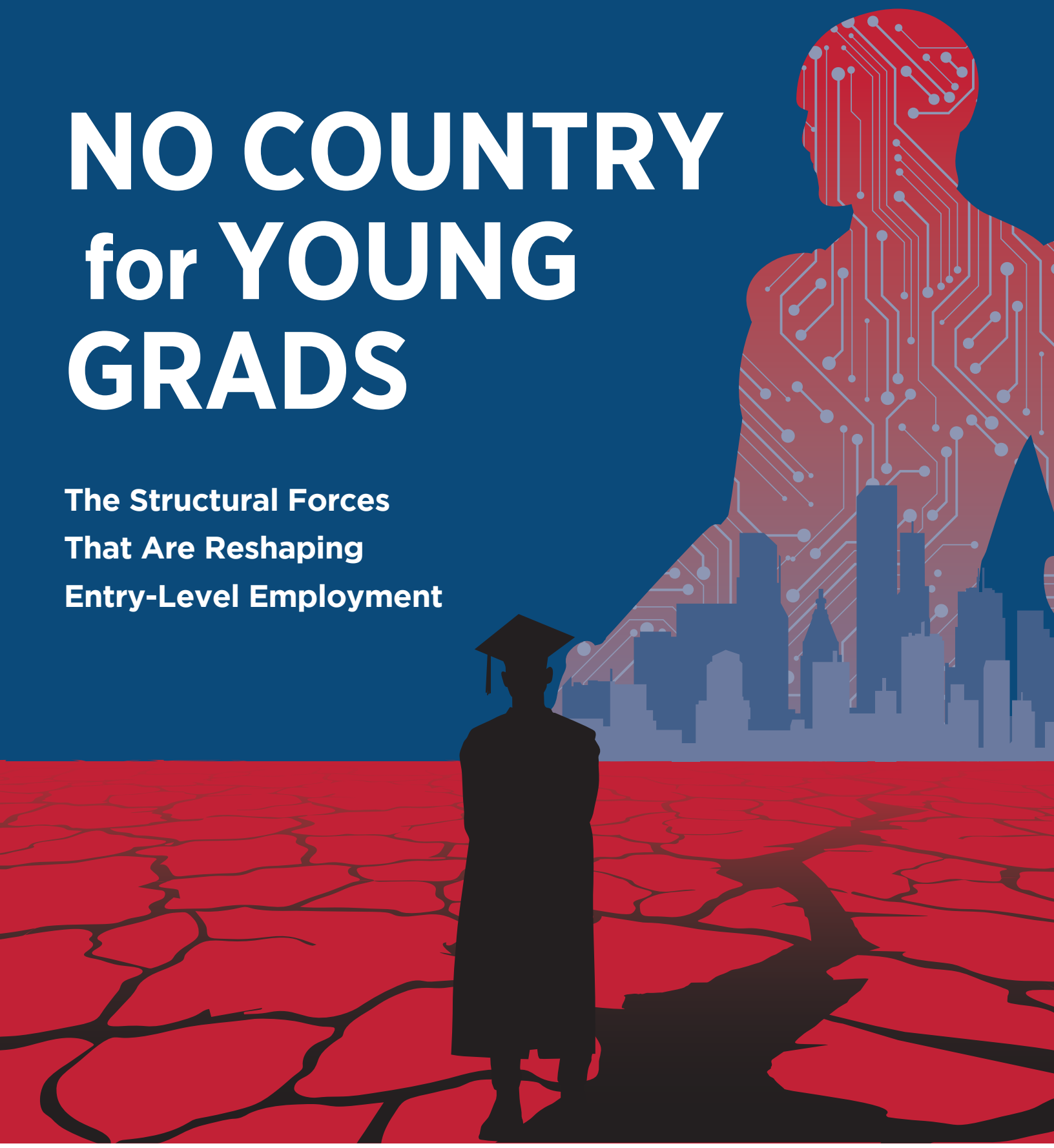
NO COUNTRY for YOUNG GRADS

The Structural Forces That Are Reshaping Entry-Level Employment



By Gad Levanon, Matt Sigelman, Mariano Mamertino, Mels de Zeeuw, and Gwynn Guilford

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No Country for Young Grads:

The Structural Forces That Are Reshaping Entry-Level Employment

For the first time in modern history, a bachelor's degree is failing to deliver on its fundamental promise: access to professional employment. Young graduates face unemployment rates that are rising faster than any other education or age cohort, while over half of them land into jobs they didn't need college to get. The traditional pathway from college to career is becoming less reliable.

While cyclical factors may contribute, the evidence points to something more concerning: structural shifts that systematically disadvantage new college graduates, even as the broader economy remains resilient.

Consider the paradox: White-collar sectors like technology, finance, and professional services are posting strong revenues. Unemployment rates for non-college graduates are stable. Yet for young degree holders, the job market is deteriorating rapidly. This isn't about economic weakness. It's about fundamental changes in how knowledge work is organized and who can participate in it.

