

The new relationship between college and the labor market

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The Underlying Story

- Employers have changed what they want in new hires –
 - No longer looking for “ability” that can be molded into long-term employee
 - They want just-in-time skills with evidence
- Parents and kids are worried that higher costs of college/less ability to pay won’t lead to a good job at the end
- Colleges have jumped in to imply that they can offer practical degrees that lead to good jobs
- **BUT** employers don’t seem to care much about those degrees, loan defaults are up, complaints are up
- The problem ends up at career services/placement
- The way forward is old-fashioned: Get closer to employers, provide experiences outside of classroom

Employers complain they can't find people to hire...

Source: Manpower survey

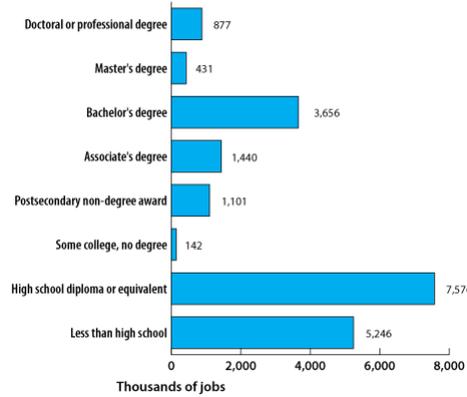


What do Pundits Say Employers Want?

- More STEM degrees
 - Every report from the business community says this
- Bill Clinton – more four year degrees
- President Obama – at least one year of post grad for everyone

Where the Jobs Are...

Chart 8. New jobs, by education category, 2010–20 (projected)



Source: BLS Division of Occupational Outlook

Vast majority of jobs don't require a college degree yet the majority of the workforce has been to college

Most New Jobs

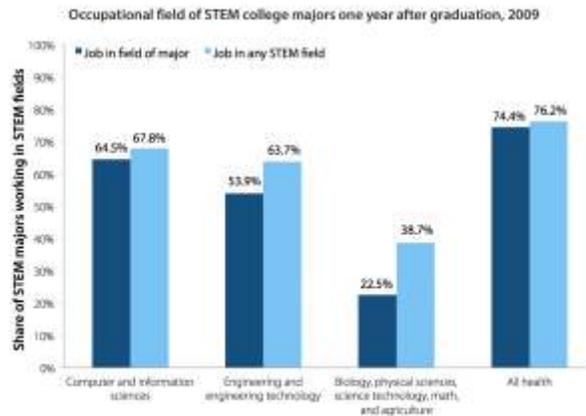
Most new jobs: 20 occupations with the highest projected numeric change in employment.

Click on an occupation name to see the full occupational profile.

OCCUPATION	NUMBER OF NEW JOBS (PROJECTED), 2010-22	2012 MEDIAN PAY
Personal care aides	180,800	\$13,700 per year
Registered nurses	129,800	\$55,470 per year
Serial entrepreneurs	49,700	\$22,210 per year
Home health aides	424,300	\$10,820 per year
Cook/chief food preparation and serving workers, including fast food	411,900	\$14,260 per year
Nursing assistants	322,300	\$14,420 per year
Secretaries and administrative assistants, except legal, medical, and executive	317,600	\$12,410 per year
Customer service representatives	295,750	\$14,380 per year
Waiters and waitresses, except wait and housekeeping cleaners	280,200	\$12,720 per year
Collective workers	259,600	\$20,990 per year
General and operations managers	249,100	\$86,440 per year
Laborers and freight, stock, and material movers, hand	241,900	\$12,090 per year
Carpenters	238,300	\$28,940 per year
Bookkeeping, accounting, and auditing clerks	234,600	\$15,170 per year
Dishwashers and kitchen counter attendants	210,600	\$10,200 per year
Medical secretaries	190,200	\$12,700 per year
Office clerks, general	194,100	\$12,470 per year
Culinary workers	194,100	\$14,820 per year
Writers and bookkeeping clerks	181,400	\$14,570 per year
Licensed practical and licensed vocational nurses	181,900	\$41,040 per year

STEM Degrees are Not a Cure-All

Source: Salzman, Kuehn, Lowell. 2013. Guestworkers in the US High-Skill Labor Market, EPL



Most Americans are Overqualified for their Jobs*

* **And the gap is growing.** See *Education and its Discontents: Overqualification in America, 1972-2002*. Stephen Vaisey. *Social Forces*, 88:121-146. See also Handel, Michael J. 2003. "Skills Mismatch in the Labor Market." *Annual Review of Sociology* 29:135-165.

