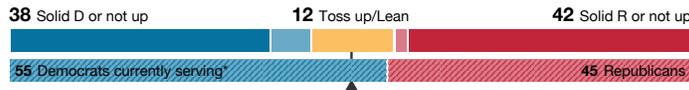




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College Grads May Be Stuck in Low-Skill Jobs

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By BEN CASSELMAN CONNECT

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The recession left millions of college-educated Americans working in coffee shops and retail stores. Now, new research suggests their job prospects may not improve much when the economy rebounds.

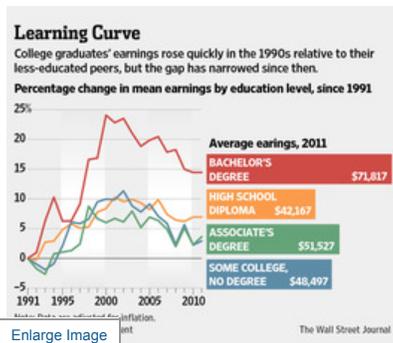
Underemployment—skilled workers doing jobs that don't require their level of education—has been one of the hallmarks of the slow recovery. By some measures, nearly half of employed college graduates are in jobs that don't traditionally require a college degree.

Economists paint a troubling picture for recent college graduates: underemployment is likely to continue, despite the continued economic recovery. Ben Casselman has details. Photo: AP Images.

Economists have generally assumed the problem was temporary: As the economy improved, companies would need more highly educated employees.

But in a paper released Monday by the National Bureau of Economic Research, a team of Canadian economists argues that the U.S. faces a longer-term problem.

They found that unlike the 1990s, when companies needed hundreds of thousands of skilled workers to develop, build and install high-tech systems—everything from corporate intranets to manufacturing robots—demand for such skills has fallen in recent years, even as young people continued to flock to programs that taught them.



"Once the robots are in place you still need some people, but you need a lot less than when you were putting in the robots," said Paul Beaudry, an economist at the University of British Columbia in Vancouver and the paper's lead author. New technologies may eventually revive demand for advanced skills, he added, but an economic recovery alone won't be sufficient.

David Autor, an economist at the Massachusetts Institute of Technology

who has studied issues of skills and education, called Mr. Beaudry's thesis "provocative" but also "speculative." There is no question, Mr. Autor said, that the wage premium enjoyed by college graduates hasn't grown as quickly during the 2000s as in earlier decades. But whether that is the result of a glut of degree holders or some other explanation isn't yet clear.

Brian Hackett, who graduated with honors from the College of New Jersey in 2010 with a political-science degree, is among those who haven't found full-time work.

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The Wall Street Journal This Morning spoke with WSJ's Ben Casselman about the job outlook for recent college graduates.

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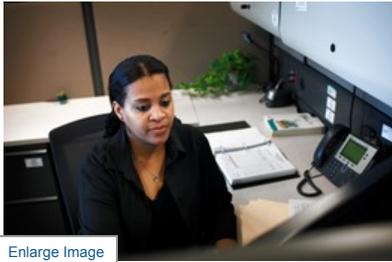
Instead, the 25 year old works part-time doing clerical work and conducting phone interviews—and he is hardly the only one at his company with advanced credentials.

"There are people with master's degrees and bachelor's degrees and even people

with law degrees applying to work for \$10 an hour," Mr. Hackett said.

Mr. Hackett is hoping to start a new, full-time job in political consulting in a matter of weeks. But most of his friends remain either without jobs or underemployed. Many are back in school pursuing advanced degrees in the hopes of getting an edge.

Corporate leaders often complain that there are too few workers with the right set of skills, particularly in high-end manufacturing and certain trades. Mr. Beaudry said it is possible such shortages exist in specific industries.



Enlarge Image

Tamela Augusta, above, a former administrative assistant who volunteers at a nonprofit company in Chicago, has lost out on jobs to competitors who have college degrees. Taylor Glascock for The Wall Street Journal

But using Labor Department data, Mr. Beaudry and his coauthors found that demand for college-level occupations—primarily managers, professionals and technical workers—peaked as a share of the workforce in about 2000, just as the dot-com bubble was about to burst, and then began to decline. The supply of such workers, meanwhile, continued to grow through the 2000s. The subsequent housing boom helped mask the problem by creating artificially high demand for workers of all kinds, but only temporarily.

Better-educated workers still face far better job prospects than their less-educated counterparts. The unemployment rate for Americans with at least a bachelor's degree was 3.8% in February, compared with 7.9% for those with just a high school diploma. College-educated employees also tend to earn more and advance more quickly even when they are in fields that don't require a degree.

But as college-educated workers have been forced to take lower-level jobs, they have displaced less-skilled workers, leaving those without degrees with few job options. "You eventually push the lowest skilled out of the market," Mr. Beaudry said.

Tamela Augusta has seen that trend firsthand. She spent close to 15 years as an administrative assistant, mostly in the construction industry. But since losing her job last year, the 42-year-old Chicago resident has found herself losing out on jobs to better-educated competitors.

"In the past they were pretty much looking for people that had a high school diploma," said Ms. Augusta, who spent two years at Northern Illinois University. Now, she said, many of those looking for jobs have college degrees.

Write to Ben Casselman at ben.casselmann@wsj.com

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