Our analysis reveals four interlocking factors that appear to be rewriting the rules of professional employment:

- **The AI-Powered "Expertise Upheaval":** Artificial intelligence is eliminating entry-level positions where large language models can perform many of the junior tasks. The share of job postings requiring fewer than 3 years of experience has dipped in these occupations, while the relative demand for senior talent has grown.
- **The Post-Pandemic Hiring Shift:** The pandemic forced white-collar industries to operate with leaner teams, and early indications suggest many discovered they could grow revenue without proportionally growing headcount. This coincided with the Great Resignation of 2021-22, which appears to have made employers more risk-averse in their hiring. Anecdotal reports suggest many now prefer experienced workers who can contribute immediately over junior employees who require training and investment – and those reports are supported by a rising share of openings with significant experience requirements across an array of fields. Knowledge economy sectors that traditionally absorbed most college graduates are continuing to grow yet at a significantly scaled back pace of hiring compared with pre-pandemic norms, suggesting that they have found a new lower-employment equilibrium. The growing preference for experienced hires is limiting opportunities for new graduates correspondingly.
- **AI as Accelerant:** The timing of AI's emergence—just as companies were seeking efficiency gains and reducing training investments—creates a multiplicative effect. Each trend likely reinforces the others, with AI providing the technical means to realize the organizational changes companies were already pursuing.
- **The Graduate Glut:** A rising share of young adults are choosing to go to college. Even as most college graduates take jobs that don't require degrees, a bachelor's has come to

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be seen as the minimum ticket for entrance into the middle class. The result: a growing surplus of college graduates, projected to increase by 7-11 million by 2034—intensifying competition for what may be increasingly scarce professional jobs.

The consequences are already becoming visible. This generation of graduates is the only one seeing its prospects deteriorate. While their peers without degrees are experiencing milder deterioration, and older degree holders remain secure, young graduates are caught in a convergence of forces that could well prove structural.

This mismatch represents a profound economic inefficiency. America's competitive advantage has long rested on having one of the world's most educated workforces—a force that drove its industrial dominance in the 20th century and continues to fuel innovation, attract global investment, and power economic growth. Failing to harness young talent effectively will squander not just individual potential but national economic capacity.

This report documents how these forces are coming to shape a new reality in which traditional assumptions about education and employment may no longer hold. To be clear, the challenge we document in this report is not one of oversupply but of underutilization. The problem isn't that we're educating too many people; it's that we're wasting their potential. An educated workforce remains America's greatest competitive asset. It remains to be seen how the nation's economic structures will evolve to harness it – and what becomes of those who are sidelined in the interim.

The Paradox: A Thriving Economy That Doesn't Need New Graduates

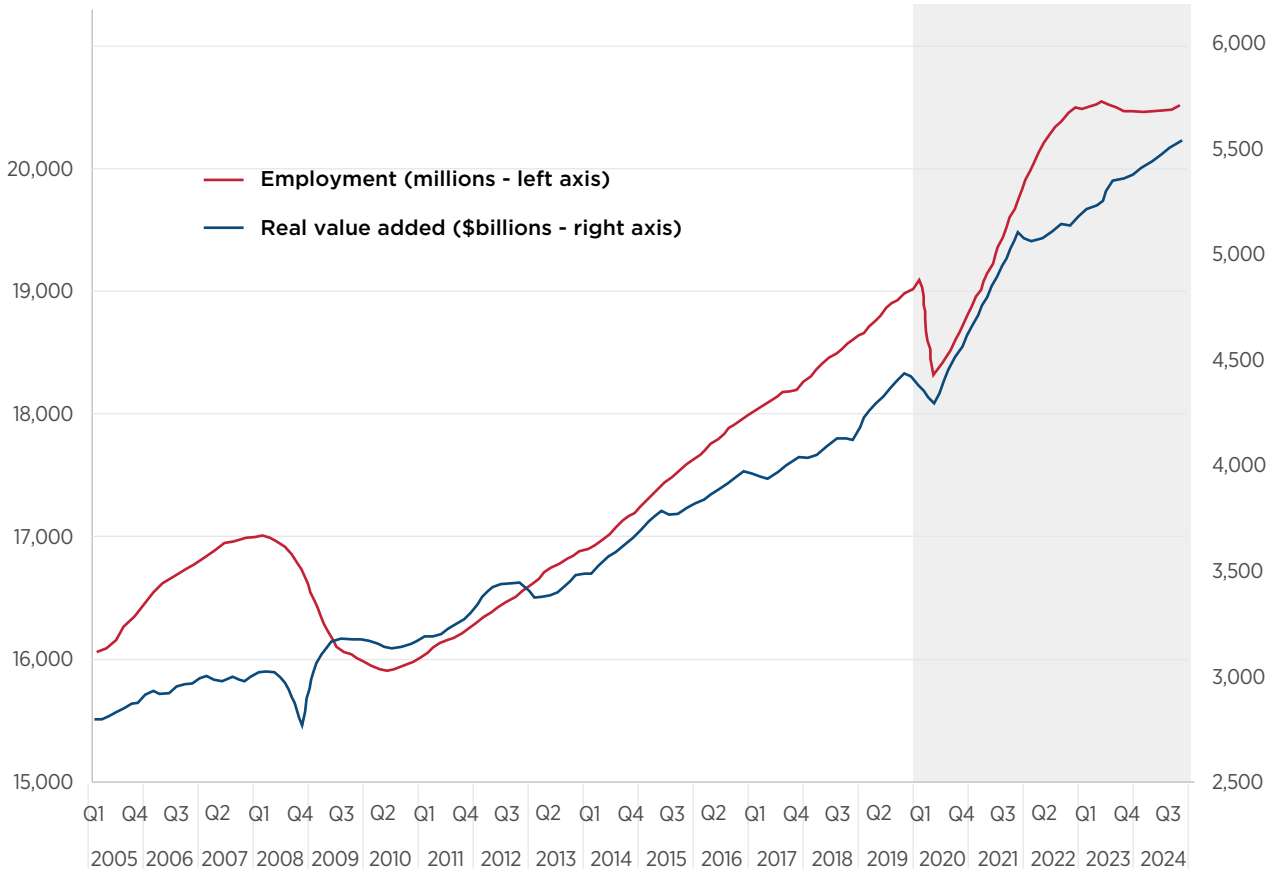
Economic indicators across the United States suggest ongoing strength. GDP continues to rise, corporate earnings remain robust, and the labor market as a whole has largely recovered from pandemic-induced shocks. White-collar sectors, including technology, finance, and professional services, are posting record revenues, signaling a healthy business environment and ongoing demand for professional services.

