

## Factors Affecting the Supply of Recent College Graduates in New England

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One of New England's greatest assets is its skilled labor force, historically an engine of economic growth in the region. Yet the population of recent college graduates has been growing more slowly in New England than in the rest of the United States. Since 2000, the number of individuals aged 22–27 years with a bachelor's degree or higher has grown only 9 percent in New England—roughly half the national increase. This slower growth is better than the 11 percent *drop* in this group that the region faced in the previous decade. However, the recent increase has not offset earlier losses, making New England the only region to see a decline in this population since 1990.

The decline and then slower growth in the population of recent college graduates has had a greater impact on southern New England, but the need to attract and retain those graduates has become a salient issue in every state in the region. States are concerned that an inadequate supply of skilled workers will hamper economic growth by creating barriers for companies looking to locate or expand within the region.

New England states have so far taken few steps to tackle this challenge, because they have limited information on the roots and true extent of the problem, and how best to address it. This policy brief sheds light on the factors affecting the region's supply of recent college graduates and how those factors have changed over time, and suggests steps that states might take to expand this important source of skilled labor.

### How the supply of recent college graduates has changed

Trends in the supply of recent college graduates have varied considerably within the region over the past two decades, with much of the decline and then slower growth occurring in southern New England. Between 1990 and 2000, the number of recent college graduates fell 13 percent in southern New England—primarily because of a sharp drop in Connecticut. However, while Connecticut rebounded quickly between 2000 and 2006, slower growth in Massachusetts and Rhode Island limited growth in this population in southern New England to only 5 percent.

The initial decline in northern New England, in contrast, was not as steep—just under 4 percent between 1990 and 2000—helped in part by an *increase* in recent college graduates in Vermont. What's more, since 2000, the population of recent college graduates has grown by 30 percent in northern New England - faster than in the country as a whole.

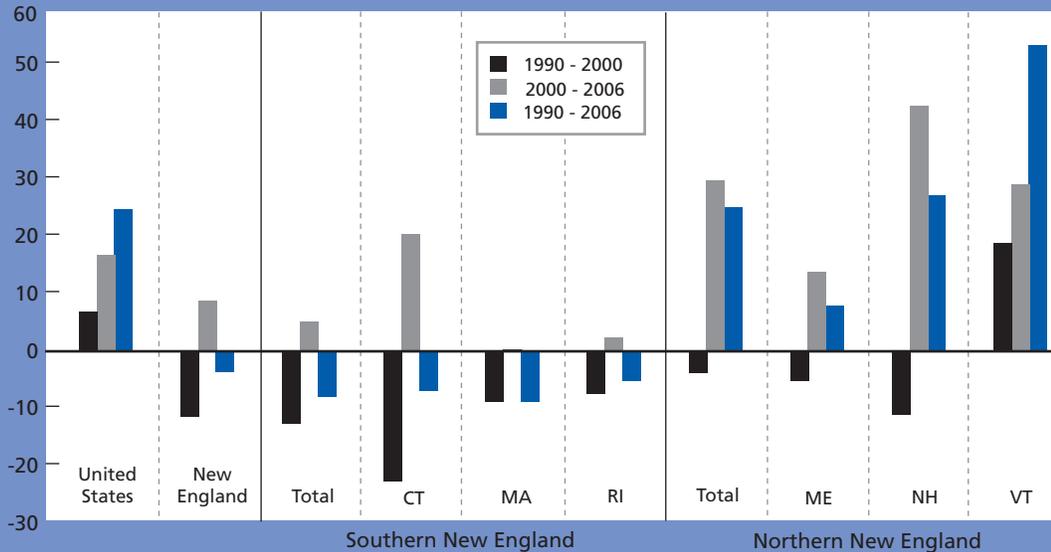
Over the entire period, the number of recent college graduates in southern New England fell by 8 percent, while northern New England saw an increase of 25 percent (see Figure 1, next page).

### What explains these trends?

These trends reflect three key underlying factors. Every year the region adds to the population of recent college graduates as each class of young adults flows through the

**Figure 1: Between 1990 and 2000, the number of recent college graduates in New England fell and has been growing more slowly in the southern part of the region than in the nation since then.**

Percent change in the number of recent college graduates, 1990-2006



Source: 2000 Census and 2006 American Community Survey.

education pipeline: entering college, completing their degrees, and choosing where to live. Thus the supply of recent college graduates reflects the supply of young adults to be educated, their postsecondary educational attainment, and their migration upon graduation.

The first factor—the supply of native young adults—fell sharply in New England during the 1980s, and has been growing more slowly than in the nation as a whole since then, particularly in southern New England. This reflects a period of low birth rates: during the 1970s, after the baby boom, birth rates fell across the country, but more so in New England. The result is that, twenty years later, New England had roughly 25 percent fewer native young adults of college-going age during the 1990s than during the prior decade. With the exception of New Hampshire, the number of young adults of college-going age has since grown more slowly in every New England state than in the country as a whole (see Figure 2).

