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UNDEREMPLOYED BUT NOT UNDERPAID: Recent College Graduates Secure Good-Paying Jobs, Even Those That Do Not Require a Bachelor's Degree, According to New Report

The unemployment rate for recent college graduates has declined since the end of the Great Recession, but a significant portion of recent college graduates remain “underemployed,” meaning they are working in jobs that typically do not require a bachelor’s degree, according to a report from the Federal Reserve Bank of New York.

Despite the nation’s economic recovery, the underemployment rate for recent college graduates—those aged twenty-two to twenty-seven years—continued to climb in the years after the recession, peaking at more than 46 percent in 2014, according to *Underemployment in the Early Careers of College Graduates Following the Great Recession*. But contrary to media reports, the majority of those underemployed college graduates were not working in low-skilled minimum-wage service jobs. In fact, between 2009 and 2013, nearly 40 percent of underemployed college graduates secured positions in occupations with average salaries of \$50,000 per year or more, the report says.

“The image of a newly minted college graduate working behind the counter of a hip coffee shop has become a hallmark of the plight of recent college graduates following the Great Recession,” the report’s authors write in a [blog post](#) about their research in *Liberty Street Economics*. “However, while there is some truth behind the popular image of the college-educated barista, this portrayal is really more myth than reality.”

The researchers examined data from the U.S. Census Bureau’s American Community Survey to determine the types of jobs underemployed recent college graduates held from 2009 to 2013. They identified ten distinct categories of “noncollege” jobs—those that typically do not require a bachelor’s degree for employment—that they grouped into six income tiers based on the average annual salaries for those occupation fields.

For the period examined, the findings show that nearly one-quarter of underemployed college graduates worked in occupations in the study’s top income tier, which includes jobs in information processing and business support and positions as managers and supervisors, the report says. Employees in these occupations typically earn more than \$55,000 per year, the report notes. An additional 15 percent of underemployed college graduates worked in second-tier jobs in sales and public safety, averaging \$50,000 to \$55,000 per year, as shown in the table below.

Employment Data for Underemployed College Graduates and Other Young Workers

Occupation Category	Average Wage, Full-Time Workers	Share of Underemployed Recent College Graduates	Share of Young Workers Without a College Degree
Information Processing and Business Support	\$59,059	11.4%	2.0%
Managers and Supervisors	\$55,415	13.1%	7.8%
Public Safety	\$52,567	3.7%	2.8%
Sales	\$52,474	11.7%	5.1%
Arts and Entertainment	\$48,765	3.0%	0.7%
Skilled Trades	\$47,268	2.7%	8.2%
Office and Administrative Support	\$37,207	25.2%	15.0%
Healthcare Technicians and Assistants	\$36,223	4.7%	6.6%
Physical Laborers	\$33,006	5.4%	24.1%
Low-Skilled Service	\$23,584	19.3%	27.6%

“While these jobs may not be as desirable as the typical college job, which pays around \$78,500 annually, they are significantly better than low-skilled service jobs,” the report’s authors write. In fact, less than 20 percent of underemployed recent college graduates worked in low-skilled service jobs like cashiers, waiters, cooks, and coffee shop employees, which average less than \$25,000 per year, the report says.

Furthermore, underemployed recent college graduates were more likely to work in the higher-paying noncollege jobs than their similarly aged peers without a bachelor’s degree, the report notes. Less than 18 percent of young workers without a college degree held positions in the top two income tiers, the report says. By contrast, more than half of young workers without a college degree had positions in the two lowest income tiers, with nearly 28 percent working in low-skilled minimum-wage service jobs. The researchers also find that within each occupation category, recent college graduates earned more than similarly aged peers working in comparable positions. “So it appears that a college degree confers significant economic benefits on many graduates, even those who find themselves underemployed at the start of their careers,” the researchers write.

Additionally, the report finds a significant correlation between underemployment rate and college major. Criminal justice and performing arts majors had the highest rates of underemployment at 70 percent and 66 percent respectively, the report says. By contrast, nursing majors had the lowest rate of underemployment at 9.5 percent. In general, college graduates with technically-oriented and occupation-specific majors—particularly in science, technology, engineering, and math (STEM) fields—were less likely to be underemployed, the report notes. Meanwhile, college graduates with majors in more general and less quantitative fields, such as liberal arts, anthropology, philosophy, and history, had higher rates of underemployment.

