



The Dynamic Economy and Labor Market – What Does it Mean for the Future of the Workforce System?

National Governors Association
National Association of State Workforce Board Chairs
September 18, 2013



Contents

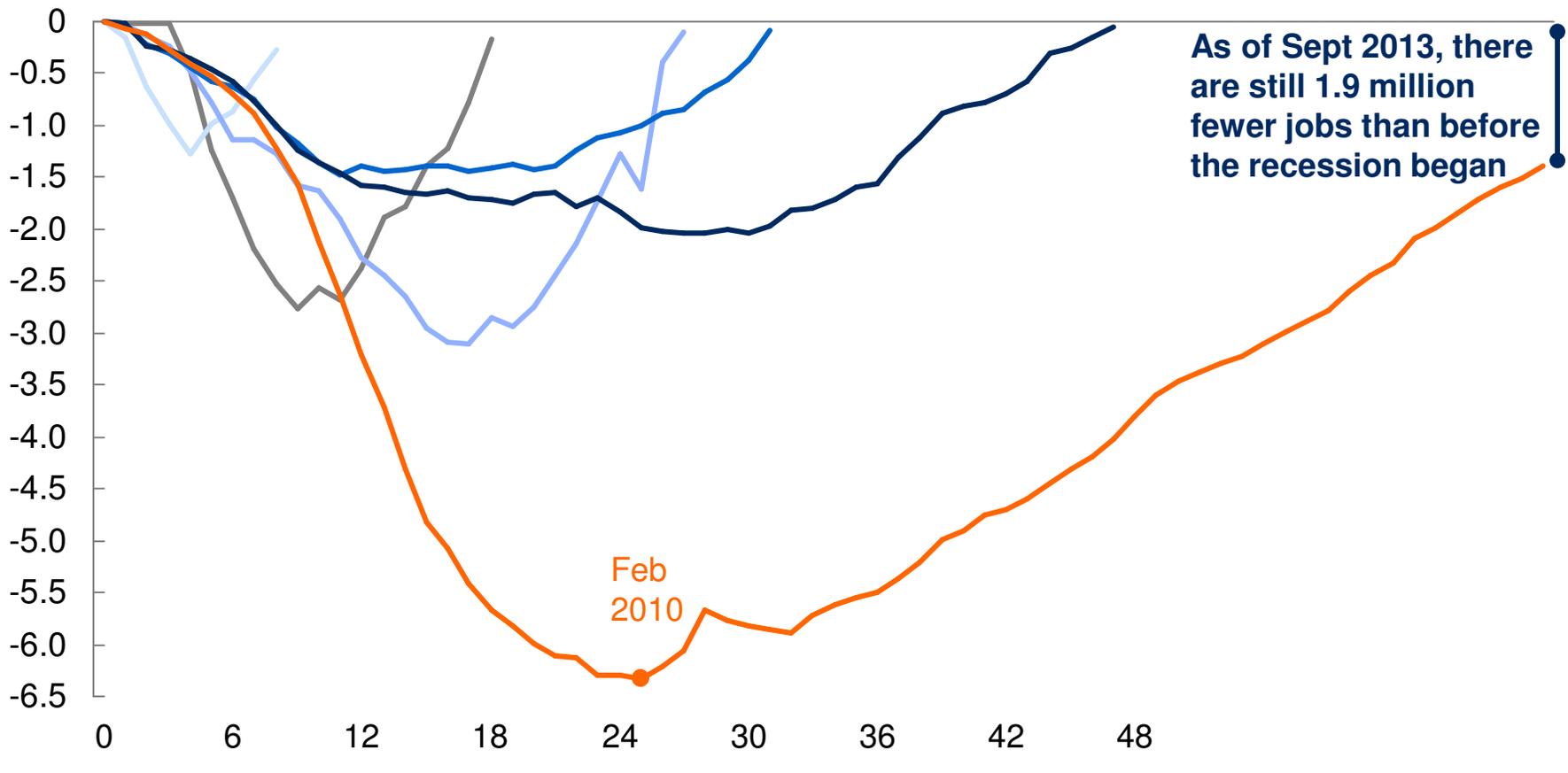
- **Jobless recovery: The new normal?**
 - The skills mismatch
 - The higher education challenge
 - The solution space

The employment decline in this recession was twice as large as other post-war recessions – and is still 1.9 million jobs lower than in January 2008

- Jul 1974-Jan 1976
- Jul 1981-Oct 1983
- Feb 2001-Jan 2005
- Mar 1980-Nov 1980
- Jun 1990-Jan 1993
- Jan 2008-Dec 2011

Decline from peak U.S. employment

Percent change from peak month prior to recession

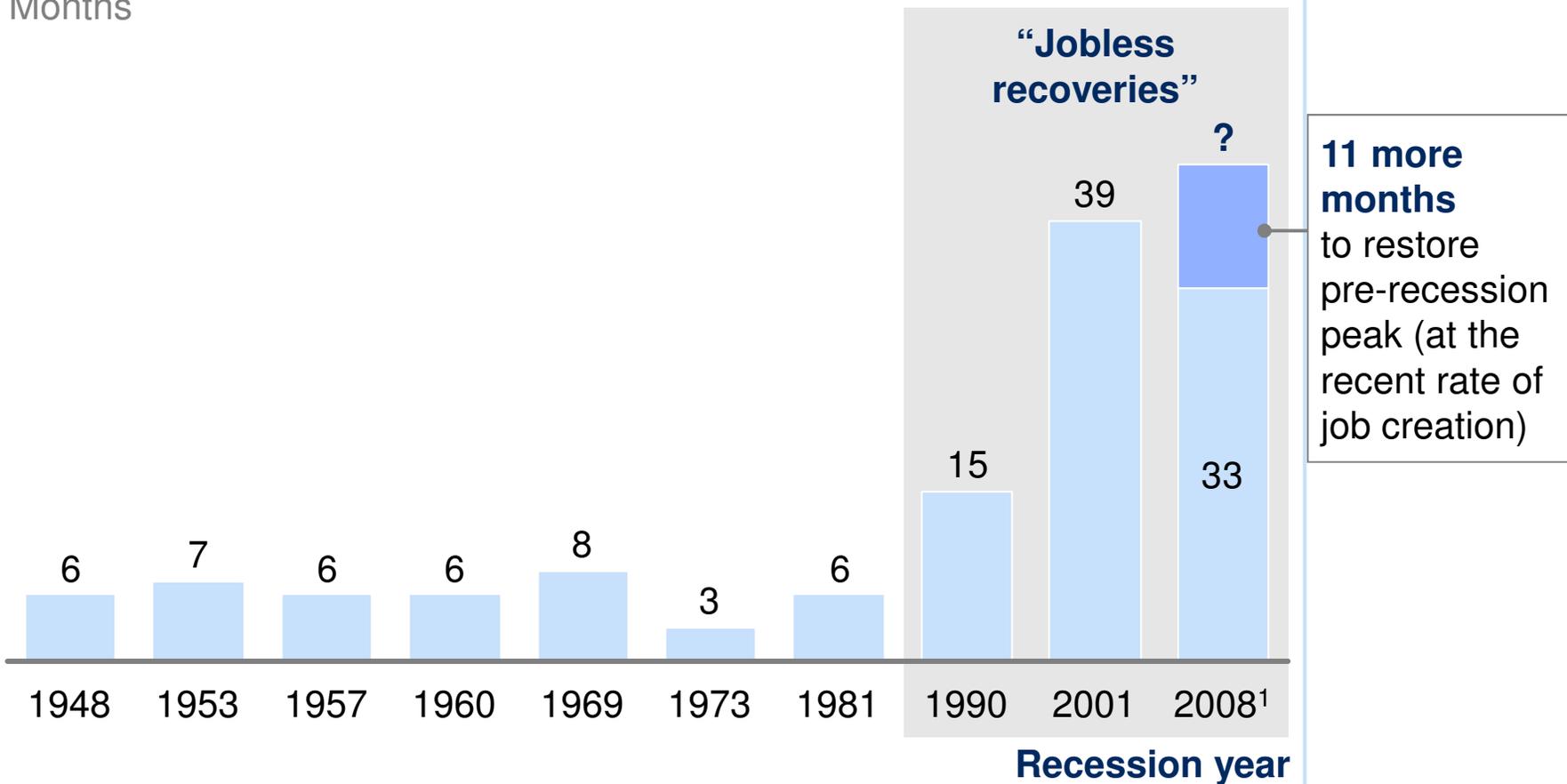


As of Sept 2013, there are still 1.9 million fewer jobs than before the recession began

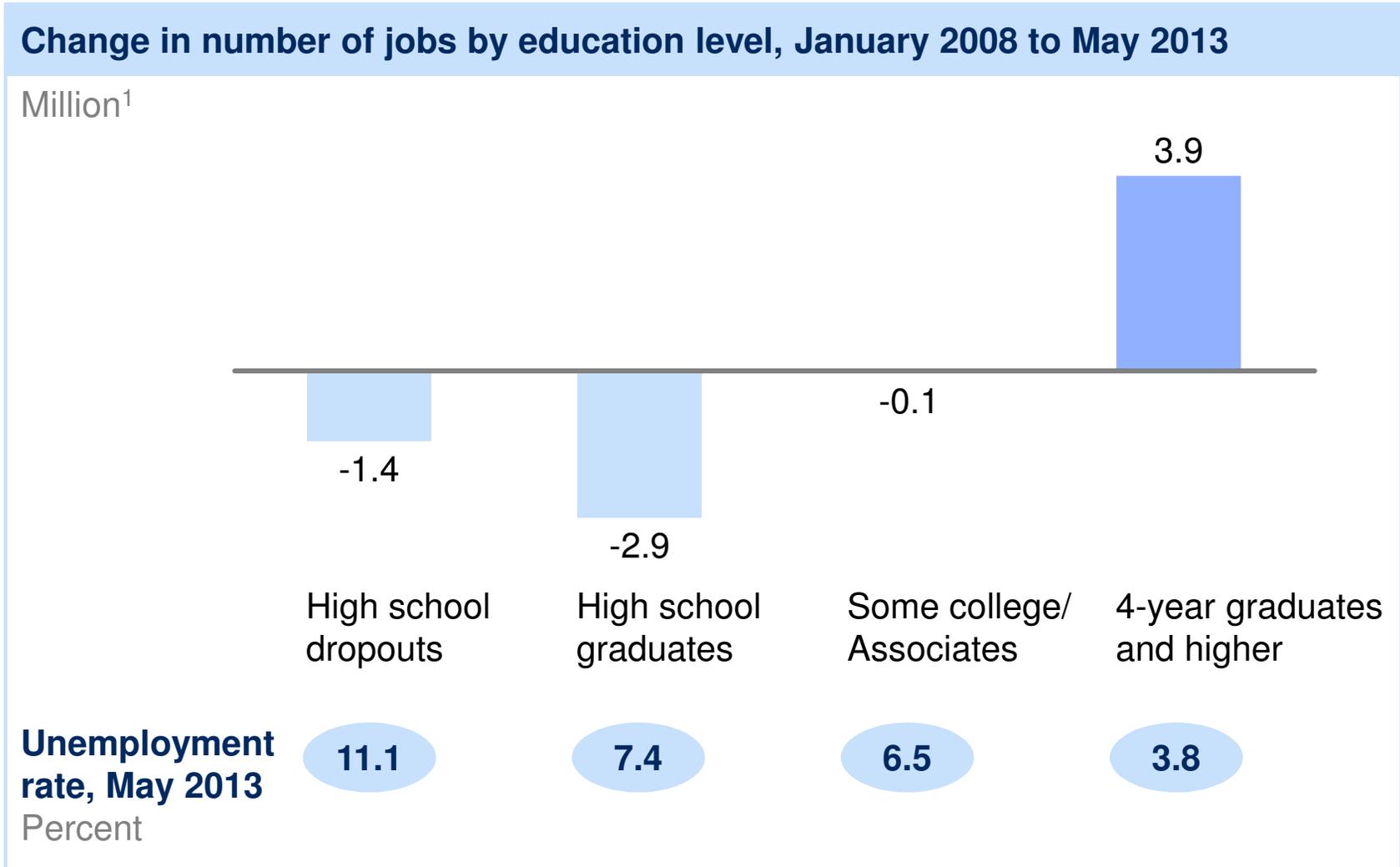
The United States is in the third and likely longest “jobless recovery” of the last 20 years

Gap between GDP returning to pre-recession peak and employment returning to pre-recession peak

