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Four more charts pointing to some deep problems with the labor market for people without a college degree

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MINNPOST

Four more charts pointing to some deep problems with the labor market for people without a college degree

By **Louis D. Johnston** | 10/22/14



Last week I wrote about a new study by Steven J. Davis and John C.

REUTERS/Rebecca Cook

It's not good enough to tell people without a college degree that they need to get one.

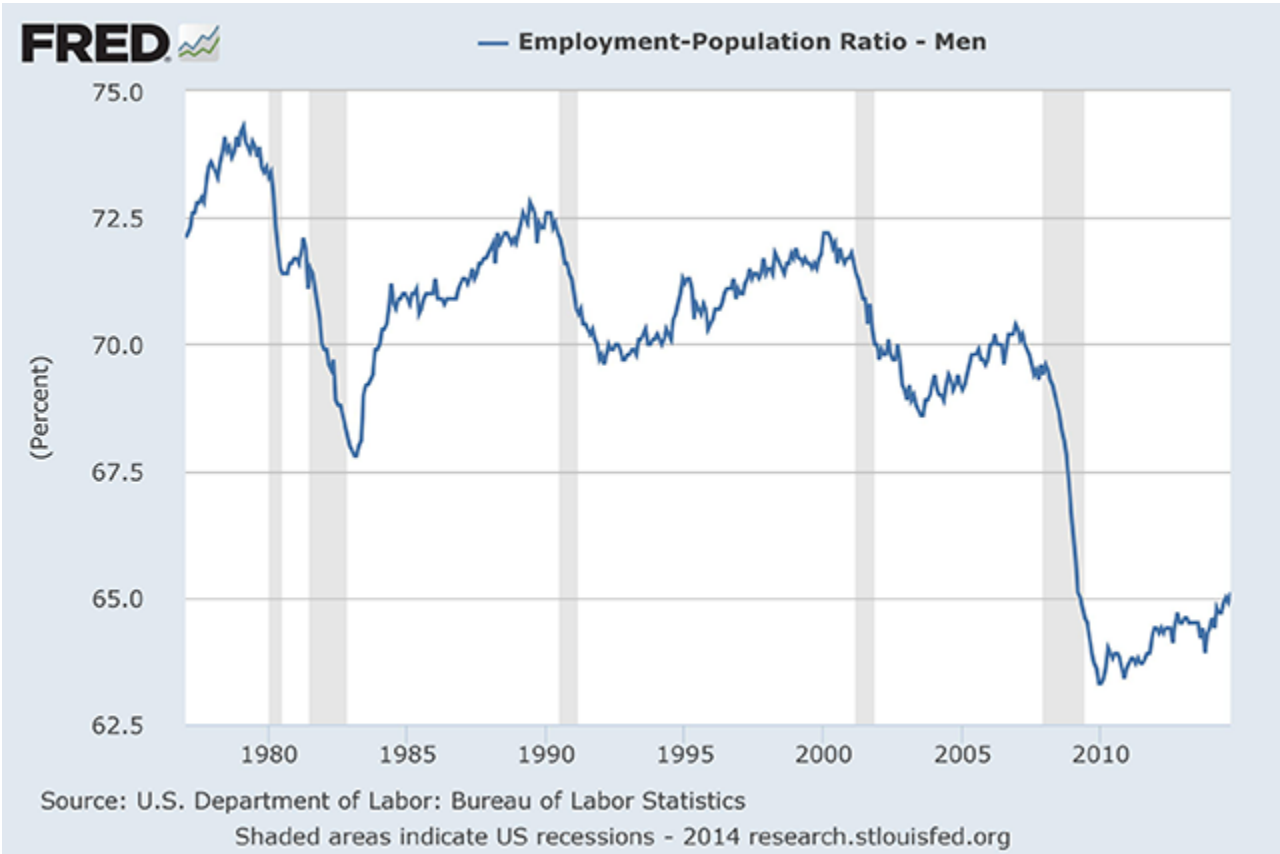
Haltiwanger. The bottom line: The labor market for men without a college degree is not working as well as it did 40 years ago.