Yet beneath these encouraging figures lies a striking new reality: companies are enjoying revenue growth without increasing headcount, shifting to a low-employment-high-productivity economic model. The data show that non-college workers and older graduates have not experienced the same level of deterioration in unemployment.

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Chart 1: Employment in white-collar occupations has stalled, even as GDP kept on increasing

Real GDP and employment in information finance, insurance, professional, scientific, and technical services

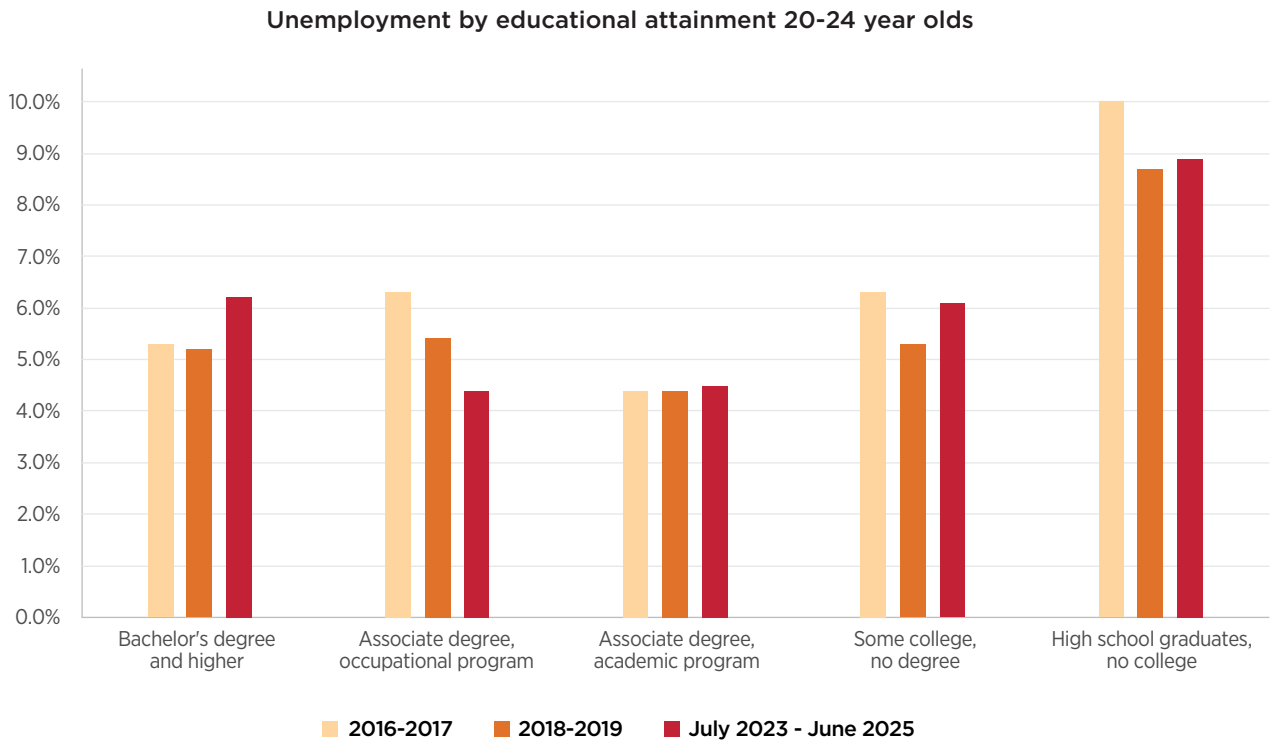


Source: Burning Glass Institute

Young degree holders are uniquely and negatively affected by these changes, facing a deteriorating job market, with a rise in unemployment rate that is sharper than for any other education or age cohort.

