



ACROSS THE GREAT DIVIDE

PERSPECTIVES OF CEOS AND COLLEGE PRESIDENTS ON
AMERICA'S HIGHER EDUCATION AND SKILLS GAP

EXECUTIVE SUMMARY

MARCH 2011



CIVIC ENTERPRISES
CORPORATE VOICES FOR WORKING FAMILIES

In Association with:

INSTITUTE FOR A COMPETITIVE WORKFORCE,
U.S. CHAMBER OF COMMERCE
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Training

Knowledge

useful and

backbone

required

EXECUTIVE SUMMARY

WHILE ACCESS TO HIGHER EDUCATION HAS EXPANDED significantly in the United States over the last century, a new crisis has emerged: disturbing numbers of students who enroll in post-secondary education are failing to complete their degrees with huge consequences to them, society, and the economy. Today, more than 70 percent of high school graduates enroll in some kind of advanced education within two years. Yet, just over one-half of bachelor's degree candidates complete their degree within six years, and less than one-third of associate's degree candidates earn their degree within three years.¹ America has a serious college completion crisis.

Stagnant college completion rates are not only a problem for those students who, by dropping out, earn less over the course of their lives than those who graduate, but also to the economy as a whole, which is less competitive without a workforce prepared to meet the demands of the nation's employers. Nearly two-thirds of job openings in the next decade will require some post-secondary education.² To fill these jobs, the U.S. will need to accelerate its progress and produce 3 million more students who graduate with a post-secondary degree by the end of this decade.³ To achieve the President's goal to lead the world in post-secondary attainment by the end of this decade, we will need to produce 8 million more graduates than we are currently expected to produce.⁴

America's companies and higher education institutions have significant roles to play in meeting this challenge and in shaping the workforce of the future. To better understand the views of these two critical groups of leaders, Civic Enterprises and Hart Research surveyed a national cross section of 450 business leaders and 751 post-secondary leaders at community colleges, private sector career colleges, and less selective four-year institutions for their perspectives on the challenges, goals, and work ahead to cross the great divide. This report offers a clear-eyed view of the state of American education, where our business and higher education leaders can make a difference, and a roadmap for focusing on what needs to be done to prepare future workers for the demands of tomorrow's economy.

A CAREER READINESS GAP

Our survey shows business leaders experience high levels of frustration in hiring, indicating a gap between the skills of the nation's workforce, as they exist, and the demands of the nation's job market.

- **More than half (53%) of business leaders say their companies face a very or fairly major challenge in recruiting non-managerial employees with the skills, training, and education their company needs, despite unemployment close to 10% and millions of Americans seeking jobs at the time of our survey.**

1 United States Department of Education, National Center for Education Statistics. (2010). Digest of Education Statistics, 2009 (NCES 2010-013). These completion rates apply only to first-time, full-time students completing degrees within 150% of normal time.

2 Georgetown University Center on Education and Workforce, *College is Still the Best Option*, <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/college%20still%20best%20option.pdf>

3 The Spring Board Project. (2009). *Getting Ahead, Staying Ahead: Helping America's Workforce Succeed in the 21st Century*.

4 Obama, B. (August 9, 2010). *Remarks by the President on Higher Education and the Economy at the University of Texas at Austin*, The White House, Washington, D.C.



- Those at smaller companies, who were responsible for over 50 percent of new jobs created in 2007⁵, feel this most acutely: 67% say it is difficult while only 33% find it easy.

However, the focus on “college” too often excludes the demand for those who hold two-year associate’s degrees and trade-specific credentials.

- Most business leaders (98%) believe the term “college” means a four-year degree. Just 13% of business leaders also think of a two-year associate’s degree, and only 10% say “college” includes a career or technical credential. By the end of this decade, however, about an *equal percentage* of jobs will require a bachelor’s degree or better (33%) as some college or a two-year associate’s degree (30%).⁶
- The majority of business leaders (63%) believe a four-year bachelor’s degree is the important degree to achieve success in the workplace, while only 18% believe a career or technical credential and 14% believe a two-year associate’s degree are important to achieve such success.
- Almost half (47%) of business leaders believe a four-year bachelor’s degree offers the best return on investment for their companies and for students, and 35% felt the same way for career and vocational education. Only 18% of business leaders felt two-year associate’s degrees offered a good return on investment for students and only 15% believed such a degree was a good return on investment for their companies.