Fortunately, relatively high rates of educational attainment among the region’s young adults offset its sharply lower birth rates. The share of New England high school graduates attending college rose from roughly one-third to just over one-half during the 1990s—far

faster than the U.S. average. As a result, the educational attainment of native young adults grew more rapidly in New England than in most other parts of the nation, particularly in southern New England. By 2006, nearly one in three native young adults in the region had a college degree, compared with slightly more than one in five young adults in the country as a whole (see Figure 3). Thus, even though the region had 25 percent fewer native young adults, the number

of recent college graduates fell by only 11 percent because a greater percentage of those individuals attended college and earned their degrees.

Where recent college graduates choose to locate also affects the region’s supply. Migration patterns for this group have changed little, but the situation is more complex than it might appear. New England is a net importer of college students, which increases the number of recent college graduates in each class. However, it retains a lower share of students after graduation than other regions. For the graduating class of 2000, roughly 70 percent of recent college graduates were still living in New England one year after graduation. In Massachusetts, only 60 percent of the graduating class stayed after graduation. In comparison, retention among competitor states ranged from roughly 70 percent in New York and North Carolina to more than 80 percent in California and Texas.

A related policy brief, “Retention of Recent College Graduates in New England,” shows that the region’s lower retention rate partly reflects its high share of non-native students who migrate here to attend school. Having already moved once to attend college, these students have a higher propensity to relocate after graduation. Only 23 percent

of students migrating into the region to attend college were still living here one year after graduation, compared with 91 percent of native graduates. Moreover, retention among non-native students is lower in New England compared to other places—particularly in northern New England. The Current Population Survey suggests one reason why: roughly half of recent college graduates leaving the region between 1998 and 2006 cited employment opportunities as the reason for their move. In contrast, less than 2 percent cited housing costs.

Of the three key factors, slower growth in the number of native young adults accounts for the majority of the sharp drop and then slower growth in the region’s supply of recent college graduates. Rising educational attainment helped offset this slower growth in the young adult population, because a greater fraction earned their college degrees. Changes in the migration patterns of New England’s recent college graduates were small, and accounted for little of the change in their number.

### Strategies for shoring up the supply

Although migration has played a relatively small role in New England’s supply of recent college graduates over time, boosting retention of graduates educated in the region may, in fact, offer the most promising and immediate strategy for expanding that supply.

Increasing the population of young adults to be educated would have the greatest impact on the region’s stock of recent college graduates. However—short of a baby boom—that would require attracting more non-native students, and only 22 percent of those students are likely to stay upon graduation.

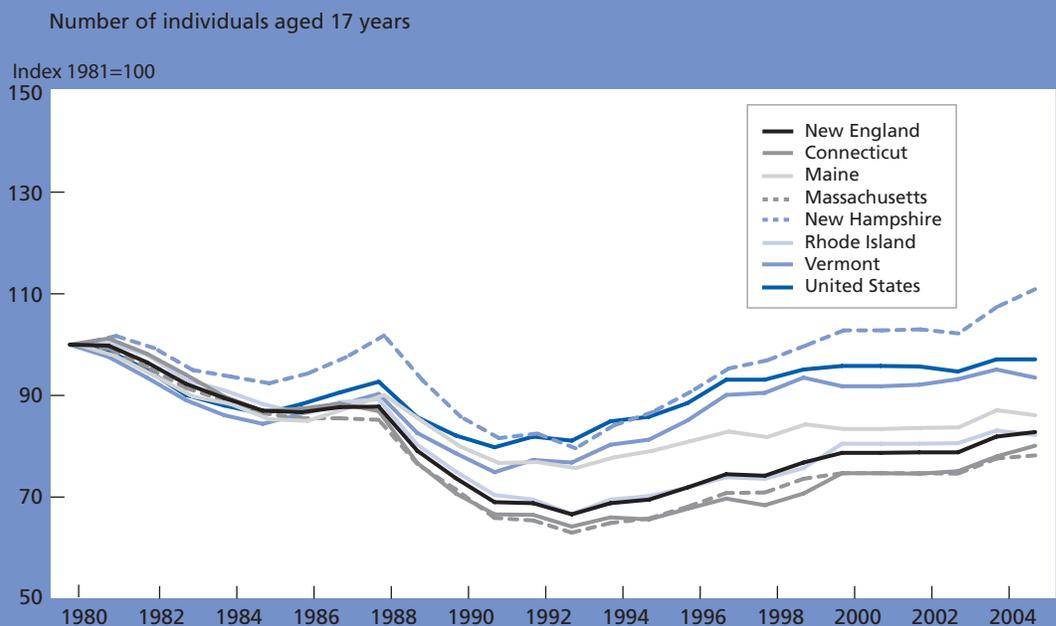
Rising educational attainment has been a boon, but

raising college attendance rates much further would similarly be difficult without significant investments in financial aid. And as college attendance rates have risen, completion rates have fallen. Ensuring that each additional student who enters the pipeline exits with a college degree would require additional support to expand college readiness programs.

