

Making Michigan’s Workforce Competitive in the New Economy

Increasing the Number of Young Adults with College Degrees

July 2009

Nationally there are 8.4 million 25-34 year olds who have some college experience but did not complete their college degrees.¹ Young adults with some college but no degree represent 21 percent of 25-34 year olds in the United States. These young adults, throughout their lifetime, can expect a troublesome future in the workplace as well as significantly reduced income levels. Historically, their unemployment rate is nearly twice that of college graduates. Additionally, they can expect an average annual salary that is two-thirds that of college graduates.² These statistics reveal that not completing a college degree has a profoundly serious impact on the futures of these young adults, as well as, the future of the nation’s economy and its competitiveness.

The situation is even more serious in Michigan and the metropolitan Detroit area. Among the states, Michigan has the third-largest percentage of young adults with some college but no degree at 25.7 percent, and trails only Alaska (28.0 percent) and New Mexico (25.8 percent) in this statistic. For Michigan, this translates to 321,000 young adult residents who are not adequately prepared to meet the demands of the new economy, who are at a much greater risk of being unemployed, and who face severe limitations in personal earnings potential. As Michigan re-tools its economy, a young adult population that lags the nation in educational attainment will result in the state being less and less attractive for business expansion and re-location and add to the challenges Michigan faces in its economic recovery.

The Detroit Metropolitan Statistical Area (MSA) is a US Census designated region that encompasses the City of Detroit and surrounding counties of southeast Michigan. At 25.3 percent, the Detroit MSA – which is home to 44 percent of Michigan’s adult population – has the largest percentage of 25-34 year olds with some college but no degree of any major metropolitan statistical area in the country. The average for all metropolitan statistical areas in the United States is 17.7 percent; in comparison, the Detroit MSA, at 25.3 percent, has a 42 percent greater incidence of young adults with some college but no degree. When compared to Chicago and Boston, the Detroit MSA’s percentage of young adults with some college but no degree is, respectively, 32 percent and 76 percent greater (see Table 1).

Detroit MSA	25.3%
Dallas MSA	21.4%
Seattle MSA	21.4%
Chicago MSA	19.2%
Philadelphia MSA	18.0%
Los Angeles MSA	17.9%
Miami MSA	17.7%
San Francisco MSA	16.5%
Washington DC MSA	15.9%
New York MSA	15.1%
Boston MSA	14.4%

It is notable that the Detroit MSA has a slightly smaller percentage of 25-34 year olds with some college but no degree than the state of Michigan. Also, when examining the counties within and adjacent to the Detroit MSA, the data shows these individuals are not concentrated in the City of Detroit or a specific county. Except for Washtenaw County, home to two large public universities, each of the eight counties under-perform the national average of 21 percent. For Michigan, it is clear the issue is not a city versus suburb problem; it is a concern that impacts the entire region and the state (see Table 2).

1. The population statistics on 25-34 year olds come from the 2007 American Community Survey Estimates.

2. Unemployment rates and annual earnings come from averaging annual Bureau of Labor Statistics data from 2007 and 2008.

Table 2: County's percentage of 25-34 year olds with some college but no degree ¹	
Washtenaw County	19.6%
Oakland County	23.1%
Macomb County	25.6%
Wayne County	25.8%
Monroe County	26.4%
St. Clair County	27.3%
Lapeer County	27.6%
Lenawee County	29.5%

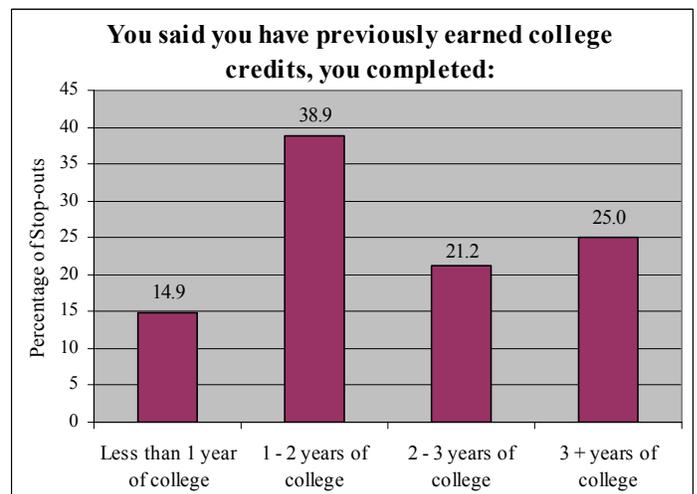
In response to this all-important challenge facing southeast Michigan and the state, a study was funded by the Department of Labor's Workforce Innovation in Regional Economic Development (WIRED) Initiative. Convened by the Detroit Regional Chamber, WIRED funded this first major empirical study of young adults with some college but no degree. iLabs, the University of Michigan-Dearborn's Center for Innovation Research, commenced the study in the fall of 2008. The study made use of research methods more commonly used in the examination of consumer groups and their behavior as buyers. The study's unique application of marketing theory and methods

