ameliorate talent shortages. These strategies will again be used when the economy picks up. But we in higher education and our partners in state and federal government must do a better job attending to two cohorts of students who should — and must — be well-prepared to enter and succeed in the SEIT fields. These cohorts include women and students of color.

Women represent the fastest-growing cohort of college students,

but they are far less inclined than men to enter into studies in SEIT fields. Women who score in the top of the math skill distribution are much less likely to express an interest in an SEIT-related field than their male counterparts.

While 36 percent of the young men who score at the top on the math-1 SAT typically indicate that they want to major in an SEIT-related field, only 9 percent of young women with comparable scores express an intention to major in these fields. Northeastern and other schools in the region are working mightily to encourage more women to get on the SEIT bandwagon, but we will need the support of government and industry if we are to make significant progress on this front.

We must also do better preparing and inviting talented students of color to enter SEIT fields. All over the country students of color represent dramatically increasing percentages of the youth cohort, and they will represent a far larger percentage of our future work force than they do today.

The challenge here is stark: Only 4 percent of African-American and 7 percent of Hispanic math-1 SAT test-takers in New England score in the top fifth of the math score distribution, which is a kind of threshold for advanced study in SEIT fields. These findings underscore the importance of improving educational instruction across the board and also the need for incentives to encourage those students of color who perform well in high school to enter SEIT fields in college.

SEIT education and immigration

Even if we bring more dispossessed 16- to 24-year-olds back into the mainstream, and even if we convince more talented students to enroll in high-demand fields, it is virtually impossible to conceive of a thriving New England economy without continued immigration, especially at the high end of the skills hierarchy.

Now, I recognize that this is a sensitive issue, and that serious and legitimate questions have been raised about the continued growth in immigration into the nation in recent months, as unemployment levels increase and national security and homeland defense concerns have arisen after the terrorists attacks of Sept. 11, 2001. It is true that some displacement of native-born workers has taken place as labor market conditions deteriorated over the 2000 to 2002 period, largely among those with fewer years of schooling. But it is important to keep our eyes fixed on the longer view.

Immigration accounted for one-half of the total increase in labor supply during the 1990s. The great American job machine was largely fueled by foreign-born workers.

In New England, 85 percent of total population growth during the decade was caused by the surge in immigration. And because of out-migration of the native-born population, we were even more heavily dependent on foreign-born workers to increase labor supply. Without immigration, the region's labor force would have

fallen by more than 350,000 workers. Immigration, therefore, played an indispensable role in alleviating some the labor-supply problems that occurred in the region during the latter half of the 1990s.

It is also important to note that New England's immigrants generally had higher levels of educational attainment than those in other regions, and they were generally more likely to work in the college labor market. They were especially concentrated in the SEIT fields. In Connecticut, Massachusetts and Rhode Island, one-fourth of all technical professionals aged 35 and under are foreign immigrants. As the aging baby-boom scientists and engineers begin to withdraw from the economy, it is clear that growth in the supply of SEIT workers will be increasingly dependent on foreign-born workers who possess these highly valued skills.

So what are the implications for public policy and New England higher education in all of this? Our work at Northeastern reveals that the overwhelming majority of foreign-born immigrants who end up as SEIT professionals have completed a degree program in a technical field at an American college or university. The technical professional pipeline for immigrants leads directly through the nation's higher education system.

Moreover, dependence on foreign workers as a source of new technical labor supply is especially acute at the graduate level. In 1990, 26 percent of master's degrees and 37 percent of doctoral degrees in the technical fields awarded in New England were granted to foreign nationals matriculating under a student visa. By 2000 these proportions had increased to 37 percent and 46 percent, respectively.

This suggests that the size of our advanced-degree programs and the tremendous research-and-development capacity they provide the region would be between one-third to one-half as large as they currently are in the absence of foreign students. Finally, follow-up studies of foreign SEIT graduates of advanced-degree programs suggest that an overwhelming proportion become employed in the U.S. after graduation.

New England clearly has a strong interest in growing a highly skilled, well-educated immigrant population. Yet we are moving into a period in which increased federal controls on international students may well inhibit the flow of talent into our region. All of us need to monitor this situation carefully, fully supporting and implementing the requirements of the Patriot Act while also working with federal officials to maintain a proper balance between heightened security and maintenance of opportunity.

One step we should consider in this connection is linking the nation's immigration policy more directly with our labor-market policy. I believe, in fact, that a strong case can be made that the temporary work-visa programs for foreign-born graduates of U.S. schools should be scrapped. In their place, foreign students who pass muster in terms of the Patriot Act and who excel at, and graduate from, an accredited four-year college or university in a

professional field of study might better be placed on the track to obtain a green card. After a year or two of solid work experience, they should be granted a green card and placed on track for full citizenship.

Since the early 1980s, virtually all the growth in the regional economy has been in the college labor market. When the recovery from the current recession gets under way in the region, it will be industries based on scientific and engineering innovation that lead the way. Our congressional delegation must insure that the nation develops an immigration policy that rewards those who invest in themselves, develop the skills and abilities that are in greatest demand and who as educated persons are most likely to share our common values of democracy and freedom. This is my third priority, and I believe strongly that it must become New England's, as well.

I believe I'll end at this point, so we can turn to our conversation. I appreciate your interest in what I consider to be three critically import priorities for the region. We must reclaim the future for the young people we are currently losing. We must build the pipeline of skilled workers in health care, in education and in science and technology. And we must be sensitive to the critically important role that foreign-born workers have been playing in keeping our regional economy vital. I look forward to participating in our collective efforts as we turn to face the challenges before us.

Thank you.