Business and education leaders see different priorities for post-secondary education based on their own missions:

- Underlying employers’ focus on four-year degrees and career credentials is the priority they place on post-secondary education providing both career knowledge and skills and academic knowledge. When asked to select the two most important goals for post-secondary education, business leaders place the greatest premium on preparing individuals for success in the workplace (56%), then providing individuals with core academic knowledge and skills (51%), and providing individuals with the workforce knowledge and skills for success in a specific career (50%).
- Highlighting the disconnect between classroom learning and the workplace, education leaders place greater emphasis on academic knowledge than career skills. When asked to select the two most important goals for post-secondary education, education leaders place the greatest premium on providing individuals with core academic knowledge and skills (64%), preparing individuals to be lifelong learners (47%), and, more generally, preparing individuals for success in the workplace (44%). Just 28% of education leaders said providing individuals with the workforce knowledge and skills for success in a specific career was their single or second most important priority.

- Community colleges can best serve their students by recognizing the market value, and demand for, career credentials. When asked to rank the two most important goals for post-secondary education, nearly twice as many community college leaders selected providing individuals with core academic knowledge and intellectual skills (60%) than providing individuals with the workforce skills and knowledge for success in a specific career (34%).

A BLUEPRINT FOR REFORM

Notwithstanding some of these disconnects, there is a strong appetite to bolster post-secondary completion. Business and education leaders recognize the important role that post-secondary education plays in preparing students for careers and are taking collaborative steps to integrate work and learning.

- More than three in four business leaders believe that increasing post-secondary completion will have an extremely or very positive impact on the U.S. economy (79%) and workforce productivity (76%). They also recognize the potential to affect both the success of their company (75%) and their company’s ability to hire and retain employees with the necessary skills and knowledge (75%).
- Over 80 percent of education leaders we surveyed identified financial pressures, such as needing to work, as a major challenge to students completing a post-secondary degree or credential at their institution. And 42 percent of education leaders selected their students’ need to work as the single biggest obstacle to improving post-secondary completion rates at their institution.
- Integrating work and learning is key to a successful strategy. As part of our survey, we tested 11 forms of engagement for employers, and fully 86% of business leaders indicated that their company was engaged in at least one and 46% said their companies were engaged in at least four. Smaller companies with 50 to 250 employees were the least likely to have engaged, but even 75% of them participated in at least one. The concrete actions that businesses are most likely to be taking include offering flexible work schedules to employees, providing a tuition assistance program for salaried employees, or offering internships or apprenticeships.
- More cooperation needs to be fostered between businesses and educational institutions. American companies are least likely to be participating in activities or partnerships directly with post-secondary educational institutions, such as providing feedback to help higher education institutions improve their career preparation (13%), or working with institutions one-on-one or through an industry consortium to develop cost-effective, company relevant certificate or degree programs for current employees (13%).

⁵ Stangler, D. & Litan, R. (2009). *Where will the jobs come from?*, Kauffman Foundation.

⁶ Carnevale, A., Smith, N., & Strohl, J. (2010). *Help Wanted: Projections of Jobs and Education Requirements Through 2018*. Center on Education and the Workforce. Georgetown University, Washington, D.C.

“Closing the skills gap is an important issue for business leaders, for citizens, and for the country as a whole.”

—John Pepper, former Chairman and CEO, Procter & Gamble

THE PROMINENT ROLE OF FEDERAL AND STATE GOVERNMENTS

In our survey, business and education leaders each expressed their belief that many players, including institutions of higher education, government, and employers, will all have to step up to the plate if the nation is to close the skills gap.

- **Business leaders voiced a belief that the federal government has the greatest responsibility in undertaking efforts to increase post-secondary completion rates (47%).** They also believe four-year public institutions (44%) and state governments (41%) have responsibility. But just 19% thought employers have the single greatest or second greatest responsibility to undertake efforts to increase post-secondary completion.
- **Education leaders, on the other hand, expressed a belief that state governments have the greatest ability and responsibility to affect post-secondary completion (54%).** They ranked the federal government second in terms of responsibility (47%). They also placed more responsibility on their own category of institution to undertake efforts to increase completion rates: 48% of leaders at four-year public colleges and universities, 61% of community college leaders, and 43% of leaders at career and technical institutions think their own institutions are responsible for improving outcomes.
- **Thus, nearly half of business (47%) and higher education leaders (47%) believe the federal government has the greatest responsibility to increase post-secondary completion rates.** The message to policymakers in Washington, especially the new Congress, is clear: companies and colleges are looking to Washington to lead on this issue and to provide a clear roadmap and call to action to meet ambitious, but achievable national goals.