Months



Workers with the least skills have been hardest hit in the recession



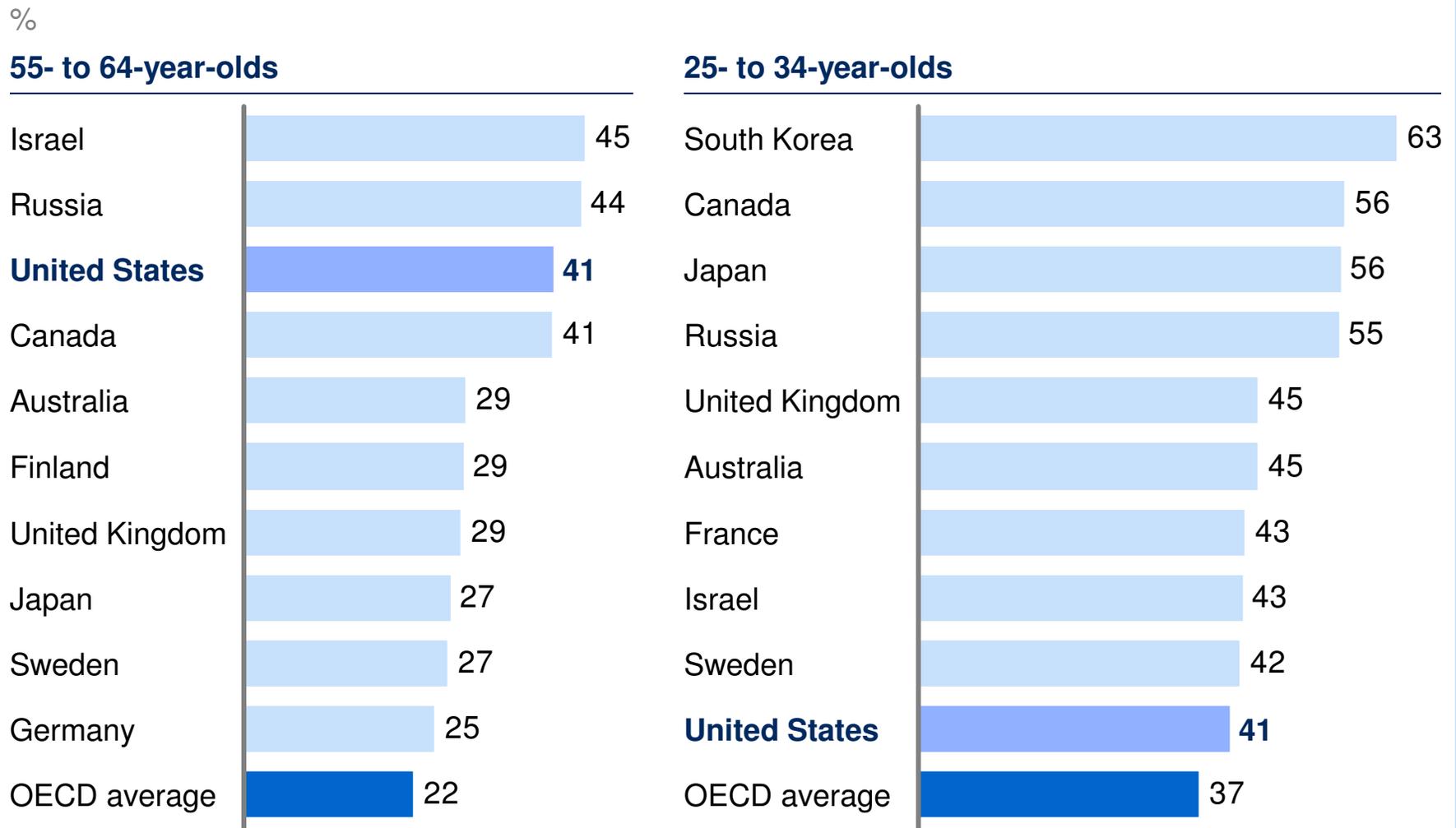
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¹ Based on BLS current population survey; data covers workers ages 25 and above.

The United States no longer leads the world in tertiary education attainment

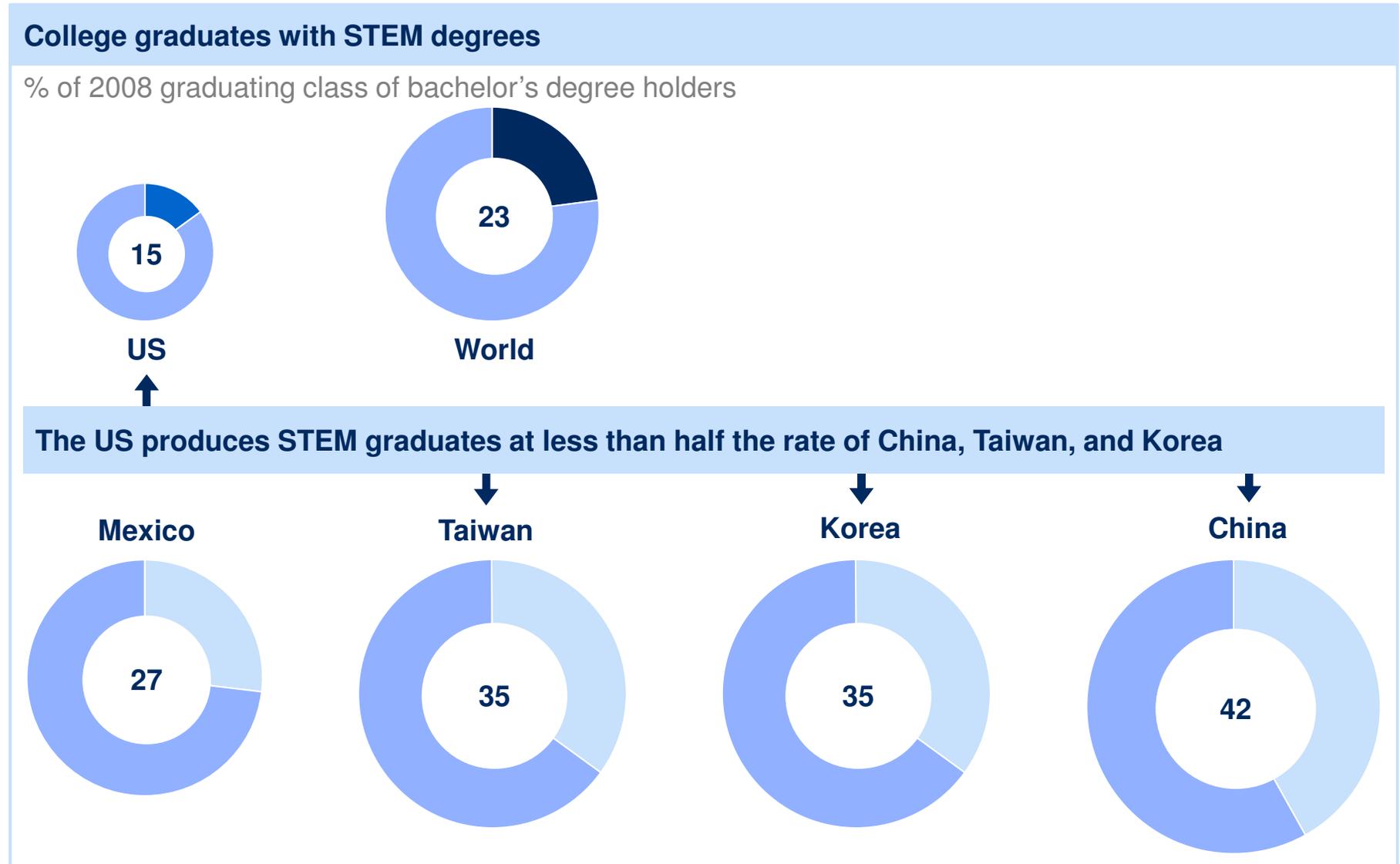
Share of population with tertiary degrees, older vs. younger cohort, 2009



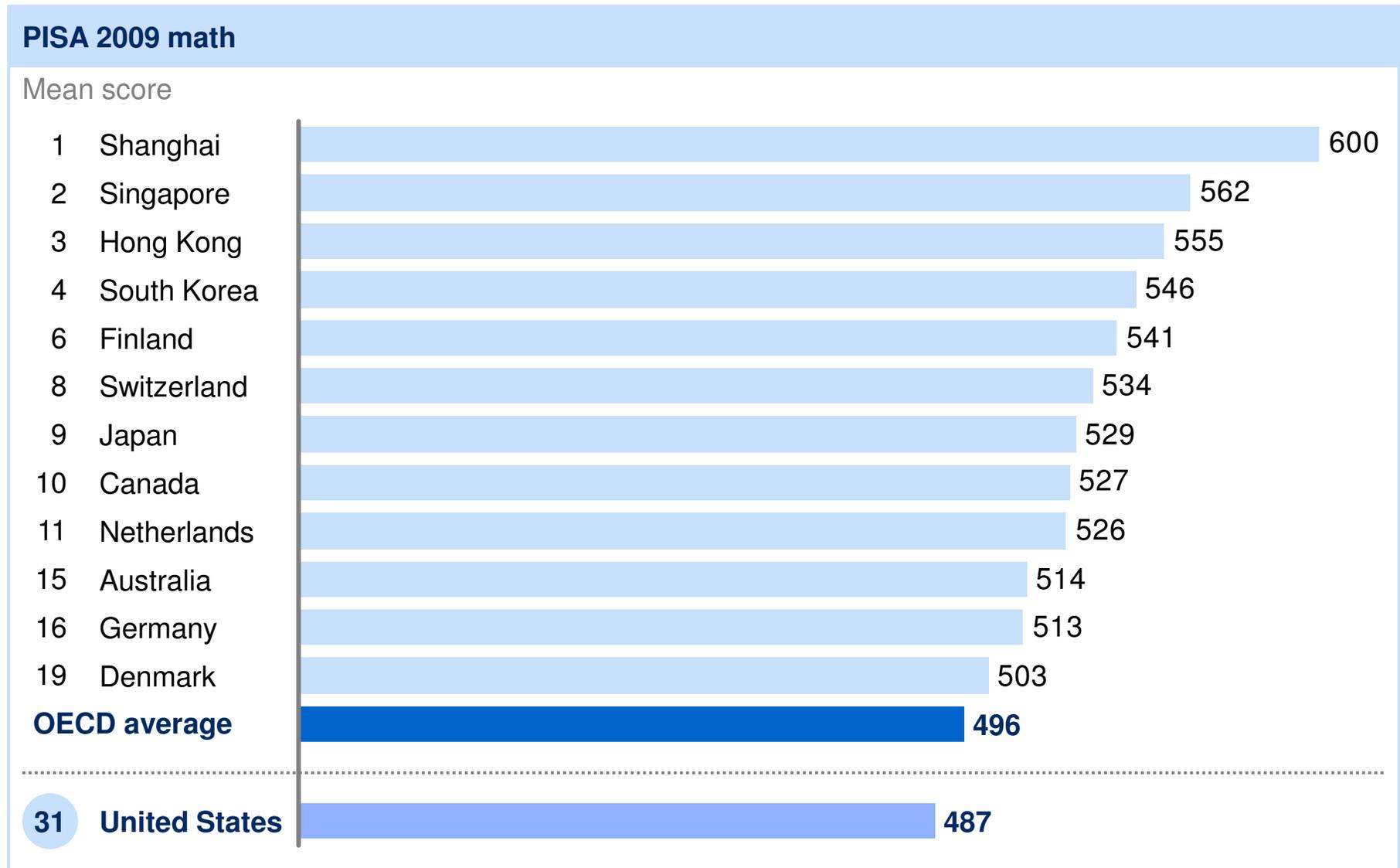
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The proportion of US degrees awarded in STEM is very low compared to other countries



In primary and secondary school, US student achievement in international tests falls below the OECD average