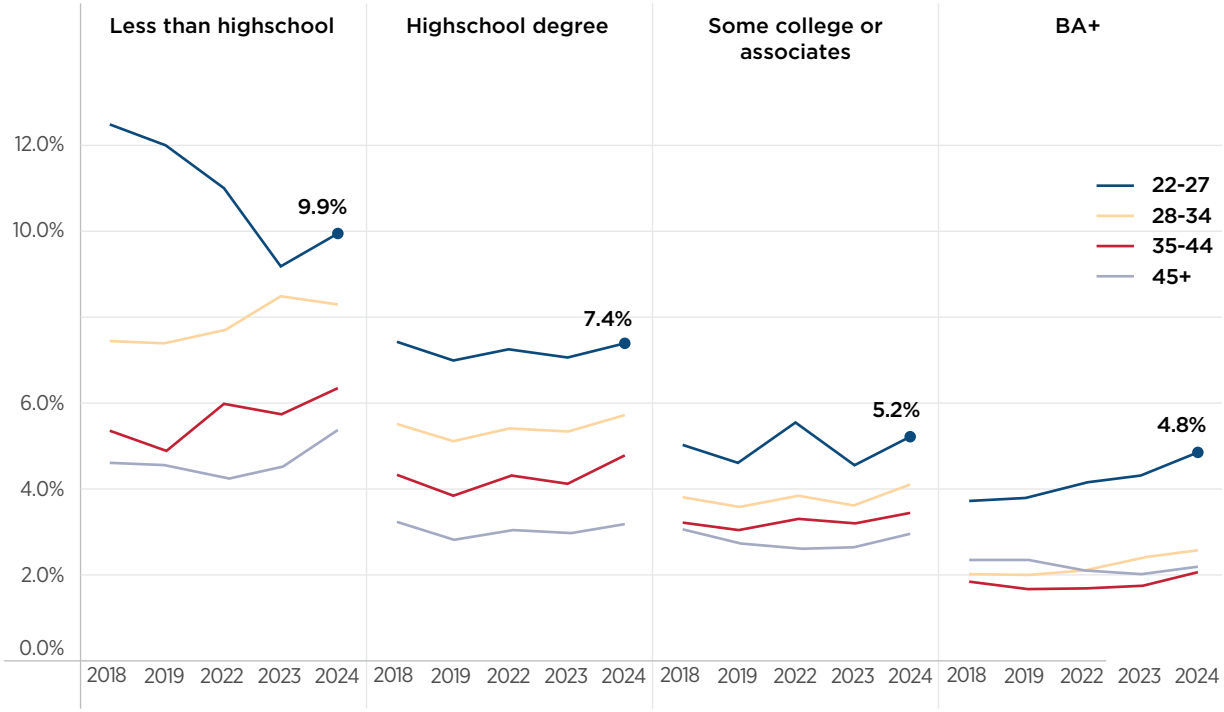
Looking at 20-24 year olds, the unemployment rate for those with at least a bachelor's degree increased from 5.2% in 2018-19 to 6.2% in the two years through June 2025. By contrast, rates for individuals with less education have generally declined since 2016-2017. As a result, the unemployment rate for young college grads is now higher than for any other group except those with only a high school diploma.

Chart 2: Unemployment by educational attainment for 20-24 year olds



This development represents a dramatic erosion of the traditional advantage in job security afforded by a college degree. In both 2023 and 2024, the gap in unemployment between young graduates and their less-educated peers shrank to its smallest margin in three decades.

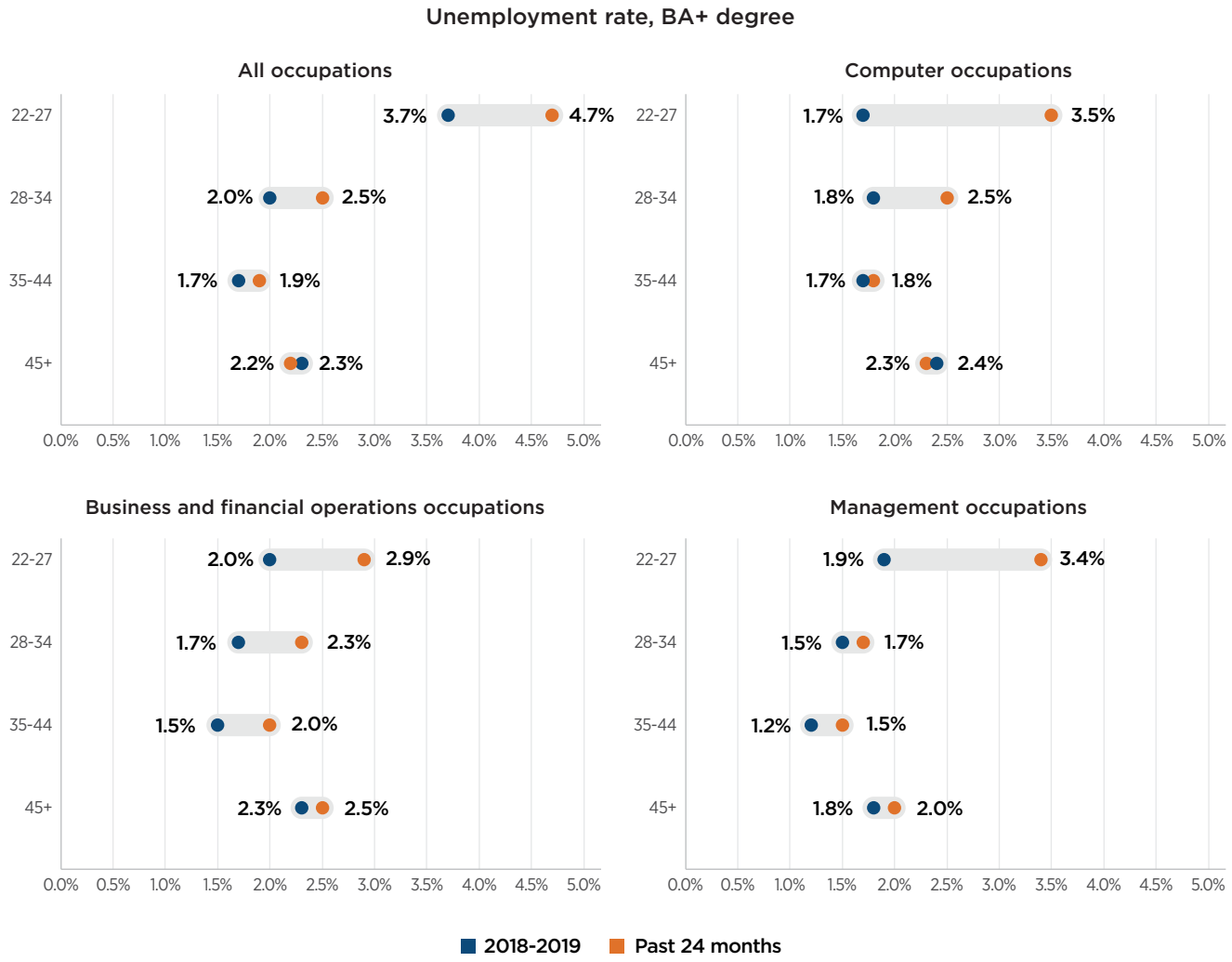
Chart 3. The unemployment gap between young degree holders and their peers is the narrowest in 30 years