The column left two implicit questions unanswered: What about the labor market for women? And, what can or should be done to remedy these problems?

Let's look at the issue of women in the labor market first, where we'll want to start with the employment rate for the U.S. working-age population from 1977 to the present:

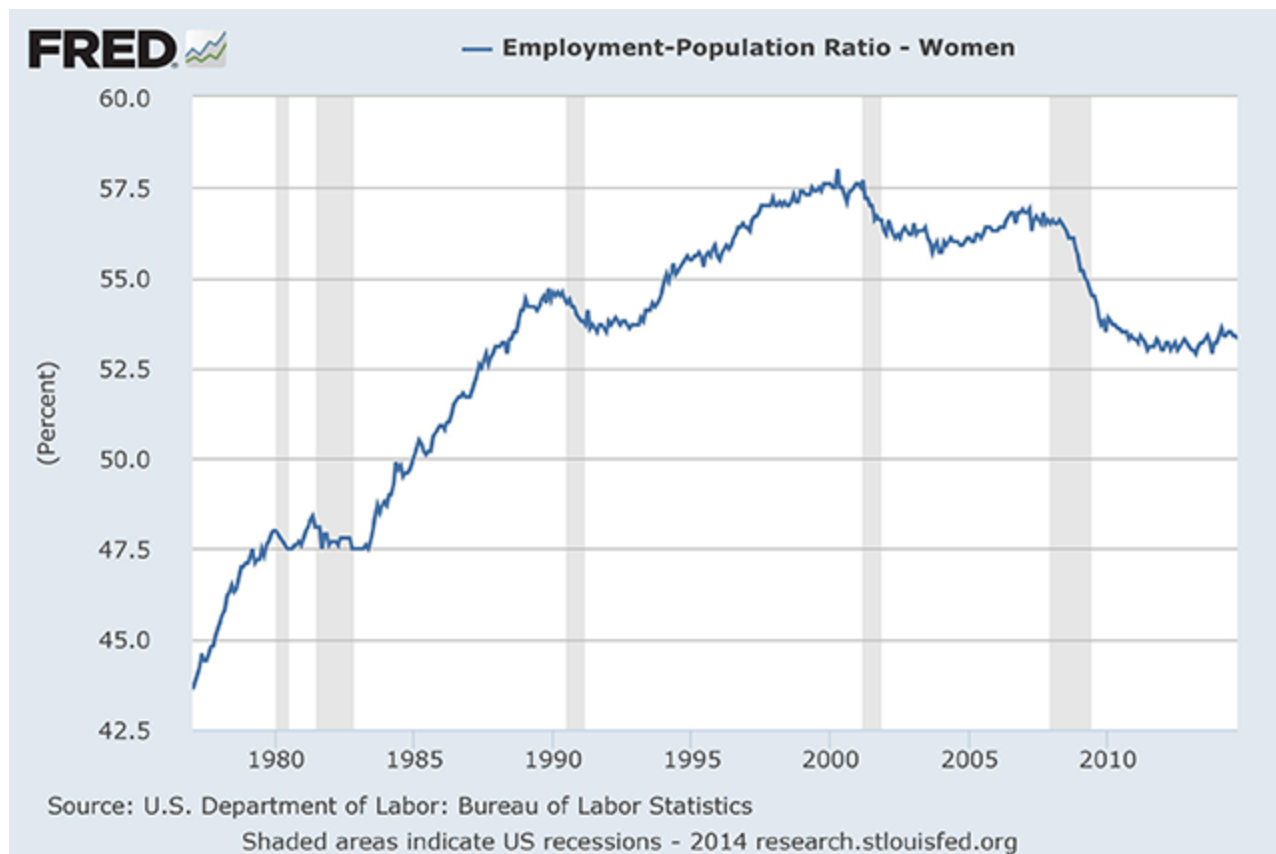


For comparison, the employment rate for men looks like this:



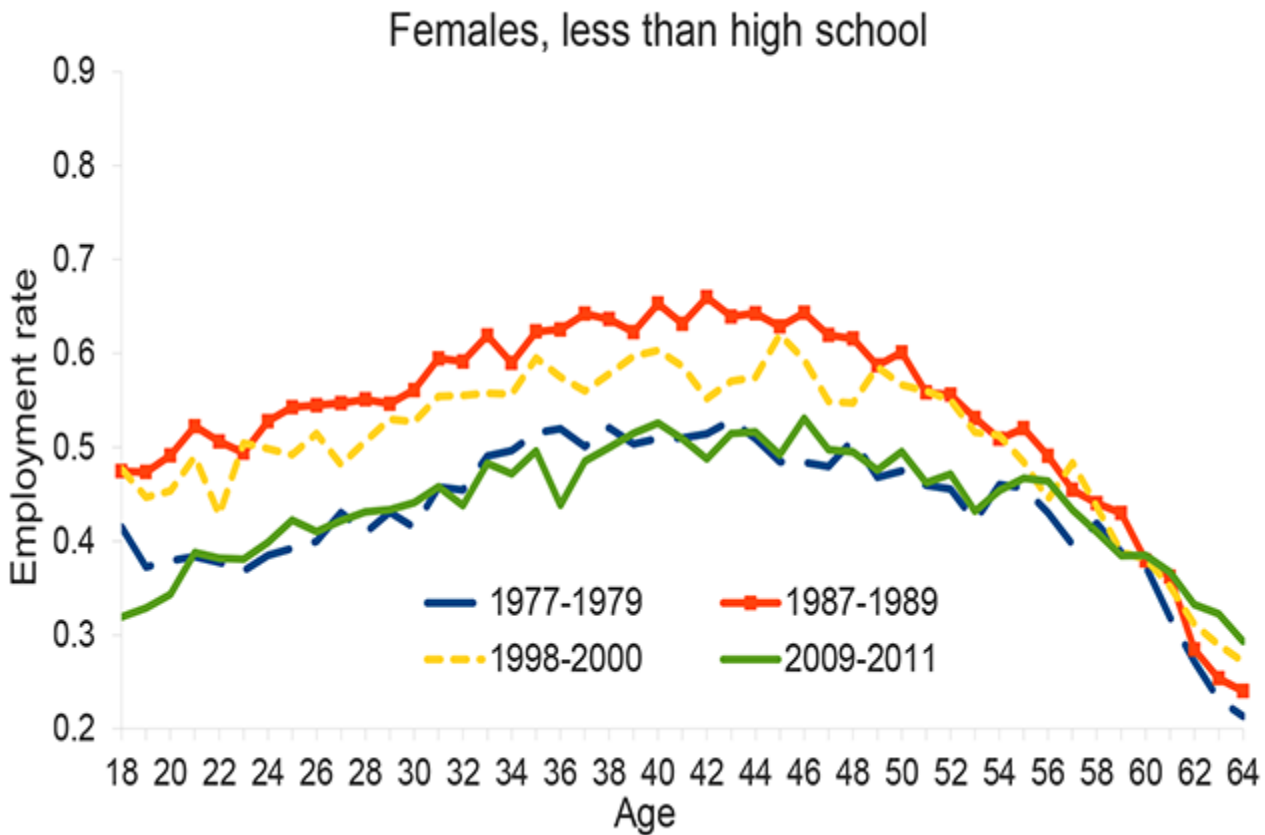
The drop in employment hit men with less than a college education particularly hard, and men without a high school diploma experienced the biggest employment fall.

Now, let's take a look at the picture for women:



The picture is almost the mirror image of the men's situation from 1977 to 2000. Employment rates for women rose from about 43 percent in 1977 to about 57 percent in 2000. But since 2000 employment rates fell for women, just as they did for men, except that the size of the drop wasn't as large.