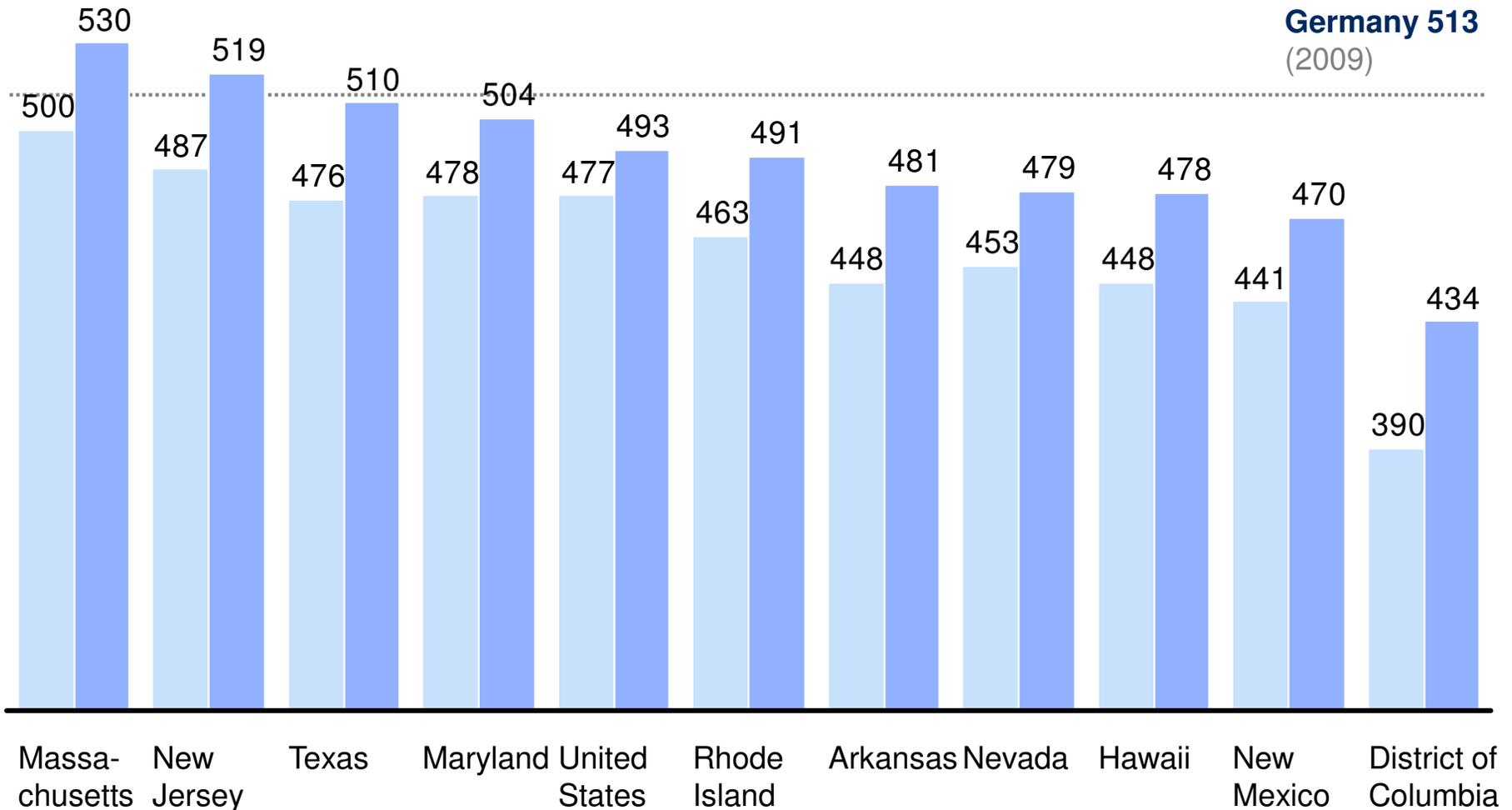


Some US states have demonstrated that significant achievement gains are possible within a decade

Mean math PISA equivalent scores, 13-year-olds, 2003 vs. 2011

Mean score

2003 2011



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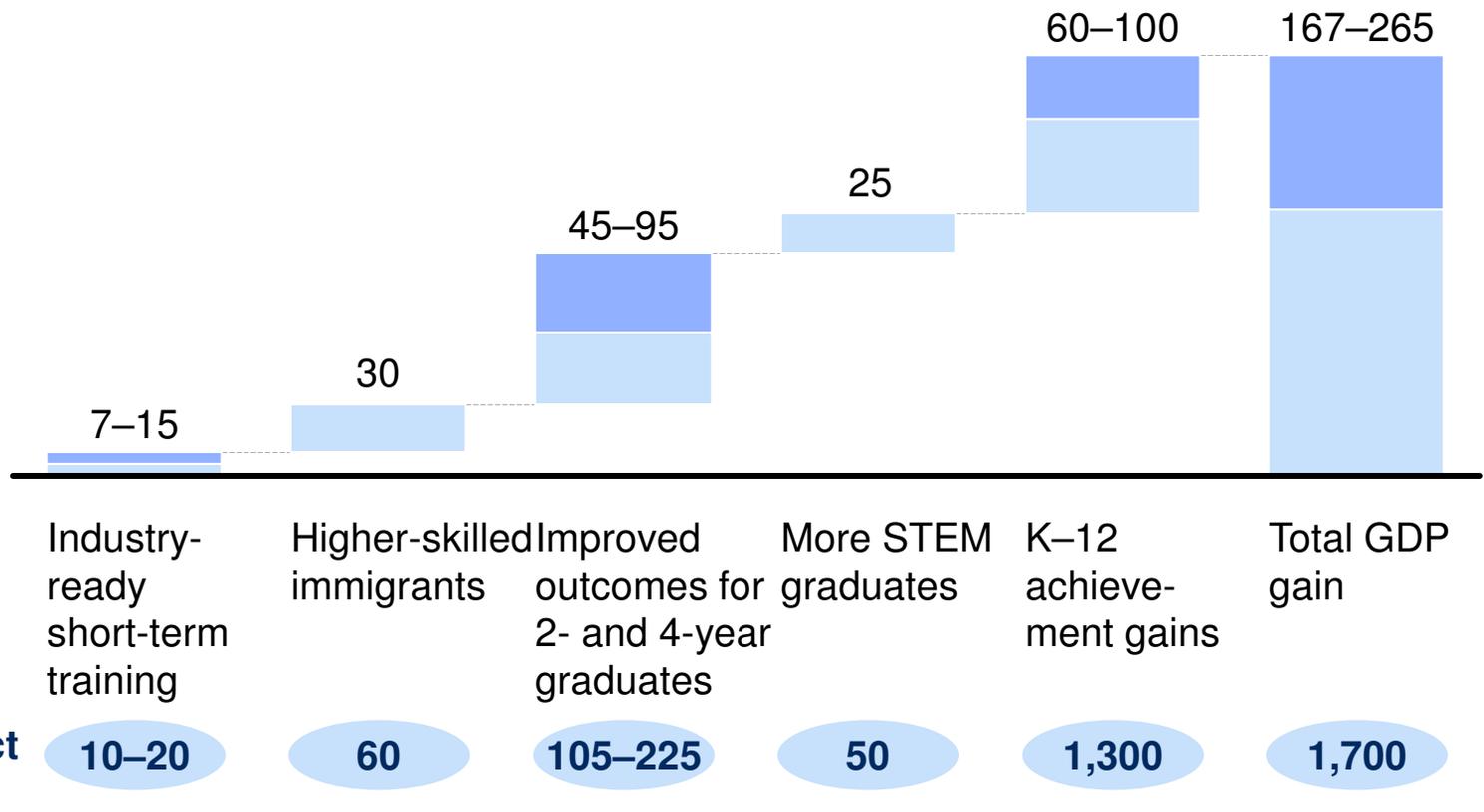
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Improving K–12 student achievement and post-secondary workforce development can add \$165 billion to \$265 billion to annual GDP by 2020

■ High estimate
■ Low estimate

Impact of worker skill development levers on annual US GDP by 2020

\$ billion



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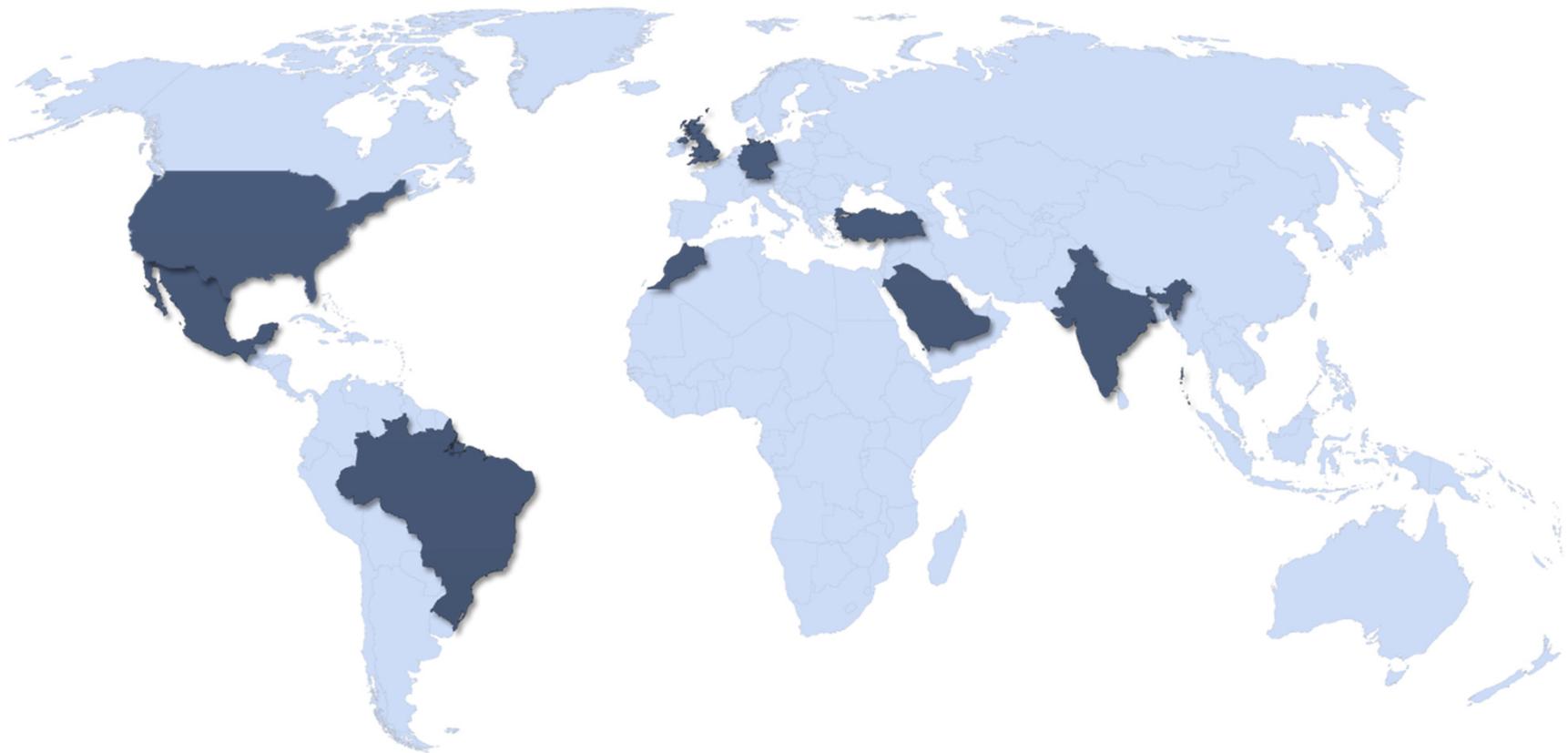
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McKinsey conducted a global survey across 9 countries and launched an extensive investigation of over 100 case studies

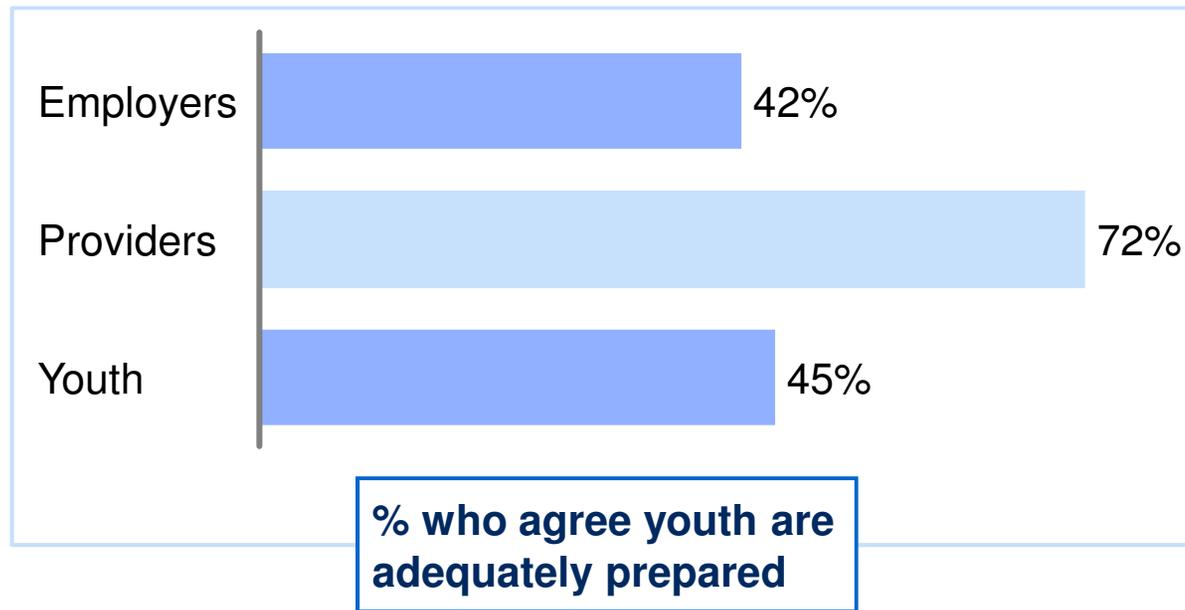


~**4,500** youth
~**3,000** employers
~**1,000** post-secondary
education providers

