IN NEW RESEARCH, U.S. BUSINESS LEADERS SAY HIGHER ED’S RESISTANCE TO CHANGE IS WIDENING SKILLS GAP, PUTTING ECONOMIC FUTURE AT RISK

Executives Worry that Challenges of Cost, Quality, and Accountability Are Holding Higher Ed, America Back

WASHINGTON, D.C. – In new research from Public Agenda and the Committee for Economic Development (CED), several American business leaders say that skyrocketing tuition and a growing skills gap could have serious consequences for the nation’s economic future. Corporate executives may consider America’s higher education system the best in the world, but this report suggests that they believe the challenges of cost, quality and accountability present great threats to the nation’s economic prospects.

The report, Hiring and Higher Education, is based on qualitative research by Public Agenda commissioned by CED and adds an important voice to a growing debate about the role and value of America’s higher education system in fueling an economic recovery. In the report, corporate executives speak candidly about the consequences of rising tuition, which they say is putting the squeeze on the middle class. They also express concern that higher education is unable or unwilling to adapt to economic demands and lacks accountability. The result, they say, is a lack of qualified workers for the jobs they have available.

“There are growing and grave concerns about the system’s ability to remain a leader and produce the workforce our future economy demands,” said Steve Farkas, lead author of the Public Agenda report. “Business leaders told us that, if higher education fails to control costs and hold itself accountable for results, our colleges and universities will become less relevant, and our economy will suffer greatly.”

The report is the result of focus groups and interviews with nearly 40 business executives from a variety of large and mid-size companies. This research suggests that business leaders have a common concern about the key challenges facing higher education, and highlights the opportunity – and the economic imperative – for the business community to be more engaged in higher education reform.

Cost
According to the College Board, tuition and fees at public universities have jumped nearly 130 percent in the last two decades. Business leaders interviewed for the report point to costs as one of the most serious weaknesses in higher education. Some are concerned that too many qualified students may be shut out of higher education altogether because of the high costs of tuition and fees. As one business leader put it, “The middle class is not going to be able to afford it. If their parents are really poor they can get a grant. If the parents are very wealthy it’s not a problem. It’s a real struggle for the middle class kids.”

Many of the business leaders interviewed don’t see where higher prices correspond with quality improvement. Also, most say that postsecondary institutions, particularly four-year colleges and universities, are wasteful and inefficient and must learn to do more with less, much like businesses do.
Quality, Workforce Preparation and the Skills Gap
According to the Minneapolis Federal Reserve Bank, unemployment would only be 6.5 percent if the US could better match skills with today’s jobs. This research suggests that business leaders agree, saying there is a disturbing mismatch between what higher education produces and what the economy needs.

Business leaders point to a particular talent shortage in science, technology, engineering and math (STEM) fields. Even with high unemployment, businesses struggle to find qualified candidates to fill available jobs. They worry that nations like India and China are producing more STEM workers while the U.S. produces too few.

“We cannot get qualified people,” said one corporate executive. “An electrician is not somebody you pull off the street. You have to be able to read blueprints. You have to know some trigonometry. There’s a lot of knowledge involved in that. We cannot get qualified people, so we start 30 kids every year in a four-year [company] program. We’re having to produce our own.”

Accountability
Most business leaders interviewed have a general sense that higher education is a system lacking accountability. “All that we have are third parties that produce ranking and rating systems,” said one business leader, “and they're not particularly effective.”

Business leaders believe colleges and universities should be held accountable for results, particularly graduating more students on time. In discussions, however, they remained uncertain about how to make meaningful accountability work without inadvertently giving colleges incentives to weaken their standards to easily reach benchmarks. One corporate executive said, “In the area of accountability, I think we need much more creative partnerships between the public and the private sector, and more financial incentives that are real and disincentives that are real to be able to continue to promote quality.”

“Reviving our economy and ensuring a vibrant future for America demand that our business and higher education communities work together,” said Charles Kolb, president of CED. “Our companies and our postsecondary institutions need each other – they are inextricably linked. That’s why America’s business community must play an active and leading role in helping determine what our young people should know and be able to do in today’s workforce and as citizens in our democracy – and then we need to help them get there.”

Read the Hiring and Higher Education report here.

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Committee for Economic Development (CED)  www.ced.org
CED is a non-profit, non-partisan organization of more than 200 business leaders and university presidents. Since 1942, its research and policy programs have addressed many of the nation's most pressing economic and social issues, including education reform, workforce competitiveness, campaign finance, health care, and global trade and finance. CED promotes policies to produce increased productivity and living standards, greater and more equal opportunity for every citizen, and an improved quality of life for all.