

# Sharp Declines in Underemployment for College Graduates

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## Introduction

Not only did the Great Recession place many people in the unemployment line, it also led to declining access to full-time jobs. Underemployed workers comprise those who want a job but don't have one as well as those who want a full-time job but only have a part-time job. Now, five years into the recovery, underemployment has declined to less than 10 percent from its peak of 17 percent during the recession. College graduates' rate of underemployment has declined from 10.2 percent to 6.2 percent today. That is much lower than the 13 percent underemployment rate of high school graduates.

Since the economy was in the midst of recession, abundant news articles have suggested that the unemployment rate is several percentage points higher than the popularly reported statistic. In fact, these stories were referring to the underemployment rate, an alternative metric of labor market slack, or how far the labor market is operating from its potential. The underemployment rate has been about twice as high as the commonly-reported unemployment rate.

The most commonly reported measure of unemployment (U3<sup>1</sup>) has trended downward to 5 percent. By comparison, underemployment (U6) (see Figure 1) has trended downward to 9.8 percent – it remains 2 percentage points above its pre-recession rate of 8 percent.

### Both unemployment and underemployment are lower for those with more education.

However, the underemployment rate has declined starkly for college graduates. The underemployment rate for graduate degree-holders (4.2%) is 2.2 percentage points higher – on average – than the unemployment rate for graduate degree-holders (2%) (see Figure 2). For high school graduates or dropouts with jobs, underemployment is 6 percentage points higher than the unemployment rate for the similarly educated.

### Whites have the lowest underemployment levels (7.9%) – a trend that follows unemployment levels closely.

Hispanics have an underemployment rate (12.6%) that is 4 percentage points higher than that of whites while the underemployment rate of African American's (16.8%) is 9 percentage points higher than that of whites (see Figure 3).

### As education levels rise, racial differences in underemployment decline.

For high school dropouts and high school graduates, (see Figures 4 and 5) the underemployment rate is approximately twice as high for African Americans as it is for whites. However, African Americans with some college or an Associate's degree see a much more significant drop in underemployment compared to high school underemployment levels (5%), than whites (2%) or Hispanics (3%) (see Figure 6).

The average underemployment rate for Bachelor's degree-holders is 6.2 percent. Whites with Bachelor's degrees have a 5.2 percent underemployment rate, while Hispanics and African Americans are approximately 3 and 4 percentage points higher, respectively (see Figure 7). Graduate degree-holders are the least likely to be underemployed – 4.2 percent on average. Similarly educated Hispanics (6.1%) and African Americans (6%) have marginally higher rates of underemployment. These racial differences in underemployment are significantly lower for those with graduate degrees (see Figure 8).

### Underneath the overall level of 9.8 percent underemployment, the underemployment rate for men is 8.9 percent and 11.1 percent for women.

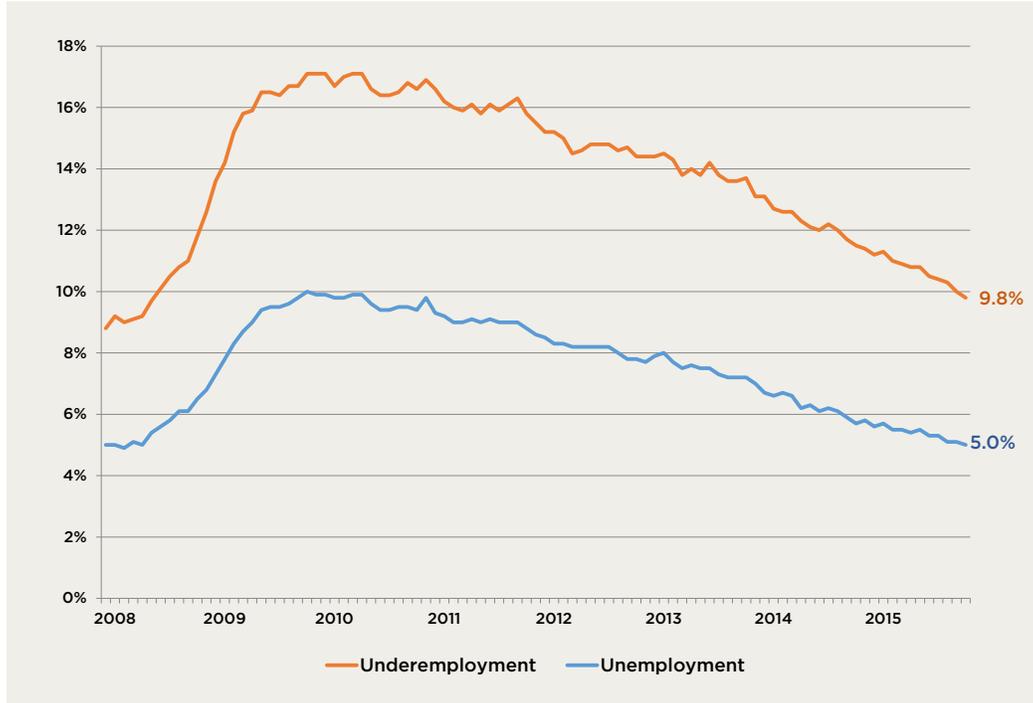
Men suffered more than women in the recession from underemployment. The underemployment rate for men in 2010 was 18.2 percent in 2010, higher than the rate for women. Now, however, men have underemployment rates that are two percentage points lower than women. Although men had a relatively higher underemployment rate than women during the recession, the underemployment rate for men with sub-baccalaureate credentials fell much more sharply than the rate for similarly-qualified women. Women with graduate degrees, however, made the fastest recovery compared to women with lower education levels.