These countries account for
~**40%** of global GDP and
~**30%** of the population

100 case studies covering
25 countries

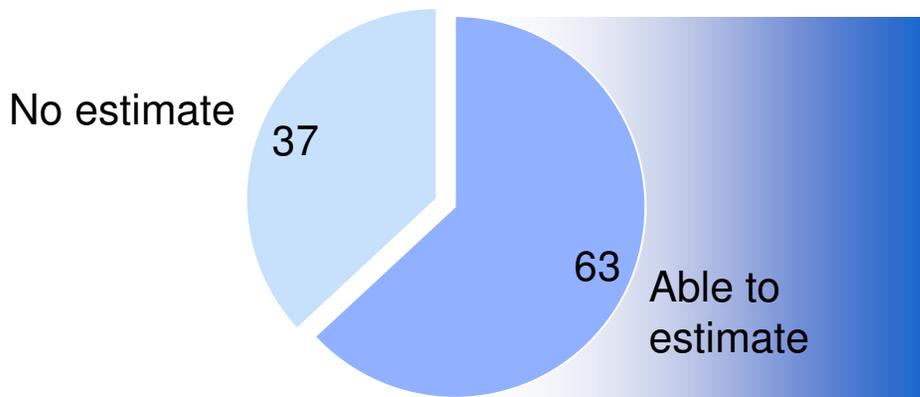
Preparation of new graduates for the workforce



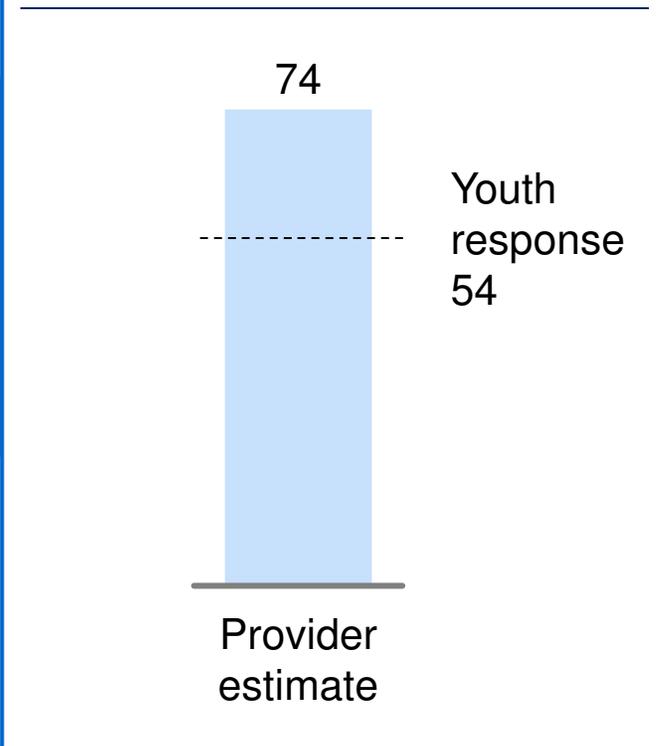
A third of providers are unable to estimate job placement rates; those who do are too optimistic

Education provider perspective on job placement rates

Ability to assess graduates job placement rate, percent of providers



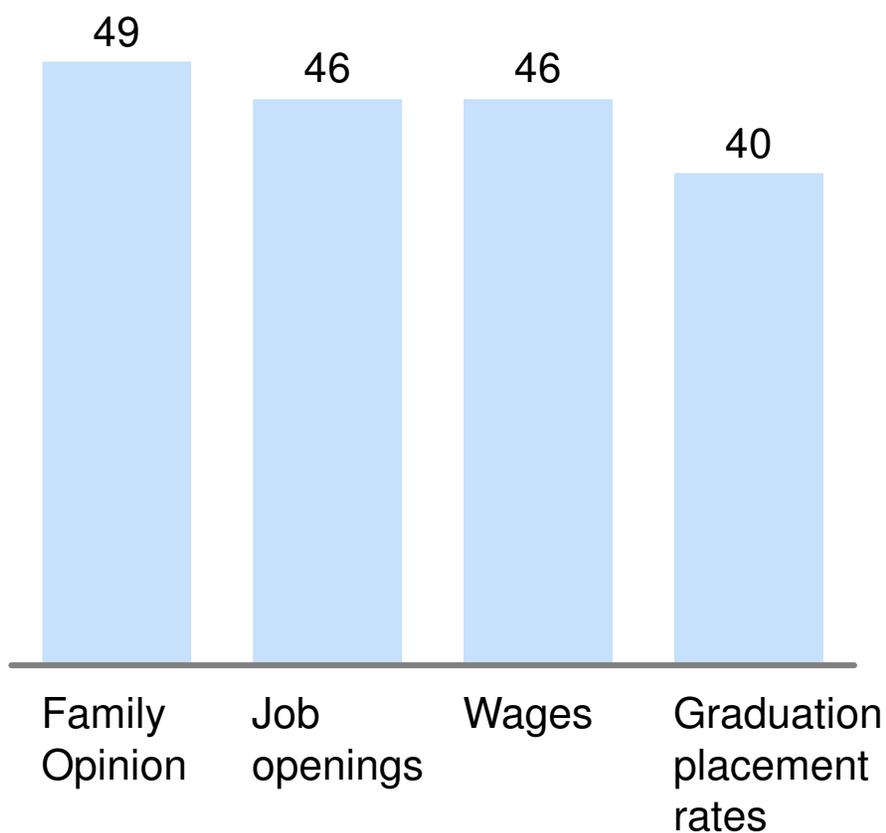
Percent of graduates who find under 3 months, estimate



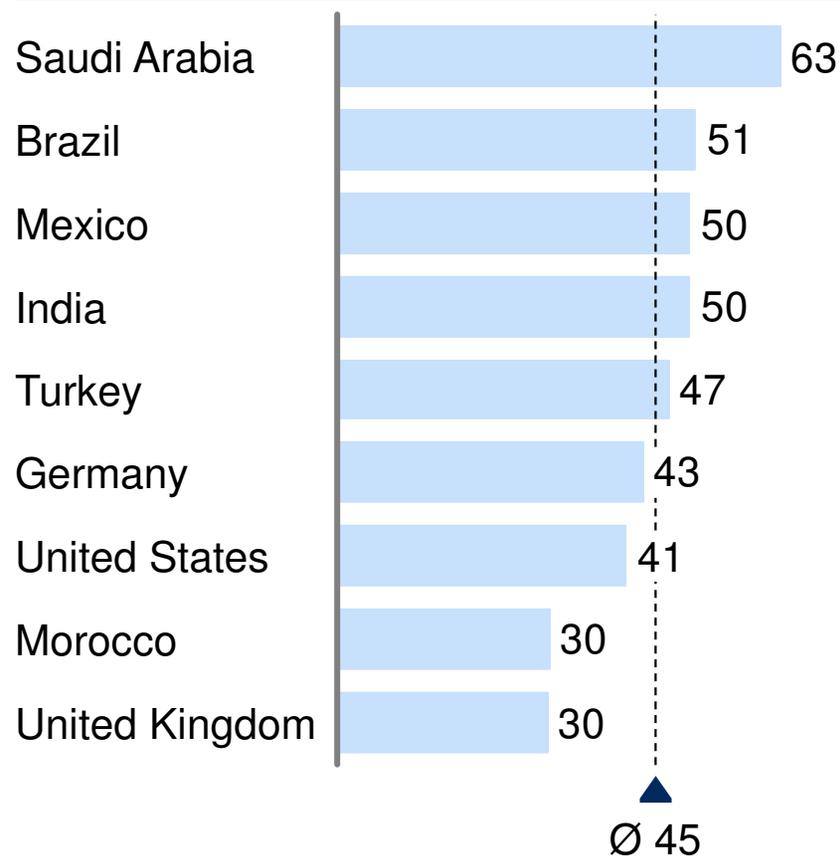
Youth are not well informed when making educational choices

Youth knowledge when choosing what to study

Percent of respondents agreeing that they knew about the following areas when choosing what to study



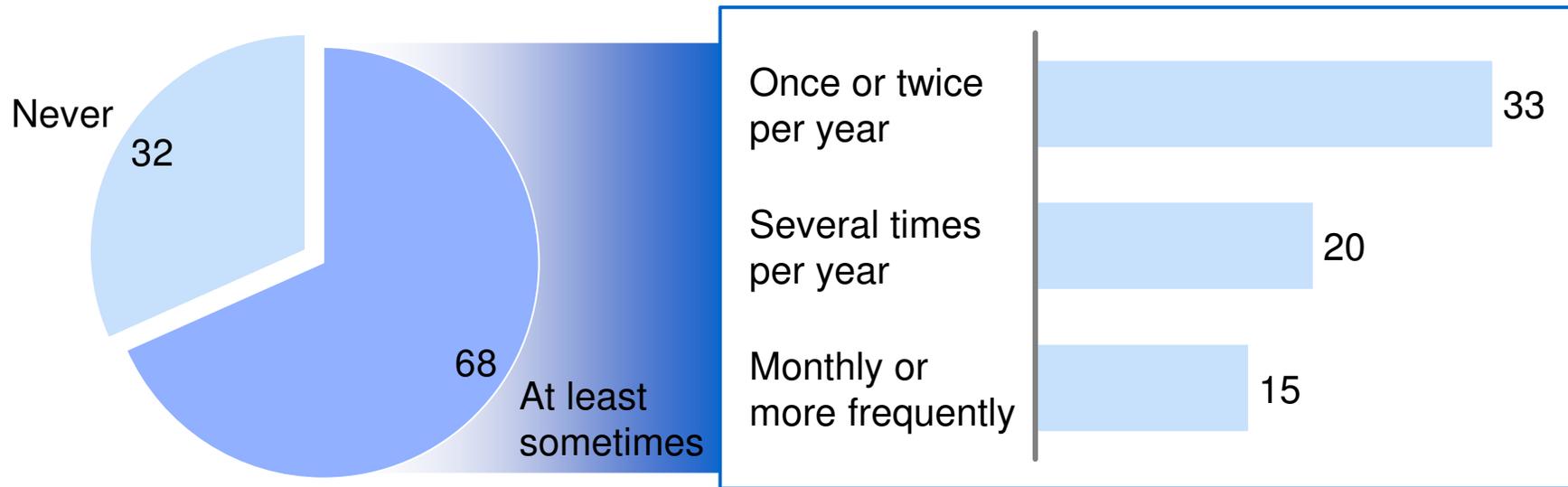
Percent of respondents, overall average of four areas



One third of employers never communicate with education providers

Employer interaction with providers

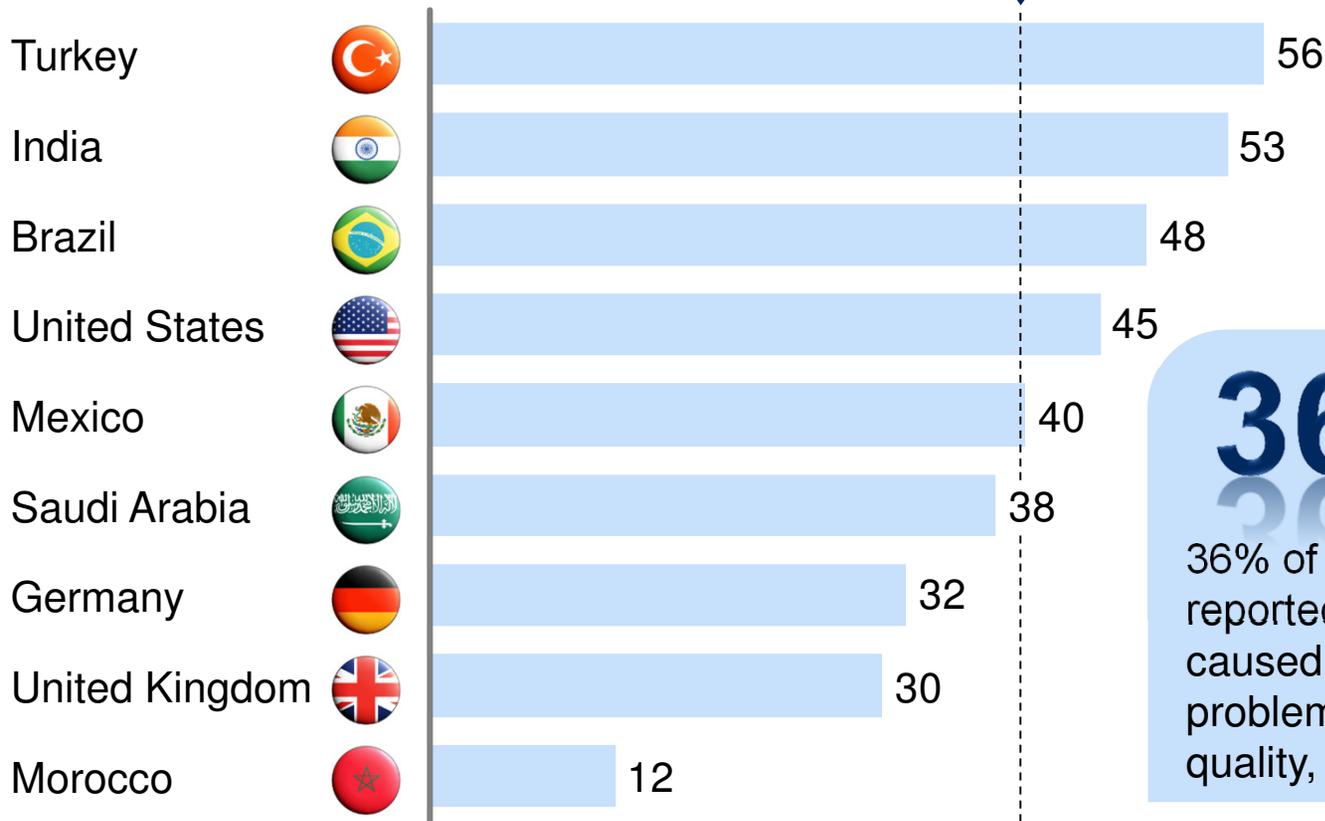
Frequency of interaction, Percent of employers