THE PATH FORWARD

To be first in the world in educational attainment by the end of this decade, we must recognize the value of career credentials and associate's degrees; re-imagine how these degrees are offered; ensure they are more closely aligned with workforce needs; create incentives for students, post-secondary institutions, and businesses to reward completion; and measure our efforts to ensure we are accountable for results.

- **Credentials count.** Employers value credentials and view them as reliable indicators of career knowledge and skills. Reimagining the associate's degree as inclusive of competency-based credentials, particularly industry certifications, would increase the value of the degree. Community colleges, and other associate's degree granting institutions, and employers should work together to make credentials count.

- **Foster Business and Community College Partnerships.** It is crucial that American businesses work collaboratively with community colleges, and other associate's degree granting institutions, to ensure that they are producing graduates with the competencies required by the business community. The successful “Earn and Learn” models outlined in this report (collaborations between employers and post-secondary institutions that support attainment of post-secondary credentials) provide the roadmap for how these partnerships could work. Expanding on these efforts will be vital to building a 21st century workforce that meets the demands of the future.
- **Change our Vernacular.** Too often we set the four-year degree apart from other post-secondary degrees by including only the former in the term “college.” If we are to ensure that the majority of workers can contribute to and share in the nation's economic prosperity, we must increase the number of post-secondary graduates. Including degree attainment as part of our understanding of “college” could be an important step in elevating the value of career credentials and two-year degrees.
- **Getting transfer right matters.** Students and employers see a bachelor's degree as having the highest return on investment. Accumulating credits that do not transfer from credentials to two-year and four-year degrees is inefficient and creates unnecessary obstacles for students trying to continue their education. Making transfer agreements among two- and four-year institutions more transparent, better structured, and tightly articulated to high-value bachelor's degree pathways is critical.
- **Create incentives for completion, not just enrollment.** We will not produce 8 million additional graduates by the end of the decade simply by finding more students to enroll in post-secondary education. To move from a higher education system focused on access to one focused on both access and completion, we need to examine and re-align incentives to ensure students, post-secondary institutions, and employers are focused on, and rewarded for, increasing graduation rates. Examples of incentives that reward completion are:
 - **Partial loan forgiveness for students who persist and graduate or increases in Pell grant contributions to eligible students as they progress through their courses and ultimately earn a degree or credential.**
 - **Performance funding for post-secondary institutions that aligns public spending on higher education with a state's goals for workforce development and economic growth.**
 - **Tax incentives for businesses to reduce the cost of ‘Earn and Learn’ programs.**
- **Measure Success (and Failure).** To truly be accountable for improving graduation rates, we must be able to track progress with effective data.

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The Business Roundtable

Center for American Progress

Complete College America

The Conference Board

Founders Fund

Margaret Spellings and Company

National Association of Manufacturers

National Minority Business Council

Pearson Foundation

United Way

Year Up

The views reflected in this document are those of the authors and do not necessarily reflect the views of The Bill & Melinda Gates Foundation, which commissioned this report, or any of the above mentioned organizations.

APPENDIX

Peter D. Hart Research Associates conducted two surveys in September 2010:

From September 7 to 16, 2010, Hart Research conducted a national online survey among 450 business leaders at companies with 50 or more employees. Respondents included C-suite level executives, senior vice presidents, officers, and vice presidents at companies across sectors.

From September 10 to 22, 2010, Hart Research conducted a national online survey among 751 leaders of post-secondary institutions. Respondents included Presidents, Chancellors, CEOs,

Provosts, and other officers of community colleges, private sector colleges and universities, and less selective four-year colleges and universities.

Peter D. Hart Research Associates and Civic Enterprises also conducted 25 in-depth interviews among business and post-secondary education leaders from September 20th to October 13th, 2010. Twelve interviews were conducted among business leaders, and thirteen took place among post-secondary education leaders. Selected quotes from these interviews appear throughout this report.

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