



The Daily Dish

# Educational Skills — A Tale of Diverging Trends

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## Eakinomics: Educational Skills — A Tale of Diverging Trends

The importance of educational attainment is reasonably self-evident, and is also documented in recent [AAF research](#) with my co-author Tom Lee. As individuals attain greater education, their probability of employment rises as do their wages. Given those incentives, it might be the case that individuals would quickly acquire the skills needed to meet the demands of the labor market. On the other hand, institutions such as the kindergarten-high school education system are hardly synonymous with nimbleness.

To gauge the outlook, Lee and I undertake a fairly simple exercise in our most recent [paper](#), “Projecting Future Skill Shortages Through 2029.” As an indicator of the growth in demand for skills, we extrapolate — on a state-by-state basis — the correlation between growth in output and the employment of skilled workers, as measured by those with an associate degree or some college and those with a bachelor’s degree or higher. To extrapolate the growth in supply, we assume that the current rates of attainment remain in every state.

Obviously, these are not “forecasts.” They are better interpreted as displaying the implications of assuming that current trends remain unchanged. Using these methods, we estimate that, over the next decade, employers in every state will face significant shortages of workers with a bachelor’s degree or higher (over 8.5 million workers). Similarly, but not to the same degree, there will be shortfall workers with an associate degree or some college (totaling nearly 800,000 workers) in all but 16 states. At current levels of productivity, these shortfalls are the equivalent of nearly \$1.2 trillion in lost economic output.

The labor market is far from “doomed” to these potential losses. The future configuration of demand will adjust to new technologies, shifts in consumer sentiment and the like. But they do suggest that educational attainment is a potential cause for concern. This insight is reinforced by the ongoing failure of the K-12 system to generate adequate performance. As measured by the National Assessment of Educational Progress (NAEP), it has stalled at a [low level of achievement](#). Fully one-fifth of fourth graders are falling below basic proficiency in math, while the fraction is one-third for reading. In the eighth grade, the comparable “failure rates” are 30 percent and 24 percent.

It is not a pretty picture. The safest route is for policymakers to encourage higher levels of education and skills development.