39% of employers say skills shortages are a leading driver of entry-level vacancies

Lack of skills as common reason for entry-level vacancies

Percent of employers respondents



36%

36% of employers also reported a lack of skills caused “significant problems in terms of cost, quality, and time” or worse

Average: 39%



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Students are increasingly dissatisfied with their higher education experience

Our recent survey of 4,900 recent graduates in the U.S. shows the concerns of graduates



Over-qualification

42%

Proportion of graduates from four-year colleges who say they are in jobs that don't require a four-year degree

Under-preparedness

1/3

Proportion of graduates who do not feel college prepared them well for the world of work



Regrets

53%

Share of all graduates who would choose a different major or a different school

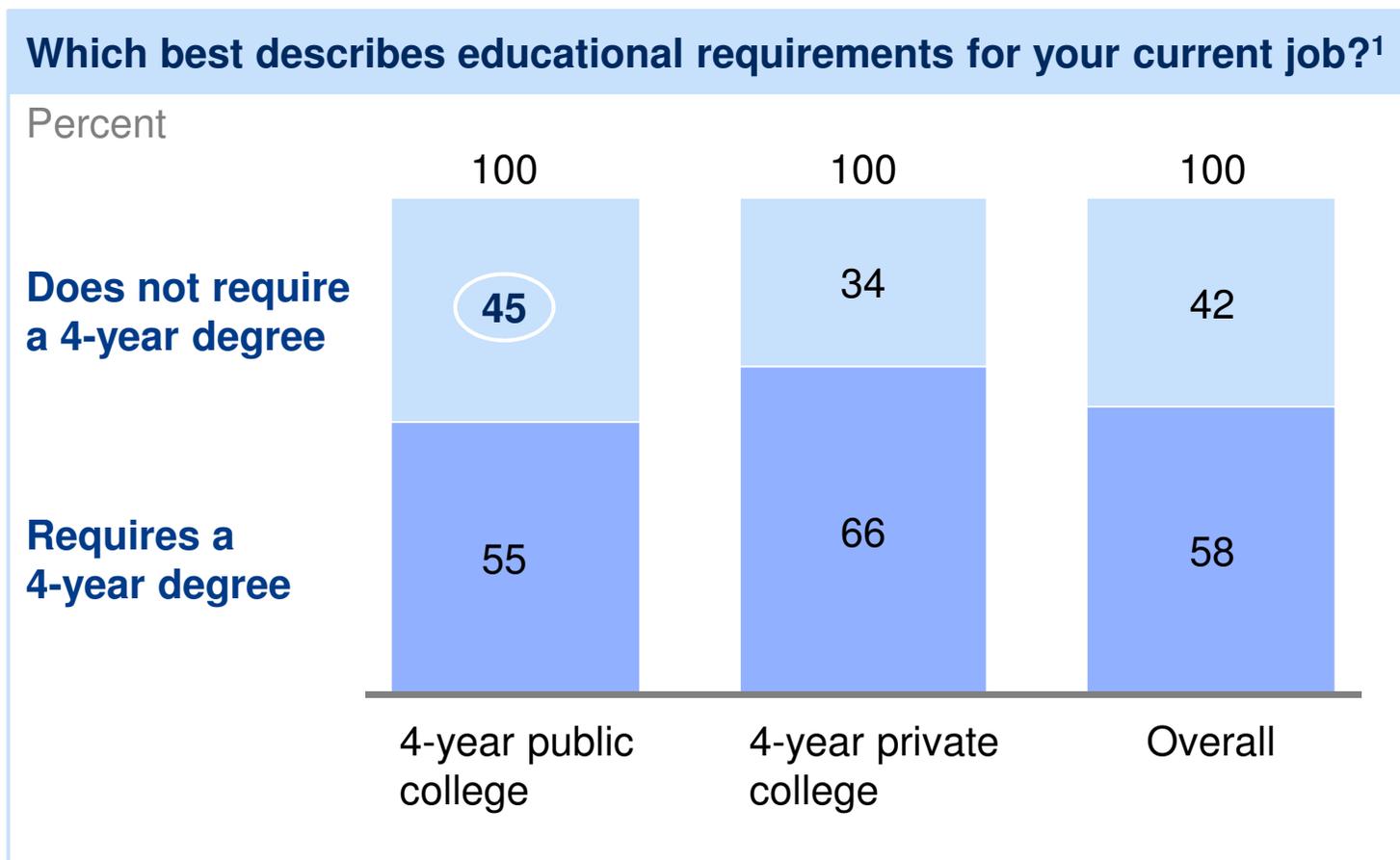
Disappointment

41%

Four in ten graduates of top-100 colleges in the U.S. couldn't get jobs in their chosen field



Overqualified – Nearly half of graduates from four-year colleges are in jobs that don't require a four-year degree



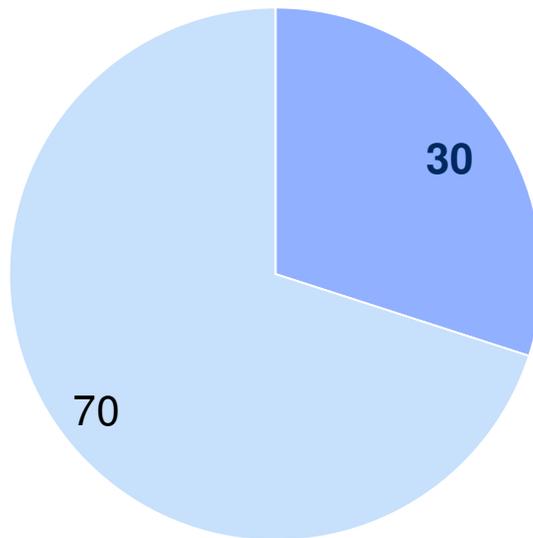
¹ “Does not require a 4-year degree” is the sum of respondents who answered “My job does not require any particular amount of education,” “My job requires a high-school education,” “My job requires some college education,” and “My job requires a 2-year degree.” “Requires a 4-year degree” is the sum of respondents who answered “My job requires a bachelor’s degree” and “My job requires an advanced degree.”

Underprepared – A third of graduates of four-year colleges did not feel college prepared them well for employment – it’s worse when you look at two-year colleges

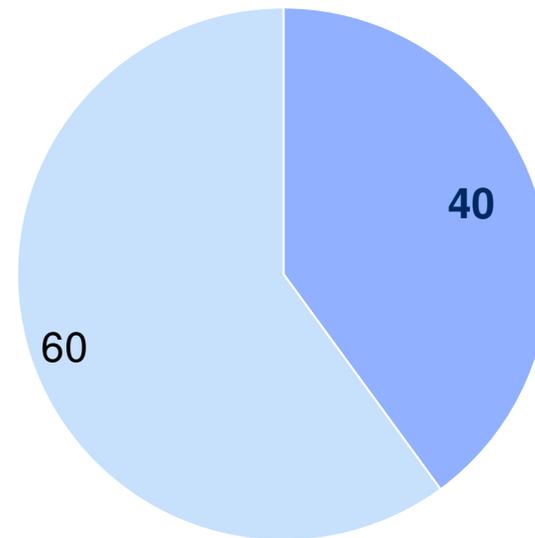
Respondents who did not agree or were neutral to the following statement: “College prepared me well for employment”

