

MAJOR TRENDS FACING NORTH CAROLINA

IMPLICATIONS FOR OUR STATE AND THE UNIVERSITY OF NORTH CAROLINA



Workforce, Demographic and Global Readiness Trends Executive Summary

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BRIEF ON WORKFORCE, DEMOGRAPHIC AND GLOBAL READINESS TRENDS

PREPARED FOR THE UNC TOMORROW COMMISSION

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INTRODUCTION

The North Carolina economy was once built on the availability of low cost labor. Indeed, this factor served as the basis for the state economy throughout much of the 20th century. Today, this is no longer the case. As a result of world and national trends in improved communications and transportation, reduced trade barriers, and enhanced global competition, low cost labor is now readily available and accessible in foreign countries. This means successful North Carolina industries will increasingly need to compete by using well-trained, highly skilled, highly productive workers. These workers will require training in technical fields as well as be equipped with the "soft" skills of interpersonal, intellectual, and communicative capabilities. Many employer surveys indicate a concern with the quality of training and skills - particularly soft skills - of both today's and tomorrow's workforce, especially at a time when the advanced skill levels of workers in foreign countries are dramatically improving.

Yet the imperative of producing a more skilled workforce in North Carolina will likely become more challenging. Although the state has made significant progress in the past quarter century on many educational attainment measures - progress that has outstripped the nation - it still lags on several key counts, and other states aren't standing still. The rise in the number of people attending college, including many who in

previous generations would not have enrolled, has meant a significant increase in the proportion of college students lacking in adequate preparation and skills development. Also, on-going demographic changes in the state - most notably related to immigration - mean the racial and ethnic composition of college students will become more diverse, thereby requiring altered and varied learning strategies by higher education institutions. Compounding the situation are the impending retirement of a large component of today's college faculty and the difficulty of replacing them in an economy offering many employment opportunities to workers with advanced degrees.

The socioeconomic trends associated with the modern economy have widened two "divides" in North Carolina - one based on income and the other on geography. More educated workers have enjoyed real (inflation-adjusted) wage gains, while less educated workers have frequently experienced real wage losses - the result is an increase in income inequality. Geographically, the strongest income and job growth coming from growing industries in today's economy has been in urban areas of the state, particularly along the I-40/I-85 corridor, while the downsizing in the state's traditional industries has often been in rural regions.

The modern era has created tremendous change in North Carolina - change that is likely not to cease. Because so much of this change is based on education and skills development, the UNC System will be looked to for leadership in addressing the era's challenges and opportunities. Not only will the UNC System be asked to accommodate a larger, and more diverse, student body, but it will also have a stake in improving the preparatory level of entering students and adjusting to the increased proportion of older students who are changing careers in the face of the transforming economy. The System will be expected to work with the government and the private sectors in addressing the educational and geographic divides in the state. These demands on the UNC System will require careful planning, strategizing, and coordination with numerous entities as well as energetic communication with the public.

WHAT ARE THE MAJOR WORKFORCE, DEMOGRAPHIC, AND GLOBAL READINESS TRENDS AFFECTING NORTH CAROLINA?

Workforce:

- * a globalized economy means low cost labor is available in foreign countries, and modern communication and transportation technologies as well as international trade agreements have improved access to that labor
- * for the U.S. - now a relatively high-wage country - to effectively compete, it must rely on innovation and on a highly skilled, highly productive labor force
 - * the increased economic benefits to skills and education have widened the income gap between those with skills and education and those without

- * a greater percentage of jobs in the future will require advanced education and training; however, job growth will also be strong in occupations requiring the lowest levels of training - hence the job market will increasingly become "bi-polar"

Demographic:

- * the nation's population is becoming more racially and ethnically diverse, and the trends are even more pronounced among younger households
- * consequently, the college age population will dramatically change in the future, with a majority coming from today's minority populations
- * untapped productive potential and large economic costs are associated with not providing higher education opportunities to all population components
- * aging "baby boomers" comprise the largest percentage of today's higher education faculty, presenting a "succession problem" as these faculty increasingly retire in coming years

Global Readiness:

- * manufacturing jobs are declining in the economy, but a significant percentage of those remaining will require post-secondary school training of workers
- * surveys indicate a significant percentage - sometimes an overwhelming majority - of employers believes the U.S. needs to improve the quality of student achievement in order to ensure competitiveness in today's global economy
- * foreign countries, particularly in Asia, are rapidly increasing the skill levels of their workforce, particularly in the sciences, mathematics, and technology
- * a globalized, high skill based economy requires workers to have enhanced "soft-skills" capabilities, including those in interpersonal, intellectual, and communication skills
- * studies suggest some decline in these soft-skill capabilities among U.S. workers, including workers with post-secondary training; furthermore, the studies show a majority of the workforce lacking key soft-skill capabilities

WHAT ARE THE MAJOR IMPACTS OF THESE MAJOR WORKFORCE,
DEMOGRAPHIC, AND GLOBAL READINESS TRENDS ON NORTH CAROLINA?

