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 tasks (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, i.e., 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.

- Employment Rate
- Supply Index

The Great Reversal in the Demand for Skill
Demand Index by Task Group

Adjusted Employment Rate vs Trend: Management, Professional, Tech.

Time Trend is cubic. Morg. ER is hours/pop.
created – 29 Jan 2013 11:58:26
Occupation Changes by Education Group

Average Cognitive Task: College Graduates

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

Occupational Employment Rates: Young BAs

2000–1990

2007–2000

CI  Smoothed Change

Employment Rate Change

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The Great Reversal in the Demand for Skill

Change in Wage percentiles: group Young BA

-2 -1 0 1 2
Change in log wage

Percentile

Wage Changes by Percentile

Change in Wage percentiles: group Young HS

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The Great Reversal in the Demand for Skill