Percent

Graduates of 2-year colleges

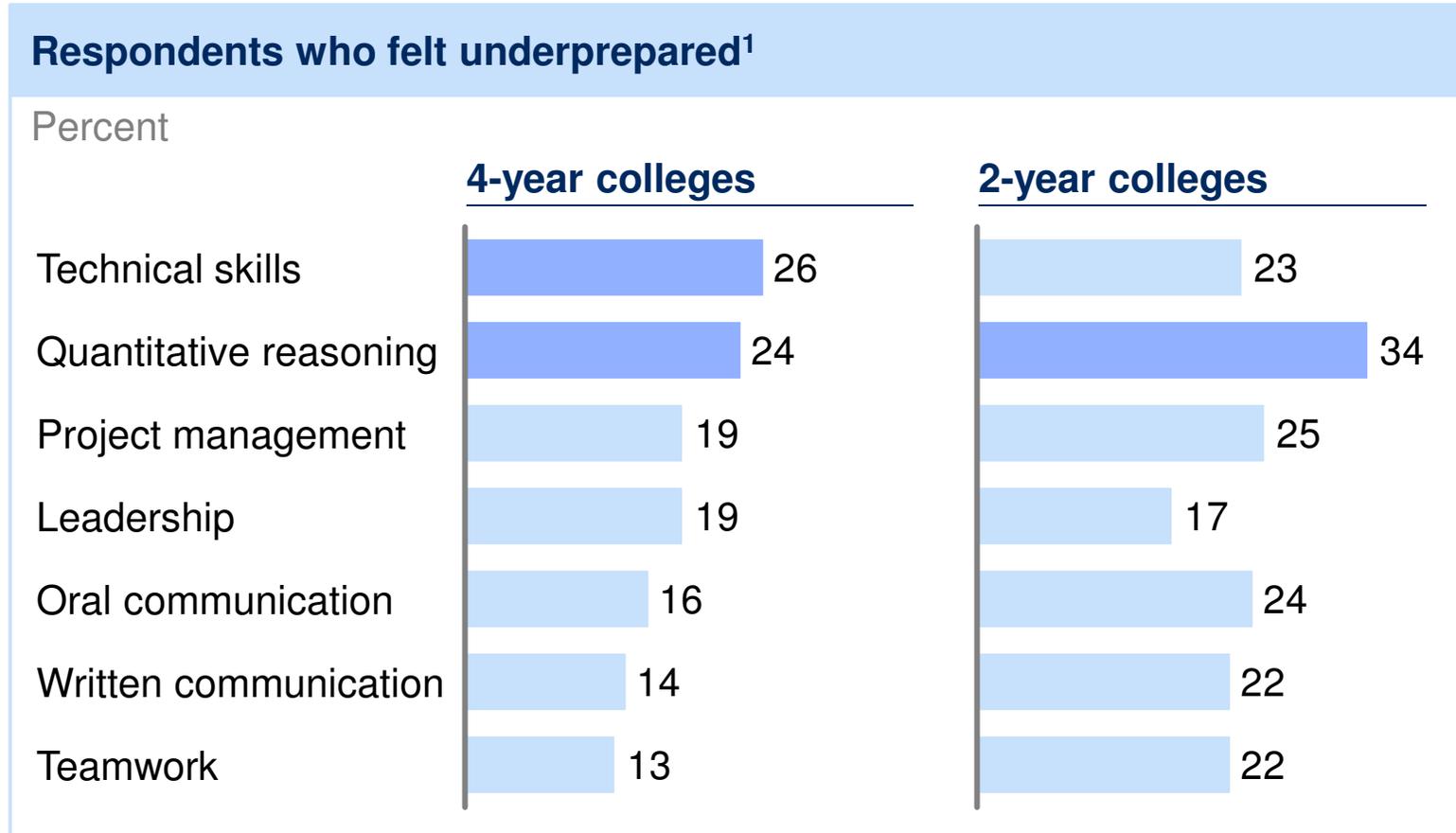


Graduates of 4-year colleges



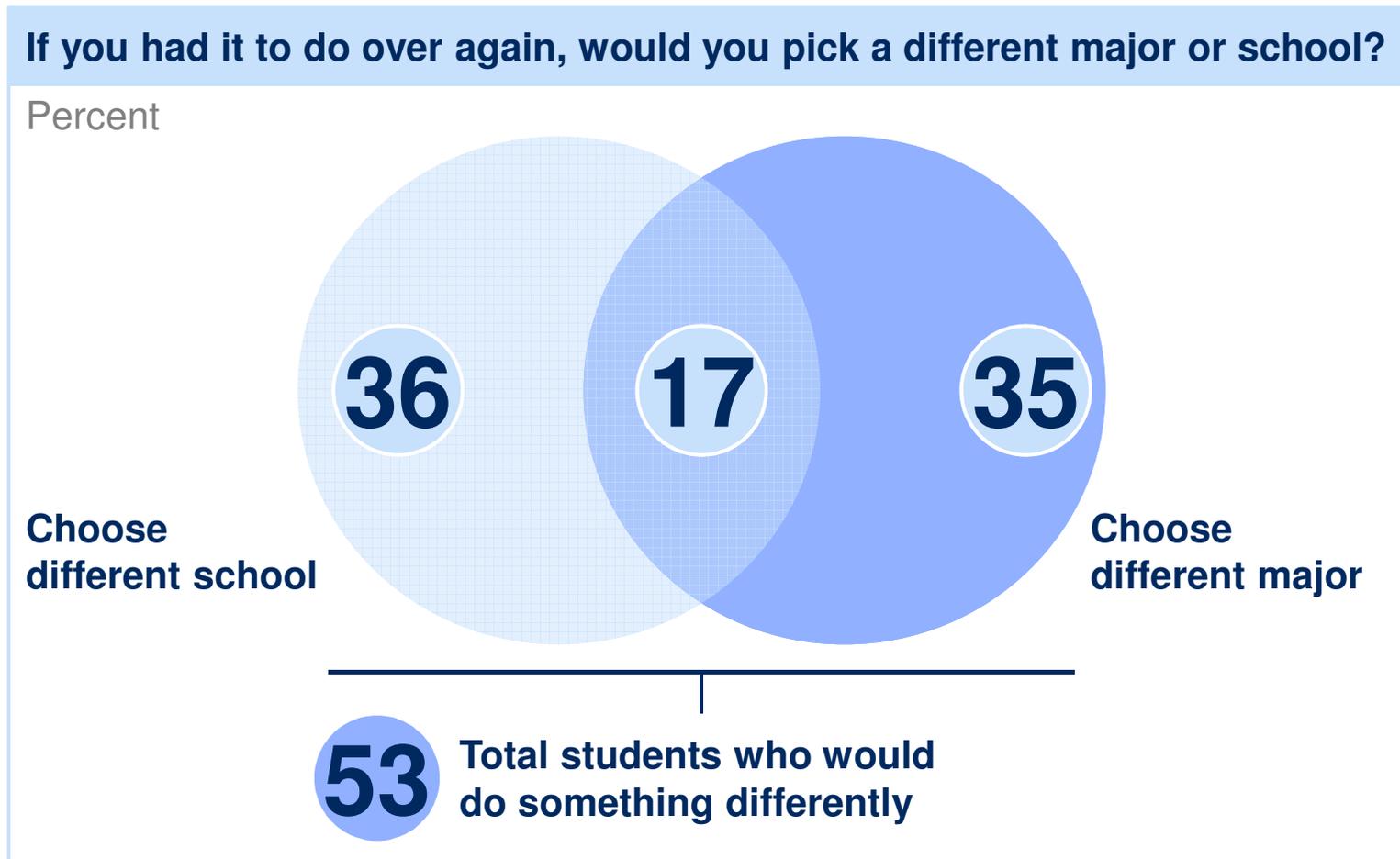
Underprepared – Graduates report feeling underprepared in a number of areas

■ Areas in which graduates feel least prepared



¹ Percent who responded strongly disagree, disagree, or neutral to the following statement: "College prepared me well for employment."

Regrets – More than half of all graduates would do something different

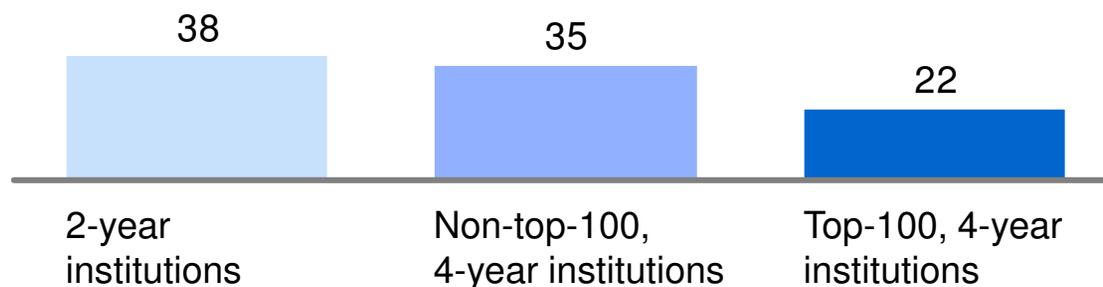


Regrets – Some students would choose a different school or major

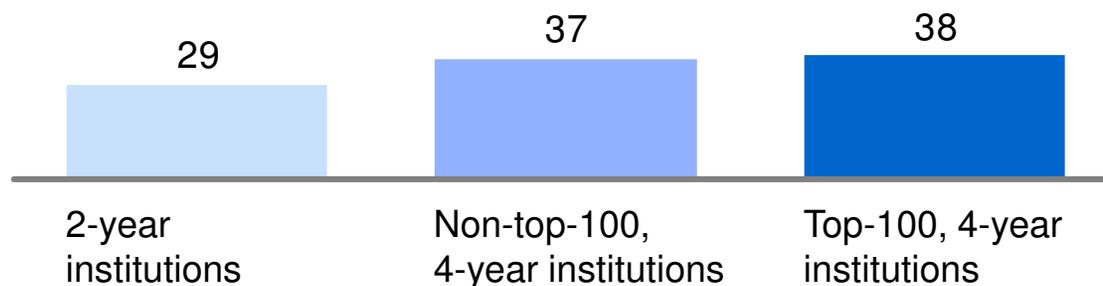
If you had it to do over again, would you pick a different major or school?

Percent

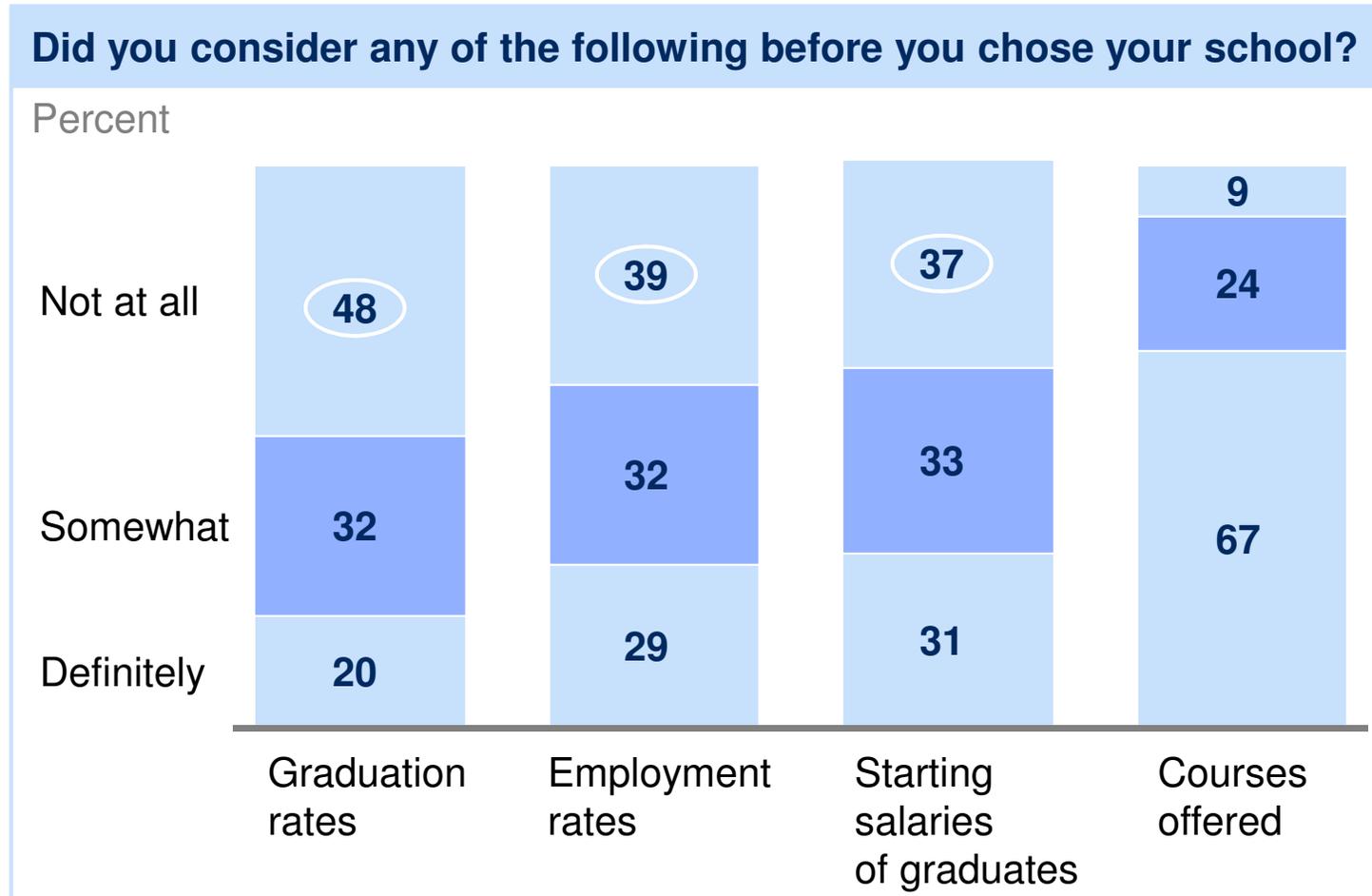
Graduates of 2-year institutions most likely to choose different school



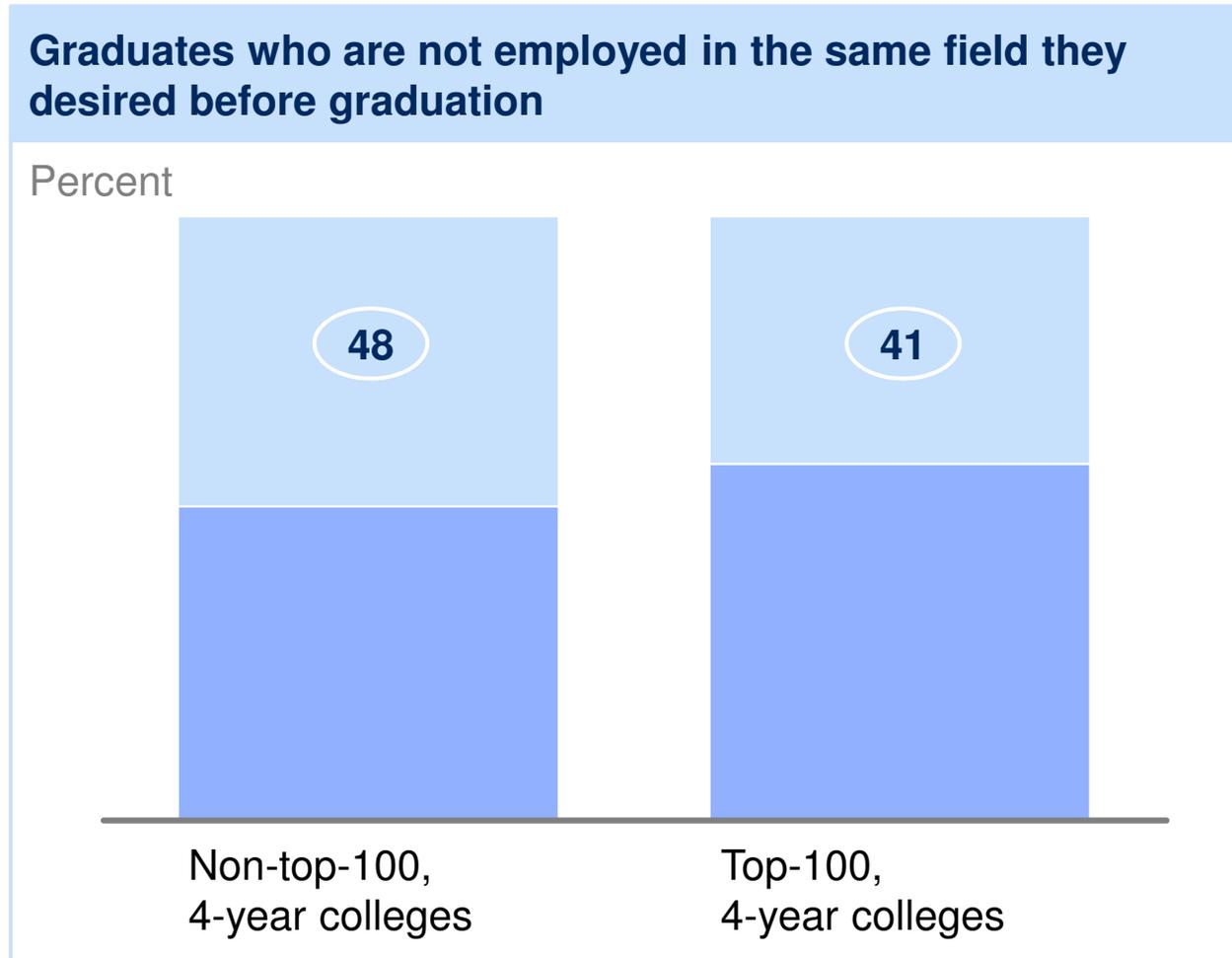
Almost 40% of students of 4-year institutions would likely choose a different major