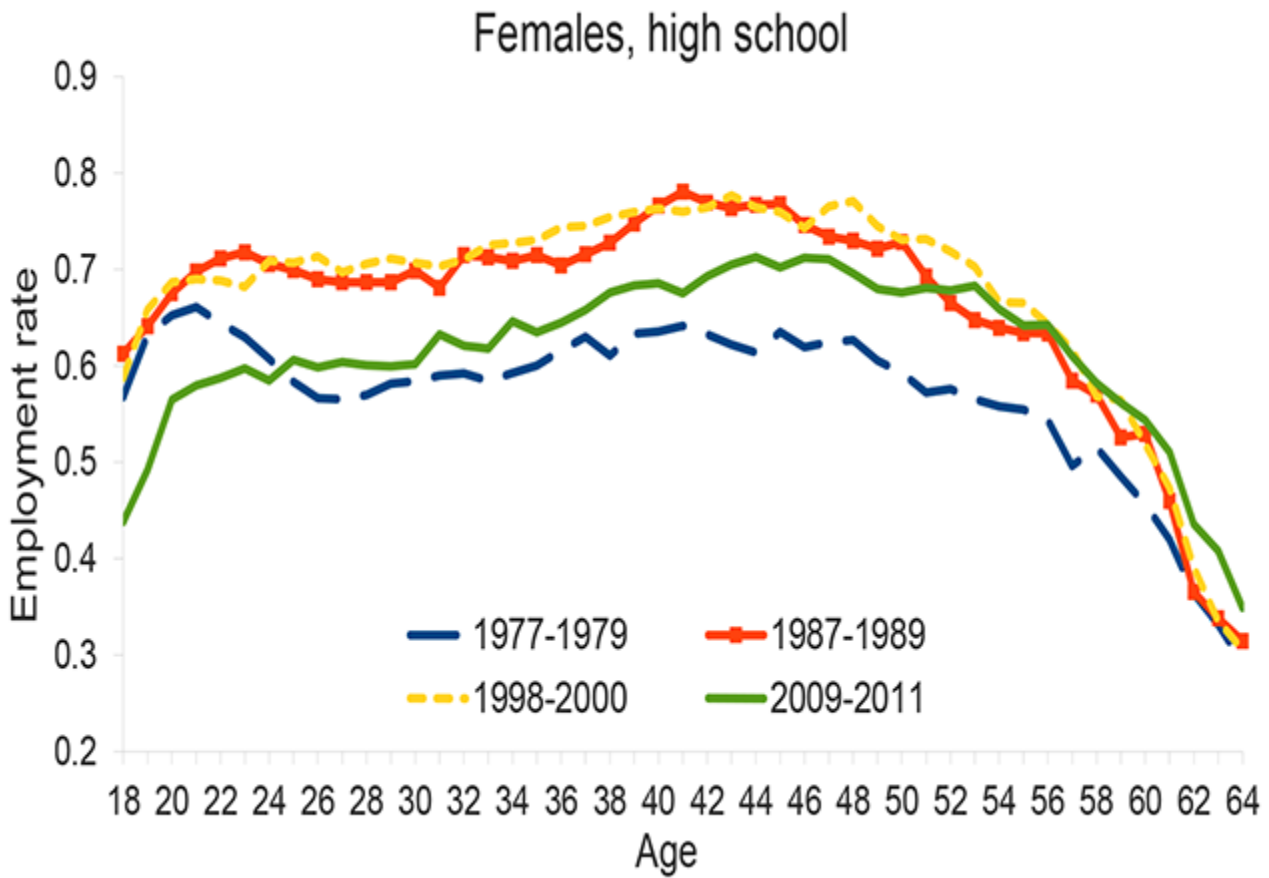
Davis and Haltiwanger compiled data on women's employment by age and education, just as they did for men. Let's look first at women who do not have a high school diploma:



Courtesy of Davis and Haltiwanger

Not surprisingly, the period from 1977 to 1987 saw employment rates rise for women without high school diplomas. About 45 percent of 40-year old women without a high school diploma were employed in 1977; by 1987, that figure had risen to 65 percent. However, these employment rates have fallen over the past 25 years — and are now roughly the same as they were in 1977.