Being overqualified: College grads bump high school grads

(educational attainment of persons in jobs requiring less than a high school diploma, 2010, for Wisconsin)

JOB Title	% WITH SOME COLLEGE OR ASSOCIATE DEGREE	%=BA	% Total
Parking Lot Attendants	56.1	4.1	60.2
Retail Salespersons	40.8	19.3	60.1
Bartenders	43.9	12.7	56.6
Waiters and Waitresses	41.9	7.0	48.9
Counter and Retail Clerks	37.2	10.5	47.7
Stock Clerks	33.1	6.9	40.0
Cashiers	33.1	6.1	39.2
Ushers, Lobby Attendants and ticket takers	23.0	14.3	37.3

SOURCE: Marc V. Levine The Skills Gap and Unemployment in Wisconsin: Separating Fact from Fiction. University of Wisconsin at Milwaukee, Center for Economic Development 2013

Trends in the Mean Annual Earnings of 20-29 Years Old Employed Persons in the U.S., by Level of Educational Attainment

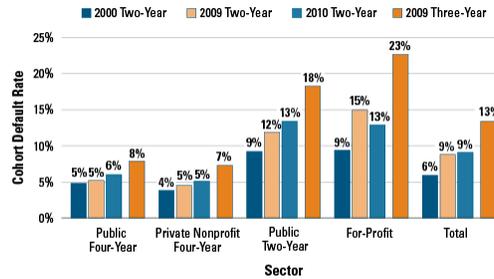
Year	High School Only	Bachelor's Only	Absolute Change	Relative Change
2000	25,249	42,590	17,342	68.7%
2001	24,673	41,102	16,428	66.6%
2002	25,472	39,631	14,159	55.6%
2003	24,146	37,982	13,836	57.3%
2004	24,422	38,270	13,848	56.7%
2005	24,235	38,725	14,489	59.8%
2006	24,170	40,124	15,954	66.0%
2007	24,228	38,480	14,252	58.8%
2008	22,584	38,094	15,510	68.7%
2009	22,233	38,123	15,890	71.5%
2010	20,575	37,260	16,684	81.1%



Center for Labor Markets and Policy | Drexel University

Percentage of US student loans in default largely because of a lack of jobs after graduating...

Source: Collegeboard



What do employers actually look for?

The big change is the plug-and-play labor market:

- * Experienced hires now*
- * 90% jobs filled internally before 1980*
- * 30-40% filled internally now.*



What is in short supply is experience

- Few employers want to train or give initial experience

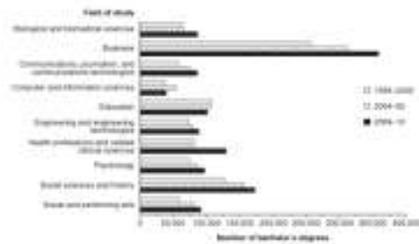


Now we start to see the new model...

Employers want “hit the ground running” skills –work-based, on-the-job skills
 And the colleges are rushing to provide them

Enrollments are quite responsive to the job market

Figure 18. Bachelor's degrees conferred by degree-granting institutions in selected fields of study: 1970-2010, 2004-06, and 2009-10



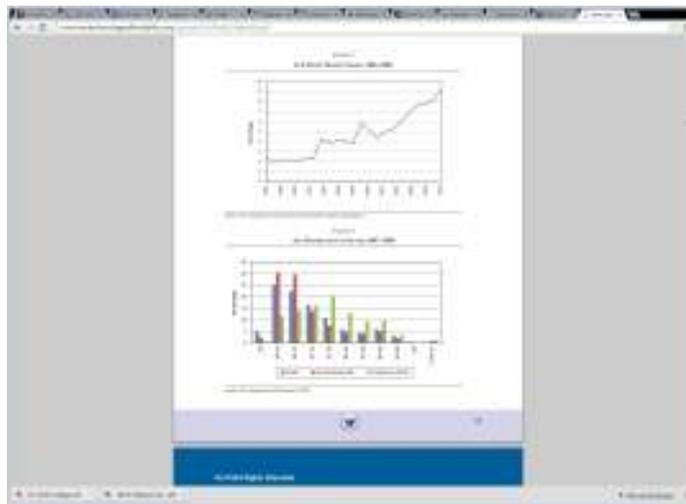
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Fall 2005, Fall 2006, and Fall 2010, Completions component.

