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**Testimony to the Oregon House Higher Education
and Workforce Development Committee**

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Chair Dembrow, Vice-Chairs Harker and Huffman, Members Gallegos, Gilliam, Gorsek, Greenlick, Johnson and Whisnant, thank you for the opportunity to address you this morning with respect to HB 2838, calling for the creation of a pilot proposal for Pay Forward, Pay Back.

I'd like to address you first as a labor economist, who has given a fair amount of thought to the figures you have seen, which constitute a first cut at the parameters of a Pay Forward, Pay Back program. I believe that this analysis is a solid first approximation of the way we may expect such a program to work in Oregon.

Many of you may share the concerns that constituted my first reaction to these figures: what about inflation? What about the likely changes in the occupational structure in the future? What about probable changes in the wage structure over the next several decades? What about social changes, likely to affect the personal choices that individuals will make in the future?

To take the first issue, inflation, our best assumption is that prices will continue to rise roughly together, so that no particular adjustment should be made for inflation in this case. Wages in general should rise with the cost of living.

While tuition and fees have risen much faster than inflation in general in the recent past, it's not because the underlying costs of education in Oregon's public universities and community colleges have outpaced inflation. Tuition and fees have surged only because the costs have been shifted from the state to students; costs have been held down, perhaps too far for quality considerations and our expanding needs.

The figures presented to you, based on the current earnings of college-educated Oregonians of different ages, reflect both

- i) their labor market experiences, as manifested in wages, promotional opportunities and unemployment spells, and
- ii) their life choices, such as taking time out of the labor force to care for children, obtain further education or serve in the military.

Although the future will almost certainly be different than the past, the recent past is our best rough guide to the future that we have. Forecasts of changes in the labor market are so uncertain, will have to be so speculative, that they can only introduce noise and misinformation into our calculations.

We have to assume that, while many things will change, many will not: we will continue to employ people in education, health care, construction, transportation, retail and other essential industries.