provided that young adults who did not complete a college degree were now examined as past "buyers" of a college education, leading to a greater understanding of why they left college or "stopped buying a college education", and, finally, what solutions might impact their likelihood to return to college and complete their degrees. Of particular interest was to better examine the demographics and psychographics of this group, their past experience when they attended college, what factors motivated their decision to leave college, and, lastly, what factors might influence their returning to college. Examining the group as potential consumers of higher education, iLabs' researchers surveyed 599 young adults, 25-34 years old, with some college but no degree from the eight counties of southeast Michigan (see Table 2).

When asked about their education plans, 39 percent responded they were likely or very likely to return to college in the next few years. This finding indicates there are approximately 57,000 young adults with some college but no degree in the eight-county area who are hoping and planning to soon re-enroll in college. The size of this group is similar to the region's high-school senior cohort of 61,000 students.³ The study's findings regarding young adults with some college but no degree who intend to re-enroll in college, referred to as college stop-outs⁴, is the focus for the remainder of this discussion.

Previous Experience

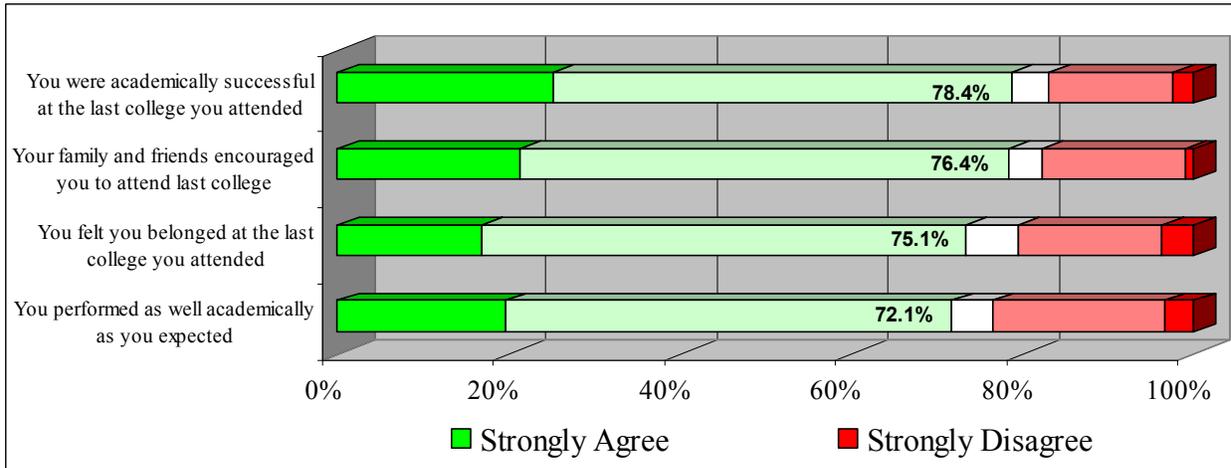
Analysis of the survey data was conducted to determine if differences exist between college stop-outs and young adults with some college but not planning to re-enroll. Previous research indicated that, in general, adults with some college but no degree had little previous college experience and had left college because of performance issues. The study's findings indicate that college stop-outs do indeed differ from those who do not plan to re-enroll in college. That is, 85 percent of stop-outs have completed one or more years of college and 25 percent have completed more than three years towards their college degree. These results indicate that stop-outs are experienced students within the context of post-secondary education and, for many, most of their degree requirements have already been successfully completed.



3. 2007-2008 school year data from State of Michigan Center for Educational Performance and Information.