Colleges want to fill the experience gap with practical degrees

- Business is by far the biggest major – 3x liberal arts
- Education is second – tight link to teaching
- “Liberal arts” is shrinking all the time
 - Adventure tourism?
 - Turf management?
 - Casino construction?
 - Pharmaceutical marketing?
 - States are pushing students to majors where “employers want to hire”

The Rise of For-Profit Colleges

Source: Center for College Affordability and Productivity July 2010



Time lags are so long in this supply chain

And the lags exacerbate disequilibrium...

Highest paying majors 2013– *all in the most cyclical occupations*

Major	Average Starting Salary
Petroleum Engineering	\$96,200
Computer Engineering	\$70,300
Chemical Engineering	\$66,900
Computer Science	\$64,100
Aerospace/Aeronautical/Astronautical Engineering	\$63,900
Mechanical Engineering	\$63,900
Electrical/electronics and Communications Engineering	\$62,500
Engineering Technology	\$60,900
Management Information Systems/Business	\$60,300
Logistics/Materials Management	\$59,500

Warning letter to new petroleum engineers...

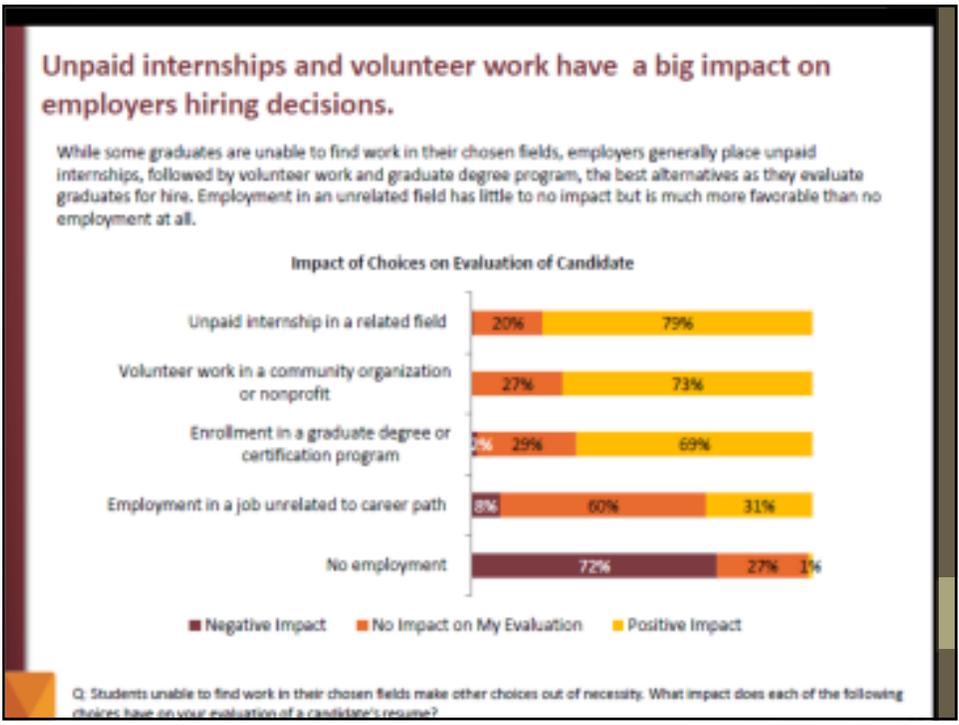
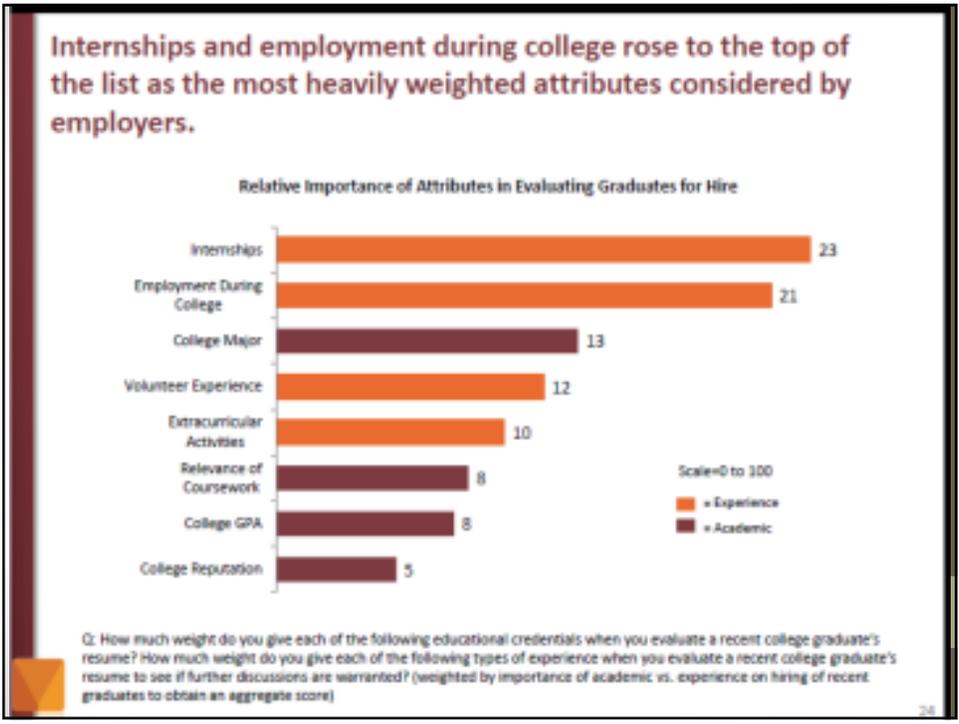
Dear Admitted Aggie PETE Applicant,

