

The Future of the Skilled Labor Force: What is the Role for Public Policy?

Alicia Sasser, Senior Economist
Federal Reserve Bank of Boston



The views expressed here are solely those of the presenter and are not those of the Federal Reserve System or the Federal Reserve Bank of Boston.

Slower Growth

Since 2000, New England has experienced slower growth in the number of recent college graduates compared to other regions.

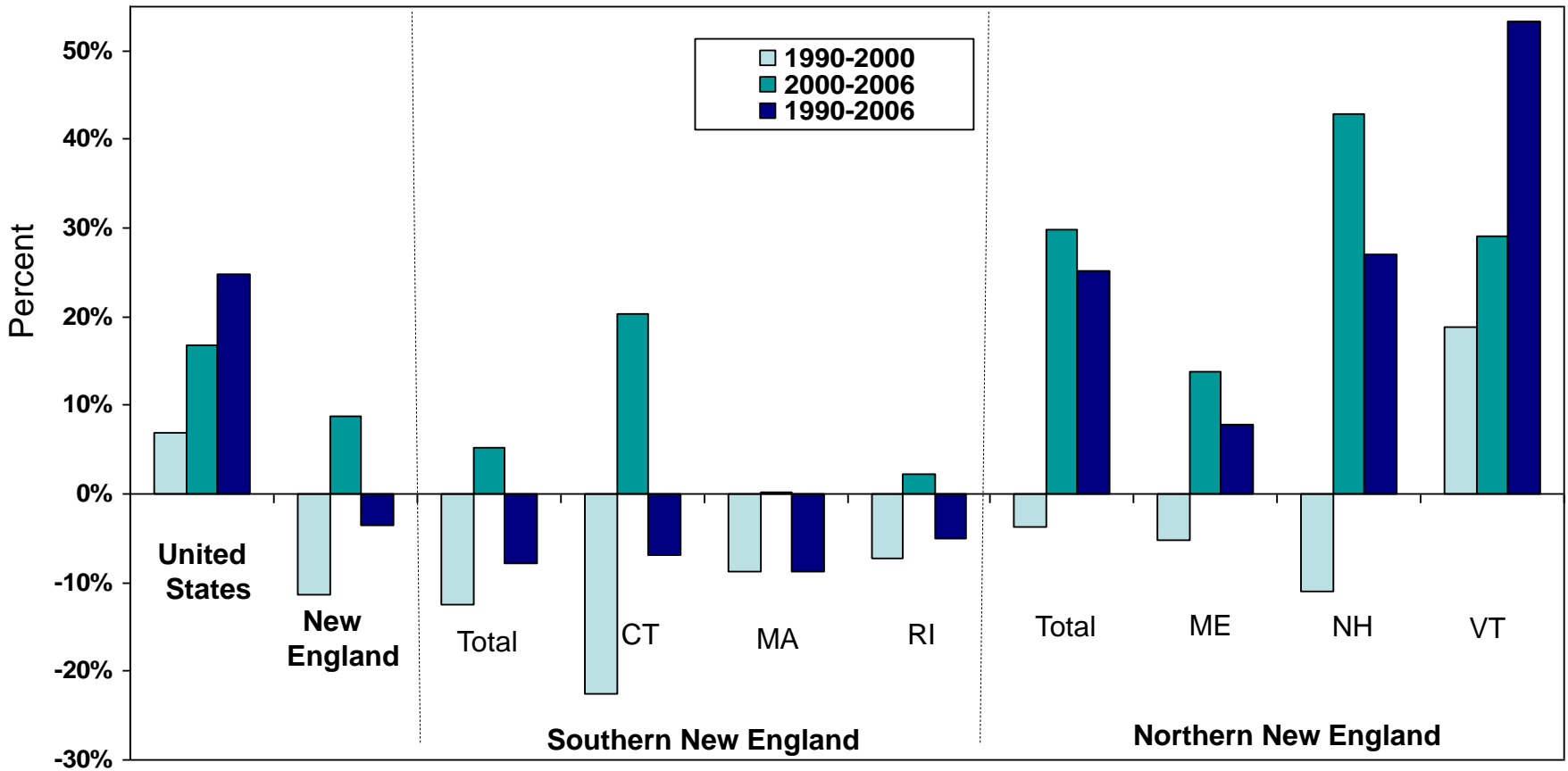
Change in the Number of Recent College Graduates, 2000-2006

