

The Effects of Unemployment on College Graduates

Naudia Whitaker

Thomas Nelson Community College

Abstract

This paper explores nine different sources discussing unemployment effects on graduates and their ability to find and maintain a job after graduating from a college or university. Young adults in the current generation are struggling to build a career more so than older adults. Job availability has narrowed, meaning students are less likely to receive work unless their degree of study aligns with the needs of the labor force. Students also tend to avoid study in the fields they desire in order to obtain a degree that offers higher payout, which will enable the student to pay off loan debt post-graduation. Graduate unemployment can be affected by the demands of the labor market, causing negative emotional effects, such as psychological disorders, and financial effects, which prohibit a stable adult lifestyle.

Effects of Unemployment on College Graduates

Nowadays, many parents complain about their children moving back into their home, despite receiving a college degree and becoming an adult. As a young adult in prior generations, especially prior to the Great Recession, finding a job that didn't require any type of certification or degree was common. College education was mainly for the more intelligent youth that could afford to attend a university. Now, post-recession, obtaining a job without a college degree that is full-time and pays well is nearly impossible. Although college graduates can find these types of jobs sooner and more easily than those who did not attend college, finding a job that correlates to a degree of study not currently in-demand is difficult. Research on unemployment rates within recent college graduates has revealed that graduates are negatively affected by labor market demands, leading to emotional and financial instability compared to non degree seeking young adults.

Despite actively seeking careers prior to and post-graduation, college graduates are working against labor force demands in order to find and maintain an adequate life-long career. Many jobs were available to graduates and non-graduates alike in the years preceding the Great Recession. Due to the housing market crash in 2007, deemed the Great Recession, unemployment rates skyrocketed to the highest percentage since 1983. In 2009, the market grew once more, and work became available. Despite the unemployment rate decreasing since the Great Recession, a larger number of people are entering the workforce which lacks the amount of jobs required, especially when a proportion of these jobs only require a two-year degree or certificate (Zhang, Peppas, Peppas & Yu, 2015). In 2013, the Bureau of Labor Statistics reported on low-skill required jobs college graduates held, with more than 482,000 customer service

representatives, 317,000 waiters and waitresses, more than 80,000 bartenders, and 18,000 parking attendants; about 17 million Americans with college degrees working in jobs that don't require a degree, with most of the jobs worked being part-time positions. This type of report is consistently updated online in order to keep track of the constant change in the market (Bureau of Labor Statistics, 2016). Young adult workers, which make up about 13% of the labor force, are unemployed at double the rate of older Americans. This means that 26% of young workers are unemployed. One cause for a current lack of jobs is due to the Baby Boomer generation: although this generation is dying out, quite a few members are holding onto their jobs for as long as possible. Young workers searching for a position that matches their degree qualifications could highly benefit from the high-skilled jobs the baby boomer generation still holds (Snyder, 2012). Young adult Americans are having a hard time finding a job post-graduation due to the effects of the Great Recession on the labor market and the types of jobs available, which counteract the time and training dedicated to obtaining a degree the graduate is not using.

College graduates seeking employment post-graduation struggle to maintain emotional stability. Graduating from a college or university is comparable to a bird leaving its nest: warm, safe, and sheltered. Generally, a student has gone through nearly sixteen years of schooling to get to this point. Murphy, Bluestein, Bohlig, and Platt (2010) report that graduating and leaving the sheltered educational life leads to a search for identity; in this case, establishing a meaningful career. Students aged eighteen to twenty-five in prior generations were making major life decisions such as finding work, buying a home, and maintaining a family. These decisions are crucial to living as an adult. Those currently aged eighteen to twenty-five are pursuing further education first, rather than jumping into starting a family, buying a home, getting a car, or

