

human capital

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this version: Wednesday 14th November, 2012 15:16

outline

misc

human capital (Green and Haines, 2012, ch 6)

education

cost of higher education

BISHOP, B. AND R. CUSHING (2009):

The big sort: why the clustering of like-minded America is tearing us apart, New York NY: Mariner Books.

BLAKELY, E. AND N. LEIGH (2009): Planning local economic development: Theory and practice, Sage Publications, Inc.

CHETTY, R., J. FRIEDMAN, AND J. ROCKOFF (2011): "The long-term impacts of teachers: Teacher value-added and student outcomes in adulthood," Tech. rep., National Bureau of Economic Research.

ECONOMIST, T. (2012): "For richer, for poorer," .

GREEN, G. AND A. HAINES (2012): Asset building & community development, Sage Publications, Incorporated.

JACOBS, J. (1993): The death and life of great American cities, New York NY: Random House.

MIKAELA J. DUFUR, TOBY L. PARCEL, K. P. T. (2012): "Does Capital at Home Matter More than Capital at School?: Social Capital Effects on Academic Achievement," Research in Social Stratification and Mobility.

Necessary readings

◇ none

outline

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last class

- ◇ let's resume with last section of the last class

outline

misc

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what is human capital

- ◇ I define it as primarily education, and also: skills, ability, competencies, knowledge
 - but education would usually proxy those other things, and is easy to measure
 - I would not include creativity/innovation potential in human capital
- ◇ comments/thoughts ? what do we lose if we just look at education?

what is human capital

- ◇ I have an impression that creativity is concave in (has a decreasing slope) education
 - you need some education to have ideas, but at some point you become too “deep”
 - maybe some college is optimal
 - e.g. Jobs and Gates dropped out of the college
- ◇ on the other hand, scientific breakthroughs are made by academics
- ◇ what do you think ?

education proxies perseverance

- ◇ but then it seems to me that education diplomas may actually better proxy perseverance than IQ/knowledge
- ◇ very smart/talented people may not get any diplomas because they are not systematic, patient enough
- ◇ i know personally many people without much formal education that seem more talented/able than people with the diplomas
- ◇ in fact, in some cases, the less able you are, the more you may persevere...
- ◇ it would be interesting research to pursue to figure it out better

education proxies marketing

- ◇ and it depends on how you sell your knowledge:
 - I have seen many talks by people who did not know much about the topic, there is not much meaning, but they are received very well because they “sell it well” (they have presentation skills)
- ◇ like with music: they may be better singers than Lady Gaga, but she sells it well
- ◇ also interesting topic to pursue farther

workforce/human resource development (Green and Haines, 2012, p 120)

- ◇ it is a broader concept than human capital
- ◇ in addition to human capital it includes:
 - orientation to the work world
(poverty culture ? do the poor prefer welfare to work ?)
 - recruiting, placement
 - mentoring, follow-up, counseling
 - crisis intervention

many ways to help...

- ◇ it may be transportation
 - to get people to the job
- ◇ childcare—many poor people cannot afford it and without it, they cannot work
- ◇ actual job training
- ◇ for instance, North Camden <http://www.respondinc.com/>
 - provides childcare
 - and trains in website development
 - and I like their mission “to help people help themselves”

spatial mismatch

- ◇ where is the job market ?
 - ◇ many entry-level, basic-skill jobs are in suburbs (nannies, cleaning ladies, cashiers)
 - ◇ jobs in inner city require education (lawyers, bankers)
 - ◇ and the educated live in suburbs, and the poor live in inner-city
 - ◇ it is another reason for mixing different people up
 - ◇ and need some old and cheap buildings and houses, too
- (Jacobs, 1993)
- otherwise you end up with policemen and firemen serving communities and not being able to afford living there

spatial mismatch

- ◇ what do you think about spatial mismatch?
- ◇ how can it be addressed?
- ◇ or just leave it as it is?
- ◇ See also [Bishop and Cushing \(2009\)](#)—people want to live among like-minded individuals
- ◇ there is evidence that people do prefer to live among people like themselves, that is, people prefer segregation

what is the labor market?

- ◇ again, see “what is the unit of analysis” section from the previous class
- ◇ for instance for Camden:
 - it would definitely include Philadelphia
 - but also the whole (larger) metropolitan area
 - for instance, there may be many basic/entry-level jobs in Cherry Hill
 - and many people in Camden looking for such jobs
 - e.g. janitors, nannies, cleaning ladies, etc

- ◇ to get an idea of local labor conditions in addition to LQ you may use
- ◇ <http://www.census.gov/econ/cbp/>

data data

- ◇ again, the bottom line is to look at data
- ◇ understand what is out there
- ◇ and then try to make informed decisions
- ◇ but do not underestimate qualitative data
 - e.g. people with deep understanding of the community
 - e.g. people who grew up/lived in the area for a long time
 - (although they may overcomplain, say that nothing works, and don't have many new ideas)

