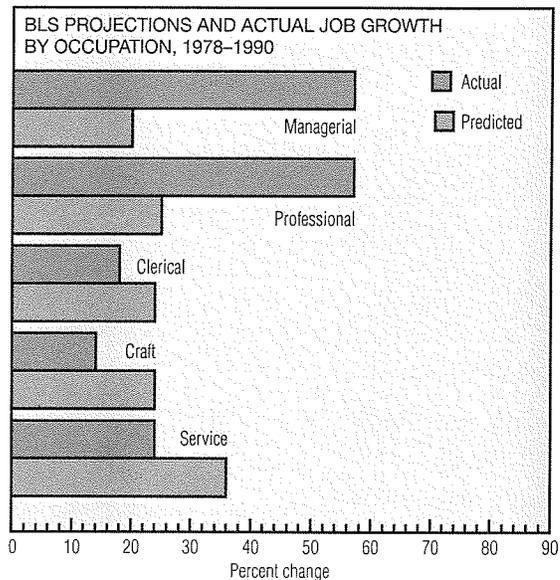
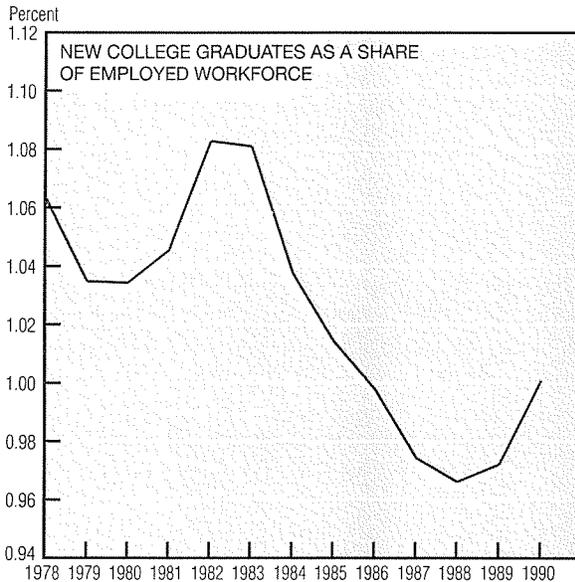
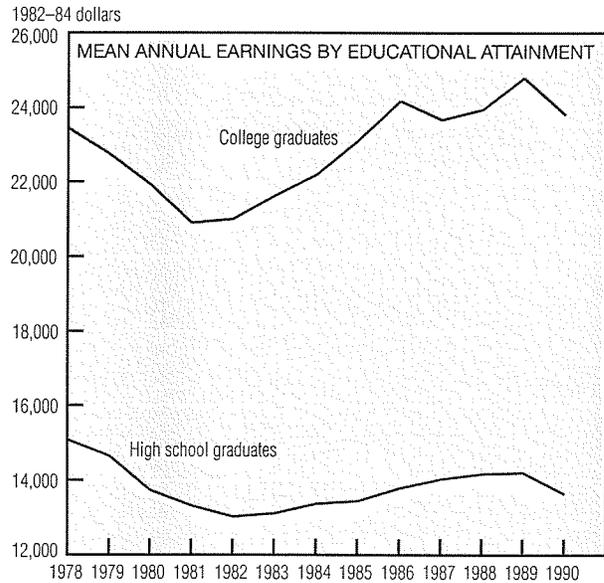
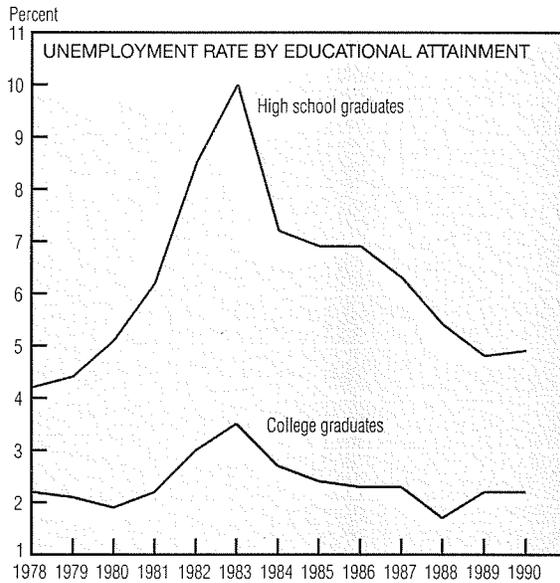


The Outlook for College Graduates



SOURCES: U.S. Department of Education, National Center for Education Statistics; U.S. Department of Labor, Bureau of Labor Statistics; and John H. Bishop, "Is the Market for College Graduates Headed for a Bust? — Demand and Supply Responses to Rising College Wage Premiums," Cornell University, working paper, November 1995.

In recent years, college graduates have experienced relatively low unemployment rates and rising relative wages. The continuing low share of new four-year grads in the total workforce suggests that these trends will be sustained. Nevertheless, last year the Bureau of Labor Statistics (BLS) predicted that the supply of college graduates would outstrip demand by an average of 330,000 jobs per year between now and 2005, and that nearly 25% of new entrants to the college-educated labor pool would have to settle for work that does not require a college degree.

If true, this represents a significant break with past conditions. To determine whether these dire predictions are likely to materialize, John Bishop of Cornell University recently examined the BLS' methodology for assessing job prospects of the classes of 1996 and beyond. He found that, historically, the BLS has been pessimistic about the demand for college graduates. Growth in relatively low-skill occupational sectors was systematically overpredicted between 1978 and 1990, while growth in professional and managerial jobs was underpredicted.

Bishop also noted that the BLS projections of jobs requiring a college degree and of underemployed college graduates are problematic. Aside from data issues, actual ability varies greatly among those holding college diplomas. Determining whether a person is overqualified for a job should depend not only on credentials, but also on substance. If a proxy such as "degree of literacy" is used instead of "degree in hand," it is likely that many of those the BLS identified as overqualified in fact have low skill levels that make them unable to fill other types of jobs.