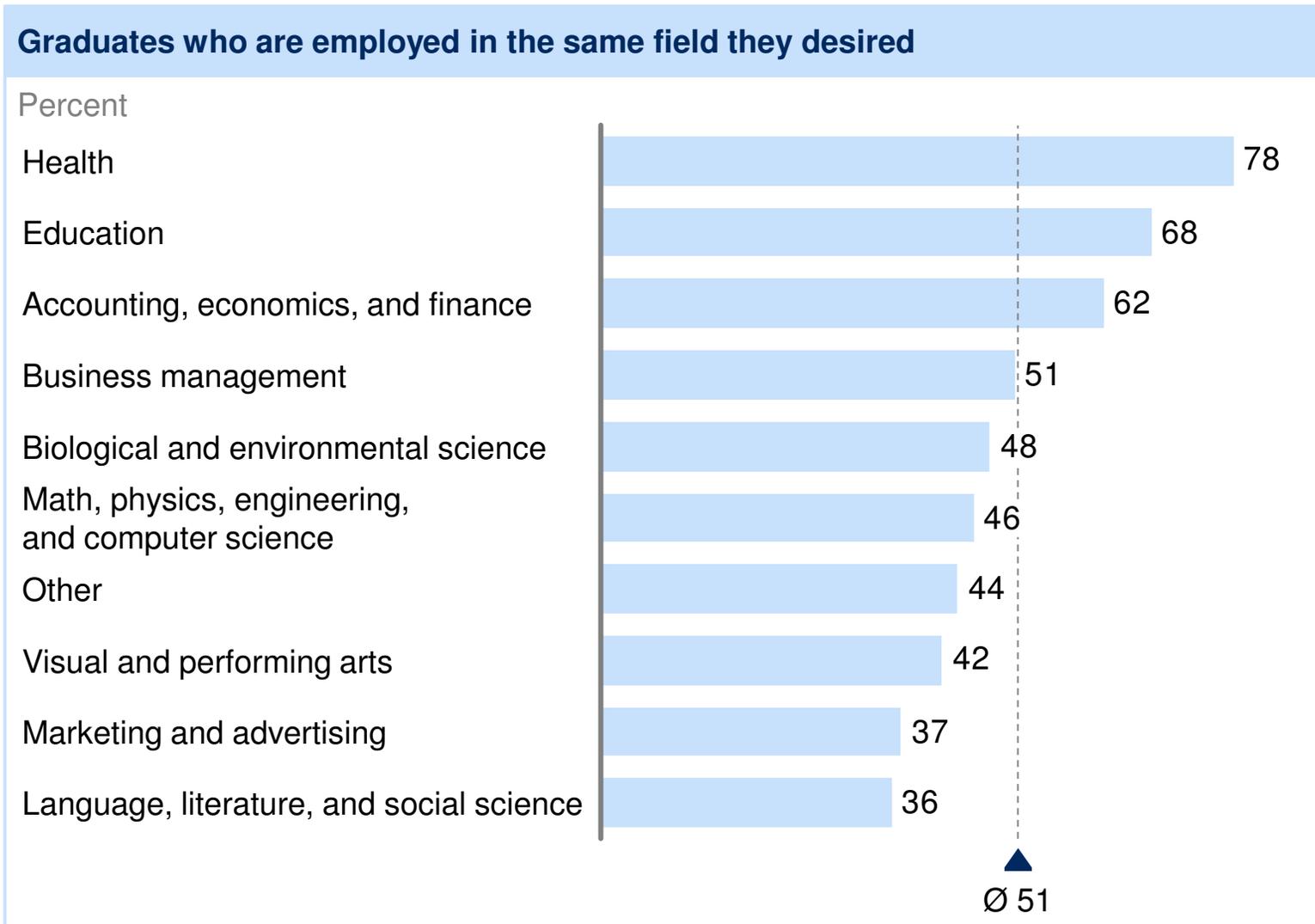
Haven't done the homework – Half of graduates didn't look at graduation rates when picking a college – and four in ten didn't look at job-placement or salary records



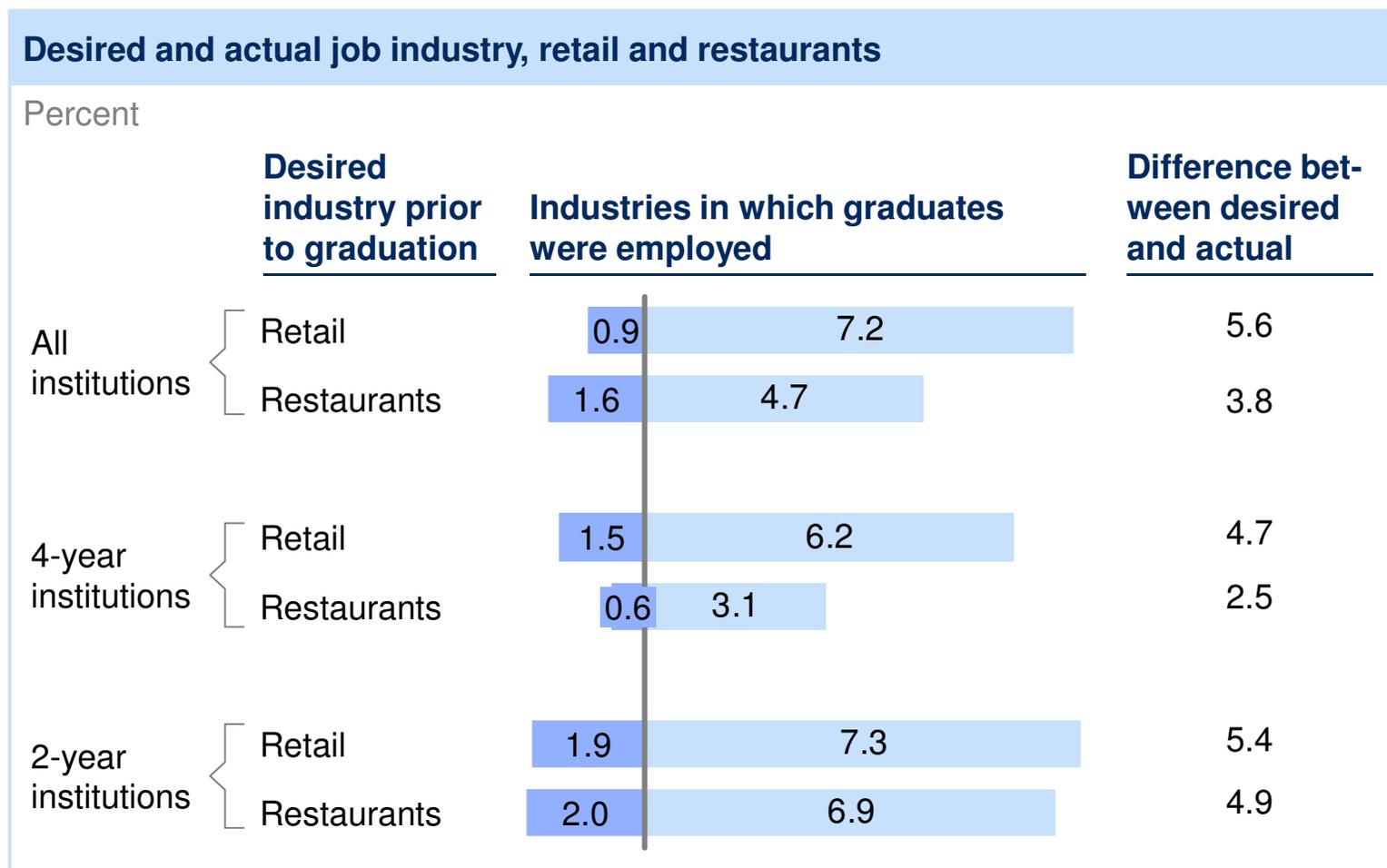
Disappointed – Almost half of all graduates could not get a job in their desired field



Disappointed – Some graduates were likelier to find work in their desired field

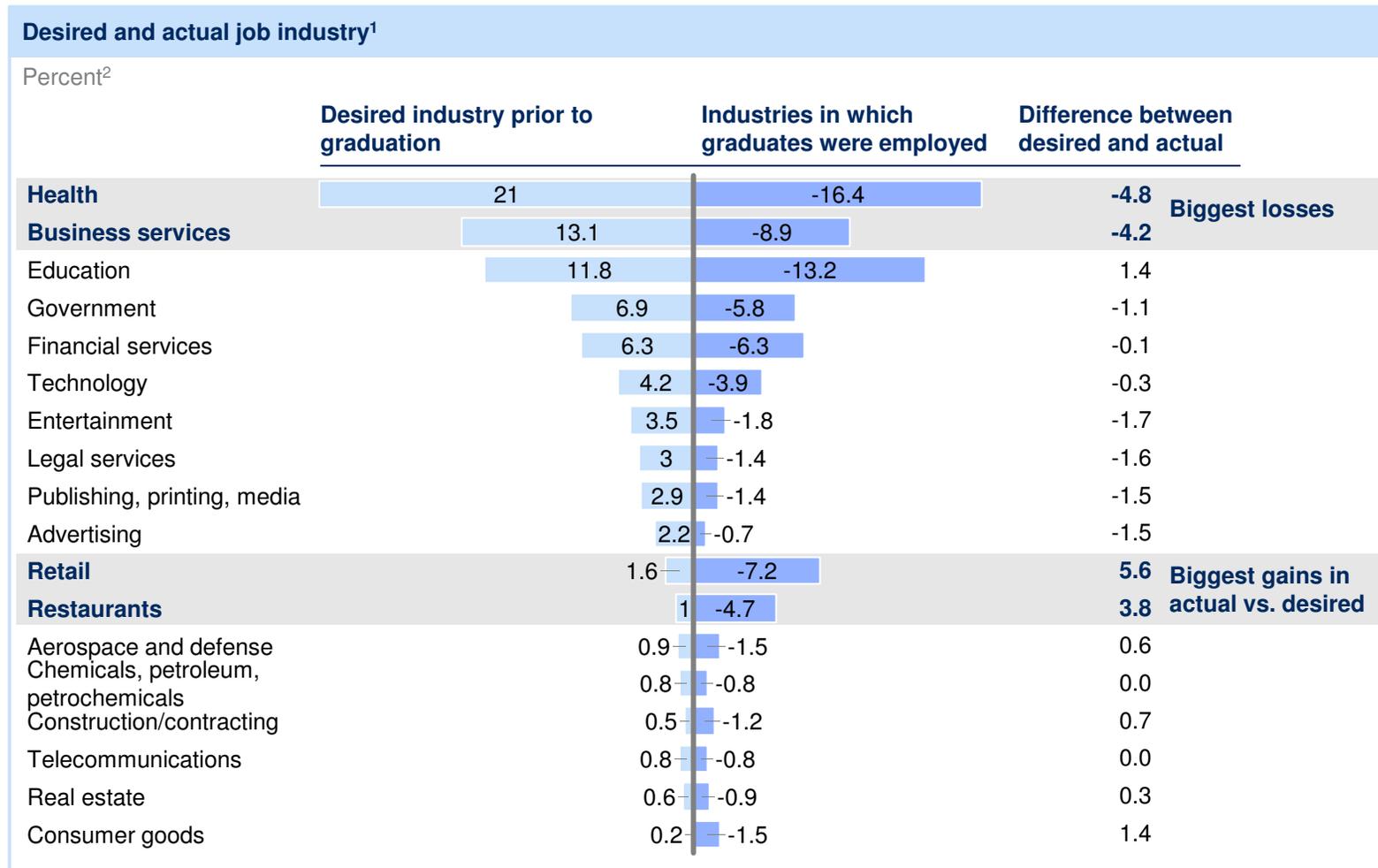


Can I help you? – Significantly more graduates work in retail or hospitality than originally planned to



