Why is the employment rate currently so low in the US (especially among lower skilled workers)

- Claim: An important little noticed force is the reversal in the demand for more cognitive task (management, professional and technicians) that happened around 2000.
- While the reduction in demand directly affected more educated workers, these workers adjusted by accepting employment in less skill jobs thereby pushing out less educated workers.
- Conjectured Reason: the timing suggests an adoption cycle, ie., initial high need for skill jobs during an implementation stage (nineties) followed by a reversal as implementation needs recede
- The following figures are from “The Great Reversal in the Demand for Skills and Cognitive Tasks” (by Beaudry, Green and Sand)
Model Implications: US Employment Rate by Task Group

Occupational Employment Rate and Supply Index: Management, Professional, Tech.
Adjusted Employment Rate vs Trend: Management, Professional, Tech.

Time Trend is cubic. Morg. ER is hours/pop.
created – 29 Jan 2013 11:58:26
Average Cognitive Task: College Graduates

Average Task Content: Cognitive

Year

1980 1990 2000 2010

The Great Reversal in the Demand for Skill
Employment Changes by Education Group

Occupational Employment Rates: Young BAs

2000–1990

2007–2000

Change in Employment Rate

occupation wage: 1980

kernel = epanechnikov, degree = 0, bandwidth = .19, pwidth = .2

kernel = epanechnikov, degree = 0, bandwidth = .12, pwidth = .18

CI Smoothed Change

Employment Rate Change

Paul Beaudry  David A. Green  Ben M. Sand

The Great Reversal in the Demand for Skill
Change in Wage percentiles: group Young BA

-2 -1 0 1 2
Change in log wage
0 20 40 60 80 100
Percentile
2010−2000

The Great Reversal in the Demand for Skill

Paul Beaudry  David A. Green  Ben M. Sand
Wage Changes by Percentile

Change in Wage percentiles: group Young HS

-3 -2 -1 0 .1
Change in log wage
0 20 40 60 80 100
Percentile

Paul Beaudry  David A. Green  Ben M. Sand
The Great Reversal in the Demand for Skill