Source: Burning Glass Institute

Notably, the sharpest increases in the unemployment rate are concentrated in occupations like tech, business operations, and finance that have offered ready career entry points for the previous generation of college graduates.

Chart 4. Unemployment rates for college grads by age and select occupation



Source: Burning Glass Institute

The layoff data tells a similar story. Layoff rates for degree-holders in this age group have nearly doubled compared to pre-pandemic levels, with the highest concentrations in information, finance, and professional services—the very sectors graduates once relied upon for upward mobility.

This paradox—a thriving economy with declining prospects for new graduates—underscores that the challenges facing young professionals are not simply a function of weakening demand, but a product of deeper structural changes in the organization of work.

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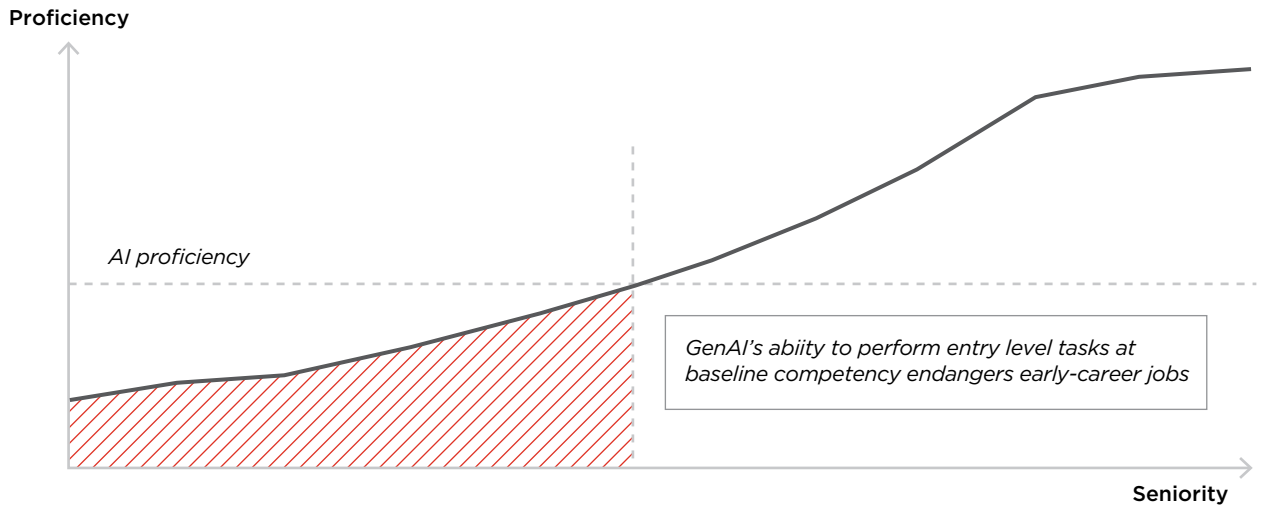
The Expertise Upheaval: AI's Targeted Disruption of Entry-Level Work

To understand these dynamics, we must first grasp how Generative AI is fundamentally restructuring professional work. Our "Expertise Upheaval" framework, developed in partnership with Harvard University's Joseph Fuller and Michael Fenlon, distinguishes the specific roles in which generative AI is likely to restrict entry-level opportunity from those where AI could unlock new opportunity for those without prior expertise[1]. Using the shape of learning curves together with the difference in the nature of tasks performed by junior vs. experienced staff, the framework identifies "Growth Roles"—careers like marketing specialist, project manager, and financial analyst—where we can expect an inversion of traditional staffing models, with employers having less need for entry-level workers and growing demand for those who already have experience. Importantly, these Growth Roles are significantly more likely to require a degree—and pay better in turn—than Mastery Roles, in which entry-level opportunity may increase, highlighting the particular vulnerability of young graduates.

The disruption occurs because, in these roles, Generative AI excels at precisely the kind of foundational work that junior employees traditionally perform: research, first drafts, basic data analysis, and routine communications. As AI takes on these tasks, the traditional "stepping stones" for junior employees erode. This creates a "Flipped Pyramid" effect: the organizational model that relied on a broad base of junior employees learning over time is being dismantled, drastically reducing the need for a large entry-level workforce.

