



**Survey of Current Practices
In Postsecondary Graduate Retention**

January 2000

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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 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.

Survey of Current Practices in Postsecondary Graduate Retention is the fourth report published in the Indiana Human Capital Retention Project Series. This report presents the findings from a survey of the practices of all fifty states in addressing the graduate retention issue. The survey was conducted by the Indiana Fiscal Policy Institute and focused on state-level policies and practices, leaving largely untouched graduate retention efforts being conducted by individual universities and localities. This study in the Human Capital Series helps to focus policymakers’ attention on those practices which may yield results and those that should be avoided.

Executive Summary

College graduates are growing in importance to the economies of individual states, and to the national economy. As policymakers seek to understand the patterns of development and retention of human capital within their states, they will need knowledge of the mobility of their states' college graduates. They also may choose to employ policy tools which can influence the development and retention of highly educated human capital.

This report captures the results of a nationwide survey of education officials and legislative staff on state graduate retention policies. Few states have conducted solid research into postsecondary graduate retention issues. Officials in only ten states reported having statewide statistics on college graduate retention. The reported data is usually based on either workforce development statistics or on university alumni survey results. While there is research value to both approaches, the studies completed to date are limited in scope, the period of time covered, and the reliability of the results.

No states have comprehensive policies in place to improve college graduate retention rates. Only one state, Nebraska, developed a comprehensive program aimed specifically at the graduate retention issue, and it did not pass the legislature.

State programs which affect graduate retention rates have rarely been designed exclusively for that purpose. Graduate retention efforts usually occur within the context of state economic development efforts or state initiatives to increase the general level of educational achievement within the population.

Successful workforce development is essential to successful economic development, especially as knowledge-based economies become more prevalent. Economic development programs often include a graduate retention component as a means of securing highly educated human capital for the state. Such programs focus on creating or expanding partnerships between new or existing industries and the state's higher education system. Businessmen and educators are brought together to forecast a state's need for college graduates and to design programs which will deliver the necessary knowledge and skills to those graduates. Within the economic development context, these same actors also develop methods, such as internships, for familiarizing students with the career opportunities available in-state. Economic development programs strong on graduate retention strategies were found to be especially important to states wishing to attract or to keep high-tech industries.

It is a common assumption that policies designed to influence high school graduates to attend college in-state will also affect a state's college graduate retention rate. This assumption leads policymakers to offer financial incentives designed to increase the access residents have to in-state colleges. The most common graduate retention incentives found in the survey are scholarships and grants, including both broadly available merit

scholarships (such as Georgia’s HOPE program) and more selective scholarships offered to “the best and the brightest” students. States also use forgivable loans to encourage graduates to remain in-state. Most forgivable loan programs are focused on specific professions like medicine and education; broadly available forgivable loan programs have been proposed, but have not been implemented as state graduate retention strategies.

Recognizing that a state's economic health depends on effective development and retention of human capital, policymakers should therefore:

- support existing graduate retention research efforts where possible; initiate research efforts where necessary,
- work to understand how graduate retention issues fit into the larger patterns of in-state human capital development and workforce demands, and
- explore how tools in other policy areas, tax credits for example, can affect in-state graduate retention patterns.

Postsecondary graduate retention is only one part of a complex of issues facing policymakers concerned with human capital development and retention. The funding of higher education, the delivery system for higher education, and the accessibility of higher education are all policies which must be considered at the state level in association with graduate retention if a state is to create or maintain consistent human capital policies. However, states wishing to develop their own pools of highly educated human capital must make graduate retention a priority.