

Challenges Ahead

The primary challenge facing the Southeast is elevating the education level of the region's people to meet the demands of the present and future job market. Even as the region has prospered on many fronts and university enrollments continue to climb, the overall quality of kindergarten through twelfth grade education remains below national norms.

The news from university campuses around the Southeast, however, is mostly good. Over several decades, the Southeast's institutions of higher education have expanded and diversified. One of Georgia's major metropolitan institutions, Atlanta-based Georgia State University (GSU), has become a model for quality growth and development. (See the sidebar on GSU, page 28.)

Florida alone is home to four schools that did not exist in 1960 but have blossomed into major research universities: the University of Central Florida, the nation's sixth-largest university based on fall 2007 enrollment of 48,497; the University of South Florida, the nation's ninth-largest university, with an enrollment of 45,244; Florida International University, with 38,000 students; and Florida Atlantic, with an enrollment of 26,000.

In Tennessee, the state's premier research institution, the University of Tennessee, Knoxville, is comanager with Battelle of the Oak Ridge National Laboratory, the U.S. Department of Energy's largest science and energy laboratory.

Regionwide, the number of undergraduate, graduate, and professional students is growing. That number increased 17 percent from 2000 to 2006, to 2.73 million, according to the U.S. Census Bureau. That rate of increase is nearly twice the rate of increase in the overall population of the Southeast during that period.

Despite that impressive growth in college enrollment, every state in the region remains below the national average in the proportion of citizens eighteen to twenty-four years old who are college or graduate school students.

The Southeast also continues to lag the nation in the percentage of adults with at least a bachelor's degree. Among the six states in the region, Georgia—

An Economic Timeline of the Southeast: Opportunities and Challenges

2006: Median household income grows to \$48,201 (in 2006 dollars) for the nation but averages only \$40,414 for the six southeastern states. Only Georgia surpasses the nation's median with \$49,344.

2007: The estimated six-state Southeast population hits 45.8 million, nearly double the 1960 population; the U.S. population in total grows at a much slower rate of 39 percent during the same period.



Founded after 1960, the University of Central Florida is now the nation's sixth-largest university based on enrollment.

where 26.6 percent of adults twenty-five and older hold a degree—comes closest to the national rate of 27 percent. But the region is moving closer to the national standard. Between 1990 and 2006, the proportion of citizens twenty-five and older with degrees increased more in five of the six southeastern states than it did nationally (see table 1).

Competitive workforce a critical goal

The Southern Growth Policies Board (SGPB), a nonpartisan public policy think tank formed by the region's governors, in 2007 identified the task of building a competitive workforce as a critical issue for the region. In meetings conducted by SGPB with government, economic development, and business leaders across Georgia last year, common discussion threads emerged focusing on a need for greater emphasis on the importance of education, hard work, and lifelong learning among young people. In particular, the current workforce and younger people need to improve “hard skills” such as reading, writing, math, problem-solving, and science; “soft skills” like work ethic and integrity; and “life skills” such as how to dress appropriately, manage households, and take care of themselves. (See the sidebar on working smart, page 30.)

Table 1
Percent of adults 25 and older with a bachelor's degree or higher

	1990	2000	2006
United States	20.3	24.4	27.0
Alabama	15.7	19.0	21.1
Florida	18.3	22.3	25.3
Georgia	19.3	24.3	26.6
Louisiana	16.1	18.7	20.3
Mississippi	14.7	16.9	21.4
Tennessee	16.0	19.6	21.7

Source: U.S. Census Bureau

“The Southern Growth Policies Board in 2007 identified the task of building a competitive workforce as a critical issue for the region.”

2007: Service sector jobs in the Southeast represent 84 percent of total jobs.

2007: In Florida out-migration exceeds in-migration for the first time.

2007: German steelmaker ThyssenKrupp broke ground on a \$3.7 billion plant north of Mobile, Alabama.

IN DEPTH: GSU exemplifies Southeast's new breed of universities



GSU students cross Peachtree Street in Atlanta as they navigate the sprawling urban campus.

Through the past few decades, the Southeast has nurtured several young urban universities that have grown into major research institutions. While these schools lack some of the amenities of traditional universities, they are dynamic institutions serving diverse student bodies.

Florida boasts a handful of these universities—Central Florida, South Florida, Florida Atlantic, and Florida International (see the essay). To the north, Georgia State University (GSU) in Atlanta has, perhaps as much as any school in the country, grown and prospered alongside its home city.

Founded in 1913 as Georgia Tech's Evening School of Commerce, GSU was later dubbed "the Atlanta Division" of the University of Georgia. The state Board of Regents granted the school independence in 1955, and in 1969 it officially became Georgia State University.