1 Excludes respondents who did not graduate or who are currently in grad school

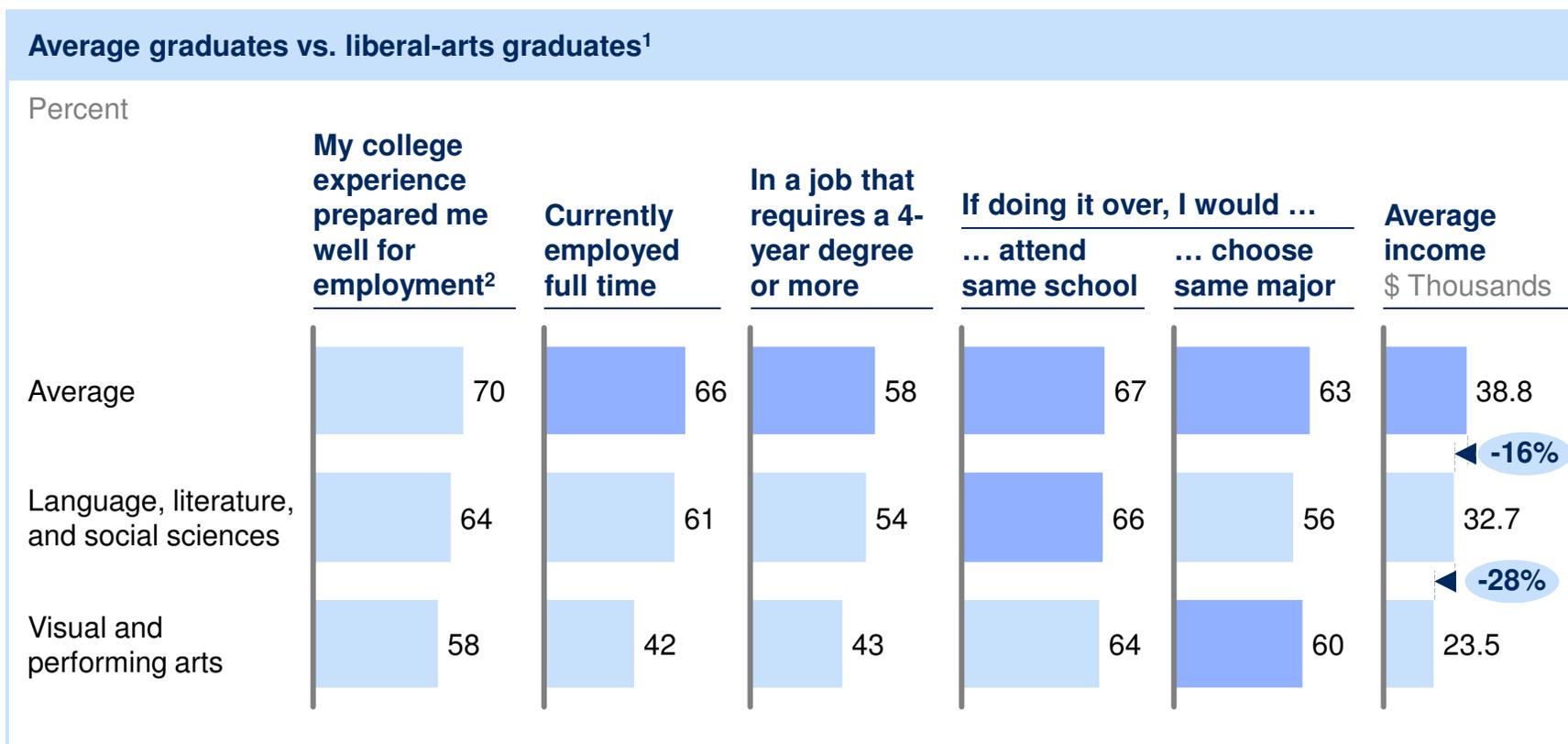
Can I help you? – Health and business services have the biggest gap between desired and actual employment



1 Excludes respondents who did not graduate and who are currently in graduate school; includes vocational and for-profit schools

2 Figures may not sum, because of rounding

Liberal Arts – Liberal-arts majors fared worse than average in all measures

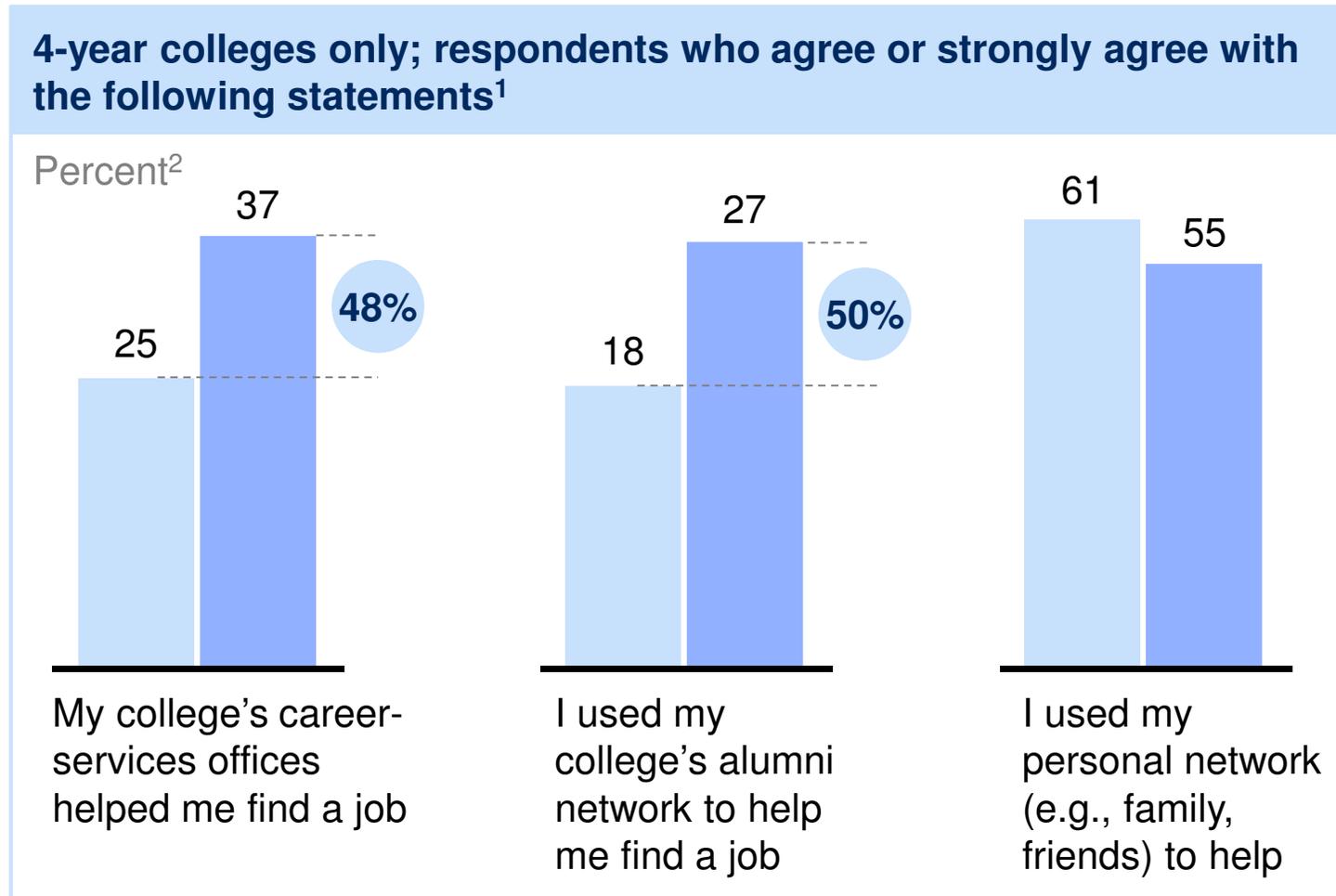


1 Includes only 4-year private- and public-school respondents; sample size varies depending on category of question

2 Percent who strongly agreed or agreed

Do it yourself – Most graduates relied on personal networks, not institutional mechanisms, to find jobs

Other institutions
Top-100, 4-year institutions



1 Chart reflects the sum of respondents who agree and strongly agree with the statements; other choices were neutral, disagree, and strongly disagree

2 Excludes those who did not graduate; includes about 2,300 respondents across "path to job" questions

The opportunity agenda

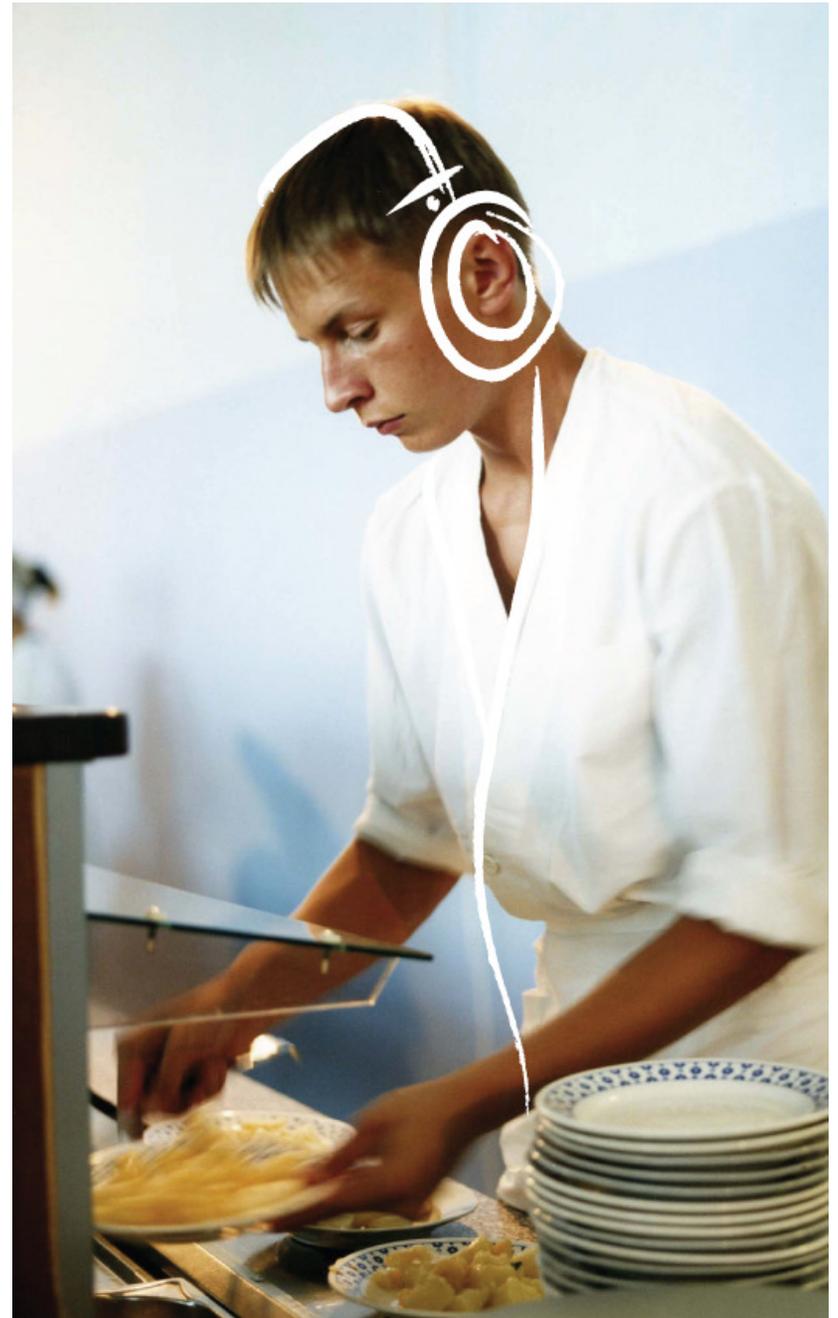
- 1 Better link campus life to the world of work (experiential learning, workplace skills)
.....
- 2 Launch an informational agenda so students are better informed about employment and income trends, graduation rates, job placement, and salaries
.....
- 3 Alternative pathways for students who might not fully benefit from four-year degrees
.....
- 4 Separately, tackle the issues of cost and access – what role for digital education?



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**Innovative and
effective programs
around the world
have important
elements in
common**



Successful programs are all defined by education providers and employers actively stepping into one another's worlds

Employers “pre-hiring” before enrollment or **providers with off-take agreements**



Co-developing curricula to ensure industry relevance



Providers bring the workplace to the classroom through apprenticeships and simulations



Regular feedback from industry on graduates



There are three primary barriers to scale

	Barriers	Solutions
1 	Constraints on provider resources (e.g., cost, faculty)	Highly standardized curriculum disseminated using non-traditional channels
2 	Difficulty in providing sufficient hands-on-learning opportunities	Serious games as 21 st century apprenticeship model
3 	Employers hesitant to invest in training except for specialized skills training	Standardized core curriculum and tailored electives

Further reading:

www.mckinsey.com/mgi

www.mckinsey.com/insights/transforming_education

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