<sup>1</sup> The Bureau of Labor Statistics reports six measures of labor underutilization that vary according to workers' length of unemployment, labor force status, and full-time or part-time status.



## Unemployment and Underemployment

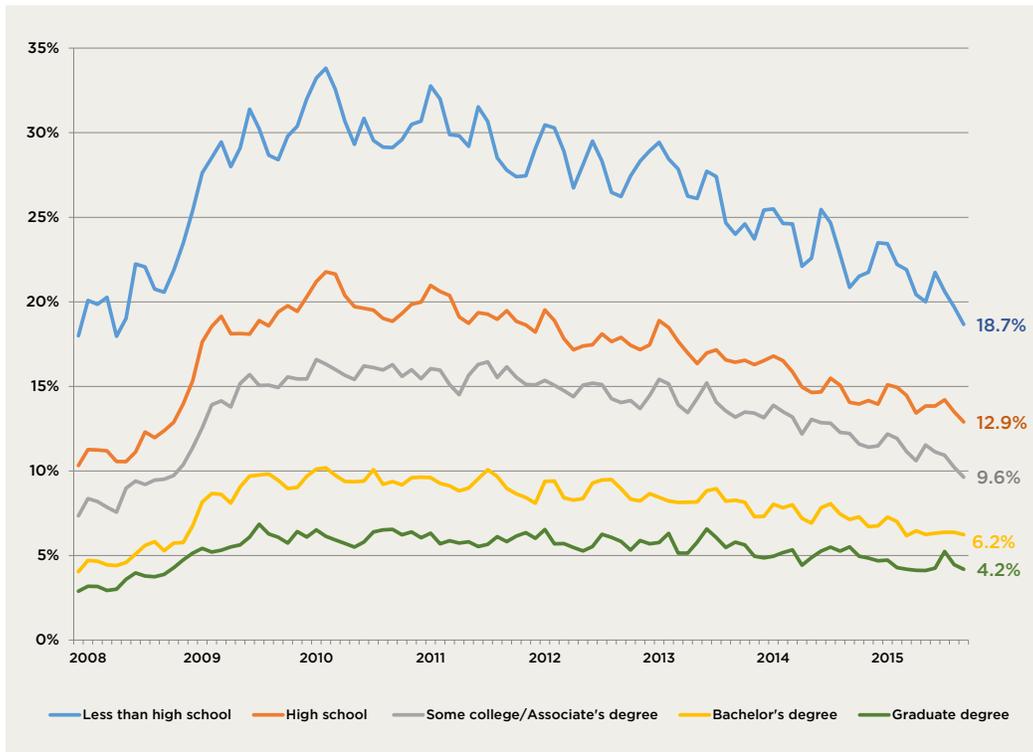
Figure 1. While the unemployment rate has fallen to 5 percent, the underemployment rate has fallen to below 10 percent for the first time since 2007.