The Harold Vance Department of Petroleum Engineering, Texas A&M University, is pleased that you applied and were admitted to our top ranked petroleum engineering program. If you pursue a degree in petroleum engineering, our program is committed to providing the highest quality education available.

Recent data suggests that some concern about the sustainability of the entry level job market during a time of explosive growth in the number of students studying petroleum engineering in U.S. universities may be prudent....

What's wrong with this model?

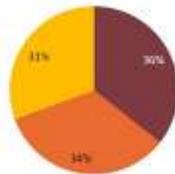
- On the education side:
 - Colleges aren't good at job training
 - Practical skills date quickly, what then?
- Time lags between starting college and job at the end make it impossible to "time" the market
 - Picking careers at 17?
- Employers are only signaling about entry-level jobs 1st job
 - Those tend to be jobs with less desirable career paths
- It's a marathon not a sprint



Stunning evidence....

Seven out of ten employers would still hire a candidate even without a college degree.

Hire Without Bachelor's Degree



- Yes, we look for candidates with the right fit regardless of degree.
- Yes, for a particularly outstanding candidate only.
- No, a degree is always required.

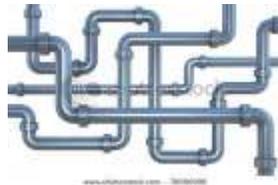
Q: Does your organization ever hire a candidate with strong experience but no degree for a job that was advertised as requiring a bachelor's degree?

What's the path forward for career services?

Accountability demands are going up....

Reporting placement rates in standard way is coming

1st help navigate crazy Hiring
Processes



2nd Manage the New Market-Makers....
Boot-camps, online credentials, etc.



3rd – Managing work experience

- Directing/managing on-campus experiences
- Leveraging family connections for off-campus experiences
- Using brokers?

What can public policy do?

The choices are tough

- Beyond teaching basic skills, what should schools do?
- High schools could go back to the voc ed model
- Should colleges be in the voc ed business?
 - Business majors already 8x liberal arts
 - Students already chasing fields that pay off, but they change too fast
 - We are pushing the risk onto students and their parents
 - College is an expensive way to get initial work experience

Should the government take over training costs?

Should it become the provider of skills?