

John J. Heldrich Center for Workforce Development

## Speech

# What the Changing American Labor Market Means for High School and College Education

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Carl E. Van Horn, Ph.D.

Distinguished Professor and Director  
John J. Heldrich Center for Workforce Development  
Edward J. Bloustein School of Planning and Public Policy  
Rutgers, The State University of New Jersey

Thank you to the organizers of this convocation for the opportunity to provide my perspective about today's labor market. I hope to provide some evidence, insights, and recommendations that will enable you to better prepare young people to navigate the transition from high school to careers and/or college. As educators, we cannot guarantee success for our students and graduates, but we can help young people make good choices and reduce their risk of making poor decisions that come from being unaware or uninformed.

I will cover a lot of territory today. For anyone who would prefer to read more about my topic, my comments and related research reports will be available on the website of the Heldrich Center for Workforce Development at Rutgers University: <http://www.heldrich.rutgers.edu>.

## What Happened During and After the Great Recession?

First, let's look at the positive news:

- U.S. unemployment declined from nearly 10% in August 2009 to 5.1% in August 2015.
- Positive job growth for five-and-a-half years—more than 13 million jobs added to the economy since June 2009, which marked the official end of the recession.

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Despite a significant economic recovery, four troubling signs lurk beneath the surface:

### 1. **Job growth has not been adequate to provide full-time work for everyone who wants a job.**

- Long-term unemployment rates remain at unprecedented levels—2.2 million—almost half have a bachelor's degree or more.
- Nearly 7 million people are working part time but want full-time jobs.
- The U.S. economy still lacks several million jobs that would be needed in order to return to levels of employment experienced at the dawn of the 21st century.
- New Jersey's unemployment rate remains above the national average and is among the 10 worst states in the country.

### 2. **Second, recent high school and college graduates are still encountering stiff headwinds in the labor market.**

- Nearly one in five recent high school graduates (aged 17 to 20) are unemployed and nearly one in four are underemployed and cannot find full-time jobs.
- Among recent college graduates (aged 21 to 24)—7.2% are unemployed and the underemployment rate is 15%. Millions work at part-time jobs that do not require college degrees.
- The situation is worse for young minorities. Nearly one in four (23%) young African American college graduates and over one in five (22.4%) Hispanic college graduates are underemployed or unemployed.

3. **Third, wage increases are not keeping pace with inflation—from 2013 to 2014 inflation-adjusted wages stagnated or fell for most American workers, including those with the most education and the highest wages—and this is a long-term trend. Not much progress has occurred over the past 30 years.**

4. **Fourth, the percentage of people in the labor force—those who are either already working or looking for work—has fallen to the lowest level in three decades.**

- Nearly one in six men—9 million workers—in their prime working years (aged 25 to 54) are no longer looking for work. Since 2000, the percentage of young workers aged 16 to 24 in the labor force has declined by nearly 17%; many are in school, but many more are neither working nor in school. This means a smaller economy and more pressure on social services.

In short, the Great Recession was the worst economic disaster since the Great Depression more than 70 years ago. Although we've made a lot of progress since 2009, the negative effects are still hurting our country and millions of Americans.

## What are the New Realities of the American Labor Market?

The Great Recession—and other disruptive forces—dramatically altered economic realities for workers, job seekers, businesses, educational institutions, and governments. These trends are not just a byproduct of the Great Recession; rather they reflect long-term structural changes made worse by the Great Recession. Workforce and educational leaders as well as job seekers and students are still trying to adapt and learn how to cope with these new realities.

Indeed, before the Great Recession during the 1990s boom, millions of job seekers suffered harsh shocks from a rapidly churning labor market. Seismic changes in technology and finance, mergers, and downsizing swept aside small and giant corporations and upended entire industries and millions of workers.

There are fewer stable and permanent jobs now. Therefore, few workers will ever ride the smooth path up the seniority escalator and remain with an employer. In fact, many employers view temporary contract or contingent work as preferable.

Rising expectations from employers require a workforce that is better prepared **before** they begin working. Employer-based education and training for employees is disappearing faster than the polar ice caps, leading to do-it-yourself careers, where students and workers assume full responsibility for their education.

Given the uncertainty and volatility of the labor market, it is much tougher for workers and students—and labor market experts—to predict where specific jobs will be in 5, 10, 20 years. The Great Recession ended more than six years ago. We are in a new normal. These major structural changes are enduring even though the full consequences of the changes are hard to predict.

## Implications for Education and Educational Leaders: Access & Graduation

Demands for reinventing high school and postsecondary education will continue to grow. Business leaders are worried about finding the best people so they can compete and survive. Parents and students are frantic to inoculate themselves against rapid change and to achieve the American dream of upward mobility. They fear that opportunities are disappearing because just about everyone knows someone who is working below their skill level—in a job that does not require a college degree. Students are working harder in high school to get better grades and get into the best colleges. Policymakers and foundation leaders are putting more

pressure on schools and colleges to deliver better-prepared graduates.