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.

## Underemployment by Education and Race/Ethnicity

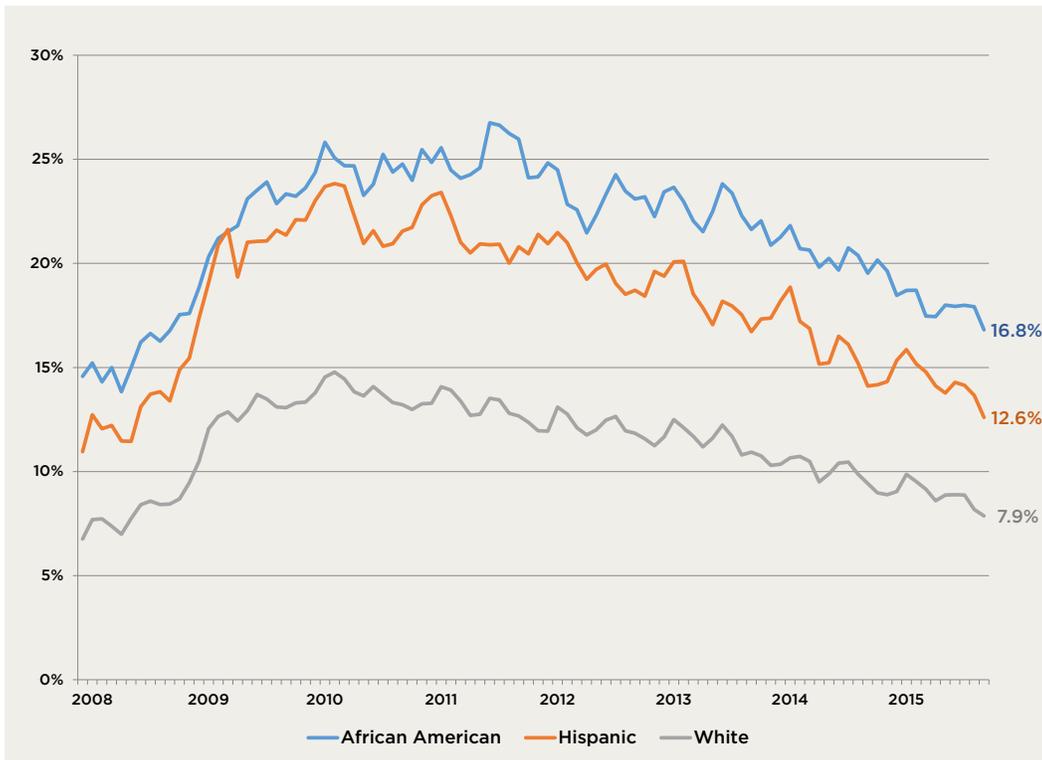
Figure 2. As education levels rise, underemployment levels decline.



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.



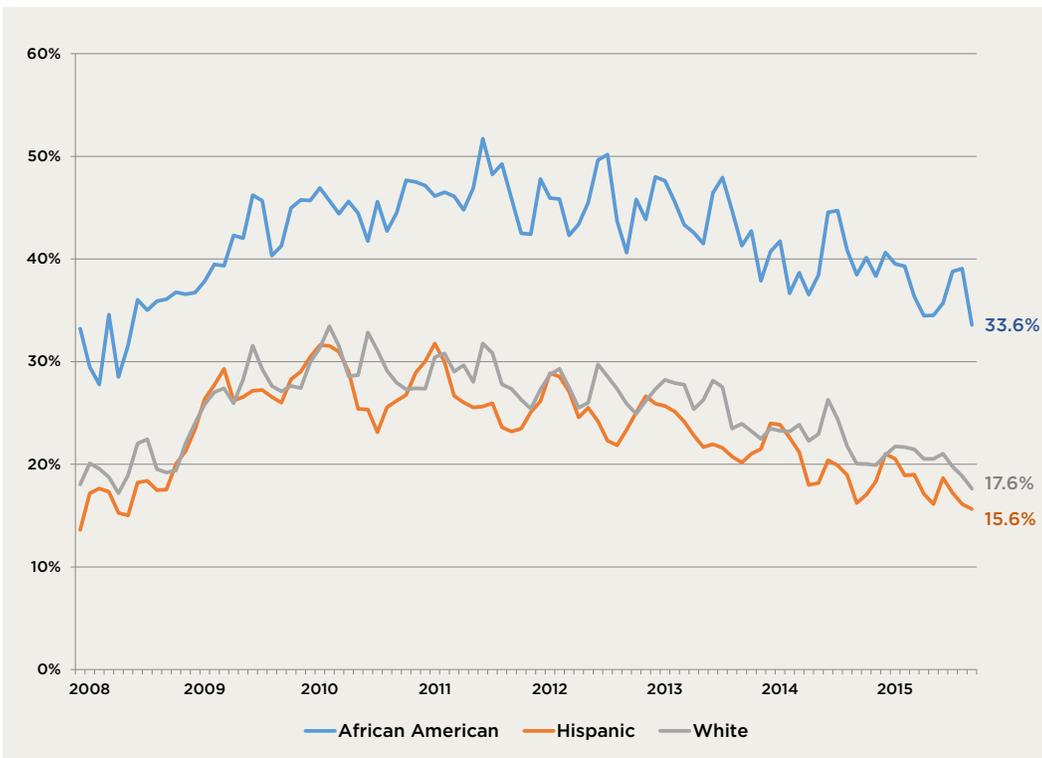
**Figure 3. Underemployment for Hispanics and African Americans continues to exceed that of whites.**