Underemployment in the Early Careers of College Graduates Following the Great Recession is available at https://www.newyorkfed.org/research/staff_reports/sr749.html.



FUNDING CUTS: New Report Finds Most States Have Cut School Funding Since Recession

Despite recent improvements in the national economy, most states provide less money for elementary and secondary schools today than they did before the Great Recession, according to a report from the Center on Budget and Policy Priorities (CBPP). The report, *Most States Have Cut School Funding, and Some Continue Cutting*, finds that after adjusting for inflation, thirty-one states provided less K–12 funding per student during School Year (SY) 2013–14, than in SY 2007–08, before the recession hit. Furthermore, in eighteen states, local government K–12 funding also decreased during the same time period.

“Our country’s future depends crucially on the quality of its schools, yet rather than raising K–12 funding to support proven reforms such as hiring and retaining excellent teachers, reducing class sizes, and expanding access to high-quality early education, many states have headed in the opposite direction,” the report notes. “These cuts weaken schools’ capacity to develop the intelligence and creativity of the next generation of workers and entrepreneurs.”

Data on *total* state and local government K–12 funding is not yet available for SY 2015–16, the report notes. However, the CBPP report analyzes current school year data on state “general formula funding,” the primary state K–12 funding source. Twenty-five states provided less general formula funding during the current school year than they did in SY 2007–08, according to the report. Oklahoma and Alabama experienced the greatest cuts, decreasing general formula funding by 24.2 percent and 17.3 percent, respectively, during the past eight years, according to the report. (The CBPP report excludes California, Hawaii, Indiana, and Kansas from the prerecession and postrecession trend analyses because of insufficient state data and changes in state funding formulas that prevent accurate comparisons.)

More recently, between SY 2014–15 and SY 2015–16, thirty-five states increased their general formula funding per student; but only four states—Colorado, Montana, Tennessee, and Vermont—increased funding enough to compensate for cuts from previous years, according to CBPP. (In fourteen of those thirty-five states, per-student general formula funding already exceeded prerecession levels as of last school year, the report notes.) Twelve states, though, cut their general formula funding between last year and the current school year. (The report excludes California, Hawaii, and Kansas from this portion of the analysis because of insufficient state data.)

Approximately 46 percent of K–12 spending across the nation comes from state funding, although the exact shares vary by state. Consequently, “[c]uts at the state level force local school districts to scale back educational services, raise more local revenue to cover the gap, or both,” the report says.

During the recession, local property values fell significantly, decreasing the revenue local school districts could raise through property taxes, the primary local funding source for schools. The decline in local revenue, combined with cuts in state funding, put even greater financial strain on local school districts, the report says. At the same time, federal funding for high-poverty schools

(known as Title I) and federal support for students with disabilities also declined during this time. After adjusting for inflation, Title I funding declined 11 percent between 2010 and 2015, while federal funding for special education declined 9 percent. On average, local districts provide 45 percent of the revenue necessary for their K–12 schools, while the federal government provides about 9 percent.

Most States Have Cut School Funding, and Some Continue Cutting is available at <http://www.cbpp.org/research/state-budget-and-tax/most-states-have-cut-school-funding-and-some-continue-cutting>.



ANNUAL NGA STATE OF THE STATE: Governors Herbert and McAuliffe Outline Governors Priorities in 2016

In the annual National Governors Association (NGA) State of the States address, **Utah Gov. and NGA Chair Gary Herbert (R)** and **Virginia Gov. and NGA Vice Chair Terry McAuliffe (D)** called for “meaningful collaboration” between the federal government and states and pointed to the recently passed Every Student Succeeds Act (ESSA) as an example of what such a process could look like.

“Innovative, important work is happening in all states, regardless of whether they’re red or blue,” Herbert said. “If you analyze where the real action is taking place in this country on transportation, economic development, education, or many other issues, you will find that states are there leading the way.”

Pointing to the recent change in congressional leadership, Herbert said that the nation’s governors have a “real opportunity to rekindle a deliberate and meaningful collaboration” between states and the U.S. Congress and between states and the executive branch. “That means joining together with the federal government as equal partners to find solutions to the challenges we face as Americans.”