Many college graduates take jobs previously occupied by high school graduates. More college graduates are enrolling in professional master's degree programs or going to law schools. High school graduates are getting jobs previously taken by those without a high school degree. Degree programs, certificates, and badges proliferate as students and employers seek greater certainty that graduates are capable of doing the job.

In short, we are caught in a vicious cycle in which people seek further education and incur more debt, but often do not obtain jobs that justify those investments.

Young people and their parents are bewildered and worried. Should I attend college? Where should I go to school? What are the most promising majors? Do I need a certificate or credential? Which ones really count? Without more guidance, how can 18-year-old college freshmen choose among more than 100 fields of study at Rutgers or other colleges and universities that will prepare them for careers that will last deep into the 21st century?

## Access, Graduation, & Debt

For decades, policymakers, educators, and families have strongly supported greater access to postsecondary education. Today, 70% of all high school graduates go to college; half of all Americans between the ages of 25 and 34 have a college degree.

As you know, our nation made far less progress ensuring that young people who begin college actually obtain a degree.

- 4 in 10 students who enroll in community colleges obtain associate's degrees within six years.
- 6 in 10 students enrolled in bachelor's degree programs finish within six years—and only 4 in 10 African American students and 5 in 10 Hispanic students.

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At bachelor's-degree granting institutions with open admissions policies and private for-profit colleges and universities, only one-third of students completed a bachelor's degree within six years according to the National Center for Education Statistics.

Needs-based financial aid put education within reach for greater numbers of low- and moderate-income students, but many of these young people struggle to pay off loans. The average student debt for 2015 is over \$35,000 and affects 70% of all students—many of whom never graduate.

Students are more likely to work while in school—two-thirds part time and one-third full time—than before. Of course, working to earn money to pay for school prolongs the time needed to complete the degree, which increases their debt. Too few students obtain quality internships that are connected to their academic work (Heldrich Center *Work Trends*). Among those who graduate from college, as many as one in four do not obtain a good return on their investment, according to the U.S. Department of Education's College Scorecard. Their post-graduate earnings in relationship to their investment are actually negative.

### Employers' Lament

In survey after national survey, employers complain that recent high school and college graduates are not adequately prepared for labor market success. That said, employers often use the acquisition of a postsecondary degree to screen job applicants in or out of consideration. This helps explain why jobs that at one time only required a high school degree now require applicants to have a bachelor's degree.

Our young people are in the midst of a credential arms race. Employers demand more educational credentials, students enroll in more programs to try to succeed in the labor market, and educational institutions create more programs to meet perceived demand from students or employers. Educators in both high schools and colleges are squeezed:

- Policymakers urge everyone to go to college, but reduce support for public colleges.

- Employers express frustration that educators do not produce what employers need—even though employers may not be able to articulate those specific needs.
- Expectations are rising for better evidence of skills mastery and abilities, leading to dramatic expansions in performance-based curriculum and tests.
- Public support for education is declining because many employers, students, and parents do not believe they are getting what they need.

Educators are finding it difficult, if not impossible, to satisfy everyone. They have become a piñata for politicians, business leaders and foundation presidents, and academics.

In summary, here is the environment we are living in today: demand is rising for better education, the cost of providing education is escalating, and graduation rates are too low. With doubts about the quality of the educational product on the rise, public and political support for education is eroding, leading to higher costs for individuals to obtain the education they need.

### What Can Educators Do to Manage the Rising Tide of Dissatisfaction?

Educators are faced with a challenging environment, to be sure, but it is far from hopeless. Let's begin with some basic realities: no one can predict with certainty future changes in the labor market, but we do know a great deal about what young people need to know in order to increase their chances of succeeding in today's labor market.

Let's also understand that the demand for better-skilled, better-prepared workers will continue. Employers are investing less in education and training than they did 10 or 20 years ago. Many are in a constant battle to beat the competition, prosper, and survive. To do so, many employers are engaged in a war for talent with their competitors in

the United States and in other countries. However, educators can build positive relationships with employers. Even though employers may not be satisfied with education in general, they can come to trust and rely upon the schools and colleges they work with on a regular basis.

There are skills shortages from time to time, but complaints about widespread specific skills shortages are overstated. One recent assessment concluded that only one in five recent graduates with STEM degrees—science, technology, engineering, and math—actually got jobs that made use of that training. Professor Peter Cappelli of the University of Pennsylvania’s Wharton School concluded that there is no shortage of STEM graduates (*Will College Pay Off?*). From a practical standpoint, the fact that employers perceive skills shortages means that they will apply pressure on schools to do more. The concern about skills shortages reflects the desire for better-prepared workers.

