INDIANA’S LEAKING TALENT PIPELINE
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Improving K-12 outcomes for students of all races and income levels and greatly elevating the postsecondary attainment levels of Indiana’s adult workforce are the most significant challenges facing our state. In the race to develop and establish a well-skilled, well-educated workforce for the jobs of today and tomorrow, Indiana is behind its competitor states.

First-Time Postsecondary Enrollments (Per Capita)

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<tr>
<th>State</th>
<th>Percent</th>
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<tbody>
<tr>
<td>1. California</td>
<td>6.99%</td>
<td>46. Wyoming</td>
<td>3.98%</td>
</tr>
<tr>
<td>2. New Jersey</td>
<td>6.85%</td>
<td>47. Arkansas</td>
<td>3.91%</td>
</tr>
<tr>
<td>3. Massachusetts</td>
<td>6.46%</td>
<td>48. Nevada</td>
<td>3.63%</td>
</tr>
<tr>
<td>4. Minnesota</td>
<td>6.43%</td>
<td>49. Alaska</td>
<td>3.20%</td>
</tr>
<tr>
<td>5. Kansas</td>
<td>6.24%</td>
<td>50. West Virginia</td>
<td>2.92%</td>
</tr>
<tr>
<td>35. Indiana</td>
<td>4.27%</td>
<td>U.S. Average</td>
<td>5.38%</td>
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</table>

Population With at Least an Associate Degree or High-Quality Credential (Certificate or Certification)

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<tr>
<th>State</th>
<th>Percent</th>
<th>State</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Massachusetts</td>
<td>61.6%</td>
<td>46. Alabama</td>
<td>45.1%</td>
</tr>
<tr>
<td>2. Colorado</td>
<td>61.0%</td>
<td>47. Mississippi</td>
<td>44.4%</td>
</tr>
<tr>
<td>3. Washington</td>
<td>59.4%</td>
<td>48. Arkansas</td>
<td>43.6%</td>
</tr>
<tr>
<td>4. Minnesota</td>
<td>59.0%</td>
<td>49. West Virginia</td>
<td>42.6%</td>
</tr>
<tr>
<td>5. Virginia</td>
<td>57.4%</td>
<td>50. Nevada</td>
<td>42.5%</td>
</tr>
<tr>
<td>37. Indiana</td>
<td>48.3%*</td>
<td>U.S. Average</td>
<td>51.9%</td>
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WORKFORCE RANKINGS AND RATES

It doesn’t get any better – and actually gets worse – when you look at the latest CNBC report of America’s Top States for Business, released in July. In the workforce category, that research looked at “which states are most successful in attracting talent at all levels, considering the net migration of educated workers to each state on a short- and long-term basis. (And it also factored in) state worker training programs, right-to-work laws and worker productivity based on economic output per job.”

So where did Indiana end up? Near the very bottom. In 2021, Indiana ranked a dismal 43 in the workforce sector. And this year, we fell even further to 48.

It should be mentioned that Indiana’s overall ranking in the America’s Top States for Business report actually improved to 14. What this underscores is we have a great business climate but need a stronger and deeper talent pool to support it. Case in point: Currently, there are twice as many job openings in Indiana as there are jobseekers – while our workforce participation rate remains below pre-pandemic levels.

Unemployment Rate by Education Attainment

A breakdown of Indiana’s unemployment and workforce participation rates by education level is revealing and useful for policymaking. Recall that our current overall unemployment rate is 2.4% and our workforce participation rate is 62.6%:

- Bachelor’s degree or higher 0.9%
- Some college or associate degree 3.0%
- High school diploma 4.6%
- Less than high school diploma 7.2%
Workforce Participation Rate by Education Attainment

- Bachelor’s degree or higher 72.4%
- Some college or associate degree 62.8%
- High school diploma 54.3%
- Less than high school diploma 39.4%

This concerning data suggests that one of the very best ways to improve our overall workforce participation rate and fill the open jobs we have is to concentrate our policy focus and state resources on improving the educational outcomes and skills of those at the bottom end of the educational attainment scale.

These metrics demonstrate what the Indiana Chamber contends is the biggest challenge facing our state – that we have a massively leaking talent pipeline.

Our current outcomes are completely unacceptable; bold action is needed to repair our leaking talent pipeline and reverse Indiana’s workforce and economic fortunes. Indiana cannot compete effectively in a talent-driven global economy with our status quo. Jim Clifton, CEO of Gallup, made this point eminently clear 10 years ago in his book, The Coming Jobs War.

STUDENT LEARNING

Learning development happens very early, with 90% of a child’s brain growth happening before their fifth birthday. Getting off on the right foot is so vital because quality early learning supports positive outcomes – such as school readiness, language and literacy skills – and extend well into elementary school.

