



Fiscal Policy

NEWS RELEASE

Capital Center, 251 N. Illinois St., Suite 980, Indianapolis, IN 46204 ■ (317) 237-2890 ■ FAX (317) 237-2893

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Contact: William Sheldrake, Indiana Fiscal Policy Institute (317) 237-2890

Today, the Indiana Fiscal Policy Institute released the fourth and final report in its series on the development and retention of human capital in Indiana. The report, entitled *Survey of Current Practices in Postsecondary Graduate Retention*, presents the results of a 50-state survey of policies being used to address the human capital issue.

The report, based on the survey, presents the following findings:

- ▶ *States that have developed aggressive policies to deal with the human capital deficits in their jurisdictions have tied the graduate retention issue to economic development. These states are at the same time developing reputations for being very responsive to employers' workforce needs.*

- ▶ *States that are targeting information technology [IT] employers in their economic development strategies are forced to address the graduate retention issue with state level policies. Policymakers in states making the transition to a knowledge-based economy must identify the means to deliver the workforce needed by high-tech industries while simultaneously attracting jobs which will interest the state's high-tech graduates.*

► *Two states which have moved aggressively to address workforce needs are Georgia and Utah. Both states have created structures to facilitate communication and interaction between business and industry leaders and academic administrators around the workforce issue. “Instead of the usual arms-length relationship with the private sector, we are being asked to work in harness with them,” said one Georgia academic official.*

► *Good data on graduate retention and migration is a prerequisite to serious action to increase the human capital supply in a state. Several states have begun programs to monitor regularly [or continuously] their workforce supply, migration and growth. These initiatives augment the standard labor-market information systems extant across the United States.*

“This report will assist state policymakers in ‘turning up the heat’ on workforce issues in Indiana,” said Christopher P. LaMothe, president and CEO of the Indiana Chamber of Commerce. “The Indiana Chamber of Commerce has long recognized the importance of effective education and workforce policies in creating a positive business environment. The time has arrived to take more aggressive action in implementing some of the ideas uncovered in this research.”

The report asked state officials [and their staffs] in every state about graduate retention policies that had been proposed and those that had recently been enacted in the state. More than a third of the fifty states had had little or no discussion of the graduate retention issue. Officials in only ten states reported having statewide statistics on college graduate retention. Some states, Arizona for example, reported that the climate and hot economy made graduate retention a non-issue. Most states, in dealing with their lack of human capital, focus on increasing the number of resident students attending college in-state and attracting companies that require a higher skilled workforce. Implicit in this dual approach is the recognition that building a high quality workforce entails both supply-side and demand-side human capital policies.

“Indiana will continue its current initiatives and will seek new ways of addressing its human capital needs for the purpose of increasing our competitiveness with other states,” said Stan Jones, Indiana Commissioner for Higher Education. “We are particularly interested in developing internship possibilities in Indiana as one means of retaining highly prepared individuals in the state.”

This report on Indiana’s workforce highlights earlier findings on human capital in Indiana. A well-stocked supply of human capital is widely recognized as a vital part of maintaining a strong economy. States across the U.S. are paying more attention to both the development of human capital through their educational systems and the retention of that capital for future growth.

Today’s report highlights several recommendations:

► *The state of Indiana should develop a statewide policy on internships that includes a plan for increasing the number of internships available to and utilized by Indiana college students. The plan must also find ways to lower the barriers encountered by Indiana businesses in offering internships at their businesses. The state [whether on its own or through a third-party] should focus its efforts on serving as a broker of internships. A statewide pool of opportunities and interested students could be developed, and the information then made available over the Internet. It is extremely important that access to the internship pool be simple and direct for both employers and students. Employer interest will fade quickly if the process is made cumbersome with paperwork or complicated procedures.*

► *The State of Indiana should establish a broad-based program of financial incentives to encourage more of Indiana’s high school graduates to pursue postsecondary education. Two possible options are broad-based merit scholarships and forgivable loans that are based on continued employment in the state. Broad-based scholarships offer potential students easy access to the state’s higher education system, but when they are effective can put a strain on state resources. Forgivable loans offer the state a mechanism for*

ensuring that its investment in higher education pays dividends in the form of more highly educated human capital available to its employers.

► *Indiana must establish an ongoing system for regularly measuring the migration and retention of postsecondary graduates in Indiana. The information currently available to the state is based on one-time studies. While the data recently collected provides a valuable basis for drawing conclusions now, further data will be needed to determine whether the state's graduate retention initiatives work.*

“This report provides ample evidence that those states who want to be competitive in the new, global, knowledge-based economy must integrate the state’s economic development strategy with its human capital strategy,” said Bill Sheldrake, president of the Indiana Fiscal Policy Institute. “While the need for integrating these policy fronts is clear, the methods to accomplish the necessary coordination are not. The lesson from those states surveyed is that a long-term focus and a willingness to experiment will be critical to Indiana’s success.

The report issued today, *Survey of Current Practices in Postsecondary Graduate Retention*, is the fourth research product of the Indiana Human Capital Retention Project. The Project was formulated as a response to the state’s human capital problem as highlighted by the historically low educational attainment of the resident workforce.

The first report, *The Evolution of the Indiana Labor Force, 1968-1997, A Comparative Analysis*, illustrated the differences between Indiana’s economic structure and the rest of the U.S. That report demonstrated the state’s long history of relatively low demand for individuals with postsecondary degrees, as a result of the historically high concentration of manufacturing jobs in Indiana compared to other sections of the U.S.

The second in the series, *Graduate Migration from Indiana’s Postsecondary Institutions*, presented for the first time accurate data on what happens to those graduating from the state’s colleges and universities and why they choose to leave or stay. The report revealed that while

Indiana loses a greater proportion of its graduates than other states, the reasons are clearly job related. The study pointed out the need to provide multiple career options within the state if its human capital is to be retained.

The third report, *The Indiana Workforce: An Employer's Perspective*, detailed the challenges faced by Indiana's business leaders in maintaining a growing and highly skilled employee base. Employers are seeking more workers with two-year and four-year degrees and better skills throughout their workforce. To reach this goal, these employers are asking for more program flexibility and greater geographic access to postsecondary training options.

The Indiana Human Capital Retention Project is funded by a grant from Lilly Endowment Inc. and receives additional funding from the Indiana Commission for Higher Education and the Indiana Chamber of Commerce. The research for the project is being carried out by the Indiana Fiscal Policy Institute with the assistance of academic and other independent researchers.

The Indiana Fiscal Policy Institute is a statewide non-partisan, non-governmental public policy research organization focusing on state and local public policy issues in Indiana. Through its research on state pensions, education, tax policy and the economy the Indiana Fiscal Policy Institute has contributed to the progress on problems of both immediate and long-term policy interest to Indiana citizens.

Copies of *Survey of Current Practices in Postsecondary Graduate Retention*, as well as previous reports in the Indiana Human Capital Retention Project Series, can be requested from the Indiana Fiscal Policy Institute at (317) 237-2890. All of the reports are available on the Indiana Commission for Higher Education Web site at <http://www.che.state.in.us/Public/Documents/IFPI/default.htm>.

For further information, please contact:

Stan Jones, Indiana Commission for Higher Education, (317) 464-4400

Chris LaMothe, Indiana Chamber of Commerce (317) 264-6887

William Sheldrake, Indiana Fiscal Policy Institute (317) 237-2890