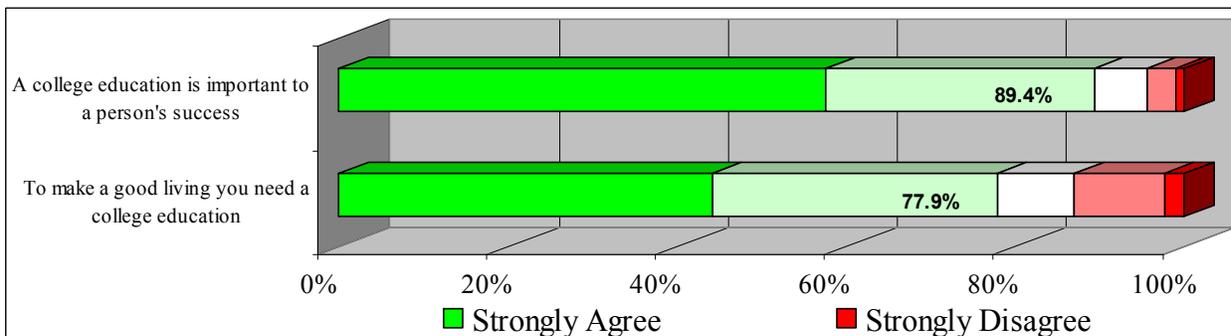
4. The term 'stop-out' has been used in literature such as Stratton, Leslie S., O'Toole, Dennis M. and Wetzel, James N., "A Multinomial Logit Model of College Stop-out and Dropout Behavior" (June 2005). IZA Discussion Paper No. 1634.

Stop-outs also indicate satisfaction with their previous academic performance and state they were supported by family and friends when they last attended college. Seventy-eight percent indicate they were academically successful at their previous college. Additionally, they agree they were encouraged to attend by friends and family (76 percent), they felt they belonged (75 percent), and they performed as well as they expected (72 percent).



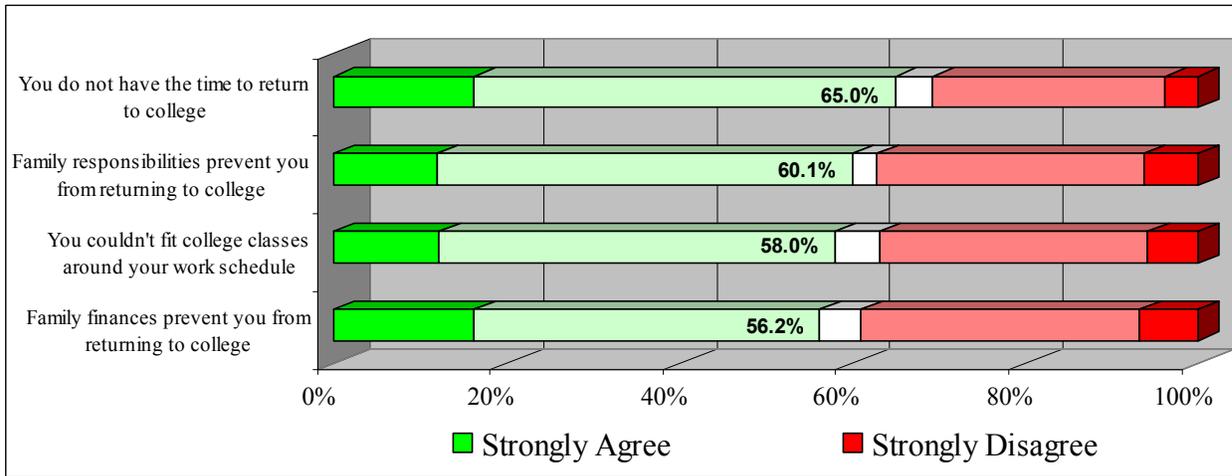
Valuing Education and Re-enrollment Concerns

Stop-outs recognize the value of higher education with 89 percent indicating that a college education is important for a person's success and 78 percent saying that a college education is needed to make a good living. These results demonstrate young adult college stop-outs understand and appreciate the important and favorable impact a college degree will have on their careers.



Previous research has emphasized that those with some college but no degree, when considering a return to college, have concerns about fitting in to an academic environment and doing well academically. As previously discussed, stop-outs report they performed well in college and felt that they did belong there. This study finds that stop-outs, when considering the obstacles to return to college, identified rational and highly practical concerns. Not having enough time (65 percent), family responsibilities and commitments (60 percent), fitting class around work schedules (58 percent), and family finances (56 percent) are the

most common reasons cited by stop-outs as barriers to returning to college. Money and, even more so, time are the two major impediments facing young adult college stop-outs intending to return to college.