GSU's evolution from a commuter school received a major boost in 1995, when the state Board of Regents, which oversees Georgia's thirty-four public colleges and universities, changed the school's status from regional university to research institution. That move placed GSU in the same category as the University of Georgia, Georgia Tech, and the Medical College of Georgia.

"Our students come from every county in Georgia, every state in the nation, and from

160 other countries," notes GSU President Carl V. Patton.

Befitting its origins, Georgia State boasts a highly regarded business school, including the nation's No. 5 part-time MBA program, as ranked by *U.S. News and World Report*. The former night business school now offers 250 fields of study through fifty-two accredited degree programs. The Carnegie Foundation for the Advancement of Teaching rates GSU a "research intensive university," one of five in Georgia.

In 2006, GSU announced a \$1 billion dollar campus expansion that will add more than a dozen new buildings. As part of that sweeping plan, GSU in August 2007 opened a \$165 million complex that houses about 2,000 students downtown. The university plans to ultimately accommodate 20 percent of its enrollment, now at more than 27,000, in housing near the downtown campus.

Just over a decade ago, GSU had no campus housing. But "Georgia State has worked hard to be a part of the community, not apart from it," states Patton. The university acquired the complex that housed athletes during the 1996 Olympic Games. (That complex has subsequently been sold to Georgia Tech.) Since the dawn of the 1990s, GSU has purchased several buildings in downtown Atlanta, including the historic C&S Bank Building, the Rialto Theater, and the former Wachovia Bank building. ■

Meanwhile, education throughout the Southeast remains a persistent economic development challenge.

At the K–12 level, no single measure of education is comprehensive. But the Southeast consistently lags national benchmarks in, among other indicators, per pupil public school spending and public high school graduation rates. All six states in the region ranked among the lower half of states in average K–12 education spending per pupil from 1992 through 2005, in constant 2005 dollars, according to a June 2007 report from the Nelson A. Rockefeller Institute of Government at the State University of New York. Florida ranked twenty-ninth, Georgia thirtieth, and the other four southeastern states ranked between forty-fourth and forty-ninth.

In public high school graduation rates in 2005, none of the region's states matched the national average of 68.8 percent, according to the National Information Center for Higher Education Policymaking and Analysis. In that study, Tennessee ranked highest, at fortieth, with a graduation rate of 64.5 percent. All six southeastern states except Louisiana posted a lower rate in 2005 than in 1990, reflecting the national trend in the overall U.S. high school graduation rate, which also slid from 71.2 percent.

Part of the problem may lie at the pre-K level. Studies conducted by the National Institute for Early Childhood Research suggest that states in the Southeast and across the nation have made progress in expanding participation in pre-K education, but there remains variation in teacher educational qualifications, which are a key factor in student achievement.

The impact of poor education on the economy is stated plainly by the National Center for Public Policy and Higher Education, an independent California-based organization. That group issues a National Report Card on Higher Education that includes reports on each state. The 2006 report, the most recent, noted that in each of the six Southeast states poor educational performance “could limit the state’s access to a competitive workforce and weaken its economy over time.” In particular, the reports faulted the states for poor high school graduation rates and for low numbers of high school graduates enrolling in college.



Part of the Southeast’s educational challenges lie at the pre-K level.

“The overall quality of kindergarten through twelfth grade education in the Southeast remains below national norms.”



Several southeastern states operate highly regarded worker training programs.

IN DEPTH: Working smart

As globalization and technology continue to transform the workplace, a prosperous Southeast needs a workforce with the skills, education, and training to adapt to fast-changing jobs and careers.

For example, Atlanta Fed research has shown that information technology workers in Georgia who lost jobs during the technology industry downturn of 2000–01 found higher-paying new jobs than workers in other fields who had lost jobs. That finding suggests that people with skills that are transferable across industries are better prepared for industry-specific shocks than those who rely on skills valuable to only one industry. Virtually all enterprises need people with information technology skills, while few, if any, other businesses require someone trained strictly as an apparel plant sewing machine operator.

Across the Southeast, forecasts suggest that the most abundant new jobs through 2014 are expected to include network systems and data communications analysts, software engineers, network and computer systems administrators, database administrators, and physician assistants. These fields require education and specialized skills. In Louisiana, the state-sponsored 2007 Occupational Forecasting Conference found that 95 percent of 400 “top demand occupations” through 2009 require training beyond a high school diploma.

All the southeastern states operate worker training programs, which are often used to retrain citizens who are changing jobs. Many of the programs are tailored for specific industries or employers. Georgia, for instance, established a training center to provide preemployment assessment training and job-specific training for Kia Motors’ \$1 billion assembly plant, which is scheduled to begin production in 2009. The state of Alabama has committed to supply National Steel Car with 1,500 trained welders for its plant near Muscle Shoals.