All good jobs do not require a college degree, but most jobs require some form of postsecondary education or industry-certified credential. According to PayScale.com, the national average mid-career salary for auto mechanics, carpenters, and HVAC technicians is \$41,000; it is over \$45,000 for electricians, plumbers, and welders. In contrast, the average mid-career salary for early childhood teachers is \$30,000; it’s \$25,000 for college-educated clerks who work in car rental agencies. Students and parents need to understand the wide range of options. If early childhood education is a young person’s passion, it seems only fair that they also know the likely financial reward for pursuing that career is less than for many jobs that do not require advanced educational preparation.

Liberal arts degrees are still valuable, but given the fact that employers have ratcheted up expectations, the BA/BS degree may not be sufficient to obtain a good job. More people will be attending graduate or professional schools, which provides an additional filter to employers.

Finally, we need to be very careful about applying sweeping generalities about the labor market, schools, and generations of young people—as is so often done by both professional educators and

businesses—and public officials. Just as there is huge variation across educational institutions, so too is there wide variation in what employers think and do. Just as students need individual assessments of opportunities and risk, we also need to evaluate opportunities with employers on a case-by-case basis.

Educators, students, and families can’t change the fundamental labor market trends, but much can be done in our schools and communities to help young people succeed. High school and college educators and employers need to learn how to adapt to these circumstances and help young people make the best choices for themselves.

## Next Steps

Let’s begin by concentrating on what educational institutions traditionally provide: building foundational knowledge, skills, and abilities—and teaching students how to learn.

There is no need to reinvent the list of skills sets for labor market success. For more than 25 years, employers and academic researchers have consistently and repeatedly identified the skills that young people need to learn in high school and college. The landmark report by the Secretary’s Commission on Achieving Necessary Skills (SCANS) in 1991 concluded that all sectors of the economy and nearly all occupations had in common the need for certain necessary skills. Notice that they did not call them sufficient, but necessary. Since then, dozens of government and private-sector funded reports have come to the same conclusions. The labels and descriptions differ, but the broad outlines are the same.

The know-how identified by SCANS is made up of three foundational abilities and qualities and five competencies that are needed for solid job performance in the labor market. I am not going to go through each one in detail because they will be very familiar to all of you.

First there are the three foundational abilities:

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1. **Basic Skills:** reading, writing, arithmetic and mathematics, speaking, and listening;
2. **Thinking Skills:** thinking creatively, making decisions, solving problems, knowing how to learn, and critical thinking; and
3. **Personal Qualities:** individual responsibility, self-esteem, sociability, self-management, and integrity.

Then, there are five core competencies:

1. **Resources:** allocating time, money, materials, space, and staff;
2. **Interpersonal Skills:** working on teams, teaching others, serving customers, leading, negotiating, and working well with people from culturally diverse backgrounds;
3. **Information:** acquiring and evaluating data, organizing and maintaining information, interpreting and communicating, and using computers;
4. **Systems:** understanding social, organizational, and technological systems, monitoring and correcting performance, and designing or improving systems; and
5. **Technology:** selecting equipment and tools and software, applying technology to specific tasks, and maintaining and troubleshooting technologies.

Browse a sample of the 1,000+ occupations listed on the U.S. Department of Labor's O\*NET website and you will discover that across this very wide range of jobs—cyber security experts, auditors, human resources specialists, automotive repair mechanics—the foundational skills and core competencies outlined in SCANS and other reports appear repeatedly.

Let's acknowledge too that it is easier to list these foundation skills and competencies than it is to find effective ways to teach them. Having said that, we need to stop debating what people need to learn or in order to obtain what the commission called a "decent life." It's time to get on with the

task of integrating these fundamental skills into our teaching.

We need to be deeply committed to preparing young people for college **and** careers. As Georgetown University Professor William Gormley, Co-Director of the Center for Research on Children in the U.S. recently wrote:

"The truth is that all students need job-relevant skills and most students are not getting such skills in schools today. What is required is not a wholesale transformation of the curriculum from academic instruction to vocational education, but a more subtle shift in emphasis to include job-relevant skills across schools, across grades and across subjects."

As Professor Gormley emphasizes, we do not need "wholesale transformations," but more subtle shifts in emphasis. Just a few weeks ago, another group of policy entrepreneurs launched a \$50 million competition saying that they want to build "super schools," because American schools have failed. Their advertisement in *The New York Times* said in part, "It's time we truly innovate and liberate ourselves from this outmoded system." While there is no doubt that we need to improve the quality of American education for many students, this kind of hyperbole only serves to reinforce the narrative that our schools—meaning most of them—are failing. The sky is **not** falling everywhere. To say American education is failing is a gross exaggeration.