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.

### Underemployment for High School Dropouts and High School Graduates by Race/Ethnicity

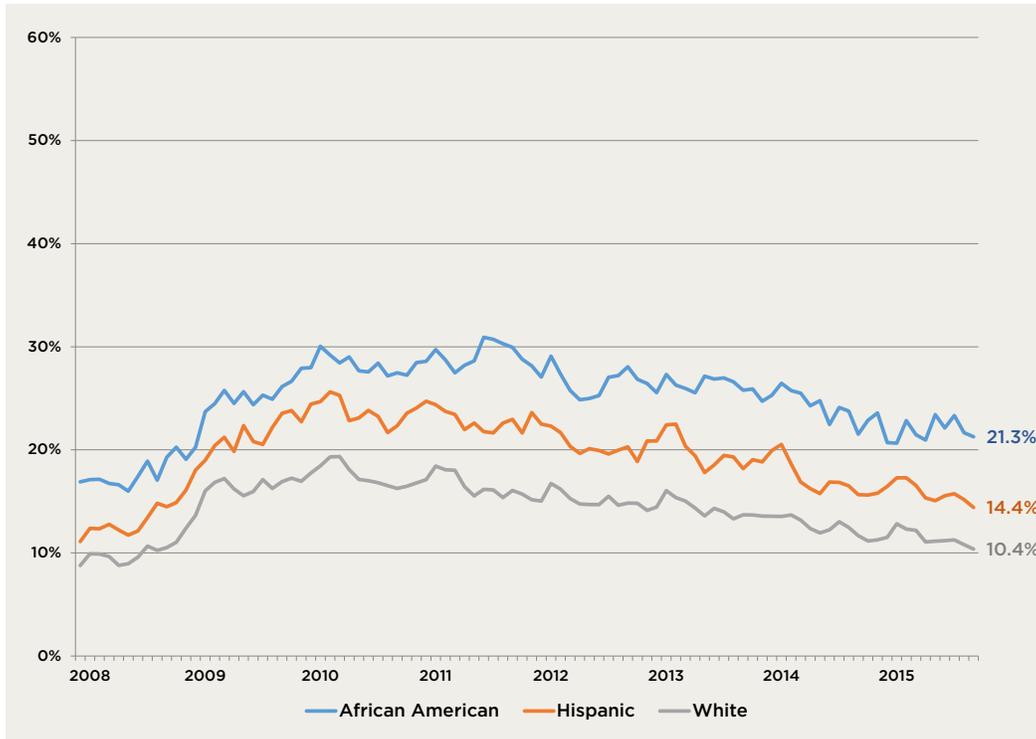
**Figure 4: The underemployment rate of African Americans who are high school dropouts is twice as high as whites and Hispanics.**



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.



