



Fiscal Policy

NEWS RELEASE

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

Press Release

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The Indiana Human Capital Retention Project Series

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

The Indiana Fiscal Policy Institute today released a new report on the workforce issues faced by Indiana business and non-profit organizations in finding, hiring, training, and retaining a skilled set of employees. Entitled *The Indiana Workforce: An Employer's Perspective*, this report presents the views communicated by business leaders and employers throughout the state gathered through surveys, focus groups and interviews during the last four months.

The report's major findings as described in the study are:

- ▶ *Indiana's employers are starved for both quantity and quality in their employment needs. Sixty-three percent of employers said they needed more employees with two-year degrees. Seventy-one percent said they needed more workers with four-year degrees.*

► *Employers report that their employees **infrequently** take advantage of the training incentives, like tuition reimbursement, which they offer. They report that a more flexible set of public and private educational options, and greater geographic access – putting the training closer to the employee’s place of work – would make a significant difference in their employees’ pursuit of postsecondary training choices.*

► *Critical thinking, communication and leadership skills are the competencies most lacking among Indiana workers according to the responses of employers. These same skills are the ones employers believe will be the most important to a business’ success in the future.*

Access to well-trained and productive workers is increasingly being identified as one of the critical, if not the most important, conditions for businesses to grow rapidly and develop profitably.

“The Indiana Chamber of Commerce has been supportive of this research precisely because of the critical nature of workforce issues to Indiana business leaders. This report identifies some key areas where the state can improve the human capital equation for Indiana’s employers. We will be at the forefront of efforts to remove the roadblocks to increasing the numbers and the skills of our Indiana workforce,” said Christopher P. LaMothe, president and CEO of the Indiana Chamber of Commerce.

As part of the assessment of Indiana’s human capital position, this report presents the results of interviews and focus groups which were conducted at sites around the state. Business leaders were asked questions on the kind of worker shortages they faced, the extent of training required in newly hired workers, and the methods used in recruiting and retaining current employees. Their answers represent the views of the purchasers of human capital – those who must utilize the labor force that is available to fulfill the mission of their businesses.

This report clearly demonstrates the difficulties experienced by Indiana businesses in finding and retaining a sufficient quantity of quality workers. “The production of postsecondary graduates is one of our strong points in Indiana, but more can be done. The State of Indiana is looking for ways to introduce more flexibility and greater access into our postsecondary system,” said Stan Jones, Indiana’s Commissioner for Higher Education.

“We also want to facilitate the recruitment of Indiana graduates by Indiana businesses where possible,” Jones continued. “One mechanism for more easily identifying and then retaining talented individuals is the offering of internship opportunities to those studying at postsecondary institutions in our state. It will be increasingly important to help businesses and students connect so that the maximum number of students is exposed to career opportunities here in Indiana. We are committed to using methods like internships to help in addressing the out-migration of Indiana’s graduates.”

This report on Indiana’s workforce highlights earlier findings on human capital in Indiana. 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.

The report also notes other key findings:

► *Eighty percent of Indiana’s employers said that graduates of this state’s colleges and universities have skills which match up with their employment needs. Only ten percent believe that the skill sets of graduates from other states provide a better match.*

► *Employers believe that improving the skills of existing workers is one of the most effective ways of obtaining new managers; however, they find the training options limited for achieving that goal.*

► *For employers looking for better ways to recruit and hire two-year and four-year graduates, internships are a preferred method of identifying top talent and interesting those students in that employer's job set. The employer's costs in time, overhead and direct salary present barriers to a broader use of internships.*

The report issued today is the third 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. A fourth component, *Survey of Current Practices in Postsecondary Graduate Retention*, will be ready for release in early February.

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 our 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 our human capital is to be retained.

Although the first three reports have not focused on remedial measures, many state policymakers are suggesting methods of dealing with Indiana's human capital dilemma. "This administration has taken a two-pronged approach to addressing the brain drain issue," said Jones. "The strategy involves working to bring federal research dollars to Indiana to spur job development in technology and medicine and creating flexible postsecondary educational options, including community colleges, for our state."

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 *The Indiana Workforce: An Employer's Perspective*, as well as previous reports in the Indiana Human Capital Retention 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>.