Although some New England states are beginning to pursue policies aimed at retaining more recent college graduates, efforts to address the concerns of graduates leaving the region are likely to have the largest impact. For example, expanding internship opportunities may help graduates—particularly non-natives, who have lower retention rates—learn about local job opportunities and form networks within the region. The Central Massachusetts Talent Retention Project found that connections to employers and the local community are an important factor in retention, but that many smaller companies lack the time to supervise interns or recruit them from area institutions. In response, the Colleges of Worcester Consortium, an alliance of 13 colleges in central Massachusetts, developed an online internship database to enable employers of all sizes to tap into the area’s pool of recent college graduates.

Branding the region to appeal to recent college graduates, particularly non-natives,

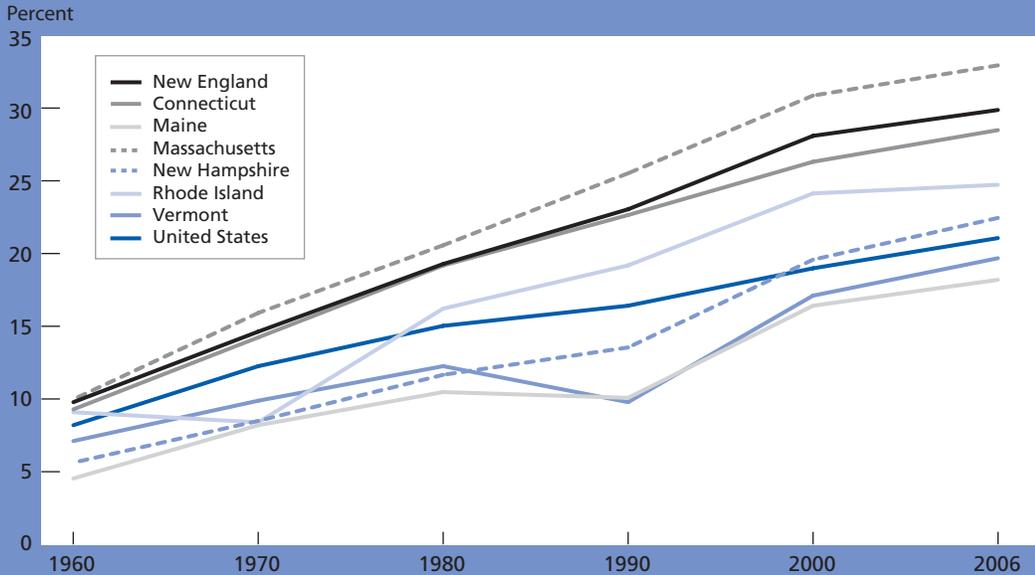
**Figure 2: Because of sharply lower birth rates during the 1970s, some 20 years later New England had 25 percent fewer native young adults of college-going age.**



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

**Figure 3: Because of rising rates of college attendance, 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.**

Native recent college graduates as a share of native young adults aged 22-27 years



Source: 1960, 1970, 1980, 1990, 2000 Decennial Census and 2006 American Community Survey, U.S. Bureau of the Census.

Note: Recent college graduates are individuals aged 22-27 years who have completed a bachelor's degree or higher (master's, PhD, or professional degree).

Financial incentives that help offset recent the debt burdens of recent graduates could also raise retention rates, but come at the cost of also rewarding recent graduates who would have chosen to stay anyway. Opportunity Maine, for example, allows employed, resident college graduates to claim tax credits for payments on student loans. Other New England states have targeted loan-forgiveness programs toward recent college graduates in particular industries, such as biotech, or occupations, such as teaching.

as a place to “work, play, and stay” could also help New England shake off the “old, cold, and expensive” image and boost retention. That is the goal of New Hampshire’s 55 Percent Initiative, which is relying on a marketing campaign to raise the percentage of recent college graduates who remain in that state.

Investments that make New England’s state universities more competitive could also help retention by encouraging talented native students—who have higher retention rates than non-native students—to attend college in the region. The University of Massachusetts at Amherst established Commonwealth College to offer a competitive, enriched course of study similar to that offered at flagship public universities in other regions.

New England states recognize that they are likely to face even greater competition for college graduates in the future—particularly in a global economy where workers and jobs are more mobile. Understanding which responses are likely to be the most effective requires a clear understanding of the factors that affect the supply and retention of these graduates. Armed with such an understanding, business leaders, policymakers, and universities can better identify joint initiatives to expand the region’s supply of recent college graduates.

This policy brief describes findings from *The Future of the Skilled Labor Force in New England: The Supply of Recent College Graduates*, by Alicia C. Sasser, a senior economist at the New England Public Policy Center. For the full report, including more detailed information for each New England state, see: <http://www.bos.frb.org/economic/neppc/>.