	2000	2006	Percent Change
New England	316,423	344,025	8.7%
Massachusetts	184,904	185,261	0.2%
Mid-Atlantic	838,595	970,797	15.8%
East North Central	776,234	879,636	13.3%
East South Central	234,859	265,756	13.2%
South Atlantic	877,538	1,044,386	19.0%
West North Central	347,164	415,432	19.7%
West South Central	453,815	520,260	14.6%
Mountain	275,634	371,511	34.8%
Pacific	742,247	862,634	16.2%
U.S.	4,862,509	5,674,437	16.7%

Source: 2000 Census and 2006 American Community Survey.

Much of the slowdown in the supply of recent college graduates occurred in southern New England.

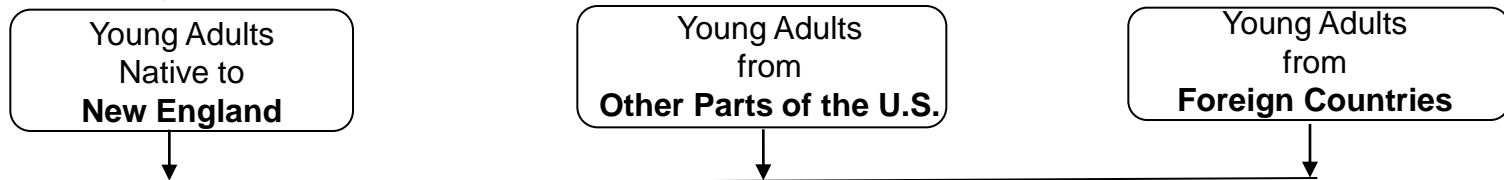
Percent Change in the Number of Recent College Graduates, 1990-2006



Source: 2000 Census and 2006 American Community Survey.

The supply of recent college graduates depends on three key factors.

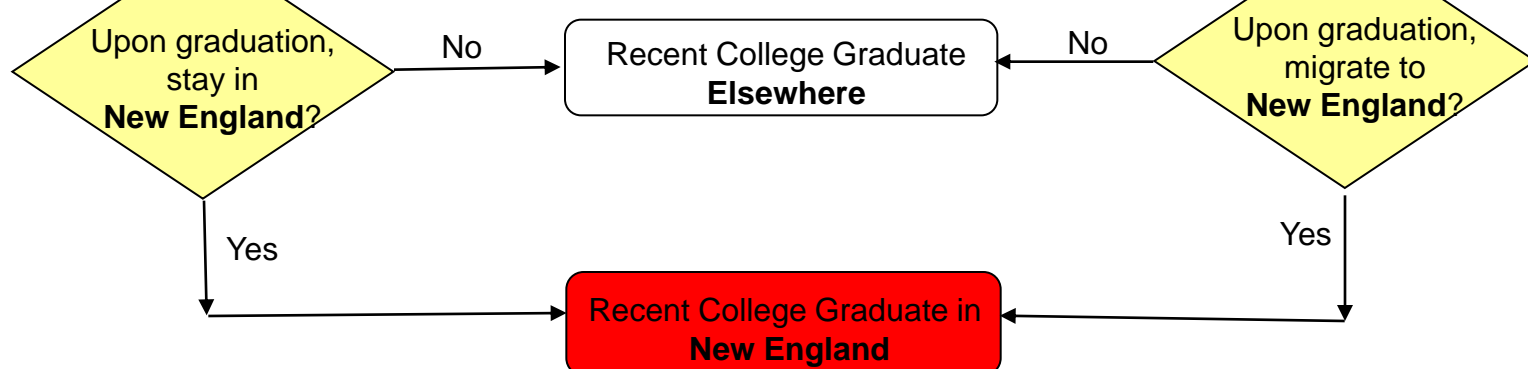
Supply of Young Adults:



Rate of Educational Attainment:

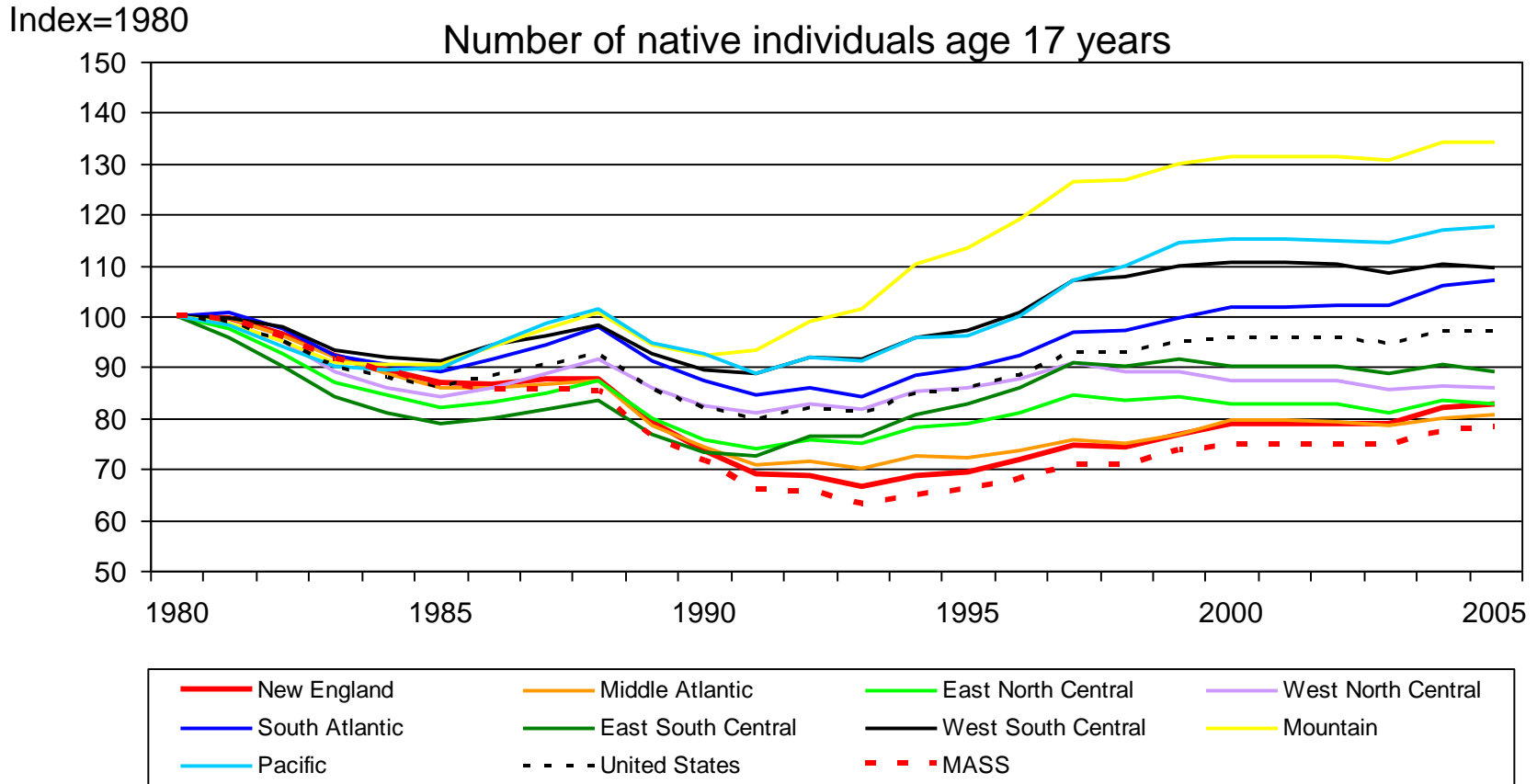


Migration Upon Graduation:



Fewer Young Adults

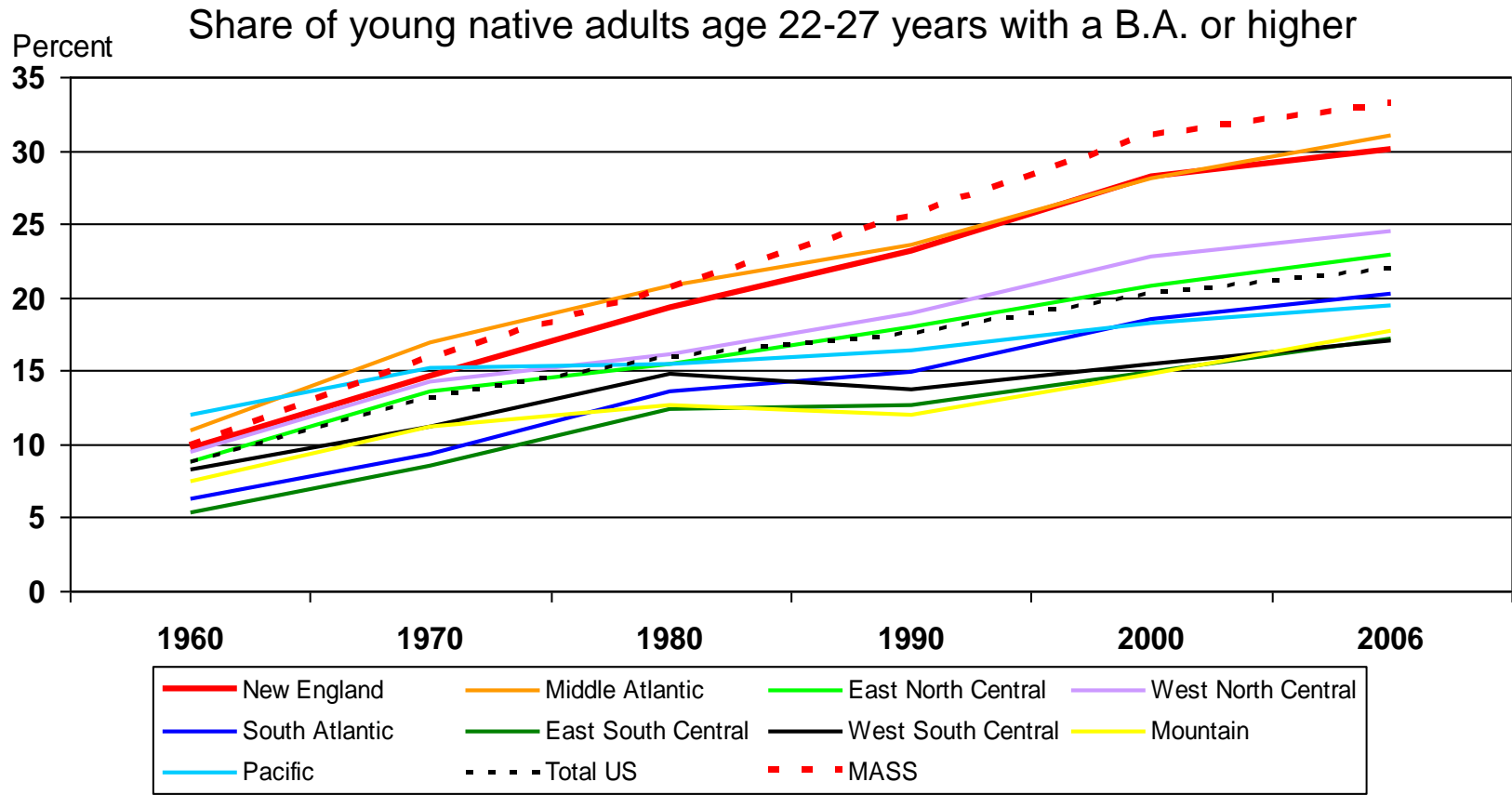
Due to sharply lower birth rates during the 1970s, New England had 25% fewer native young adults of college-going age in the 1990s.



