



Steve Hine, Minnesota Department of Employment and Economic Development

Minnesota needs better-aligned, not more, postsecondary grads in coming years

A Civic Caucus Focus on Human Capital Interview

May 8, 2015

Present

Tom Abeles, John Adams, Dave Broden (vice chair), Pat Davies, Paul Gilje (executive director), Steve Hine, Dan Loritz (chair), Paul Ostrow, Dana Schroeder (associate director). By phone: Sallie Kemper (associate director), Clarence Shallbetter.

Summary

Minnesota does not need to increase the absolute number of postsecondary graduates in coming years, argues Steve Hine of the Minnesota Department of Economic Development (DEED). Despite the much slower rate of labor-force growth projected for the state, the challenge, he says, isn't to produce *more* postsecondary graduates, but to deliver *better-aligned* graduates, whose postsecondary credentials and fields of study better match the needs of the economy.

Minnesota has always had a very highly educated labor force, with 60 percent of the state's workforce holding some sort of college credential, whether an industry-recognized credential or an associate, bachelor or graduate degree. But Hine asserts that only 35 percent of the state's jobs currently require postsecondary education. He notes that many college graduates are working in occupations that don't require postsecondary credentials or degrees. These college graduates displace lesser-educated people from their jobs, since employers find the more highly educated candidates more attractive. Proper alignment between college education and workforce needs is crucial to the employment success of both postsecondary graduates and the lesser educated, he states.

Hine shares data showing that different fields of study for bachelor-degree graduates in Minnesota result in widely different employment outcomes. Graduates in fields like engineering, for example, are much more likely to be working full-time after graduation and to be earning markedly higher salaries than graduates in fields like visual and performing arts or history. He argues that young people should explore these data before selecting college majors.

Hine explains that new longitudinal data developed by the state can show outcomes for recent graduates of various programs at individual schools. However, he said, some state postsecondary schools have resisted the public posting of this information.

Biography

Steve Hine is director of the Labor Market Information Office at the Minnesota Department of Employment and Economic Development (DEED). He has been at DEED for 18 years.

He has a master's degree and Ph.D. in economics from Washington State University in Pullman and a bachelor's degree from Bemidji State University. He grew up in Stillwater, Minnesota.

Background

The Civic Caucus has released two recent statements on human capital: [one in September 2014](#) laying out the human capital challenges facing the state today and in coming years and [a follow-up paper in January 2015](#) offering recommendations for maintaining a high-quality workforce in Minnesota. The Caucus interviewed Steve Hine of the Labor Market Information Office at DEED about information on the coming workforce shortage and on employment outcomes for people with varying amounts of postsecondary education.

Discussion

Minnesota is looking at a time of unique challenges due to a much slower rate of labor-force growth. This will become increasingly important, said Steve Hine of the Minnesota Department of Employment and Economic Development (DEED), as we enter a time over the next 15 years when baby boomers will be retiring. "We won't have the warm bodies that we've had," he said.

That means, he said, that we must provide the proper training, education and skills to our young people, who are going to be asked to replace the people who will be retiring.

In the 1990s, Minnesota had several years where we added 60,000 or 70,000 people to the labor force each year, Hine noted. But we're projected to add fewer than that in total over the next 15 years. "And even that very slow rate of growth in our labor force will occur only if we take some definitive actions to keep some aging workers in the workforce beyond age 65," Hine said.

The data don't support some of the narrative that's been out there about the need for an educated workforce. Hine said he's been back and forth with Anthony Carnevale of Georgetown University about the percentage of jobs in Minnesota that will require at least some level of postsecondary education. (See notes of May 1, 2015, Civic Caucus [interview with Carnevale](#).)

Carnevale has projected in the past that by 2018, 70 percent of jobs in Minnesota will require postsecondary education. Hine asserts that only 35 percent of the state's jobs now require that level of education.

(See the April 27, 2015, [article in the *Star Tribune*](#) by reporter Adam Belz, in which both he and Hine strongly questioned Carnevale's 70 percent projection. In a May 4, 2015, [Star Tribune letter to the editor](#) (see second letter) Carnevale defended his projection.)

During Hine's discussion with the Civic Caucus, he conceded that Carnevale is right in saying that having some postsecondary credentials is a necessity for gaining the kind of income people need to sustain themselves. "But," Hine said, "a significant share of Minnesota's economy is made up of jobs that simply don't require that level of education and don't provide that type of income."

Throughout the recession and continuing today, one of our biggest problems has been the underutilization of many young people with college credentials. Hine said some of that is because 17-year-olds don't necessarily make well-informed decisions on what to study in college.