Indiana Lacks Sufficient Early Learning Opportunities

- Less than half (46%) of all early learning capacity in Indiana qualifies as high quality
- More than 75% of Indiana counties have less than 25% of the high-quality seats needed to serve children in their community
- Hoosier families contribute nearly 12% of their annual income on childcare, exceeding the U.S. affordability threshold of 7%
- More than half of Indiana childcare workers receive public assistance
- Annual median salary in Indiana is $25,220 for pre-K teachers and $20,279 for childcare workers
- Indiana employers cite childcare access/affordability as their top external workforce barrier

It should be noted that more than a third (35%) of Indiana households with young children are headed by a single parent who depends on reliable childcare – making that situation especially stressful.

Every dollar invested in high-quality early learning produces a $4 return in reduced spending and additional tax revenue; we just need considerably more of it. It’s a wise investment for the citizenry that will pay off.

Consider these additional sobering and disturbing data points:

Statewide ILEARN Proficiency Overall and by Race

- 2021 Math/English – ALL 28.6%
- 2021 Math/English – White 34.7%
- 2021 Math/English – Black 8.1%
- 2021 Math/English – Hispanic 15.6%
- 2022 Math/English – ALL 30.2%
- 2022 Math/English – White 36.6%
- 2022 Math/English – Black 9.9%
- 2022 Math/English – Hispanic 17.3%
**Statewide IREAD Proficiency**

- Results from 2021-22 show that nearly one in five students (18%) has not mastered foundational reading skills by the end of third grade. For Black youngsters, that number increases to more than a third (36%) who are not proficient at reading.
- “Students who are poor readers at the end of third grade are likely to remain poor readers throughout their life. They even are less likely to graduate on time or may never receive their high school diploma.” – Lynn Schemel, director of assessment, Indiana Department of Education (IREAD administrator)

**Statewide Graduation Rates With and Without Waivers**

- 2021 Waivers included 86.7%
- 2021 Waivers excluded 78.8%
- 2021 White students with waivers included 89.0%
- 2021 Black students with waivers included 77.1%
- 2019 Waivers included 87.3%
- 2019 Waivers excluded 76.7%
- 2019 White students with waivers included 89.2%
- 2019 Black students with waivers included 78.2%

**Percentage of Students Graduating With Waivers by Race**

- 2019 White students 9%
- 2019 Black students 24%
- 2019 Hispanic students 19%

Nearly a third of Black students who graduated with a high school diploma did so with a waiver. Black high school graduates were nearly three times more likely than White graduates to graduate with a waiver; Hispanic students were twice as likely.

If you subtract the waiver percentages from the reported student graduation rates, the White students’ graduation rates fall to 80.2% and Black students’ graduation rate falls to just 54.2%!

Now let’s see how badly our pipeline is leaking by looking at a recent cohort of Indiana high school students and what happened to them. Note that the situation is even more dire for Black students.

**ALL Students**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Total cohort of freshmen</td>
<td>79,359</td>
<td>(100%)</td>
</tr>
<tr>
<td>High school graduates</td>
<td>71,123</td>
<td>(89.6%)</td>
</tr>
<tr>
<td>Enrolled in college (public)</td>
<td>34,383</td>
<td>(43.3%)</td>
</tr>
<tr>
<td>College persists year two</td>
<td>25,820</td>
<td>(32.5%)</td>
</tr>
<tr>
<td>College completion</td>
<td>18,118</td>
<td>(22.8%)</td>
</tr>
</tbody>
</table>

**Black Students**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cohort of freshmen</td>
<td>9,125</td>
<td>(100%)</td>
</tr>
<tr>
<td>High school graduates</td>
<td>7,135</td>
<td>(78.2%)</td>
</tr>
<tr>
<td>Enrolled in college (public)</td>
<td>3,380</td>
<td>(37.0%)</td>
</tr>
<tr>
<td>College persists year two</td>
<td>2,091</td>
<td>(22.9%)</td>
</tr>
<tr>
<td>College completion</td>
<td>966</td>
<td>(10.6%)</td>
</tr>
</tbody>
</table>

Less than half of the high school graduates entered college and barely half of those students completed college. For Black students the outcomes were even lower, with only 37% of the cohort entering college and barely 10% (less than 1,000) completing college.
UNDERUTILIZED PROGRAMS

A contributing factor to our low (and declining) college enrollment rate is that we have one of the lowest Free Application For Student Aid (FAFSA) completion rates in the country:

- Indiana: 43.9%
- U.S. average: 57%

The Indiana Chamber has been the leader in the effort to make filling out the FAFSA form a requirement for high school graduation. Successful 2022 legislation will ensure that families receive information about the FAFSA and its importance in accessing resources to pay for postsecondary education. However, the Legislature once again failed to enact legislation to make completing the FAFSA a default expectation for high school seniors (even with multiple opt-outs).