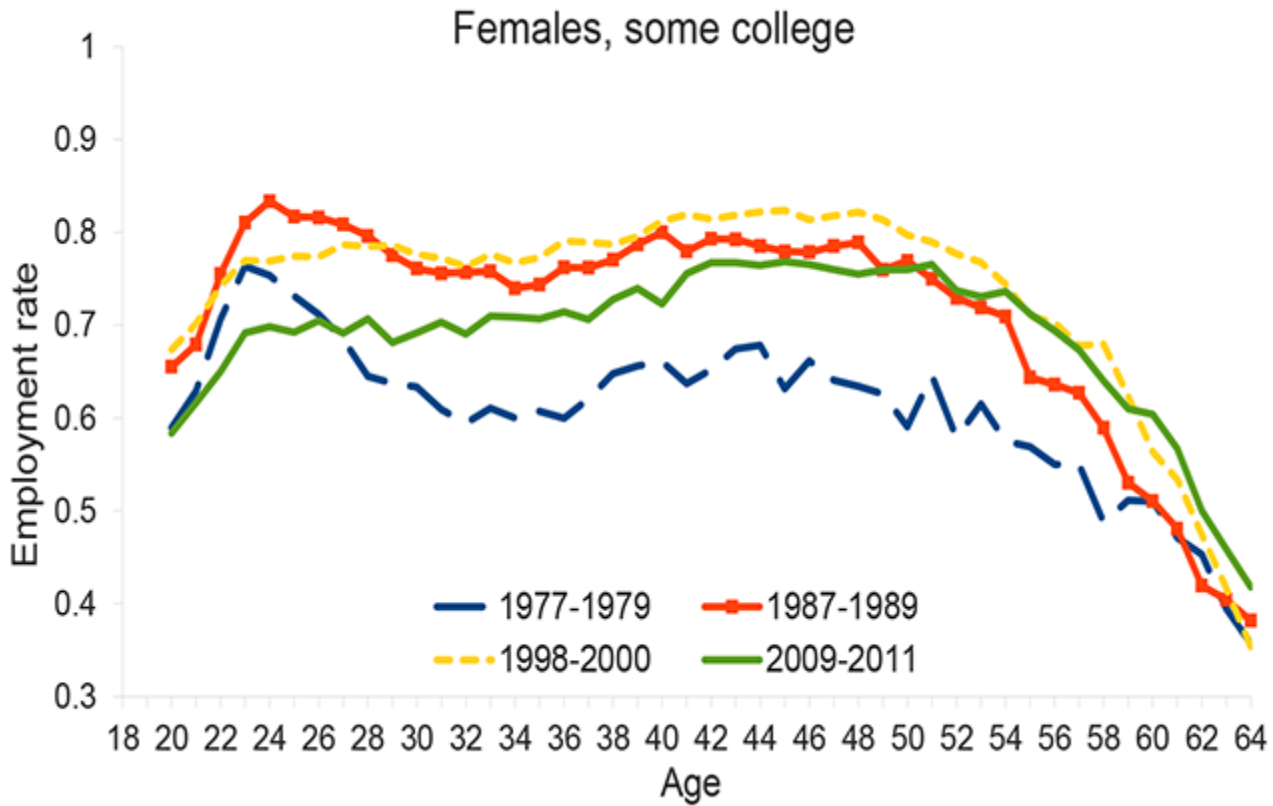
The data for women with a high school diploma look like this:



Courtesy of Davis and Haltiwanger

The big story for this group is the change in the age profile. Since the late 1970s, women over 40 with a high school diploma have worked for pay at higher rates.