Source: U.S. Bureau of the Census, Census Population Estimates, 1980-2005.

Rising Educational Attainment

By 2006 one in three native young adults in New England had a college degree compared with just one in five for the U.S.



Sources: 1960, 1970, 1980, 1990, 2000 Decennial Censuses; 2006 American Community Survey

Retaining Recent College Graduates

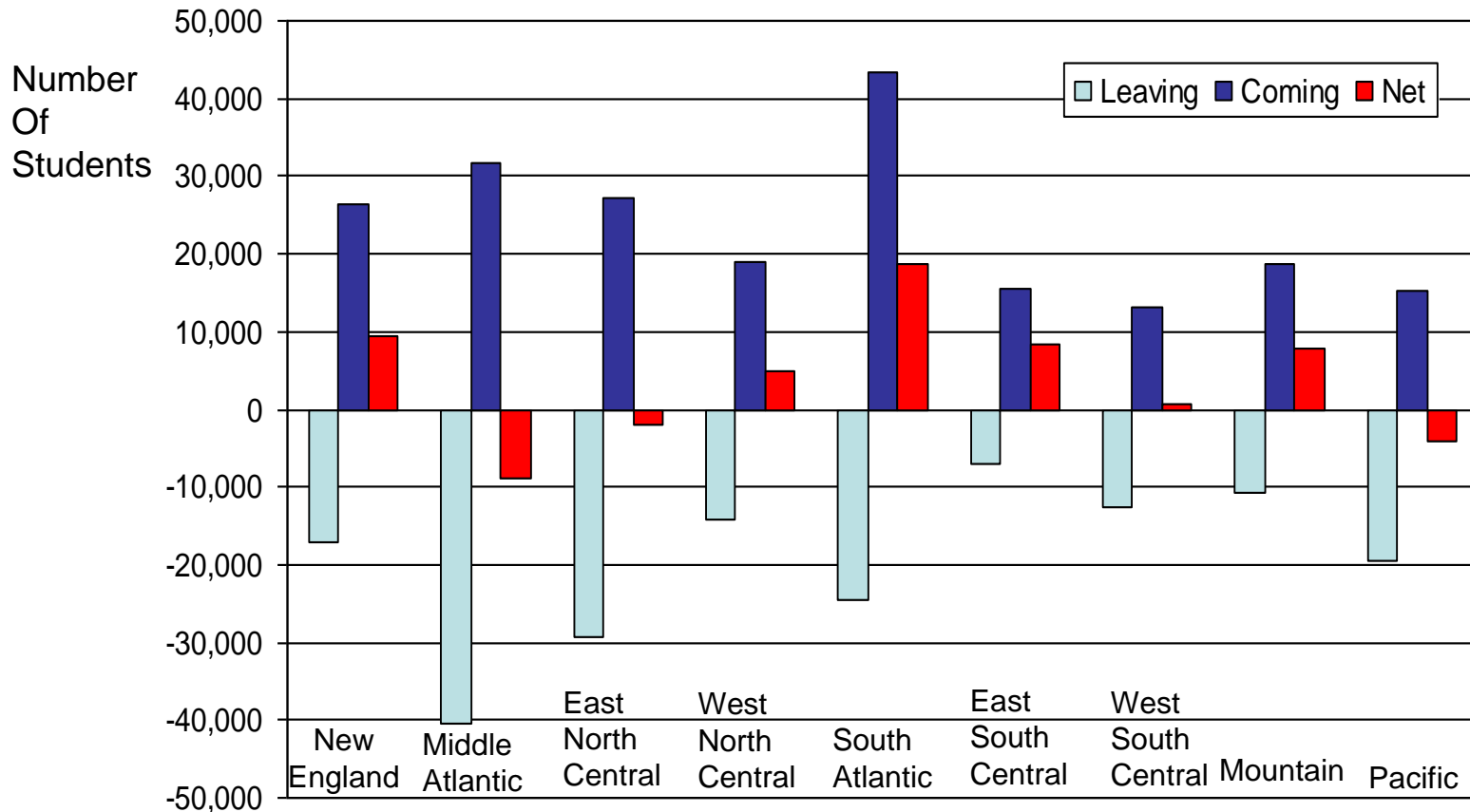
Although migration patterns have not changed much over time, the situation is more complex than it might appear.