"It used to be the case that if you had a college degree, employers were willing to take you on and train you," he said. "Now employers expect grads to come out with the skill sets that allow them to hit the ground running. But we have many grads coming out with majors that employers are not interested in. We don't have yet the occupational mix that allows these college graduates to enter into a decent career trajectory."

"The best remedy is a good, vibrant, strong economy," he said. "We haven't had enough of that." Hine said he hopes things will turn around for college graduates as we enter a time of increasingly acute labor shortages.

Minnesota does not necessarily need to raise the absolute number of college graduates.

"That's not our primary challenge," Hine said. Minnesota has always had a very highly educated workforce, he noted. The state is fourth in the nation in high school graduation attainment and 11th in the country in bachelor's or higher degrees. "The challenge," Hine said, "is to provide the wherewithal, which includes better information, to deliver postsecondary credentials that are better aligned with the needs of the economy."

Hine noted that 60 percent of Minnesota's workforce has some sort of college credential, with one-third holding bachelor's degrees or higher. "The jobs that are out there simply don't necessarily require that level of postsecondary attainment," he said.

The challenge is, he said, that some of the graduates' degrees are in majors that don't provide them with good initial job opportunities. "A lot of research shows that a person's first job really has a long-lasting impact on his or her lifetime earnings," he said. "If you come out of college and you only have a low-paying retail job or a restaurant job available to you, that can set you back, in many cases, permanently."

An interviewer commented that a video called " [Success in the New Economy](#) ", produced for the Minnesota Department of Labor and Industry's Pipeline Project, asserts that the true ratio of jobs by education required is 1:2:7 - that is, for every one job requiring a master's degree or higher, there are

two professional jobs requiring a four-year college degree and seven jobs requiring a one-year certificate or two-year degree.

Hine responded that the ratio contains rounded numbers. He said faster growth is expected in areas requiring master-degree and associate-degree levels of education, but not in areas requiring bachelor's degrees. "Information on the employment outcomes of various fields of study lines up very nicely with what we know about which types of occupations are growing and which are not," he said.

Hine shared  data he had presented at the North Star Summit in December 2014 on employment outcomes for recent graduates. During the 2011-2012 school year, there were 78,675 graduates in Minnesota earning some type of postsecondary awards: certificates, associate degrees, bachelor degrees and graduate degrees. Bachelor degrees made up the largest group of those postsecondary awards, accounting for 40 percent.

One year out from completing any of the postsecondary awards, 66 percent of the graduates reported earning wages, i.e., being employed. But only 42 percent of those working graduates have full-time, permanent jobs two years out from finishing their certificates or degrees, Hine pointed out. Even if the jobs held by recent graduates were full-time, the majority of jobs they hold wouldn't support a family (two adults, one of them working full-time, and a child) at a minimal standard of living.

The median wage two years after graduation for all of these postsecondary award-winners was \$18.85, ranging from \$15.30 for those with certificates to \$19.30 for those with bachelor degrees to \$31.48 for those with graduate degrees.

Many college graduates are working in occupations that don't require postsecondary degrees. For example, Hine's data show that 26 percent of people in Minnesota working as retail salespersons and 25 percent of people working as bartenders have completed four or more years of college. He said as college graduates exhaust college job options and move down to jobs not requiring a college certificate or degree, they displace lesser educated people from their jobs. Employers find these educated candidates attractive, even if their education is not required for the job. Hine concluded that proper alignment between college education and workforce needs is crucial to the employment success of both college graduates and the lesser educated.

Different fields of study for bachelor-degree graduates in Minnesota result in widely different employment outcomes. Hine's data show that much higher percentages of people educated in six "well aligned" fields (such as engineering; the health professions; and business, management and marketing) are working full-time, year-round two years out from graduation than those in six "poorly aligned" fields. And the well aligned workers are earning salaries markedly higher than those in the poorly aligned fields (such as visual and performing arts; history; and theology and religious vocations).

Hine noted that encouraging exploration of available  data on wage and employment rate

would be very helpful to young people selecting college majors and to incumbent workers looking to change careers. The data would allow students to better self-select into areas with more opportunities.

But he reiterated his assertion that most jobs of the future still will *not* require postsecondary education. However, he added that as job growth and labor-force slowing continue, expanded access to education and training by our disadvantaged populations will be increasingly necessary to fill those jobs that *do* require postsecondary education, the kind of jobs that lead to continued growth and prosperity.

It's a fool's errand to try to project what the economy might look like 10 years from now. "Some things are hard to project," Hine said. "What is the next big thing?" Technological changes such as Big Data, driven by the Internet, can be used for understanding the structure and trends in our economy, he said. "We're in our infancy in that respect. That's going to be an increasingly important source of information."