Chart 5. The 'Expertise Upheaval' framework identifies roles most vulnerable to AI disruption

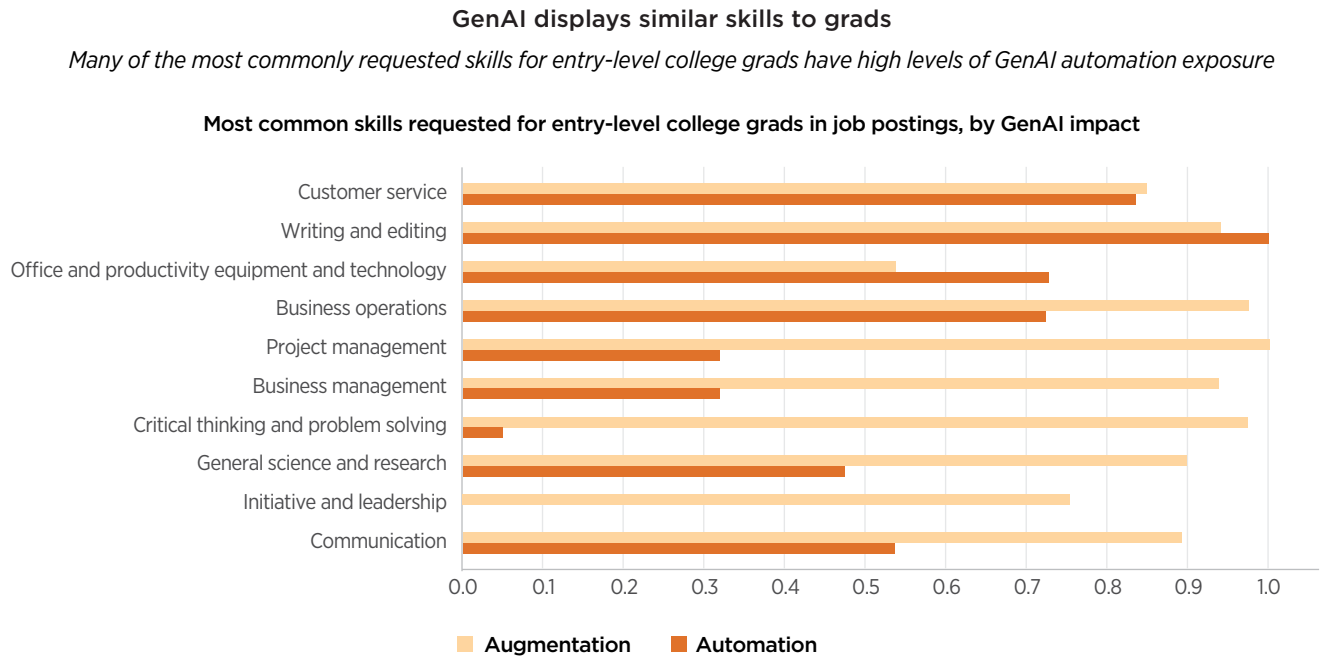
Some roles involve learning curves that become more demanding as worker advance, with complexity increasing over time, indicating a significant difference between the skills used by relatively inexperienced vs. more tenured employees.



Source: Burning Glass Institute

The “Expertise Upheaval” is playing out, with its underlying theoretical framework now a hiring reality. Our analysis of job postings reveals a targeted decline in demand for junior talent, concentrated in fields most exposed to AI, including Growth Roles like marketing specialists, project managers, and financial analysts that have traditionally offered clear pathways from entry-level positions to senior expertise, with on-the-job learning, mentorship, and incremental responsibility serving as the foundation for advancement.

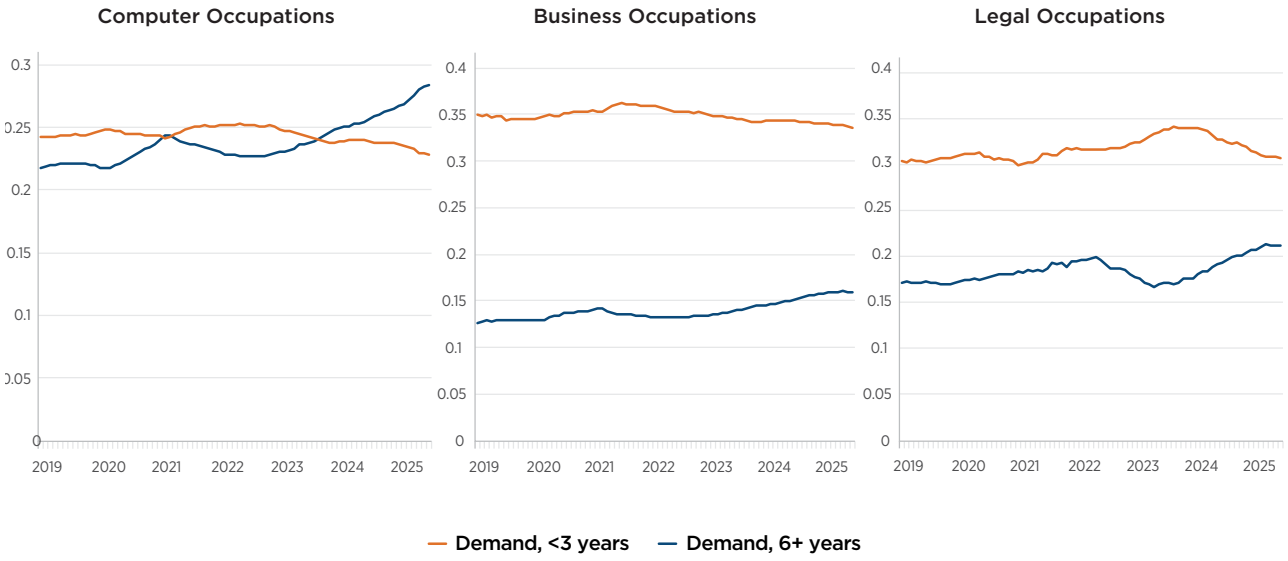
Chart 6. Many core tasks done by entry-level professionals overlap heavily with AI capabilities