In his remarks, McAuliffe said ESSA, which replaces the No Child Left Behind Act and steers much more responsibility for student outcomes to states, is such an example.

“The process worked, the product is excellent—this is cooperative federalism at its best,” McAuliffe said. “ESSA returned authority to state and local governments and we will have to implement the law over the next 18 months. We are up to the task.”

McAuliffe also outlined a series of education priorities for the nation’s governors in 2016, including expanding the availability and quality of preschool programs, increasing access to postsecondary education while reducing cost increases, and creating opportunities for individuals not interested in college to attend training programs and earn workforce credentials. To support governors’ work in these areas, McAuliffe called on Congress to reauthorize the Higher Education Act.

Herbert and McAuliffe’s remarks are available at <http://www.nga.org/files/live/sites/NGA/files/pdf/2016/2016StateoftheStates.pdf>.



STATE OF THE STATE ADDRESSES: Governors Push for Education Improvements to Create a More Prepared Workforce

The new year marked the beginning of state of the state addresses by governors across the country. Education issues were woven into the speeches, earning great attention in some and brief mentions in others. A common theme throughout was the increasing demand for individuals who are equipped with the necessary skills to succeed beyond the K–12 and higher education environment. Governors called for more career and technical training to close the skills gap and create a workforce that is prepared for the demands of today’s economy.

Iowa: Gov. Branstad Calls for 70 Percent of State’s Workforce to Have Education and Training Beyond High School

During his [January 12 state of the state address](#), **Iowa Gov. Terry Branstad (R)** shared his vision of making sure Iowans are ready for the future and set a goal that 70 percent of the state’s workforce have education and training beyond high school by the year 2025. This initiative, which Branstad calls “Future Ready Iowa,” is an attempt to close the skills gap and align education with available jobs and future economic developments. To reach this goal, Branstad called for more effective career guidance in Iowa’s K–12 public education system.

“This is about teachers, counselors, and other school leaders infusing career information and career-related skills into local curriculum,” said Branstad. “It is about employers leading conversations in every community in the state to advance productive partnerships with educators. It is about the business and non-profit communities better articulating key needs for Iowa’s educators.”

Branstad also addressed the state’s growing STEM (science, technology, engineering, and math) programs, which engage more than 100,000 students. To expand these efforts, Branstad introduced a proposal to require high schools to offer at least one computer science course by School Year 2018–19, and to give middle school students the chance to take a class on coding.

Virginia: Gov. McAuliffe Seeks to Modernize High Schools

In his [January 13 state of the state address](#), **Virginia Gov. Terry McAuliffe (D)** discussed his goal of transforming public high school education to get students ready for college and a career.

“If we are going to prepare students for the jobs of today and create the jobs of tomorrow, we must fundamentally change the way we think about education,” implored McAuliffe, “You cannot build an economy for 2050 with a 1950s approach to education.” To modernize Virginia’s high schools, McAuliffe announced a focus on hands-on learning, internships, early college courses and industry credentials, and a cyber education.

“For those of us old enough to remember the movie *The Graduate*, the key word then was ‘plastics.’ Today, it’s ‘cyber,’” McAuliffe said. In response to this cyber-era, McAuliffe discussed a new school that teaches students to code and offers an accelerated degree track while simultaneously giving students career-experience in computer science jobs. “Virginia’s students hold the key to innovation, entrepreneurship and economic growth—what we put into our schools today will be what we get out of our economy 10, 20, and 50 years from now.”

Georgia: Gov. Deal Focuses on Dropout Prevention

During his [state of the state address on January 13](#), **Georgia Gov. Nathan Deal (R)** remarked on the increase in the high school graduation rate in the state, praising the progress made—an increase of 11 percentage points over the past five years—but urged that this success is not enough. Deal noted that 96,660 students have dropped out since 2011 and, in line with his speech theme of the state as a ship, declared that the dropout situation “is a wind that is blowing in the wrong direction, and we must continue to trim our sails to bring that dropout number down.”

Deal discussed several programs to prepare more students for college and a career, including grants to attend technical colleges and programs to allow high school students to attend postsecondary institutions at no cost. To further close the skills gap and create more early-learners in a high-demand field, Deal proposed having computer science classes count as core courses in high schools and toward college admission.