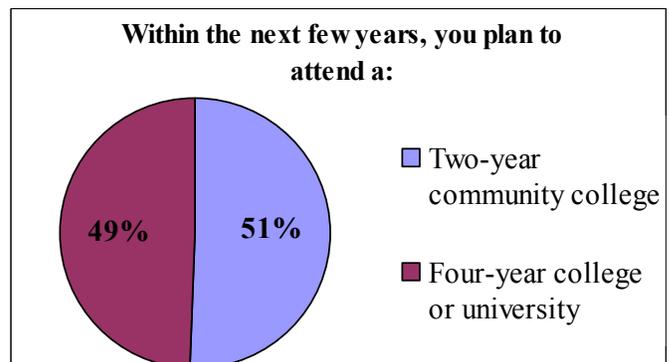
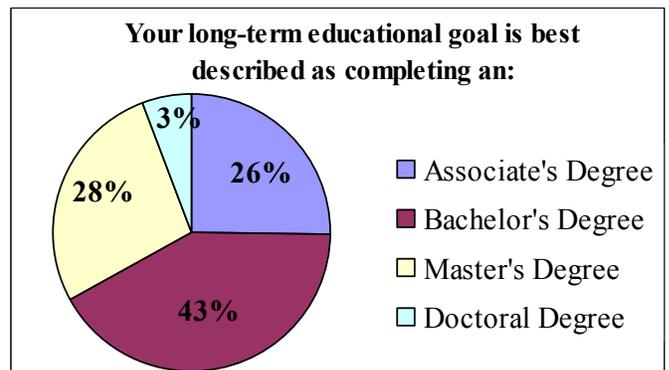


The type of college that stop-outs say they are likely to return to is evenly split between community colleges and four-year institutions. The majority of stop-outs state they intend to complete at least a bachelor's degree, with 28 percent indicating their long-term goal is to complete a master's degree. Again, these findings further underscore the young adult stop-outs valuing of post-secondary education and their desire to prepare for an ever-changing and increasingly challenging economic future.

Actionable Segments of Stop-outs

Analysis of the survey data was conducted to categorize the stop-outs into distinctive groups based on homogeneous attributes. This process is called segmentation and is often used in marketing to identify different segments of consumers within a market who have differing needs and wants. Identification of these actionable market segments allows for the development of a specialized mix of products/programs, communications, delivery platforms, and infrastructure support that best serves the needs of a specific group.

The analysis yielded four distinct segments of college stop-outs. The first segment identified, representing 19 percent of the total stop-outs, included the youngest respondents in the sample – meaning they have likely been away from college for the shortest period of time. We term them the “Newly Stopped-Out”. They are also characterized as single and without children. The Newly Stopped-Out have the most college experience of



all the segments. Even though this segment is underemployed – only 30 percent work full-time – they indicate, in keeping with their marital and parental status, family finances and family responsibilities are not barriers to returning to college. It is likely that the Newly Stopped-Out is living at home with a parent and is an attractive segment to target as they have most recently stopped out and are closest to completing their degree.

The second segment, also representing 19 percent of the total stop-outs, is characterized as predominately male, average age of 30, working full-time, and married. This segment has the highest annual household income of all the groups with two-thirds of the segment earning over \$50,000/year – comparable to southeast Michigan’s median annual household income. We term this segment “Successful Stop-Outs”. Successful Stop-Outs indicate the highest level of academic success while previously in college. The Successful Stop-Outs cite time constraints, especially fitting college courses around their work schedule, as a major obstacle in returning to complete their degree.

“Caregiver Stop-Outs” is the third segment, representing 39 percent of total stop-outs. This is the oldest segment, averaging 32 years of age. More than two-thirds of Caregiver Stop-Outs are female and nearly all indicate they are the primary caregiver for their family, including half saying they have two or more young children at home. Half of Caregiver Stop-Outs have family incomes of more than \$50,000/year, and the majority are married. This group cites family obligations as a major barrier to returning to college and indicates they are likely to re-enroll in a community college.

The fourth and final segment represents 23 percent of the total stop-outs in the study. They are most difficult to create short-term policies for, as three-quarters are single and all are the primary caregiver to their family. These “Struggling Stop-Outs” have the lowest income of the segments, with 40 percent having household incomes of less than \$25,000/year. Not only are Struggling Stop-Outs the caregivers to their family, but 84 percent are also the primary financial support for their family, with two-thirds working full-time. Struggling Stop-Outs indicate they originally left college because of financial reasons.