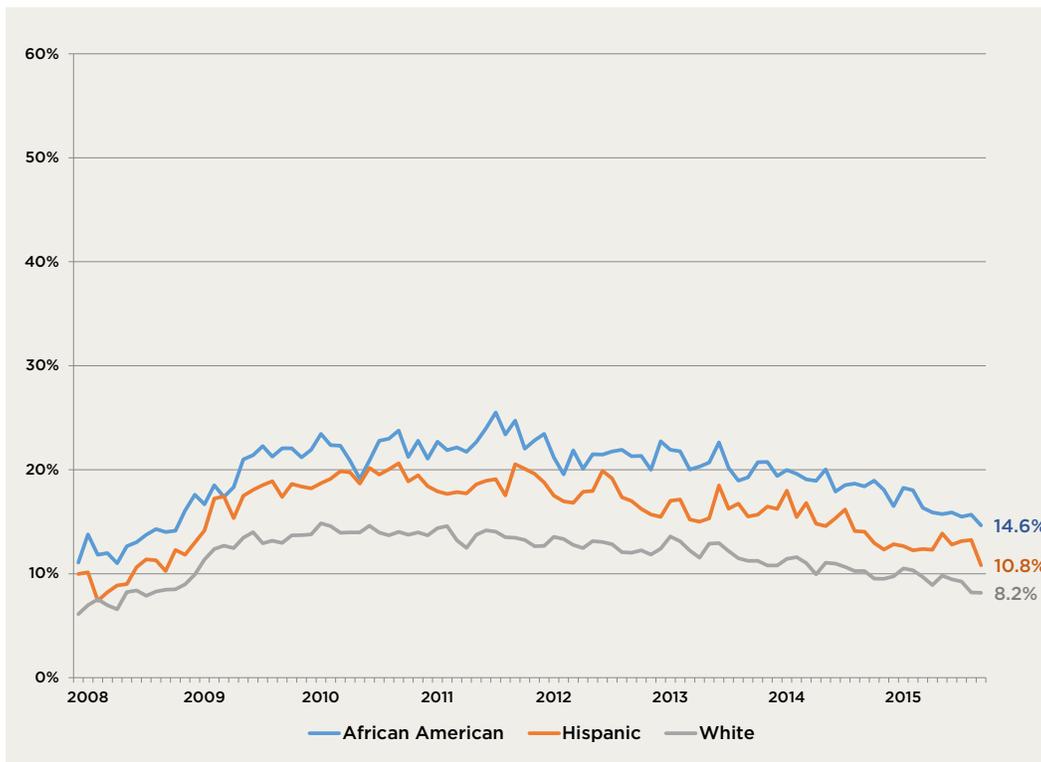
**Figure 5: The underemployment rate of high school graduates is lower than high school dropouts but remains above the national average**



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.

## As Education Levels Rise, Underemployment Levels Decline

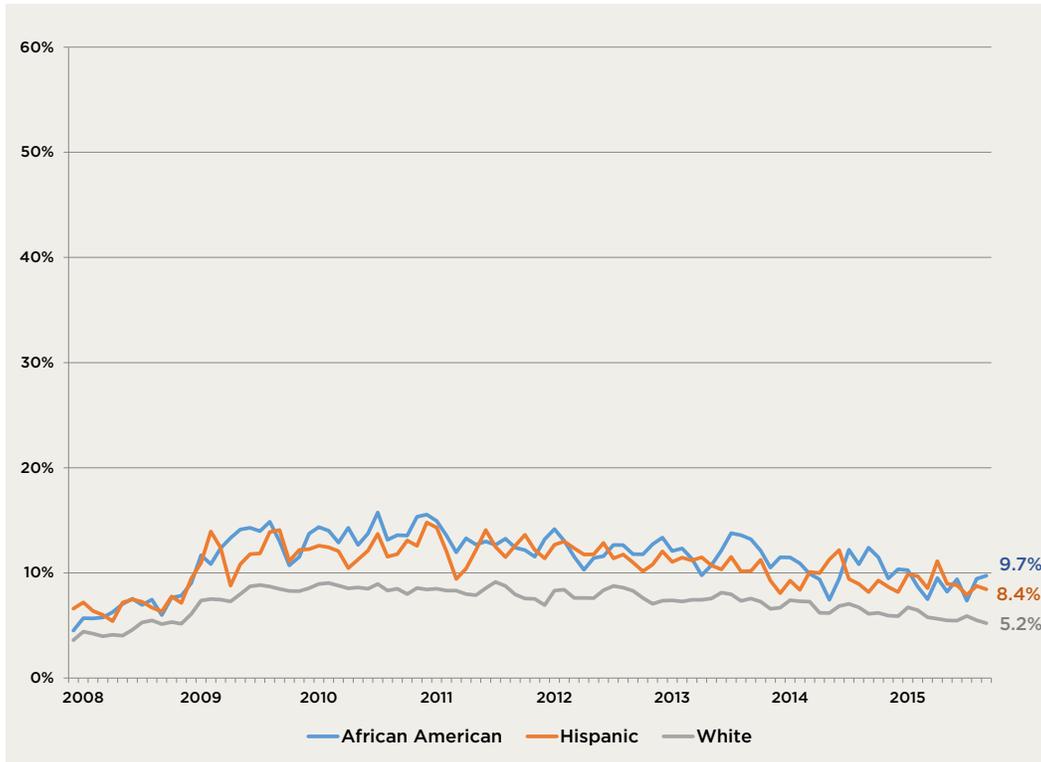
**Figure 6: Underemployment rates for workers with some college or an Associate’s degree are lower than workers with high school only or high school dropouts.**