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the young

- ◇ the fundamental advantage of the education is that it builds the future
- ◇ today's young are tomorrow's future
- ◇ and that's why the return on investment is big...
- ◇ and we should focus on fostering creativity among the young
- this is what matters
- the information is in the computers, on the internet

education

- ◇ education helps with development
- ◇ Robert J. Barro, 2002, "Education as a determinant of economic growth," in a E. P. Lazear (ed.), Education in the Twenty-First Century, Stanford, Calif. Hoover Institution Press, pp. 9-24.
- ◇ if you do not have the education, you cannot use the modern world tools: computers, etc; so
 - having the physical capital does not help if you do not have human capital !
- ◇ education also helps with social capital and civic engagement

education

- ◇ lots of talk about education...
- ◇ social capital at school important but maybe even more so at home ([Mikaela J. Dufur, 2012](#))
- ◇ teacher value added: student performance depends on the quality of teaching ([Chetty et al., 2011](#))
- maybe one of the best things we can do to the US education is to fire the tail of the teacher's distribution
- so maybe the problem is teacher's labor union... (disclaimer: I am a member of it), see also [Economist \(2012\)](#) on this issue

lifetime cumulative earnings

- ◇ even if we stick with a narrow definition of economic growth to increase tax base, tax, production etc:
 - education is great
 - government can get more in taxes from people who earn more
 - (and especially when the tax loopholes are gone)
- ◇ by one estimate, additional year of education increases earnings by 10% (Blakely and Leigh, 2009, p314)—this is lots of money in taxes over lifetime
- ◇ http://www.bls.gov/emp/ep_chart_001.htm

don't underestimate community colleges

- ◇ they may have higher value added than fancy universities
 - for people who go to community colleges, graduation can be a life changer; for people who go to Yale, it does not matter that much—they are going to be successful anyway
- ◇ if you go the best schools, you are either super-smart or super-rich, in either case, you don't need a diploma
- ◇ The Economist: “America's under-appreciated community colleges hold promise”

<http://www.economist.com/node/21553476>

unemployment

- ◇ unemployment is on the news more than the education
- ◇ unemployment is high...
- ◇ more importantly there is under-employment, people work part-time but want to work full-time
- ◇ any many gave up on the job search, so they are not counted as unemployed
- ◇ yet, employers cannot fill 600,000 positions in the US:
- ◇ <http://www.themanufacturinginstitute.org/News-Articles/2011/10/17-2011-Skills-Gap.aspx>
- so there is a need for education/training in these areas

go global

- ◇ The Surprising Global Shortage of Skilled Workers
<http://www.businessweek.com/articles/2012-05-29/the-surprising-global-shortage-in-skilled-workers>
- ◇ firms go global, so what you are waiting for ?
- ◇ why are you applying for jobs in NJ, maybe Midwest ?
- ◇ did you consider China, North Africa, Fiji ?
 - you may have a better QoL being English teacher in China than policy maker in the U.S.
- ◇ It is very likely that there is a country where there is a shortage of people with your skills
- ◇ and U.S. will have at best a sluggish economy for the next several years anyway

go global

- ◇ we are talking about more educated/trained people here
- ◇ if this were to happen, what happens to those that aren't mobile or trained/educated?
- ◇ would this be negative for the poor? positive? create more concentration of poverty?

BLS OOH

◇ BLS Occupational Outlook Handbook

<http://www.bls.gov/ooh/>

a role for planners...

- ◇ planners should target occupations with potential
 - talk to employers and schools and try to coordinate
 - look at BLS OOH
 - look at LQ
 - an example:

Markusen, Ann "Targeting Occupations in Regional and Community Economic Development" in Journal of the American Planning Association, Summer 2004; Vol. 70, No. 3, Summer 2004 pp 253-268

workforce development

- ◇ this is what you should do...
- ◇ bring the demand and supply together
 - ask employers in the region what they need
 - you can also make educated guesses based on LQ, BLS OOH, etc
 - and then talk to educational institutions to figure out how provide the training
 - you can also give some incentives to prospective employers to provide the training

unfair education spending (Economist, 2012, p.12)

- ◇ US spends a lot on its schools
- ◇ but the funding is mostly state and local
- ◇ and the richer the neighborhood the better the school
- ◇ this further reinforces spatial inequality
- ◇ US is one of the few countries that spends more on rich than poor kids
- ◇ and this further perpetuates inequality, lack of opportunity and mobility
- ◇ although in NJ, it is not necessarily so: Abbott ruling
http://en.wikipedia.org/wiki/Abbott_district (the supreme court ordered to provide more for the poor districts)

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higher ed bubble?

