



**The Indiana Workforce:
An Employer's Perspective**

January 2000

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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**

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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 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 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 a four-year college degree; by 1997 the state’s ranking had fallen to 48th. 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. It is a function of the jobs within a state’s economy which is in turn affected by the human capital available to the investors who wish to locate new productive enterprises within that economy. 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 a number of experienced academic and independent researchers under the direction of the Indiana Fiscal Policy Institute.

The Indiana Workforce: An Employer's Perspective is the third report published in the Indiana Human Capital Retention Project Series. It is a report of the findings from the Indiana Employer Survey and the Indiana Employer Focus Groups which were directed by the Indiana Fiscal Policy Institute. With the insight gained through these and other research tools, this study presents the state’s human capital status from the perspective of Indiana employers.

Executive Summary

Indiana employers are starved for highly skilled workers. This worker shortage is limiting growth and handicapping competitiveness even while the economy is strongly growing. As the new global, knowledge-based economy continues to evolve, employers are recognizing an increasing need for highly skilled workers and devising new strategies to recruit and retain top talent.

As part of the assessment of Indiana's human capital position, this report presents the state's human capital status from the perspective of Indiana employers. This study included six focus groups with 57 Indiana employers and a survey of approximately 3,700 Indiana businesses. Additional interviews with employers and independent research supplements this look at what employers say about the quantity and quality of the workforce in Indiana.

The study found:

- *There is a quantity and quality shortage of skilled workers in Indiana.* 63 percent of employers need more employees with 2-year degrees, and 71 percent of employers need more employees with 4-year degrees.
- *Thinking, communication and leadership skills are the competencies most lacking among Indiana workers, and the same skills are projected as the most crucial for future growth.* Over 40 percent of employers are dissatisfied with their employees' written communication and critical thinking skills. Employers rated management/leadership as the skill that will be the most important in the future.
- *Graduates of higher education institutions located in Indiana have skills which are a good match for most employers' needs.* 80 percent of employers find that training provided by Indiana's higher education institutions is a good match for their needs and only 10 percent believe the skill sets of out-of-state graduates are a better match.
- *Employers find that internships are one of the most effective methods of finding and recruiting postsecondary-trained workers, but can't locate sufficient numbers of students willing to participate.* Employers would like the state to provide brokering services or incentives to expand the pool of interns and increase the feasibility of internships.
- *Employers are providing training incentives, including tuition reimbursement, for their employees. However, they are frustrated by the small numbers of those taking advantage of the options.* Employers believe that a more flexible set of education options, if made available throughout the state, would address this issue.
- *Improving the skills of existing workers is an effective way to obtain a manager.* With labor shortages so severe, employers are very willing to train current employees for greater responsibility and find that they often have a more stable employee.