finding full-time work (Murphy, Bluestein, Bohlig, & Platt, 2010). After completing a degree, a transition period begins. The student adjusts to the unsheltered life as an adult and begins making life decisions. This kind of transition requires coping skills. Some graduates jump right into a career while a majority of graduates take their time searching. Although waiting may seem like the logical thing to do, some students wait due to fear and anxiety. These feelings, coupled with long-term unemployment, begin to form psychological effects such as depression, low self-esteem, and a lack of dignity (Snyder, 2013). Emotional instability can also occur due to being underemployed. When a student begins college, they aim to achieve a degree in a desirable field. After graduating and being unable to find a career that matches their degree, the graduate may begin to feel worthless or unimportant. Brown, Elmaghrabi, Holthaus, and Kaplan (2015) demonstrate that the labor market demand is changing. From the workers questioned in a survey, only 26% of high school graduates, 67% of undergraduates, and 84% of graduate students are working in their chosen field. These results demonstrate the positive effects of higher education; the more education received, the increased likelihood of securing a job in a desired field. Unfortunately, many students entering a four-year university are putting aside their dream jobs for a degree that is in-demand. By throwing away personal goals, a student can graduate with a degree that is more likely to lead to a career, albeit not guaranteed. This can lead to unhappiness in a graduate. Due to labor market demands, a graduate is more likely to develop emotional instability while unemployed or underemployed.

As an unemployed college graduate, not having a steady career can negatively impact the graduate's financial future. Today, students are told that the higher level of education they receive, the better off their financial stability as an adult. During a Tedx event, Richard Tuck,

CEO of Riipen, discusses the misconception students have upon graduation; students assume that upon receiving their diploma, they also receive entry into a well-paying career (Tedx Talks, 2016). Unfortunately, this is not always the case. Obtaining a college degree is costly, deterring many students from furthering their education because of a lack of funds. To produce said funds, the students must work. To acquire work in a well-paying job the student must obtain a degree, thus, throwing the student into a constant cycle.

The students that apply for educational loans to further their education do so knowing they will have a large amount of debt post-graduation. An economic report written by Yuliya Demyanyk and Daniel Kolliner (2015) reveals that the 2005 student loan debt amount of \$364 billion has risen to nearly \$1.2 trillion in the year 2015. The number of young adults aged eighteen to thirty with student debt rose from 27% to 40% in the same period. Unable to find a steady career, students acquire low-skilled jobs despite their degree, which relates to what Snyder (2013) discusses in her report. Fogg and Harrington (as cited in Greenleaf, 2013) emphasize this point by reporting that, "...Mal-employed workers earned, on average, 40% less per week than did their peers who worked in jobs that required a bachelor's degree." Even though graduates earn a degree, they are being forced to work in low-skilled jobs with minimal wages, which do not adequately help to pay off student loan debt. Just as Brown et al.'s article discusses students obtaining higher education for a better chance at a career satisfaction, Demyanyk et al.'s article emphasizes the connection between higher education with ample payout as the best way to decrease student loan debt. While being unable to start life as an independent adult will affect a graduate emotionally, it also postpones one of the most important financial decisions a young adult can make: buying a home. Prior to the 2007 recession, 11% of young adults had a mortgage. After the recession, and in the time between then and now, the

percentage has decreased to about 7%. This is a possible result of student loan debt. On average, a mortgage payment takes up 30-45% of one's income. The current "Debt Burden" has calculated that the average student debt loan payment consists of 20% of the graduate's income. Unless the graduate can find a steady, well-paying job a few months after graduation, affording debt payments as well as mortgage payments is improbable. Thus, 80-85% of graduates return to their parent or guardian's home after graduating. Evidence is showing that more and more students are attending secondary education in order to obtain a life-long career that pays well, yet a large percentage of these currently unemployed young adults graduated with a college degree. The high amount of student loan debt, low-skilled jobs acquired, and inability to begin making independent adult decisions is negatively affecting the financial stability of today's young adults.

Despite receiving secondary education, today's college graduates are finding it more and more difficult to obtain a career in their desired field of study due to the negative influences on the labor market, the emotional effects of unemployment on the student, and the financial instability as a result of continuing education. To better understand the effects that unemployment has on the large number of graduates today, more studies should be conducted. Better understanding why the labor market is forcing graduates into specific demands and forcing them away from others, knowing how to counteract the psychological effects of unemployment on future generations of graduates, and helping build financially stable adult lives for young adults is essential to the future of our education and economy as a whole.

Resources

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