“The education of Georgia’s children is too important to be held hostage to a status quo that may feel comfortable to certain adults but is a disservice to our students,” he said. “The method whereby we educate our children must be as modern and adaptive to the changes in the world as our cell phones, our computers, our televisions and our automobiles. If it is not, our children will stumble and fall when they step onto the escalator of life outside the schoolhouse door.”

Idaho: Gov. Otter Outlines Several Education Priorities, Proposes 7.9 Percent Increase in Education Funding

Idaho Gov. Butch Otter (R) used his [January 11 state of the state address](#) to highlight several education priorities, all focused around promoting and improving the system of free public education in Idaho. Otter discussed increasing reading proficiency and combatting early reading challenges as critical efforts for long-term improvement in school outcomes. He announced a focus on teacher retention, professional development, and a desire to move teachers up the career ladder.

As for technology in the classroom, Otter recommended investment in both devices and teacher training, noting that technology is a necessary factor for success in twenty-first-century classrooms, when it is “properly applied.” Otter shared his vision to move toward a “mastery-based” education system, where teachers provide individualized learning measured by mastery of subject matter, instead of by classroom “seat time.”

A key area of focus for Otter is the connections built between K–12 education and a career. To ensure that students are ready for college and a career, which Otter noted is “as critical to employers as it is to Idaho’s young people,” he called for “higher standards, more individualized learning, more dual-credit offerings professional-technical options.”

Among these efforts were increased support for STEM (science, technology, engineering, and math) programs, more college and career counseling in high schools, funding to address training backlogs in industries offering high-wage jobs to graduates, tuition lock for Idaho’s colleges and

universities, and a new “Completion Scholarship” to motivate adults to return to the classroom and finish their postsecondary education.

Otter has his sights set on a goal of ensuring that 60 percent of Idaho’s citizens between the ages of twenty-five and thirty-four have a college degree or professional-technical certification by the year 2020. “I just can’t emphasize enough how important improving our K-through-career education system is to providing the tens of thousands of skilled workers we need to meet the increasingly technical demands of Idaho employers. This truly is an investment in the future of all our citizens.”

To fund these efforts, Otter proposed a 7.9 percent increase in education funding, the second year in a row that Otter has proposed “steep hikes in education spending,” according to the [Associated Press](#).

Vermont: Gov. Shumlin Focuses on Sending More Students to College

Vermont Gov. Peter Shumlin (D), who was the first to give a 2016 state of the state addresses with his [January 7 speech](#), focused on ensuring students are trained and educated to succeed after high school and remarked that employers throughout Vermont say the biggest challenge they face is finding skilled workers to help them grow.

“[Vermont employers] know that our success in moving more low-income Vermont kids beyond high school will determine their success,” Shumlin said.

Shumlin’s goal of creating “an education system that gives all Vermont kids an equal shot at success” is the driving force behind many efforts highlighted within his speech. He outlined plans to make education more affordable and expand opportunity for all people, so that they are not limited by income, including a bill to help families save for college, a semester of free courses and support services for first-generation students and students from low-income families, and allowing more students to earn college credit during high school at no cost.

Shumlin noted that a high graduation rate does not automatically equal success beyond high school. “Despite having one of the highest graduation rates in the country, we continue to fall short getting more students the college education that is now a prerequisite to earning a decent wage,” Shumlin said. “We must ensure that Vermont kids who are not born with mountains of opportunity have the same shot at economic prosperity as those who are.”

Straight A’s: Public Education Policy and Progress is a free biweekly newsletter that focuses on education news and events in Washington, DC, and around the country. The format makes information on federal education policy accessible to everyone from elected officials and policymakers to parents and community leaders. Contributors include Jason Amos, editor; Kristen Loschert; Caroline Waldman; and Kate Bradley.

The Alliance for Excellent Education is a Washington, DC–based national policy and advocacy organization dedicated to ensuring that all students, particularly those traditionally underserved, graduate from high school ready for success in college, work, and citizenship. For more information, visit www.all4ed.org. Follow the Alliance on Twitter (www.twitter.com/all4ed), Facebook (www.facebook.com/all4ed), and the Alliance’s “High School Soup” blog (www.all4ed.org/blog).