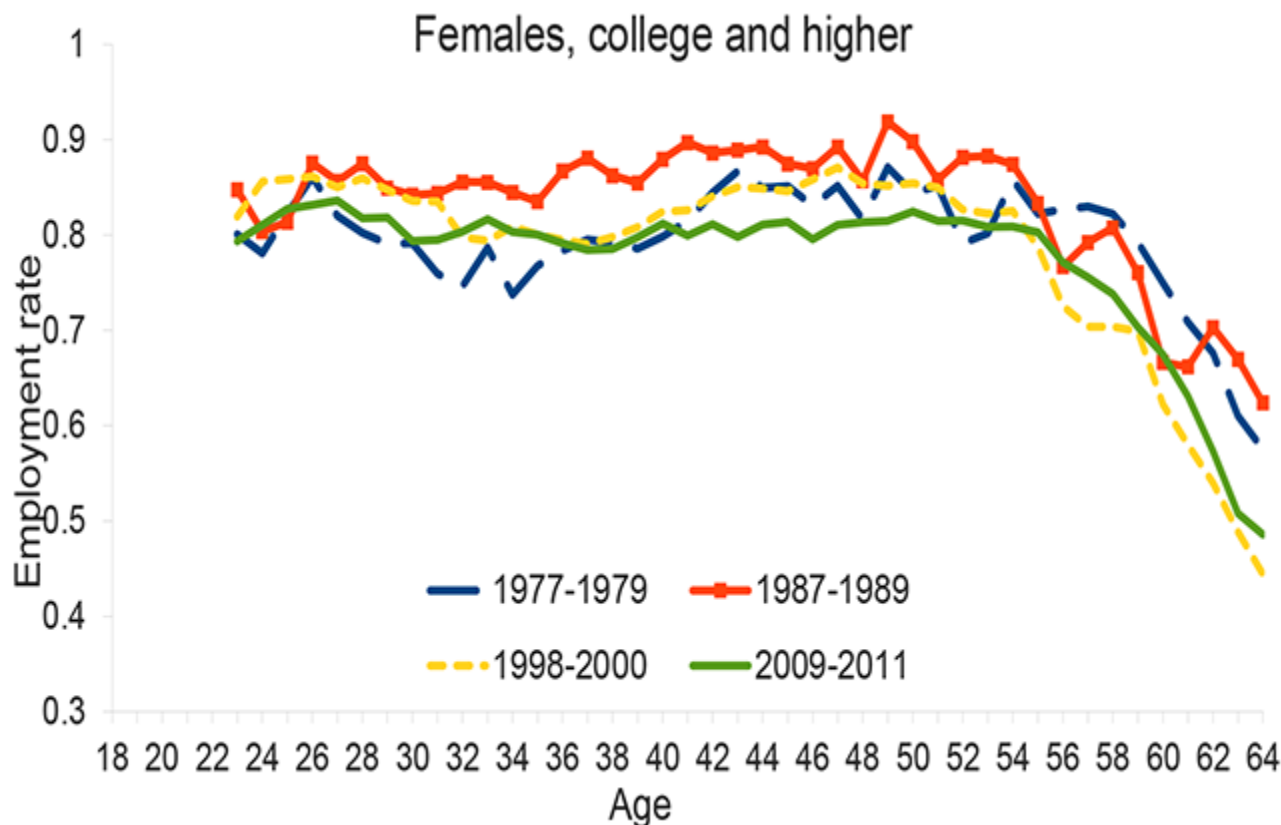
The picture for women with some college is similar to that of women with a high school diploma:



Courtesy of Davis and Haltiwanger

Again, employment rates jumped from 1977 to 1987 and remained above their 1977 levels through today.

Finally, let's look at women with college degrees (a designation that includes both 2- and 4-year degrees):



Courtesy of Davis and Haltiwanger

This is quite similar to the picture for men, with a small drop in employment rates due to the Great Recession.



So what's going on in the market for men and women who don't earn college degrees?

Let's take seriously the word *market* and examine factors that affect the supply of and demand for labor in this market.

The supply of labor is determined by job seekers. My hunch is that part of the rise in female employment rates is driven by the welfare reforms of the 1990s. Work requirements imposed as part of the reforms were aimed, rightly or wrongly, at women — and especially women with children. It looks like women with less than

a college education responded the way reformers wanted them to do: they increased their employment.

This might also explain part of the employment record for men. If the jobs available to those with less than a college degree fit better with the skills held by women, then women's employment rates should

rise and men's should fall. That's what we see in the data.

The demand for labor also affects the employment rate. Here a problem might be the need for credentials outside of a college degree. Davis presented data during his **Minnesota Economic Association** talk showing that the percentage of jobs requiring some sort of credential (besides a college degree) rose from 5 percent in the 1950s to almost 40 percent today. You **cannot hire someone to cut hair**, for example, unless that person has a license, no matter how good their skills are at doing it.