Indiana’s 21st Century Scholars program is another area in which much needed process improvement and fulfillment needs to occur. The program provides FREE college tuition for low-income students who graduate from high school and who have completed a short list of preparatory activities. Unfortunately, the participation rate is shockingly low:

21st Century Scholars

- Less than 40% of income-eligible students enrolled in the program
- Less than 50% of enrolled students complete preparation activities required to earn the scholarship

This is unconscionable and unacceptable. If we do nothing else as a state, we must see that these eligible students – both from urban and rural counties – receive the assistance and guidance they need to successfully take advantage of this tremendous and generous opportunity provided to them by the state.

TOO MANY SCHOOL DISTRICTS

Often overlooked in the education discussion in Indiana are school districts. More precisely, there are far too many of them – 289 to be exact – which serves to only restrict student achievement.

Over half (54%) of Indiana’s school districts have too few students (with enrollments under 2,000) and are too small to offer a full array of STEM (science, technology, engineering and math), dual credit, advance placement, foreign language and performing arts courses. Students in these districts are hindered academically as are their career opportunities and success.

A recent study of the correlation of Indiana school district sizes to student academic achievement produced the following key findings:

- Students attending small school corporations (enrollments under 2,000) face resource constraints that impede school performance as measured by standardized test scores and pass rates. These constraints are likely to restrict post-secondary educational opportunities and outcomes.
- School corporate size impacts every measure of school corporation performance; as school corporation enrollment increases, there is better performance across academic indicators.
- This research clearly identifies statistically significant performance differences across school corporations that are directly attributable to size – with larger districts outperforming smaller ones on every relevant metric.
- Attending small school corporations acts as a significant drag on the economic and career opportunities of students and the broader community.
- 94% of Indiana’s small school corporations are adjacent to another small corporation.
The combination of higher overhead costs per pupil and poorer outcomes for students attending small school corporations adds increased urgency for state-level policy initiatives.

The General Assembly should establish a fund to incentivize small school corporations to merge for the sake of improving student outcomes and career opportunities.

Indiana should no longer tolerate the wide disparity that exists among its smaller and larger school corporations with respect to the number and range of courses offered, especially those classes that can set students apart and prepare them for college. Students should not be limited academically solely due to where they live.

**POST-SECONDARY EDUCATION + JOB OPENINGS**

**College-Going Rate 2015-2020**

A major headwind that Indiana faces in our quest to increase the percentage of our adult population with a postsecondary degree or credential is a rapidly declining college-going rate among our high school graduates. This alarming trend confirms recent survey data that found the belief in the value of post-high school education is on the decline.

**Workforce Educational Demands – Fiction vs. Fact**

Some 60% of Hoosiers surveyed by the Indiana Commission for Higher Education in 2021 believe a college degree doesn’t mean as much as it used to. Meanwhile, a third of the respondents to the Indiana Chamber’s 2021 worker survey said they believe a high school diploma is all you need for a thriving career – but they are wrong! A study of new job postings nationwide in March 2021 found 916,000 jobs were added to the U.S. economy, but less than 1% – or just 7,000 jobs – were for people with only a high school diploma.

A recent column from noted economist and researcher Dr. Michael Hicks of Ball State University presented data emphasizing the importance of education and training after high school. He also demonstrated the severe mismatch between job requirements of today’s economy and the number of Hoosier teens that pursue education beyond high school. His analysis presents yet another way to look at the state’s leaking talent pipeline:

- Hoosier teens turning 18 each year: 85,000
- Annual Hoosier high school graduates: 75,000
- Hoosier high school graduates attending college: 42,000
- Hoosier students finishing college and living in Indiana: 25,000
Only 29% of our 18-year-olds finish college and stay in Indiana. Dr. Hicks argues that the achievement levels of Hoosier teens does not match the job requirements of today’s economy. Nationally, eight out of 10 net new jobs go to four-year college graduates. The remaining two in 10 jobs go to those with an associate degree or have some college or industry training. Demand for workers who haven’t been to college is limited to replacing retiring non-college workers. This is the source of the mismatch between the comparatively low skills of our workforce and the skill needs of today’s economy. This conclusion is backed up by the Indiana Chamber’s 2022 annual employer survey results:

**Left Jobs Open in Past Year Due to Underqualified Applicants: 74%**

![Graph showing the percentage of jobs left open due to underqualified applicants from 2018 to 2022, with an increase from 51% in 2018 to 74% in 2022.]

