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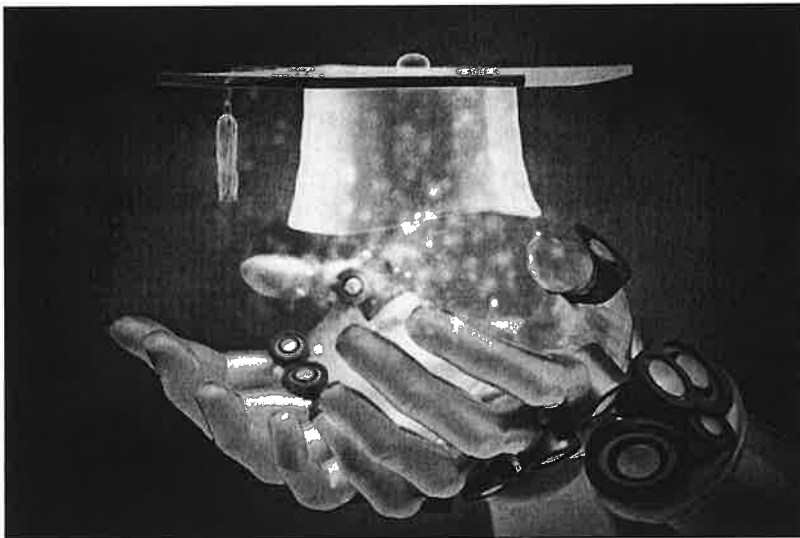
Why Unemployment is Rising Among Young College Grads

Their skills, experience and ability to function are increasingly out of step with employers' needs.



By Allysia Finley

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It's the best of times for Wall Street bulls and worst of times for young college grads. The Dow Jones Industrial Average on Friday smashed a record and crossed 50000 amid renewed optimism about the economy. Meantime, unemployment among young college grads has risen to recession levels. Behold a tale of two labor markets.

Unemployment declined last year for college nongraduates and ticked up slightly for older grads, though it is still lower than average historically. Yet new data from the New York Federal Reserve Bank last week showed that

unemployment among college grads age 22 to 27 rose to 5.6% in December, roughly what it was in February 2009 during the financial panic.

Artificial intelligence isn't taking their jobs. Young grads' struggles started before AI went mainstream. Between 1990 and 2014, unemployment for young college grads was generally 1 to 3 percentage points lower than for all workers. The gap started to tighten around 2014 and reversed in late 2018. Unemployment for young college grads is now about 1.4 points higher than for all workers.

The real problem is a mismatch between labor supply and demand. Government subsidies and public schools have funneled too many young people to credential mills, which churn out grads who lack the skills that employers demand. Many would be better off training in skilled trades, for which demand is enormous.

More than half of high-school grads matriculate to college, even though only 35% of 12th graders score proficient in reading and 22% in math on the National Assessment of Educational Progress. This suggests that many college students aren't academically prepared or even inclined. But colleges ensure they graduate just the same by handing out A's for no effort.

U.S. colleges awarded 2.2 million bachelor's degrees last year, about twice as many as in 1990. That's also double the number of associate's degrees. Another 860,000 Americans last year received a master's degree, nearly triple the 1990 figure. Nearly 40% of Americans with a bachelor's now have an advanced degree.

Colleges have added graduate programs in fields like urban planning, sustainability and fine arts to rake in more federal dollars. Students had been allowed to take out unlimited federal loans for graduate studies until last summer's GOP tax bill capped borrowing at \$200,000 for professional degrees (like medicine or law) and \$100,000 for others.

One result: Young college grads enter a labor market that is saturated with heavily credentialed workers. But they have less work experience and are often less productive than their older counterparts. Many skated through

college by relying on AI to do their work. Take ChatGPT away, and they struggle to function.

Some also struggle with executive functioning because of disability accommodations in high school and college that allowed them extra time to complete tests and assignments. More than 20% of undergrads at Harvard and Brown and 38% at Stanford have registered disabilities.

Employers are required by law to make accommodations for disabled workers, but that doesn't mean they have to hire someone who can't meet a deadline or doesn't want to work on a weekend because she's "cooked." Or for that matter, someone who needs his hand held all the time—a common employer gripe about recent grads.

Next, consider the demand side of the labor market. Retirements are increasing as the population ages. Last year the number of Americans on Social Security increased by two million, about double the average increase over the prior decade. Resulting job vacancies in the trades are going unfilled because of a dearth of skilled workers.

The National Federation of Independent Business reported last week that 31% of small-business owners had job openings they couldn't fill, compared with a historical average of 24%. A Montana construction firm told the survey: "The biggest issue for our business is finding workers who want to work and finish an apprenticeship."

An Ohio manufacturer noted that "skilled machinists are not available. We tried for years to get one." A Connecticut manufacturer mused that "the need for trades is desperate in order for businesses to continue in this country. When the older workforce finally feels able to retire and live a comfortable life, who is going to take their place?" Not young college grads.

The Federal Reserve's latest survey of businesses observed that while demand for workers has softened, "firms reported continued challenges finding skilled labor, particularly in engineering, health care, and other trades." The report added: "AI's current impact on employment was limited,

with more significant effects anticipated in the coming years rather than immediately.”

Which suggests the job market for young grads could get worse in the years to come. If rote work is all that college grads are capable of, why not employ AI instead? ChatGPT, after all, never complains or gets cooked.

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