Finally, I'm concerned that public policy is not doing enough to forge links between companies that want to hire workers without college degrees and people who don't have college degrees.

Apprenticeship programs such as those in Germany, for example, might be a good model for connecting high school students with careers.

It's not good enough to tell people without a college degree that they need to get one. A college degree, whether it's a two-year or four-year degree, is not for everyone — and we can't create labor markets that only accept those credentials. Rather, we need to create paths from high school (whether you graduate or not) to the job market and we need to create a variety of labor markets and institutions that connect those who want to work with those who need workers.

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Four charts showing that the labor market is utterly broken for men without a college degree

BY LOUIS D. JOHNSTON | 10/14/14

The data clearly shows something policy makers must come to terms with: that the labor market for men with less than a college education is not working.

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Louis Johnston writes Macro, Micro, Minnesota for MinnPost, reporting on economic developments in the news and what those developments mean to Minnesota. He is Joseph P. Farry professor in the Eugene J. McCarthy Center for Public Policy and Civic Engagement at Saint John's University. He is also a professor of economics at the university.

COMMENTS (3)

The choir responds

SUBMITTED BY RAY SCHOCH ON OCTOBER 22, 2014 - 11:45AM.

The last paragraph in this piece pretty much duplicates the career advice I used to give to students and my fellow K-12 professionals whenever we talked about post-secondary education and life beyond high school. Not everyone needs or wants a college degree, and more importantly, the society isn't likely to support an economy where every task requires that kind of intellectual training. As long as we have and use air conditioning, we're going to need skilled workers to build and service that equipment. As long as we continue to eat at restaurants, we're going to need cooks, servers, manufacturers of restaurant equipment, people to service that equipment, and so on.

The trick is to connect the companies that do those things with people entering the job market who either have the necessary skills, or want to acquire them. College may be increasingly important for a large segment of the working population, it's not – and shouldn't be – the be-all and end-all of education and/or career training.

Thanks for this additional information to supplement...

SUBMITTED BY STEVE TITTERUD ON OCTOBER 23, 2014 - 7:16AM.

...the prior column.

NOW I'm wondering whether similar data is available for those who got their training in the military - AFTER they've served their tour of duty.

This might help us to weigh the value of those military training programs, which are used in recruitment, and which, by anecdote, are amongst the reasons people enlist: they will get training applicable to civilian life, and will have great job prospects once they're out. Is this true? If so, could the civilian world emulate these programs??

It seems American companies don't want to go the German route. It requires an investment in an employee, with a certain degree of attendant risk, even though that risk could be mitigated.

The American company wants an employee whose training has already been paid for - by someone else !! It's easy to see the reasonableness of this view, but it does not support all the hand-wringing we see about unfilled jobs due to a shortage of trained workers. If it's so painful to have those unfilled jobs, if it costs so much money in lost production, then why no company-financed training programs, which the new employee pays for out of his earnings ??

Steve Titterud's comment gets at a major problem

SUBMITTED BY KAREN SANDNESS ON OCTOBER 24, 2014 - 5:39PM.

Companies now see employees as expenses rather than as assets. As such, it is considered prudent to outsource or offshore as much work as possible, and not only routine factory work, but skilled work, too, such as printing books or reading X-ray films.

I spent my elementary school years in a small town in Wisconsin that was the site of two manufacturing plants. Most of my classmates were the children of factory workers, and yet nearly all the families lived on one income and owned a house and a car.

We all know what happened to manufacturing since those days, and we can see the results in the retail sector. High-end stores full of high-end gadgets and high-end clothing sell well, high-end restaurants are crowded, and high-end apartments and condos are occupied as soon as they are built. Low-end businesses, such as big box stores and the fast food outlets are not doing quite as well, but the middle range is fast disappearing.

This bifurcated economy is partly due to the difficulty that non-college graduates and even many college graduates have in finding living-wage jobs.

I suppose the bean counters at America's corporations thought they were being oh-so smart when they outsourced and off-shored so many jobs: more dividends for the shareholders and bonuses for the top dogs, doncha know? And yet no business can survive without customers, and no country can be secure if it has to import everything it needs.

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