Source: Burning Glass Institute

The shift is now clearly visible in real-world hiring patterns. Analysis of job postings in an array of Growth Roles shows a sharp and sustained decline in demand for workers with three years of experience or fewer, even as demand for senior professionals in the same fields holds steady or even grows.

Chart 7. Relative demand for junior talent has fallen sharply in key industries, while demand for senior talent has climbed

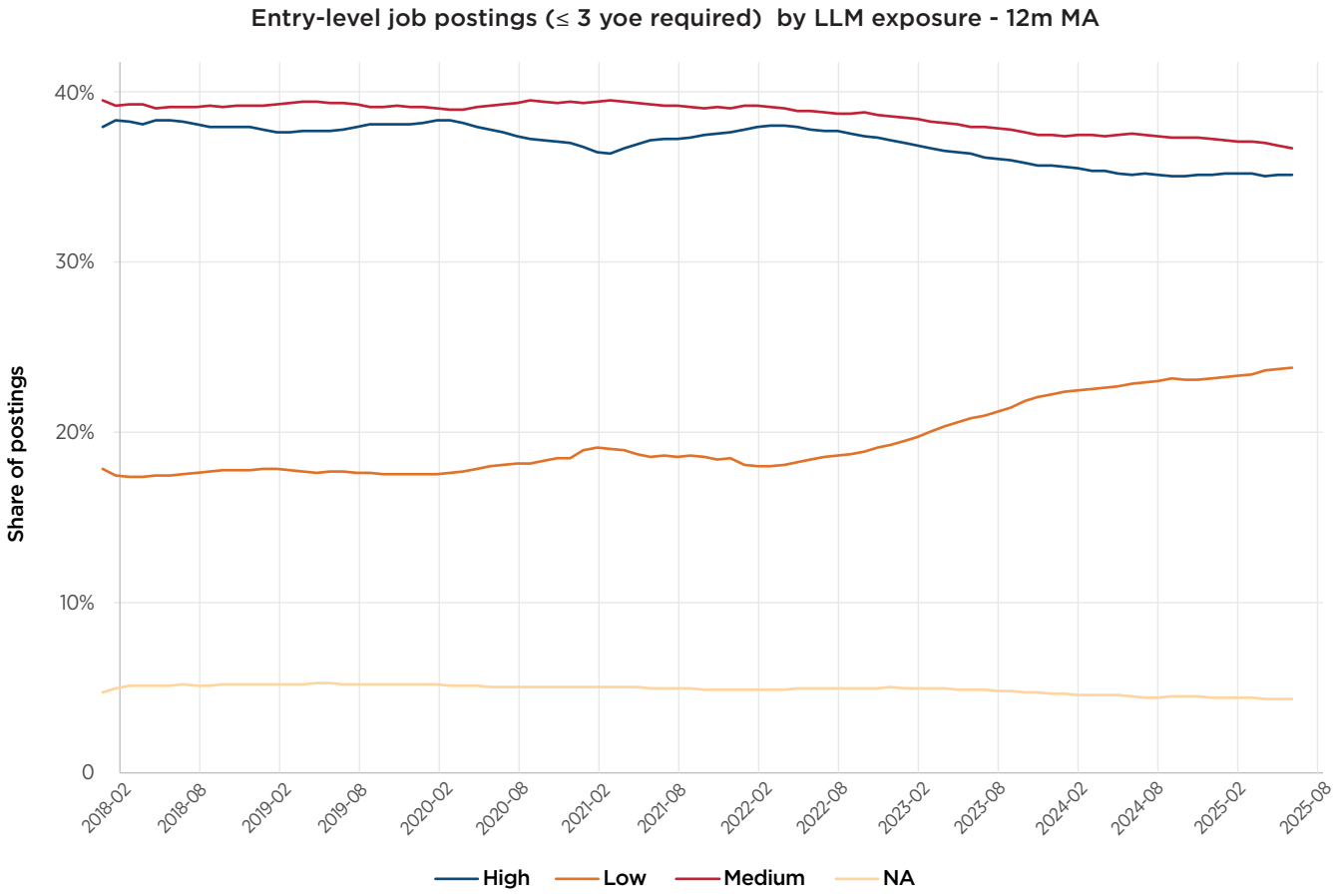


Source: Burning Glass Institute

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What is clear is that companies still need human expertise. They just don't have as much need for the entry-level roles where people have traditionally developed that expertise. The drop in entry-level postings is concentrated almost entirely in occupations with medium to high LLM exposure, while opportunities for junior talent in roles with low exposure have actually grown since 2022 – exactly consistent with the Expertise Upheaval framework.