Conclusions

Today, Michigan’s economy is facing its toughest challenges as its manufacturing base – historically a source of employment for those without college degrees – faces seemingly ever-increasing episodes of downsizing. The state’s workforce of young adults is undereducated and unprepared for the realities and challenges of a knowledge-based economy. This lack of educational attainment by its young adults makes Michigan uncompetitive in attracting, retaining, and expanding business within the state. This study finds that young adult college stop-outs, estimated as numbering 57,000 in southeast Michigan and 139,000 across the state, do understand those challenges and are highly motivated to return to college and complete their degrees. In turn, governmental agencies and the state’s colleges and universities need to provide means, mechanisms, and a mix of programs that connect with these valuable young adult college stop-outs and provide for solutions that eliminate obstacles to their returning to college, completing their degrees, and achieving their maximum potential as members of Michigan’s talent pool.

Actionable solutions need to be undertaken by universities and governmental agencies, such as providing highly flexible offerings in response to the time constraints the stop-outs face as they juggle the demands of their professional and personal lives. Weekend and evening courses provide flexibility for working adults to continue their education. Expansion of such course offerings is important to assist stop-outs in

their progression towards degrees, as are shorter academic terms. Traditional academic cycles include three 16-week semesters per year in which students' class schedules do not change. Having six to eight week-long academic terms give stop-outs more flexibility in adjusting for changes in work and family commitments.

Online courses also offer much greater flexibility than traditional on-campus courses. Many colleges and universities in southeast Michigan currently offer individual courses online. However, of the twelve public universities and community colleges in the region, only four offer degrees that can be completed entirely online – this includes five bachelor's degree programs and five associate's degree programs. The study points to the expansion of online degree programs targeted at young adult college stop-outs as an important future consideration.

Additionally, development and investment in funding sources specifically targeted at the needs of working young adult stop-outs is needed to offset the cost of returning to college and its significant effect on their family's short-term finances. Mechanisms also need to be considered that will reduce the cost, both in time and in money, for these qualified college-ready young adults as they search and sift through the mountains of information and abundance of options while considering what is the appropriate degree program and which is the right college or university that will match their career goals. They then must wade through an application process that is often laden with time-consuming requirements and large amounts of paperwork as well as requests for significant documentation and references, adding further burdens to an already heavily time-challenged group of young adults. Based on this study, a triage center for the management of stop-out admissions that addresses the unique information search and admissions needs of this group and includes participation by colleges and universities in southeast Michigan might be an important future consideration.

Michigan is in the unenviable position of leading the nation in unemployment rates, and the lack of preparedness in its young workforce is an alarming signal that the state will continue to struggle to be attractive to growing segments of the economy. There are 57,000 southeast Michigan residents who are young and have the desire to complete a college degree. They have been successful in their previous college efforts and many are very close to completing a degree, but time constraints and cost concerns provide considerable barriers to their return. Government and university leaders must act to reduce the barriers this group faces, as these young stop-outs can provide a solution to the mounting job and business losses the state has endured.

About iLabs, The Detroit Regional Chamber, and the WIRED Initiative

iLabs is the University of Michigan-Dearborn's Center for Innovation Research. Dedicated to advancing the understanding of corporate, entrepreneurial, and institutional innovation and its impact on economic development, iLabs conducts the University of Michigan-Dearborn Innovation Index – a quarterly measurement of changes in the innovation activity in the Michigan economy, and eCities – an annual study of the best practices of local communities to promote entrepreneurship and economic development. For more information, please visit www.umdilabs.com

The Detroit Regional Chamber, with over 20,000 members that employ over three quarters of a million workers, is the largest

chamber of commerce in the country. The Chamber's mission is carried out through business attraction efforts, advocacy, strategic partnerships, and valuable benefits to members. For more information, please visit www.detroitchamber.com.

The Workforce Innovation in Regional Economic Development (WIRED) initiative was started in November 2005. It is a United States Department of Labor program that stresses the role of talent development in creating effective regional development strategies. Through the WIRED model, regions integrate economic and workforce development activities and demonstrate that talent development can drive economic transformation of regional economies across the United States. For more information, please visit <http://www.doleta.gov/wired/>.