- Typical migration rates reflect only moves made upon graduation, failing to capture the earlier in-migration of college students into New England to attend school.
- New England attracts a relatively high share of students from the rest of the country and this makes it more challenging to retain those individuals upon graduation.
- Contrary to conventional wisdom, recent college graduates leaving New England do so primarily for job-related reasons—not housing costs.

Importing College Students

The number of students migrating into the region to attend college is greater than the number leaving to attend college elsewhere, making New England one of the largest importers of college students .

Migration of first-time freshman who graduated from high school in the past 12 months



Source: Author's calculations based on the 2002 Integrated Postsecondary Education Data System (IPEDS).
 Note: The sample is restricted to 4-year degree-seeking undergraduate students.

Retention Varies by Student Origins

New England and Massachusetts attract a relatively high share of non-native students, the majority of whom leave upon graduation.

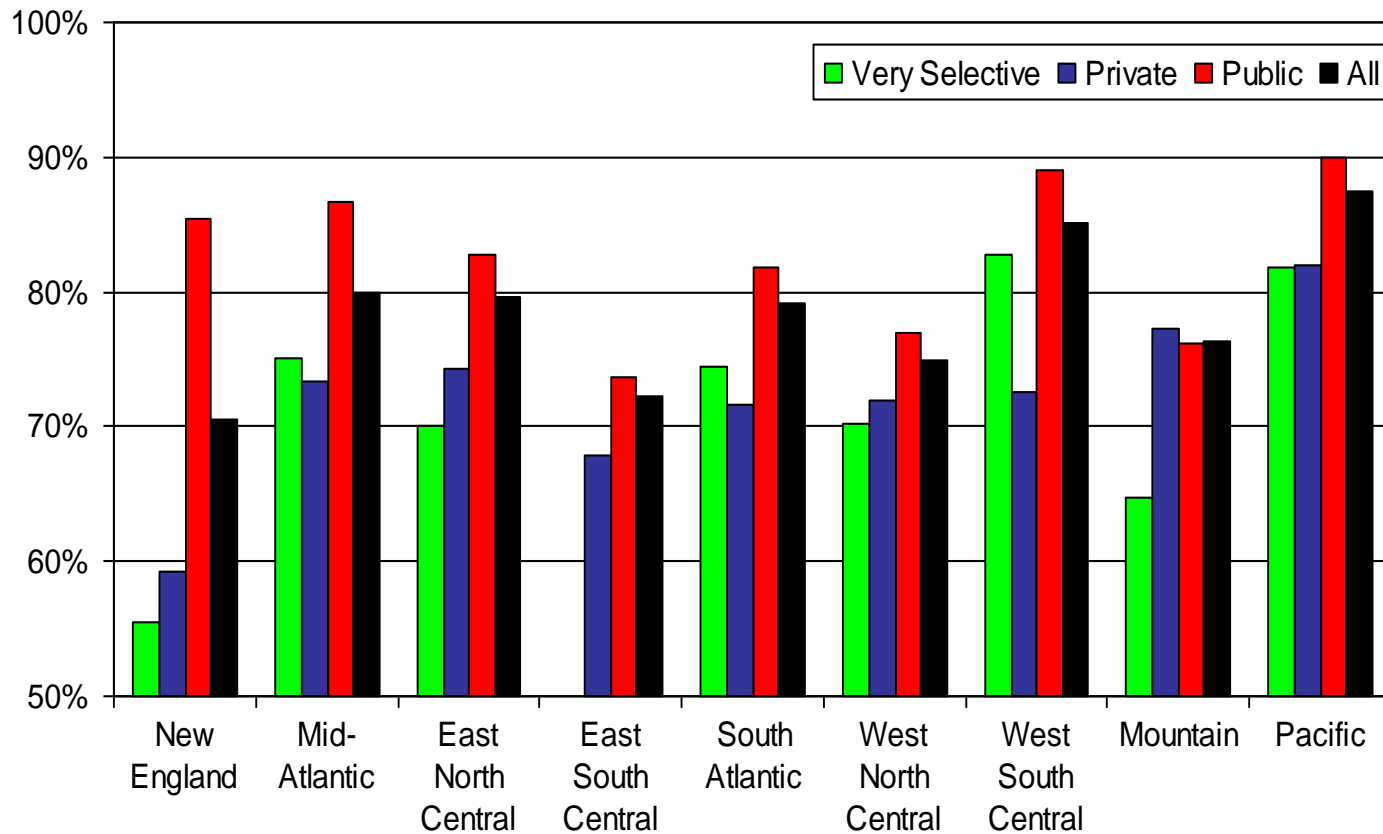
Division of Institution, Class of 2000	Share of college students who are non-natives	Share of graduates living in same region as BA institution one year after graduation		
		All Graduates	Non-Native Graduates	Native Graduates
New England	28.5%	70.5%	22.7%	91.0%
Class of 1993	29.6%	67.0%	19.8%	88.0%
Massachusetts	42.7%	60.0%	29.2%	82.9%
Mid-Atlantic	14.3%	79.9%	28.6%	88.7%
East North Central	11.6%	79.7%	18.0%	87.8%
East South Central	15.5%	72.2%	15.3%	82.8%
South Atlantic	16.2%	79.1%	29.2%	89.1%
West North Central	18.4%	74.9%	21.5%	86.9%
West South Central	9.4%	85.1%	24.2%	91.4%
Mountain	14.2%	76.4%	26.2%	84.8%
Pacific	6.0%	87.5%	32.3%	91.0%

