



**Graduate Migration**  
from  
**Indiana's Postsecondary Institutions**

March 1999

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**Indiana Fiscal Policy Institute  
Capital Center, North Tower  
251 North Illinois Street, Suite 980  
Indianapolis, Indiana 46204  
(317) 237-2890  
FAX (317) 237-2893**

The Indiana Fiscal Policy Institute (IFPI), formed in 1987, is a private non-profit governmental research organization. It is the only independent statewide source of continuing research into the impact of state taxing and spending policies in Indiana. The IFPI is privately supported by a variety of organizations, corporations, associations, and individuals in Indiana and surrounding states. Contributions to the IFPI are fully deductible under section 501 (c)(3) of the Internal Revenue Code.

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## **Foreword**

### **The Indiana Human Capital Retention Project Series**

Physical capital was dominant in the economic life of the nineteenth and early twentieth centuries. Machines “made things” and the economy of the United States became the largest and most successful precisely because of its ability to manufacture the products that could be sold around the world. In the last 40 years, economists have increasingly understood that human capital is important to the growth of a country’s economy. The education and experience of the labor force being utilized within a region’s economy makes a very significant difference in the rates of return on business investment and on the quality of life within the region. Human capital, therefore, represents a strategic advantage in the increasingly competitive international economy in which we all participate.

One measure of human capital is the educational attainment of a region, state or nation, defined as the percentage of the adult population with a certain level of schooling. Indiana is a state with historically low educational attainment at the collegiate level. In 1970 Indiana ranked 44th among the 50 states in terms of population with four years or more of college; by 1997 the State’s ranking had fallen to 48<sup>th</sup>. This statistic is even more troubling in a state like Indiana with higher education institutions that are generally regarded as excellent.

The stock of human capital within a state is difficult to affect. The level of education of a region’s labor force becomes a consideration when new business investment decisions are being made. The Indiana Human Capital Retention Project was formulated as a research response to Indiana’s perceived human capital problem. It consists of several research initiatives, each of which looks at a different part of the human capital issue.

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

*Graduate Migration from Indiana's Postsecondary Institutions* is the second in a series of reports to be published. It is a report of the findings from the Indiana Graduate Follow-up Survey which was undertaken by the Indiana Fiscal Policy Institute with the assistance of the Center for Survey Research at Indiana University and the National Opinion Research Center at the University of Chicago. Elected officials, public policymakers, and private sector leaders often complain about the flight of human capital or “brain drain” from whatever geographical area for which they feel responsible. This report maps the dimensions of the flight of human capital from the State of Indiana in one segment of the population, recent college graduates. It adds reliable information to an already interesting policy debate.

This study does not exhaust the analysis that should be done with regard to graduate migration in Indiana. This rich data source will be supplemented by survey results from graduates of private colleges and universities in the State. The Indiana Fiscal Policy Institute has a continuing interest in exploiting this survey data to reveal all that it can tell us about human capital development and retention in the Hoosier State.

# **Executive Summary**

## **Graduate Migration Study**

A well-stocked supply of human capital is 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. Indiana is a state long thought challenged in the area of human capital because of its low educational attainment at the postsecondary level, ranked 48<sup>th</sup> compared to the 50 states.

As part of the assessment of Indiana's human capital position, this report presents the results of an analysis of the migration of graduates from Indiana's public two and four-year colleges and universities. The study surveyed public postsecondary graduates, both those who entered from outside the State to attend college and those who enrolled as Indiana residents. The sample included more than 8,000 graduates in total from the associate, baccalaureate and master's levels. In addition, a national sampling of graduates held by the U.S. Department of Education was analyzed to reveal Indiana's ranking on the retention of graduates compared to other states.

*The most significant findings of the study include:*

- ? *1 - Indiana is a significant exporter of graduates with postsecondary degrees.* For all degree levels, 36.2 percent of Hoosiers leave the State after graduation and 89.2 percent of non-residents leave. The State is a significant importer of high school graduates pursuing a college education, but clearly both sets of graduates contribute to a "brain drain" or flight of human capital from Indiana.
- ? *2 - Indiana's graduates leave the State, overwhelmingly, for employment-related reasons.* Of those graduates who left, both those from outside the State and those who were Hoosiers, the strongest factor in leaving was the search for the right kind of job, the best pay/benefit mix, or the brightest prospects for career advancement.
- ? *3 - Quality of life is a factor in the failure to keep highly educated persons in Indiana.* Those graduates who left the State cited quality of life as the second most important set of reasons to leave, [behind jobs]. However, this is a two-pronged finding. Those graduates who stayed also ranked Indiana's quality of life as a secondary set of factors influencing them to remain in-state. The reasons behind each group's ranking are not clear, but the importance of improving the perception of the quality of life for both career-motivated and family-motivated recent graduates shouldn't be missed.

? 4 - *Indiana's public postsecondary institutions appear to produce baccalaureate level graduates in the subject area disciplines most likely to be needed in a manufacturing-oriented economy.* Business degrees ranked first and engineering and technology ranked fourth in the choices of majors among survey respondents.

However, only 58.8 percent of the business majors stayed in Indiana, and fewer, 36.7 percent, of the engineering and technology majors stayed in the State to pursue their careers.

? 5 - *The State retains higher percentages of its master's degreed persons [Indiana residents] than it does bachelor's students,* since master's graduates are more likely to be employed in a career-related job when pursuing a master's education.

? 6 - *While Indiana's major research universities serve a higher percentage of out-of-state enrollees, the program offerings at these schools are not driven by the choices of non-Indiana students.* Degree program selections by Hoosiers are not significantly different than non-residents.

? 7 - *Program level shifts in enrollment impact overall retention percentages.* In 1985-86, the majority of the State's master's degrees in business administration were awarded at Indiana's major research campuses, [58.5 percent]. By 1995-96 the number of MBA's produced had grown by almost 50 percent. However, by that year only one-third of the MBA's came from the State's major research campuses and the statewide retention rate for master's degrees in business had increased from 46.4 percent in 1985-86 to 66.8 percent.

This report on migration in Indiana's postsecondary graduates highlights earlier findings on human capital in Indiana. The demand for the graduates of Indiana's colleges and universities is not sufficient, from the viewpoint of the graduates themselves, to retain them within the Indiana economy, and national data analyzed for the purpose of this study confirms the importance of economic factors in the migration decision.

However, the findings do provide reasons for optimism with regard to affecting Indiana's human capital position. Extending access to postsecondary education appears to significantly expand the human capital retained within the State. Designing policies which operate to accomplish this within the higher education delivery system in Indiana is part of solving Indiana's human capital dilemma.