

human capital

adam okulicz-kozaryn

`adam.okulicz.kozaryn@gmail.com`

this version: Tuesday 10th April, 2018 10:14

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

NECESSARY READINGS

- ◇ we kill creativity (http://www.ted.com/talks/ken_robinson_says_schools_kill_creativity.html)
- ◇ ecology (neigh, fam) determines college success (Tough, 2014)
- ◇ invest in kids (Heckman, 2013)

BANFIELD, E. (1974): The unheavenly city revisited, Little, Brown Boston.

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, Beverly Hills CA.

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," The Economist.

GRANT, A. M. (2013): Give and take: A revolutionary approach to success, Penguin, New York NY.

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

HECKMAN, J. J. (2013): "Lifelines for poor children," The New York Times.

JACOBS, J. ([1961] 1993): The death and life of great American cities, Random House, New York NY.

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.

TOUGH, P. (2014): "Who Gets to Graduate?" New York Times.

VEBLEN, T. (2005a): Conspicuous consumption, vol. 38, ePenguin, New York NY.

——— (2005b): The theory of the leisure class; an economic study of institutions, Aakar Books, New York NY.

why we talk about education in this class?

- ◇ education helps with development
 - econs are obsessed about it! this is their single best fix for everything
 - any problem anywhere? get more education!
- ◇ 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.
- ◇ without educ cannot use modern tools: computers, etc
 - having the phys cap does not help without human capital !
- ◇ education also helps with social capital and civ eng

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

quick comments on ps4: disaster

- ◇ say what is your target journal!
- ◇ say what is your value added!

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

what is human capital

- ◇ I define it as primarily education
 - plus: skills, ability, competencies, knowledge
 - but educ usually proxies those other things, and 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 further
- ◇ and see Grant (2013)

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

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/underemployment and mismatch!

- ◇ under-employment, people work less than they want to
- ◇ many gave up on the job search, so 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
- ◇ a survey <http://www.economist.com/news/21566464-skills-gap-must-be-bridged-if-world-avoid-dire-consequences-argues-domin>
- 40% employers struggle –candidates have inadequate skills
- 45% of young employees say their work is unrelated to their studies
- ◇ coordinate schooling with job requirements !

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

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

and now some ideas from Banfield

- ◇ these are about primary/secondary education
- ◇ these are thought-provoking
- ◇ fresh way of thinking [no groupthink!]
- ◇ don't necessarily agree with all of that
- ◇ but many of these ideas are good
- ◇ and with all the data we have these days it's possible to test many of them

less schooling

- ◇ some kids aren't able or don't want 12 grades
- ◇ instead of wasting each other time
- ◇ and stigmatizing some kids as dropouts
- ◇ let's have 9 mandatory grades instead of 12
- ◇ those not wanting more would stop here
- ◇ those wanting more would go to college after grade 9

school is overrated

- ◇ seems that school does not teach many or most job skills
- ◇ new employees need to learn them on the job
- ◇ then why not less schooling and more job training
- ◇ and again, there are many jobs unfilled—employers cannot find people with the right skills
 - maybe better pay them to train instead of paying teachers for producing unsellable skills
- ◇ apprenticeship and part-time work as early as possible are a great idea too
 - employers can train workers better and cheaper

schools kill creativity

- ◇ Herbert Gintis: kids are penalized for creativity, autonomy, initiative, tolerance for ambiguity, and independence
 - and rewarded for docility, industry, ego control (p.151 Banfield, 1974)
- ◇ funny and informative TED talk
http://www.ted.com/talks/ken_robinson_says_schools_kill_creativity.html
- ◇ but then school's grades and credentials may measure discipline and motivation
 - but isn't it a waste of time—many years to just get a measure?

schools don't matter (that much)

- ◇ facilities, curricula, staff don't explain much of the achievement variation
- ◇ but the family background does
- ◇ and more precisely, it's about attitudes and values
 - e.g. future-orientation and hard work
 - [and ability to navigate the system!]
 - see Tough (2014)

outline

misc

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

education

Schooling Vs Education (Banfield, 1974, ch.7)

cost of higher education

Rutgers is #1—in management bloat. Our Big Ten peers pay a median of 8% of total salaries to top administrators, while Rutgers pays a whopping 12%

Number of Rutgers administrators with annual salaries exceeding \$250,000	244
---	------------

Number of Rutgers administrators with annual salaries exceeding \$500,000	38
---	-----------

Increase in aggregate management salaries between 2014 & 2016	12.4%
---	--------------

Decrease in instruction salaries between 2014 & 2016	-0.02%
--	---------------

Rutgers' total budget	\$4 billion
-----------------------	--------------------

Percent of budget spent on wages for 3,000 Part-Time Lecturers	0.8%
--	-------------

Percent of classes taught by Part-Time Lecturers	30%+
--	-------------



why?

- ◇ not teachers or professors (our salaries do not keep up with inflation)
- ◇ but sport coaches, stadiums
 - conspicuous consumption or waste !! see very insightful Veblen (2005a,b) on sports
 - it does not serve any good, no utility there, just pure waste!
- ◇ ballooning administration!
- ◇ and campuses look more and more like golf courses than scholarship sites

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>

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>)
- ◇ also see recent studies by Autor (MIT) along the same lines