We need to develop a more accurate and nuanced message about education and training options after high school. Attending college is still an aspiration for millions and there is no reason to discourage young people and their parents. But only one in three young people will obtain a bachelor's degree in six years. What about the others? What about those who never go to college? Getting into college is actually quite easy compared to graduating and beginning a successful career.

What should educators do—given limited resources and the contemporary public/political landscape?

**1. Put greater emphasis on work-based learning.**

Career preparation is not just a path for the relatively small number of high school graduates who do not attend postsecondary education. We should embrace the value of career preparation for all students.

**2. We also need to do a better job of helping young people learn about work— by working.**

While students are enrolled in high school/college, we should help arrange carefully vetted internships and cooperative education experiences. Rutgers University and other leading research universities and colleges and schools have substantially increased internships and cooperative education programs. Quite simply, they have responded to the expectations and preferences of major employers. For example, nearly all of the entry-level openings at Johnson & Johnson are reserved for college graduates with co-op education experiences. We need to redefine the boundaries between educational institutions and the workplace and recognize that employers can and do significantly contribute to the education of young people.

**3. High schools and colleges should integrate academic, financial, and career advising.**

Students and their parents need help sorting out the good from the bad, the great from the mediocre. We have only begun the first, timid steps to harness the power generated by the information revolution to transform education. For example, the Obama administration's new college scorecard has a wealth of potentially useful information, but students and families need help interpreting the information. Information without a navigator is a confusing, frustrating journey with too many wrong turns and cul-de-sacs.

No matter how robust the web-based information may be, most students need personal assistance to navigate the difficult transitions: choosing institutions, programs, majors, careers—and figuring out how to pay for them. It is unrealistic and unwise to expect students, parents, teachers, or the Internet to produce the answers to dealing with a volatile labor market and a bewildering education and training landscape.

We should be guiding students as they make choices about their education and personal fulfillment—however they define those goals. It takes more than finding your passion or following your dream. Students need better advice about the connections between what they learn at school and how that may or may not lead to a successful career. A better understanding of financial opportunities and responsibilities of paying for a college education is essential for students and families. Students need better advice about getting the most from their college education and help getting ready for employment or graduate and professional school.

A well-trained cadre of counseling professionals—and teachers—in educational institutions can advise students and families as they inevitably encounter the important choices in school. We must make more progress in making academic and career choices that are grounded in the financial realities of certain costs and potential benefits now and later.

**4. Engage, consult, and negotiate with employers.**

When interacting with employers, far too many educators have a tendency to either overpromise—by telling them what they want to hear—or by ignoring them entirely. Rather, educators need to adopt more constructive methods by engaging with employers and negotiating with them to determine: what can be achieved in schools, what is beyond the scope and abilities of schools, and what employers are willing or able to do.

High schools and colleges may need to revise their curricula and improve teaching methods, but education leaders should not be expected to predict the future of the labor market or know which skills are in demand this month or year. Educators should focus on developing the foundational knowledge, skills, and abilities outlined by the SCANS Commission and countless other prestigious tribunals. Such skills and abilities are in demand throughout the economy in just about every job and can be taught in just about every academic major, from comparative literature to accounting. We should spend far less time debating what needs to be learned and far more effort figuring out

the best ways to teach those skills and abilities to all our students.

Educators throughout this state and nation are making progress, but not in enough communities and institutions and not fast enough. We need to do a much better job of teaching the core job and career-relevant skills in the classroom. We know a lot about how to do this through career academies that promote career and technical education, through apprenticeships and not just in the traditional trades, and by making career education the mission for every educator and teacher. Twenty-five years ago, the Secretary's Commission on Achieving Necessary Skills laid out this challenge to American educators. It is just as relevant today, if not more so, that we heed their advice.

“Educators have to instill in students the perspective on results that the SCANS skills are in demand. If you do not, you will be failing your students and your community as they try to adjust to the next century. You, more than anyone, are responsible for helping our children develop the skills they need.”

I know that you share this goal and I wish you every success in accomplishing it.

## Useful Links

- Heldrich Center *Work Trends Surveys on Secondary and Postsecondary Education*: <http://bit.ly/1YOUqir>
- Obama Administration's College Scorecard: <http://1.usa.gov/1KKfO4c>
- O\*NET: <http://bit.ly/1zMxOWq>
- Podcast with Peter Capelli about his book, *Will College Pay Off? A Guide to the Most Important Financial Decision You'll Ever Make*: <http://whr.tn/1jz7fgy>
- Secretary's Commission on Achieving Necessary Skills (SCANS): <http://bit.ly/1goSPNa>
- *Transforming U.S. Workforce Development Policies for the 21st Century*: <http://bit.ly/1MVKqAd>
- *Working Scared (Or Not at All): The Lost Decade, Great Recession, and Restoring the Shattered American Dream*: <http://bit.ly/1OdGWaN>