In Florida, a consortium of public-private workforce development organizations is retraining aerospace workers. The goal is to prepare the state’s workforce as NASA discontinues the space shuttle program and launches its first Crew Exploration Vehicle mission in 2014. Retiring the shuttle is expected to reduce the workforce at Kennedy Space Center at Cape Canaveral by up to 80 percent, or 6,400 jobs, according to a NASA forecast.

Finally, it should be underscored that some job training programs geared toward a single employer or industry might not best serve a population. If that employer or industry leaves, then those trained to work for that company or in that industry might again find themselves with skills that are not easily transferable. ■

In improving the region's workforce, not only universities and K-12 education but also community colleges and technology-based worker training programs will likely play a critical role. In these areas, the region stacks up reasonably well. Several southeastern states operate highly regarded worker training programs.

Alabama's training initiative, for example, has been instrumental in the state's successful recruitment of several major manufacturing plants in recent years, including ThyssenKrupp and National Steel Car rail car facility, according to state officials.

Florida also boasts one of the nation's leading community college systems, which enrolled 797,000 students in the 2006-07 academic year. The system is designed to help students get the training they need and to boost the state's economy, according to the Florida Department of Education. (See the sidebar on Florida's community colleges, pages 33.)

Growing pains

The Southeast's explosive population growth has been central to the region's economic success in recent decades. At the same time, that expansion presents its own set of challenges that the region must master if it is to continue to prosper.

In 2007, after decades of huge in-flows, more people left Florida than moved in. Pricier housing, rising property taxes, skyrocketing homeowners' insurance rates, and general economic weakness made the state less attractive to newcomers and second-home buyers. If slowing population growth persists, it will have significant consequences for the Sunshine State's once-booming construction industry, among other sectors.

In metropolitan areas throughout the region, infrastructure concerns such as water supplies, traffic congestion, and air quality present additional potential growth constraints. Georgia and Florida rank sixth and tenth among states in the longest average commute time, according to the Census Bureau's 2006 American Community Survey, while all six southeastern states rank among the top twenty-five.



Technology-based worker training programs will likely play a critical role in the region's workforce.

FACT:

According to the Atlanta Chamber of Commerce, traffic congestion is the greatest threat to Atlanta's continued economic prosperity.



Declining auto sales affected production at southeastern assembly plants in 2007.

Photo: Nissan

In addition, the region relies more on coal-fired electricity plants than most of the nation, meaning it could be disproportionately affected by any measures to curb carbon emissions. Similarly, the settlement pattern of southeastern cities—spread out and dependent on the automobile—makes the region more vulnerable to volatility in gas prices.

The region's growing automotive industry also stands to feel the effects of rising gas prices. That industry embodies the reality that, as the region's overall economy becomes more like the nation's economy as a whole, it also becomes more cyclical and thus more vulnerable to downturns. For example, declining auto sales in 2007, mainly a sign of general weakness in consumer spending, affected production at southeastern assembly plants.

A firm foundation for the future

Although the region confronts both short-term cyclical stresses and challenges to its long-term economic vitality, it has a firm foundation for prosperity (see table 2). The Southeast has done well in building on its historic strengths: a positive business environment, a favorable climate and attractive destinations,

IN DEPTH: Community and technical colleges are vital to region's largest economy

Florida's system of community colleges is the primary point of entry to higher education for many citizens of the Southeast's largest state, particularly for African-Americans and Latinos, according to the Florida Department of Education (DOE).

The system, comprising 28 colleges and 61 campuses at 177 sites from the northwest corner of the state to the Keys, serves about 800,000 students a year.

Workforce development is part of the system's mission. In fact, during economic downturns more students enroll to "retool and retrain," the Florida DOE says. During the 2005-06 school year, the continuing workforce education program was the system's second most popular offering, with 159,316 students enrolled, behind only the associate in arts degree curriculum.

Florida's community colleges also play a key role in Workforce Florida Inc., the state's public-private effort to continually improve the Sunshine State's workforce. Community colleges host most Workforce Florida programs that create and provide up-to-date training for workers in industries deemed critical to sustaining and expanding the state's economy.

The aviation/aerospace training center is at Florida Community College at Jacksonville and Brevard Community College in Jacksonville and Coco; digital media training is based at Seminole Community College in Sanford; health sciences at Valencia Community College in Orlando; and logistics and distribution at Lake City Community College in Lake City.

To try to increase the number of women in the information technology industry, the Florida DOE and Cisco Systems' Cisco Networking Academy established the Girls Get IT Initiative, with sites on several community college campuses.

Some Florida community colleges also offer specialized degrees designed to prepare students for work in important local industries. For example, Florida Keys Community College, the southernmost college in the United States, offers programs in marine technology and the diving business.