Source: Baccalaureate and Beyond Longitudinal Survey, NCES, U.S. Department of Education.

Retention Varies by Institution

The high share of students graduating from private and very selective institutions, who are more likely to migrate than other graduates, also lowers retention.

Share of graduates living in same region as B.A. institution one year after graduation

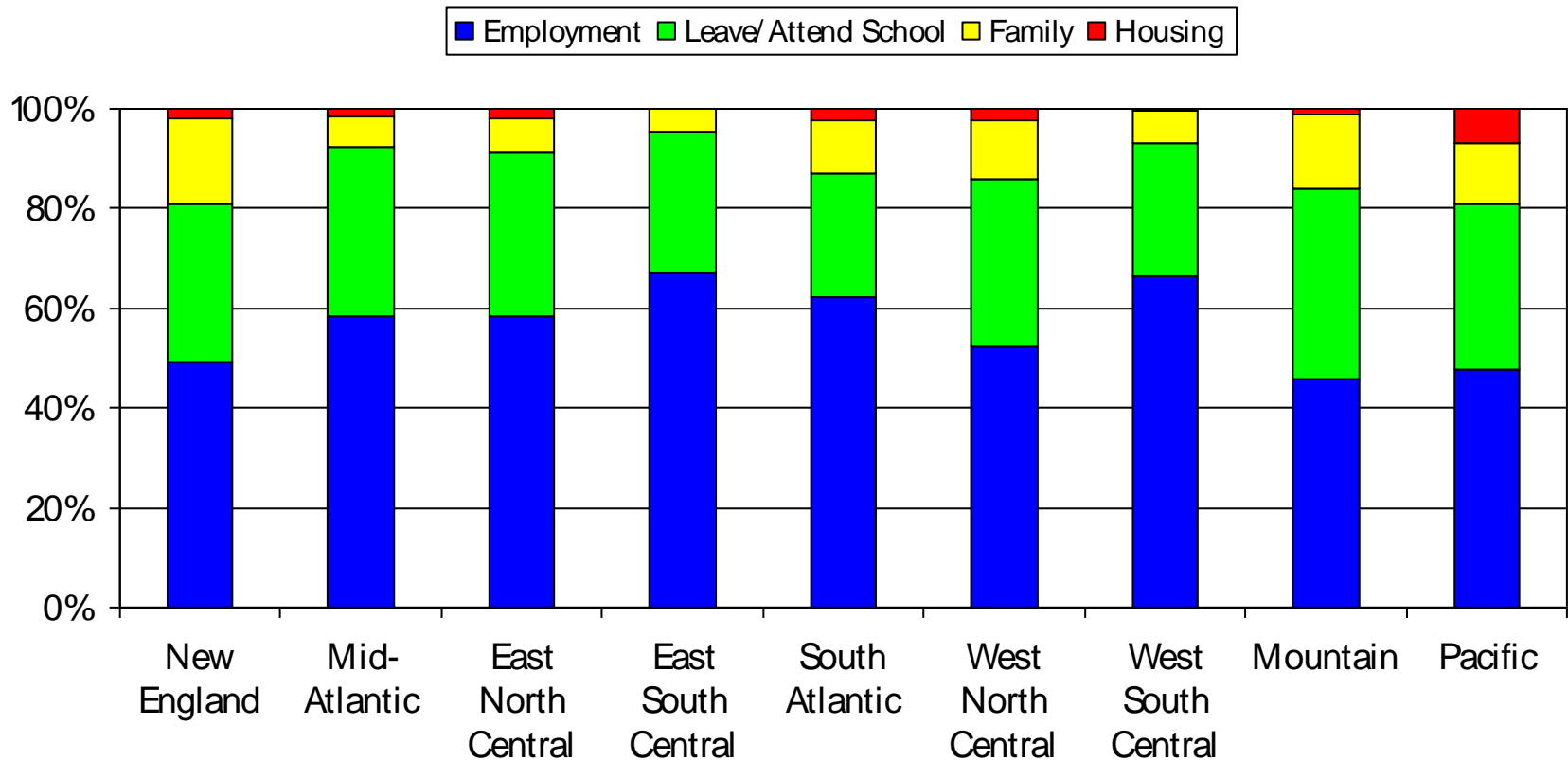


Source: 2000/01 Baccalaureate and Beyond Longitudinal Survey, NCES, U.S. Department of Education.
Note: Data are for the graduating class of 2000.

Reason for Leaving

Recent college graduates leaving New England over the past decade did so primarily for job-related reasons--few cited housing as their motivation.

Primary reason for leaving among recent college graduates by region of origin



Source: Author's calculations from the Current Population Survey, 1999-2007.

Bolstering New England's skilled labor force will likely require some combination of short-term actions aimed at improving retention as well as long-term policies designed to boost educational attainment.

- Building stronger ties between colleges and employers to better link students to jobs through internships that lead to permanent positions.
- Branding the region to appeal to recent college graduates as a place to “work, play, and stay.”
- Increasing investment in public higher education to make our state universities more competitive with prestigious private institutions.
- Providing financial incentives to offset the burden of high student loan payments for those who stay after graduation.

What have we learned?

- The recent college graduate population has grown more slowly in New England compared to other parts of the U.S. since 2000.
- Much of this trend can be attributed to slower natural population growth, leaving fewer young adults of college-going age.
- Fortunately, rising educational attainment has helped offset the region's slower population growth.
- But New England retains a lower share of recent college graduates than other regions—primarily because it attracts a higher fraction of students from elsewhere in the U.S. to attend school.
- Contrary to the conventional wisdom, recent college graduates are leaving the region primarily for employment-related reasons—not housing costs.