Schumpeter

Angst for the educated

A university degree no longer confers financial security

Sep 3rd 2011 | from the print edition

MILLIONS of school-leavers in the rich world are about to bid a tearful goodbye to their parents and start a new life at university. Some are inspired by a pure love of learning. But most also believe that spending three or four years at university—and accumulating huge debts in the process—will boost their chances of landing a well-paid and secure job.

Their elders have always told them that education is the best way to equip themselves to thrive in a globalised world. Blue-collar workers will see their jobs offshored as the argument goes. School dropouts will have to cope with a life of casual work. The graduate elite will have the world at its feet. There is some evidence to support this. A recent study from Georgetown University’s Centre on Education and the Workforce found that the median income for the top 20% of recent college graduates is about 35% higher than for the bottom 20%.
“obtaining a post-secondary credential is almost always worth it.” Even tightly correlated with earnings: an American with a professional degree could expect to earn $3.6m over a lifetime; one with merely a high-school diploma can expect to earn $1.7m. The gap between more- and less-educated earners may be widening. A student with a bachelor’s degree could expect to earn 75% more over a lifetime than one with a high-school diploma. Today the premium is even higher.

But is the past a reliable guide to the future? Or are we at the beginning of a relationship between jobs and education? There are good reasons for thinking we are about to change—and that the current recession-driven downturn in the demand for university graduates will morph into something structural. The gale of creative destruction that has been sweeping over so many blue-collar workers over the past few decades is beginning to hit the white-collar sector as well.

The supply of university graduates is increasing rapidly. The Chronicle of Higher Education calculates that between 1990 and 2007 the number of students going to university increased by 22% in North America, 74% in Europe, 144% in Latin America and 162% in Asia. The number of people attending university around the world, including 70m in Asia—especially China—are pouring resources into building universities that did not exist a decade ago. America and Europe. They are also producing professional-service companies like Accenture, IBM Consulting Services and Infosys that take fresh graduates and turn them into computer programmers and consultants. The best and the brightest are increasingly competing with the best and the brightest from poorer countries who will work harder for less money.

At the same time, the demand for educated labour is being reconfigured in the same way that the demand for agricultural labour was reconfigured after the industrial revolution, and that for factory labour in the 20th. Computers can not only perform more work faster than human beings. They can also empower amateurs to do the same kind of work. Why hire a flesh-and-blood accountant to complete your tax return? (An online package) will do the job at a fraction of the cost? And the variety of products and services multiplying as programmers teach them to deal with tone and language.

Several economists, including Paul Krugman, have begun to argue that the future will be characterised not by a relentless rise in demand for the educated, but by the need to retrain the educated to deal with the kinds of change that are now sweeping through the world. So the demand for the educated will drop, and so will the returns to education. An American with a professional degree could expect to earn $3.6m over a lifetime; one with merely a high-school diploma can expect to earn $1.7m. The gap between more- and less-educated earners may be widening. A student with a bachelor’s degree could expect to earn 75% more over a lifetime than one with a high-school diploma. Today the premium is even higher.

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out”, as mid-level jobs are destroyed by smart machines and high-

Autor, of the Massachusetts Institute of Technology (MIT), points out that automation in the computer era is not that it destroys blue-collar jobs that can be reduced to a routine. Alan Blinder, of Princeton University, points out that even a plumber or lorry-driver’s job cannot be outsourced to India. A computerised-search specialist such as Blackstone Discovery. Even patients find advice online and treatment in Walmart’s new health centres.

A university education is still a prerequisite for entering some of the guilds that provide secure and well-paying jobs. These guilds did a wonderful job of raising barriers to entry—sometimes it wants to be operated on by a barber) and sometimes for self-interest (the guilds are beginning to buckle. Newspapers are fighting a losing battle with the internet. Universities are replacing tenure-track professors with non-tenured contract educators who are increasingly breaking the production of brain-work into ever tinier chunks. IT projects into bite-sized chunks and then serves them up to a workforce.

Dreaming spires, meet pin factory

Thomas Malone of MIT argues that these changes—automation, globalisation—are part of a bigger change: the application of the division of labour. Adam Smith’s factory managers broke the production of pins into 18 steps. But they are increasingly breaking the production of brain-work into ever tinier steps. IT projects into bite-sized chunks and then serves them up to a workforce of coders.

These changes will undoubtedly improve the productivity of brain-workers and empower many brain-workers to focus on what they want to do. But the reconfiguration of brain-work will make the next generation of graduates’ lives more tedious tasks to others. And they will empower many brain-workers to focus on what they want to do. But the reconfiguration of brain-work will make the next generation of graduates’ lives more difficult and predictable for the next generation of graduates.