**Supply of Qualified Applicants Does Not Meet Needs: 62%**

![Graph showing the percentage of qualified applicants not meeting the needs of employers from 2018 to 2022, with a decrease from 62% in 2018 to 62% in 2022.]

**Is Meeting Your Talent Needs a Challenge?**

- **YES: 83%**
- **NO: 17%**

![Pie chart showing the percentage of employers who find meeting talent needs a challenge, with 83% in the 'YES' category and 17% in the 'NO' category.]


Dr. Hicks calculates that Indiana oversupplies the job market for non-college educated workers by about 15,000 kids per year and undersupplies college graduates by about 6,000 per year. This explains why so many Hoosiers who haven’t been to college or postsecondary training don’t work and why most everyone with a college degree, who wants to work, does. This earlier data bears repeating:

**Workforce Participation Rate by Education Attainment**

- Bachelor’s degree or higher: 72.4%
- Some college or associate degree: 62.8%
- High school diploma: 54.3%
- Less than high school diploma: 39.4%

“The reality of our low educational attainment explains nearly all of the comparatively slow growth that plagues Indiana’s economy … The simplest economic argument for sending more Hoosier kids to college is that it is where the jobs of the future will be … As long as Indiana continues to undersupply college and certificated graduates to the modern economy and oversupply those who haven’t gone to college, we will slip farther and farther behind the national economic growth average.” – Dr. Michael Hicks, director of the Center for Business and Economic Research at Ball State University’s Miller College of Business

**Workforce Progression for Public Postsecondary Graduates**

Another closely related topic that has generated considerable discussion in recent years has been the brain drain of our college graduates out of the state of Indiana. The data from a recent graduating cohort of Indiana college students suggest that there is much work yet to be done to close another gaping hole in our talent pipeline:

- Postsecondary graduates: 60,370
- College grads working in Indiana 1 year: 37,717
- College grads working in Indiana 3 years: 31,525
- College grads working in Indiana 5 years: 27,137

Indiana loses nearly 40% (23,000) of the postsecondary graduates it produces each year within one year of graduation and over half (33,000) within five years. Those 23,000 lost graduates each year could go a long way towards addressing Indiana’s talent shortages. Our graduate retention strategies must be enhanced and incentives for graduate retention should be seriously considered.

**CONCLUSION + NEXT STEPS**

The only way Indiana is going to reach its economic potential and compete effectively in this talent-driven economy is to lift up the educational attainment and workforce skills of its citizenry. The Indiana Chamber is seeking to frame this important conversation and push for transformative actions that will have the most impact. Our organization currently is developing a workforce policy priority list that we hope will serve as the basis for meaningful legislation in 2023.

**CONTACTS:**

<table>
<thead>
<tr>
<th>Kevin Brinegar</th>
<th>Vice President, Education and Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>(317) 264-6882</td>
</tr>
<tr>
<td><a href="mailto:kbrinegar@indianachamber.com">kbrinegar@indianachamber.com</a></td>
<td><a href="mailto:jbearce@indianachamber.com">jbearce@indianachamber.com</a></td>
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<table>
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<tr>
<th>Jason Bearce</th>
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<tbody>
<tr>
<td>(317) 264-6880</td>
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<tr>
<td><a href="mailto:jbearce@indianachamber.com">jbearce@indianachamber.com</a></td>
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EXPLORE A NEW KIND OF ONLINE WORKFORCE CENTER

The Talent Resource Navigator is a free, web-based tool from the Indiana Chamber that offers the convenience of one-stop shopping for education and job training opportunities.

Supported by on-demand customer service and technical assistance, the Navigator intentionally guides and connects individuals and employers with a tailored set of talent development resources based on each user’s identified needs.

Start your new workforce journey today! www.talentresourcenavigator.com

The Talent Resource Navigator is a program of the Institute for Workforce Excellence, a nonprofit subsidiary of the Indiana Chamber. Also available in Spanish.
We want to help your business thrive! Membership in the Indiana Chamber is like adding a new department to your company. The Indiana Chamber partners with 25,000 members and investors – representing over four million Hoosiers – to achieve the mission of “cultivating a world-class environment which provides economic opportunity and prosperity.” Among the many benefits at your fingertips:

- Free access to HR and other compliance helplines
- Health care and education/training savings
- Free customized data and sales leads

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**Strength** of 100 years of experience

**Support** of 50 full-time professionals

**Leadership** that’s focused on 1 goal for members

To learn more about how our pro-jobs, pro-economy focus can help your company grow, contact Brock Hesler today at (317) 264-7539 or bhesler@indianachamber.com.  

www.indianachamber.com