- ◇ higher ed may be a bubble: costs are skyrocketing
- ◇ and it does not guarantee a job anymore
- ◇ graduates are “under water”
- they owe more in college debt than they are worth

education vs health care

- ◇ lots of talk about cost of health care on the news
- ◇ but education is even worse
- ◇ over the past 25 years, average college tuition and fees have risen by 440 percent; almost twice the rate of medical care
<http://chronicle.com/article/Will-Higher-Education-Be-the/44400>
- ◇ also see The Economist: “Schumpeter How to make college cheaper” <http://www.economist.com/node/18926009>

cost by type of institution

- ◇ Total tuition, room and board rates charged for full-time undergraduate students in degree-granting institutions, by type and control of institution: Selected years, 1980-81 to 2010-11

<http://nces.ed.gov/fastfacts/display.asp?id=76>

cost by state

- ◇ education cost varies a lot by states

`http://measureofamerica.org/maps/?area=States&race=All&sex=All&year=Year2010&index=Annualtherearemoredata:
e.g.for2/4yrandforpublic/private)`

and compare to income

- ◇ Interestingly, over the same period of time, median income (in constant dollars) almost did not change at all (see blue line) http://en.wikipedia.org/wiki/File:United_States_Income_Distribution_1967-2003.svg
- ◇ (yes, the richest 5 or 1 % got much richer, but the average American family did not get any richer)
- ◇ (a breakdown by race http://en.wikipedia.org/wiki/File:US_real_median_household_income_1967_-_2009.png)

why higher ed?

- ◇ why are you getting higher education?
 - sure, student life, longer youth, intellectual curiosity...
- ◇ but it's about having that competitive edge over your peers in labor market
- ◇ but guess what
- ◇ your peers are getting more education, too

education arms race (Bob Frank)

- ◇ education is at least to some (big) degree a positional good
- ◇ your education is good or bad depending on how it relates to others
- ◇ so invest more in education to be better than others
- ◇ but others are investing, too
- ◇ so the society ends up being more educated, but nobody is better off!
- ◇ for many jobs it used to be enough to have BA/BS, then MA/MS, then PhD, then PhD from a fancy university and so forth...

education arms race (Bob Frank)

- ◇ in that sense, I think, education is overrated
 - better get some career networking, jobs skills, and experience
 - or start a company...
 - you can get first class free education online say at MIT or Stanford
- ◇ the only reason to pay for it is to enjoy student life and have “live lectures”

education debt vs credit card debt

- ◇ And college loans for the first time in history exceeded credit card debt http://www.nytimes.com/imagepages/2011/04/12/us/12college_graphic.html?ref=education
- ◇ More about student borrowing <http://pewsocialtrends.org/2010/11/23/the-rise-of-college-student-borrowing/>
- ◇ 75% of American adults say that the collage is unaffordable for most Americans
<http://www.bloomberg.com/news/2011-05-16/u-s-college-education-isn-t-worth-price-pew-report-says.html>

college still pays off (if you get a job)

- ◇ On the other hand, those who go to college will make over lifetime more than 550k than those who do not go to college
- ◇ <http://pewsocialtrends.org/2011/05/16/lifetime-earnings-of-college-graduates>
- ◇ And the gap between high school grads and college grads in incomes is widening – the ratio was 1.1 in 1976, increased to 1.5 in 2010 (p 13 <http://pewsocialtrends.org/files/2011/05/Is-College-Worth-It.pdf>)

and there is a demand for college

- ◇ demand is all time high
- ◇ share of 18-24 year old enrolled in college increased from 25% in 1967 to 52% in 2009 (<http://pewsocialtrends.org/files/2011/05/Is-College-Worth-It.pdf> p25)
- ◇ a nice visualization over time by county <http://chronicle.com/article/Adults-With-College-Degrees-in/125995/>
- ◇ the longer you are in the US, the more education you get <http://www.stateoftheusa.org/content/second-generation-immigrants-learn-earn-more.php>

free higher ed from MIT

◇ <http://ocw.mit.edu/courses/>

college profile search

- ◇ <http://nces.ed.gov/collegenavigator>
- ◇ for instance compare RU-Camden to RU-NB
- ◇ better teacher-student ratio in Camden
- about the same crime

more data

◇ `http:`

`//www.census.gov/compendia/statab/cats/education.html`

◇ `http://nces.ed.gov/fastfacts/`

so what is the conclusion?

- ◇ again, go global
 - maybe study in Europe or Canada—it's cheaper
 - and you do some sightseeing...
 - for instance, many American students come even to Poland to study medicine
 - and then come back to the US to get residency and become physicians
- ◇ going to college is not only about human capital
 - maybe even it's more about social capital...

so what is the conclusion?

- ◇ something is going to happen soon (say several years)
- ◇ that is, this cost of higher education cannot continue
- ◇ it's not sustainable
- ◇ i think that higher education will may get cheaper soon...
- ◇ (same with medical services)
- ◇ they either get cheaper, or we stop buying them, or we go bankrupt...