Press release

Katholische Universität Eichstätt-Ingolstadt
Dipl.-Journ. Constantin Schulte Strathaus
03/21/2022
http://idw-online.de/en/news790481
Scientific Publications
Economics / business administration, Information technology, Teaching / education
transregional, national

Skills instead of formal degrees: How the job market is changing in the U.S.

When the demand for workers significantly exceeds the supply, companies in the United States place less emphasis on formal degrees when it comes to job applications. Instead, skills and competencies become more important. This is the conclusion of a study with the participation of Christina Langer, which has now been published in the renowned Harvard Business Review. Christina Langer is a research associate at the Chair of Macroeconomics at the Ingolstadt School of Management Ingolstadt (WFI) of Catholic University Eichstätt-Ingolstadt and a visiting scholar at the ifo Institute in Munich.

In cooperation with Emsi Burning Glass, a leading labor market data company, Christina Langer and Professor Joseph B. Fuller (Professor of Management Practice at Harvard Business School) have analyzed more than 51 million job ads that were published in the US between 2017 and 2020. “As recently as the early 2000s, many employers began adding college degrees to job descriptions that previously did not require a degree, even though the jobs themselves had not changed. This trend of “degree inflation” became especially apparent after the Great Recession of 2008 to 2009,” says Christina Langer. It was at that time that leaders in the administration, companies and organizations realized that something would have to change. Soon many big companies announced that when hiring employees, university degrees would no longer be one of the requirements for most of the jobs. The research now tried to find out whether companies were true to their word a decade later.

What became apparent was that even before the coronavirus pandemic, employers had already begun asking for university degrees less frequently. Between 2017 and 2019 the call for applicants with a university degree went down by 46 percent for middle-skill jobs and by 31 percent for high-skill jobs. Langer explains that this “applies most to IT and to management positions which were hard to fill in those years”.

The researchers have also focused on the IT sector, which is characterized by a persistent imbalance between supply and demand and in which positions with a similar profile can be found across different companies. At the same time, when using the example of a job as software engineer in quality assurance, the authors of the study were able to find a great variety of requirements that different companies found to be important in candidates: Whereas Accenture or IBM only asked for a university degree in 26 and 29 percent of their job advertisements respectively, Intel, Apple and HP were looking for applicants with at least a Bachelor’s degree in more than 90 percent of their ads, and the company Oracle even in 100 percent of their job listings.

So why do so many employers still ask for a formal degree, if technical or “hard” skills are easily verifiable in assessment tests? “Some companies think that college graduates have better social or “soft” skills - such as the ability to work in teams, communicate efficiently and prioritize tasks. These abilities are way harder to measure, and our analysis suggests that many employers are simply using college degrees by way of proxy”, says Christina Langer. At the same time, we can say that when employers did not specify a required degree in their job ad, they generally gave more detailed requirements concerning soft skills.
Only a quarter of the recorded changes in job advertisements can be attributed to employers’ short-term reactions to the pandemic. This, for instance, holds true for jobs in which the pandemic has directly led to an increase in demand, such as jobs in healthcare. Therefore, the research team does not attribute this current adaptation to a temporary crisis as decisive for a fundamental change in companies’ employment policies.

In general, it is worth noticing that employers are once again starting to define in more depth for themselves, which qualities they are really looking for when formal degrees seize to be one of their requirements. This in turn makes it easier for applicants to find out what qualifications are expected of them. According to Christina Langer, due to a lack of pertinent studies, it is not yet possible to say whether a similar trend is emerging in Europe or Germany. However, she will be inquiring into this topic in the future.

With regard to the U.S., she says: “The prospect of well-paid jobs for young people who do not necessarily have to invest in a degree is an essential step towards reducing inequality in the U.S. labor market. Companies themselves gain to benefit from the ensuing inclusive diversity. Workforce diversity should be a matter of skills, aptitude and commitment, not educational attainment.” After all, only 26 percent of African Americans and only 19 percent of Hispanics age 25 or older have a Bachelor’s degree or higher, according to the U.S. Census Bureau.

The study „The Emerging Degree Reset“ can be seen in detail online at hbs.me/3HEBfDf.

contact for scientific information:
Christina Langer, research associate at the Chair of Macroeconomics at the Ingolstadt School of Management (WFI), (christina.langer@ku.de)

URL for press release: http://hbs.me/3HEBfDf
Christina Langer, research associate at the Chair of Macroeconomics at the Ingolstadt School of Management (WFI) München