"We rely now on surveys," Hine continued. "Those are expensive and we've seen in Congress disturbing efforts to vastly reduce the extent to which we can continue to collect and produce that information." At the same time, though, he said, there is bill in the U.S. Senate that would require employers, who now report the number of employees they have and the wages they each earn, also to report the occupation of each individual employed at their companies.

"The way of collecting information that we're moving toward is going to become important to all of us," Hine said. "The ultimate objective from a policy perspective is to say what the economy will look like in the future."

The federal government has been providing funding for development of state longitudinal data systems that would connect educational records with employment records on each individual employee. Minnesota launched its data tool less than a year ago, Hine said, well ahead of the curve, compared to most states.

"When you put this information in the glaring light of day," he said, "some programs don't look very good. There's been a great deal of resistance by higher education to making this broadly available. That's been a challenge. We do see a lot of institutions that are very committed and invested in using this kind of information, but it's new. We will see an increasing acceptance and use of it."

The Twin Cities have really been the primary source of strength through the recovery. As our labor force ages and young people migrate to areas of geographic opportunity, Hine said, to a lot of rural Minnesota face real challenges. But some of our smaller MSAs, such as Rochester and St. Cloud, are doing very well.

"Smaller towns and rural areas, not only in Minnesota, but nationally, are going to have acute challenges as the labor force ages," he said. "And those are areas that already are quite a bit older than more urban areas."

Rising inequality is a concern and our political system seems to be incapable of dealing with it. Increasingly, inequality is impacting people along racial lines, Hine said. There are groups in our

population that have never had a standard of living that allows postsecondary training. And it's increasingly out of reach to them, he noted. The proposal in the state Legislature to provide two years of college at no cost to people who haven't had that opportunity would be a step in the right direction, he said.

One of the challenges we have to address is the mechanism we use now to match job seekers to jobs. Hine said the old process of job applicants going through the want ads and sending in their resumes or going into a business and indicating face-to-face their interest in a particular job has been replaced by applicants "dumping their resumes on some job board." He said the job board will use some type of algorithm or key word match to link applicants' resumes to job opportunities.

"Sometimes, they don't even know they've applied for a particular job," he said.

"A lot of the inability of college grads to find suitable jobs is the mechanism by which we go about matching them to jobs," he continued. "How do people know if the job they're suited for is on one of tens of thousands of job boards?"

There is strong evidence of benefits of closer ties between businesses and higher education. An interviewer asked Hine about the recommendation from the U.S. Chamber of Commerce that business take the leadership on solving the skills gap by pinpointing its workforce needs and identifying educational institutions that are helping meet those needs as "preferred providers." (See April 17, 2015, Civic Caucus [interview with Jason Tyszko](#) of the U.S. Chamber of Commerce Foundation.) Hine said he applauds the Chamber for its recommendations, since closer ties between business and higher education have many benefits. He noted that both the Carlson School at the University of Minnesota and the University of St. Thomas do a good job of connecting with businesses in the community.

The 1990s showed us how attractive Minnesota can be as a destination for international migrants and domestic migration. Both types of migration, Hine said, respond quite readily to economies that have opportunities for young people. "We're well positioned here," he said, "as an attractive destination for young people. We have a vibrant economy and attractive amenities. I'd be hard pressed to find any areas that are glaring weaknesses."

One possible saving grace for rural areas is that increasingly, location doesn't matter. We can telecommute, Hine said. And efforts to expand broadband access are steps we can take to make locational decisions less crucial.

There is some pressure from the Legislature that DEED produce data on employment outcomes of graduates by school and by program. Hine said it is unfortunate that some state postsecondary schools have resisted the public posting of this information. He said the longitudinal data system DEED launched within the past year has postsecondary educational records going back to 2006. The data include public, private for-profit and private nonprofit institutions, as well as career schools.

"Right now, we can describe the employment outcomes of that portion of the workforce that has graduated from some type of postsecondary program over the last eight years," he said. "It's a start."

Having fewer people available for jobs is going to require doing things and thinking about things in a way we're not used to. "We've been very used to making business decisions, career choices and policy decisions in an environment of a relative surplus of available workers," Hine said. "But we're going to be in a different environment, one where workers are in relatively short supply. That will change the way employers will have to think about things. Employers will have to compete much more than they've had to in 30 years, which will be of great benefit to job seekers and people already in the workforce.

But even with workforce shortages, Hine said young people choosing careers will have to be better informed, so they can choose majors that will give them career choices. "Bad decisions will still translate into bad outcomes," he said.