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.



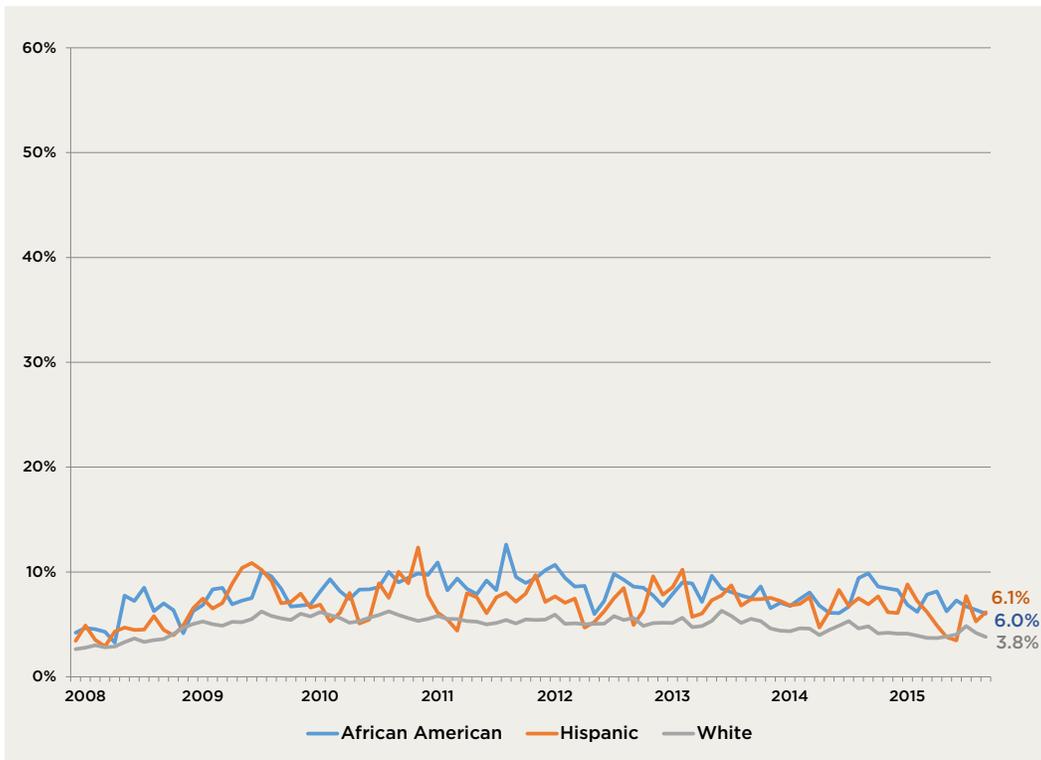
Figure 7. Workers with a Bachelor's degree have a lower underemployment level and races begin to converge.



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.

### Underemployment for Graduate Degree-Holders by Race/Ethnicity

Figure 8: Workers with a graduate degree have the lowest underemployment rate of all as racial differences continue to converge.



Source: Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, 2007-2015.