Workforce:

- * the North Carolina economy was traditionally a home to relatively low-wage manufacturing industries, especially in textiles, apparel, and furniture; hence the North Carolina economy has been adversely affected (and more so than many other states) by the movement of many of these jobs to foreign countries during the modern era
- * since 2000, only college-educated workers in North Carolina have realized improvement in their real (inflation-adjusted) wage rates; as a consequence, income inequality in North Carolina due to educational differences has widened
- * although North Carolina has made great strides in improving the educational attainment of its workforce (graduation rate, percentage of workers with a college degree), the state still lags national averages on many measures and is in continuing competition with other states that are also improving educational and training levels of their workers
- * forecasts project a greater percentage of jobs in North Carolina at both the "upper" end of skill training (college degrees) and the "bottom" end of skill training (no high school degree)
- * the workforce trends in North Carolina have stretched the state's "geographic divide" - job creation and income growth have been strongest in the urban corridor along I-40 and I-85, and job losses have been greatest in rural counties away from this corridor
- * failure to advance the hard and soft skills of the North Carolina workforce will result in (1) higher unemployment because workers do not have the requisite skills for the workplace, (2) fewer businesses locating to North Carolina due to a shortage of workers with the necessary skills, (3) fewer well-paying jobs in the state, and (4) a lower standard of living for future generations

Demographic:

- * North Carolina has been a leader in the nation in immigrant-driven population growth, particularly from Hispanic households

- * the Hispanic population, due to immigration and high fertility rates, will become an increasing share of both the general population in North Carolina as well as the college aged population in the state
- * North Carolina will increasingly become reliant on immigrant and minority populations to fuel economic growth
- * the UNC faculty is rapidly aging, presenting a "succession" issue just at the time the System is needing to accommodate an increased student population

Global Readiness:

- * North Carolina's greater reliance on relatively low-wage manufacturing industries in the past, and the subsequent loss of hundreds of thousands of these jobs in recent decades, makes the training and skill upgrading needed to be globally competitive more crucial in our state than in many others
- * manufacturing is still a larger contributor to the North Carolina economy than it is to the national economy, and remaining future North Carolina manufacturing jobs will require workers with more formal educational training than in the past
- * a survey of business persons in North Carolina indicated one-third of the labor pool lacks "hard skills" such as knowledge of technology, applied math, and science, but over half (55%) lacked "soft-skills" like communication, leadership, analytical, teamwork capabilities

WHAT ARE THE POTENTIAL IMPACTS OF THESE TRENDS ON THE UNC SYSTEM?

- * a future shortfall is projected between the future "demand" for college educated workers and the "supply" of those workers in North Carolina, at current levels of training
- * the UNC System will need to grow faster than population growth to accommodate the increasing share of the population seeking training at institutions of higher education
- * the UNC System has an increased stake in K-12 education, so that students entering the System come with the proper training and preparation
- * the UNC System will need to accommodate increasing numbers and proportions of immigrant, minority, and older students, and greater attention will need to be placed on their rates of success

- * currently, just four counties (Guilford, Forsyth, Mecklenburg, Wake) account for one-third of UNC System enrollment; the greatest growth in enrollment demand will come from these and other urban counties along the I-40/I-85 corridor, putting pressure on the already large, and often geographically constrained, UNC System campuses in those regions
- * ill-prepared workers cost businesses billions of dollars in lost productivity and training, thereby removing resources that are potentially available to the UNC System
- * many of the issues of the modern economy are based on post-secondary education, and the UNC System is being looked to for guidance and approaches; however, along with the responsibility comes the possibility of blame for any perceived failures

WITHIN THESE TRENDS AND THEIR IMPLICATIONS, WHAT ARE PARTICULAR ISSUES OR AREAS FOR THE UNC TOMORROW COMMISSION?

- * acquiring resources; improving productivity and responsiveness of the UNC System - how will the System expand to meet its enhanced role?
- * regional disparities in economic success - what can the UNC System do?
- * regional disparities in enrollment and the physical ability of UNC System campuses in high growth enrollment regions to respond with added capacity
- * interaction with K-12 System - proper role, methods?
- * setting priorities - what else needs to be done to promote both "hard-skill" and "soft-skill" development?
- * communication with key decision-makers and the public at large - is everyone aware of the urgency and challenges?

APPENDICES

Papers on each of the trend areas are attached.