The system has begun to feel the effects of a slowing economy. During 2007 and 2008, Florida community colleges faced the challenge of serving rising enrollments, due in part to the state's slowing economy, in the face of state funding cuts. ■



A student studies between classes at Seminole Community College in Sanford, part of Florida's large network of community colleges.

Table 2

Real gross domestic product in the United States and the Southeast in 2006

	GDP (\$millions) ^a	Percent change from 2005	Rank in U.S.
United States	11,291,375	3.4	—
Southeast (Sixth FR District) ^b	1,496,119	2.9	—
Southeast without LA and MS	1,284,920	3.4	—
Alabama	136,576	3.1	23
Florida	609,958	4.2	12
Georgia	331,129	3.4	20
Louisiana ^b	141,167	1.7	45
Mississippi ^b	70,032	2.5	35
Tennessee	207,257	3.0	25

^a GDP is shown in year 2000 dollars.

^b Post-Hurricane Katrina data

Source: U.S. Bureau of Economic Analysis advance estimates

in-migration from other areas of the country, low taxes and business costs, and hitherto abundant natural resources. Additionally, the region has been adept at developing promising new industries—from biotechnology and medical research to high-end manufacturing, accounting, and management services to computer and network engineering. These industries offer the types of jobs in which technology tends to complement performance, adding value instead of acting as a labor substitute.

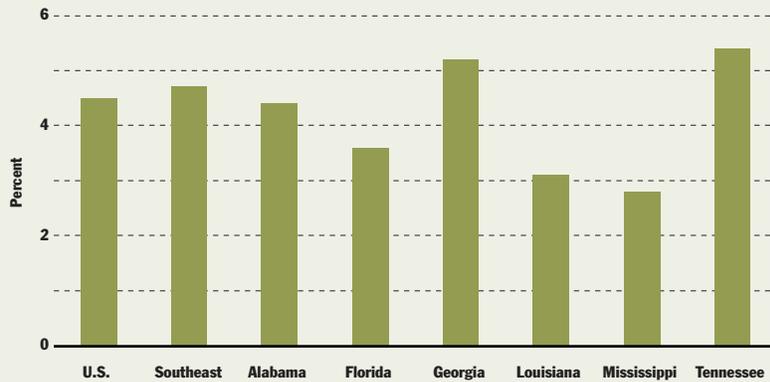
The region's industrial mix is diverse and resilient as evidenced by industries such as defense-related manufacturing and shipbuilding, which help to offset recent weakness in consumer products manufacturing. In addition, the Southeast's proximity to other national markets is an advantage in the competitive race to attract industry and capital from around the world. In fact, nearly 665,000 jobs in the Southeast are at nonbank, foreign-owned businesses. And in the next few years, European and Asian aerospace, automobile, and steel concerns plan to open large factories in the region, adding to this pool of jobs.

FACT:

Of the nation's fifty largest ports for international trade, fifteen are located in the Southeast.

Chart

Percent of nonfarm employment for U.S. affiliates of nonbank foreign-owned firms, 2004

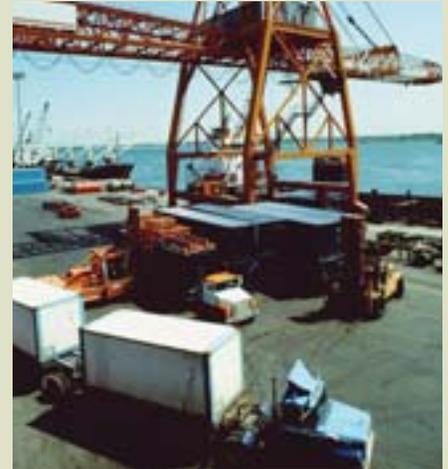


Source: U.S. Bureau of Economic Analysis

According to the latest data available, employment by nonbank foreign-owned firms represents 4.5 percent of U.S. nonfarm employment, or about 5.1 million jobs, and 4.9 percent in the Southeast (see the chart).

As world economies grow increasingly interdependent, the Southeast is well positioned to benefit from international trade. Of the nation's fifty largest ports in terms of total international trade, fifteen are in the Southeast. Strong world demand for regional exports such as industrial machinery, electrical equipment, and transportation equipment, including motor vehicles and auto parts, has bolstered export growth even as other economic sectors weakened.

Finally, the region's favorable climate and business environment bode well for continued in-migration of residents and jobs. To be sure, the Southeast faces challenges, some unique to the region, others typical of the nation and world. But the Southeast has in its history overcome large obstacles to forge a new prosperity and quality of life. The coming years should be no different.



In 2007, export shipments through the region's ports grew significantly.

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