US college graduates face bleakest job prospects in decades

Jack Cody, Naomi Spencer
28 May 2010

American college graduates find themselves in the harshest economic climate in at least a generation, according to a recently released report by the Economic Policy Institute (EPI). With unemployment levels for new college graduates and non-degreed youth nearly double their 2007 rates, data suggest that a college degree no longer ensures financial stability for graduates in the US.

The EPI report, entitled "The Class of 2010: Economic Prospects for Young Adults in the Recession," reveals the startling reality of the impact the recession has had on the 16 to 24 age group. Unemployment rates for all categories of workers under the age of 25 (those with bachelor's degrees, those with high school diplomas, and those who have dropped out or not yet completed high school) have soared from pre-recession levels.

In 2007, 5.4 percent of college graduates under the age of 25 were unemployed; the official rate is now 9.0 percent. The number of unemployed high school graduates jumped from 12 percent in 2007 to 22.5 percent. Over this three-year period, the youth labor force (workers age 16 to 24) has contracted by 1.1 million workers, the report found, and an additional 1.2 million more "have become disconnected from both formal schooling and work."

This 5 percent drop represents the largest contraction for any age group in the population. "For the class of 2010," the report states, "it will be one of the worst years to graduate high school or college since at least 1983 and possibly the worst since the end of World War II."

Indeed, the entire US workforce faces one of the toughest job markets in the post-World War II era. Official unemployment currently stands at 9.5 percent, and most economists predict that these high levels will persist for years to come. As in countless countries in Europe and around the world, the ruling class of the US has attempted to avert financial crisis from the stock markets and the banks onto the backs of the working class, both through government debt and through the imposition of social austerity measures.

Such measures, however, put deflationary pressures on economies throughout the globe, increasing the likelihood of a further turn in the downwardly spiraling global economy. This scenario presents the very real possibility that current US unemployment levels, far from improving, are situated to increase, perhaps drastically, in the near future.

Amid this grim economic atmosphere, young workers are compelled to take on gargantuan levels of student debt, and are confronted by the complete absence of even the threadbare social safety net available to other demographics.

Students graduating with a bachelor's degree from public four-year institutions owe on average $19,535. Undergraduates completing degrees at private four-year institutions now owe, on average, $25,350. In comparison, these same figures in the 2000-2001 academic year were $14,916 and $16,906 respectively.

Most students now finish their degrees in six years, or not at all, due in large part to the burden of carrying a full workload while pursuing their education.

The EPI report notes that data on unemployment understate the severity of the job crisis. Even for those who are able to find work, there is little guarantee that they will earn a wage commensurate with their skills or adequate to pay back their debts. The report points out that this not only makes job prospects even bleaker for the non-college educated job seekers, but it "may also reduce the earning potential for graduates." Citing previous data, the EPI notes that "young college graduates working in jobs that do not require a college degree will, on average, earn 30 percent to 35 percent less per year than their counterparts employed in jobs that require a college degree."

No social safety net exists to protect the millions of young people who now find themselves unemployed through no fault of their own. The EPI report reviews several basic social services—including emergency cash assistance, food stamps and Medicaid—and found that, in every case, provisions to the services ensure that able-bodied young people are not eligible for benefits, even if they are involuntarily unemployed. This is true in particular for young college graduates.

Young people may not even have access to unemployment benefits because of a short work history, and increasingly they are forced to rely on their parents, many of whom are also struggling. Young people are living at home longer, moving back in after graduating, foregoing health insurance after they are dropped from their parents' plans, waiting longer to marry or buy their own homes. These are decisions primarily of economic necessity, with lifelong impacts and national ramifications.

In turn, burdened both by poverty and high debt loads, lacking savings and access to public aid programs, young people are forced to rely still more heavily on loans, and particularly private loans and credit cards. In 2009, 37 percent of adults aged 29 and younger had more than $5,000 in "non-mortgage and non-student loan debt, primarily in the form of credit cards," the report noted. More than one-third of young adults said they had increased their debt levels in the last year to try to make ends meet.

Significantly, the report found that the increase over the last two years in the rate at which the 16-24 group are enrolled in school (from 51.9 percent in 2007 to 52.6 percent in 2009) is commensurate with the rate of increase in other recent years, and is best explained as part of a trend stretching back more than a decade.

In other words, there is no indication that the youth unemployment crisis has been met with a corresponding spike in enrollment. If such a spike were noticeable, it would suggest that many youths who cannot find jobs are taking the opportunity to educate themselves, something economists often point to as the "silver lining" of deep recessions.

The concept of education as a "back-up plan" for a tight job market does not comport to the reality of daily life for millions of youth in the US. As the report notes, "Students and workers are not distinct, disparate groups." Over the past three decades, 58 percent of college students on average were both enrolled in school and employed. "In short," the report states, "most students are workers too—whether to finance education, save for additional education, or cover living expenses. Given that both higher education costs and the financial burdens of students are growing, students are not *insulated* from downturns in the labor market; instead their problems are often *amplified* by them."

In their conclusion, the authors of the EPI report, arguing against "deficit hawks," put forward a proposal of increased "public investments," directing more federal dollars toward putting young graduates to work or providing them with social services to get through the tough recession.

The last section of the report is an overt defense of Obama's Recovery Act, claiming that this type of debt is desirable, as it gets the economy moving and will generate jobs so that the class of 2011 does not face the same hardships as the class of 2010. On the bank bailout, the report states, "the rise in public debt in recent years should be welcomed by young workers, not feared, as it is a valuable investment, both in fighting the effects of the recession in the short-run and also laying the foundation for faster future economic growth."

The analysis completely fails to take into account the real relation of forces that are driving the calls for austerity. The authors seem primarily motivated by the desire to make more palatable Obama's Wall Street bailouts, which, following pages of dire and worsening statistics, they absurdly claim "cushioned the recession's blow as it provided for job creation and federal investments in infrastructure."

To the contrary, it is precisely because of Obama's bailout of Wall Street that money is now scant for education, for job creation or for social services for unemployed young Americans. In the name of the financial crisis and federal debt, the Obama administration has launched an unprecedented attack on public programs, including education. Any funding for basic social spending is predicated on austerity, on gutting the living standards of American workers and opening such areas as education, health services and infrastructure to further privatization and profit-taking at the expense of the public.