Chart 8. The decline in entry-level job postings is concentrated in roles highly exposed to AI



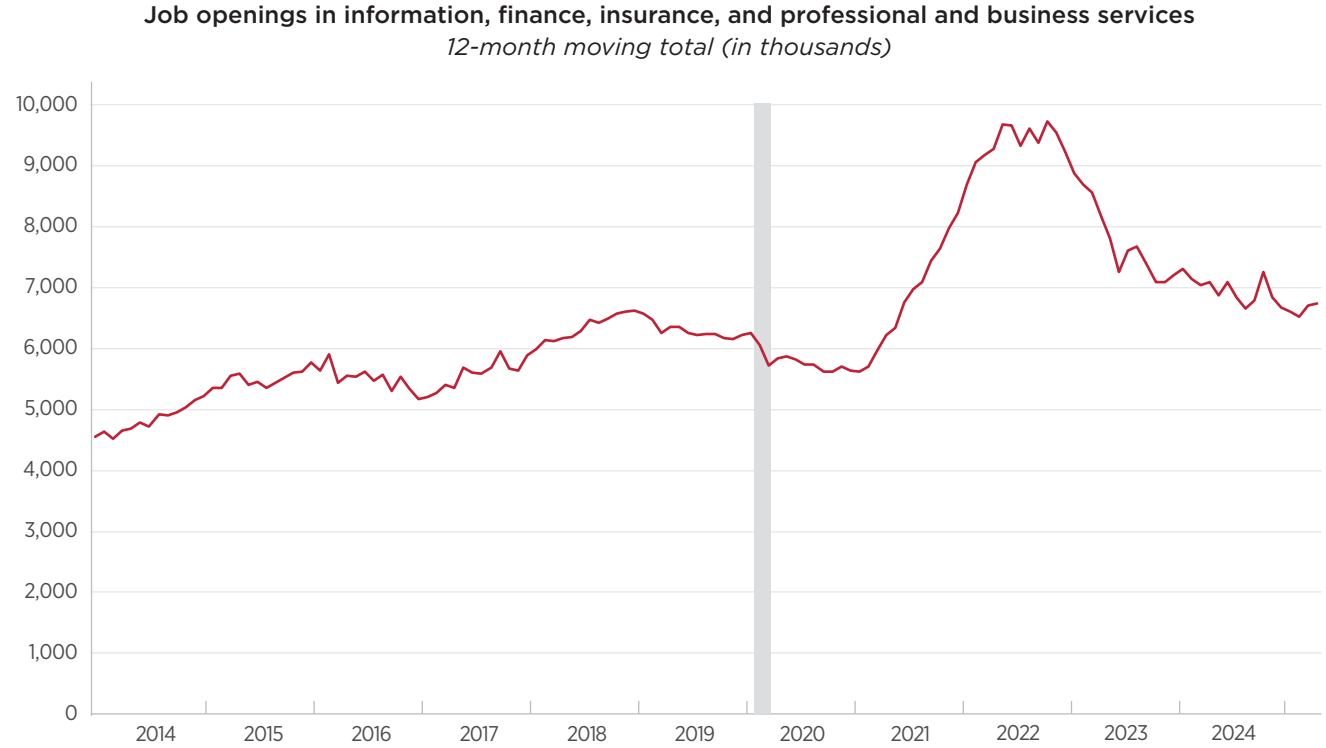
Source: Burning Glass Institute

A New Lean Growth Model? Breaking the Connection Between Output & Employment

For at least the past two decades, productivity has largely stagnated, with employment growing in lockstep with growth in output. However, for the past two years, key knowledge economy sectors – tech, financial services, professional services – have broken free of this stubborn physics and are enjoying substantial economic growth without a corresponding increase in employment. While it is certainly possible that these industries may simply be working off their post-pandemic hiring binge, with each passing quarter, it is becoming more likely that we may be witnessing the emergence of a new, higher productivity model.

To be clear, it's not that firms have stopped hiring. In fact, Chart 9 shows that the number of jobs postings in these sectors is up relative to pre-pandemic levels. The relevant factor here, however, is that employment in these sectors is down relative to economic output, as reflected in Chart 1 above. The sectors are growing, but employment isn't. When combined with shifts in employer preference toward candidates with greater experience, the net effect is diminished opportunity for recent graduates.

Chart 9. Job Openings in Information, Finance, Insurance, and Professional and Business Services, 12-month moving total (in thousands)



Source: Burning Glass Institute analysis of Haver Analytics data

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What could be at play? While AI's impact on entry-level roles is measurable and documented, we hypothesize that two additional pandemic-era shifts may be amplifying its effects.

Necessity is the Mother of Invention: The Newfound Efficiency Hypothesis. The pandemic forced white-collar industries to operate with skeleton crews during the 2021-2022 labor shortages. Companies invested heavily in automation and process improvements to maintain operations, ensuring their ability to maintain operations with permanently leaner teams.

Once Burned, Twice Shy: The Risk Aversion Hypothesis. The Great Resignation's extreme turnover may have altered employer psychology beyond just tech. Anecdotal reports and employer surveys suggest many managers now view junior hires as risks rather than investments, preferring experienced workers who can contribute immediately[2]. This could explain why entry-level hiring remains depressed across multiple sectors even as some, like tech, show signs of recovery. However, such attitudinal shifts are notoriously difficult to measure and may prove temporary as memories of the resignation wave fade.

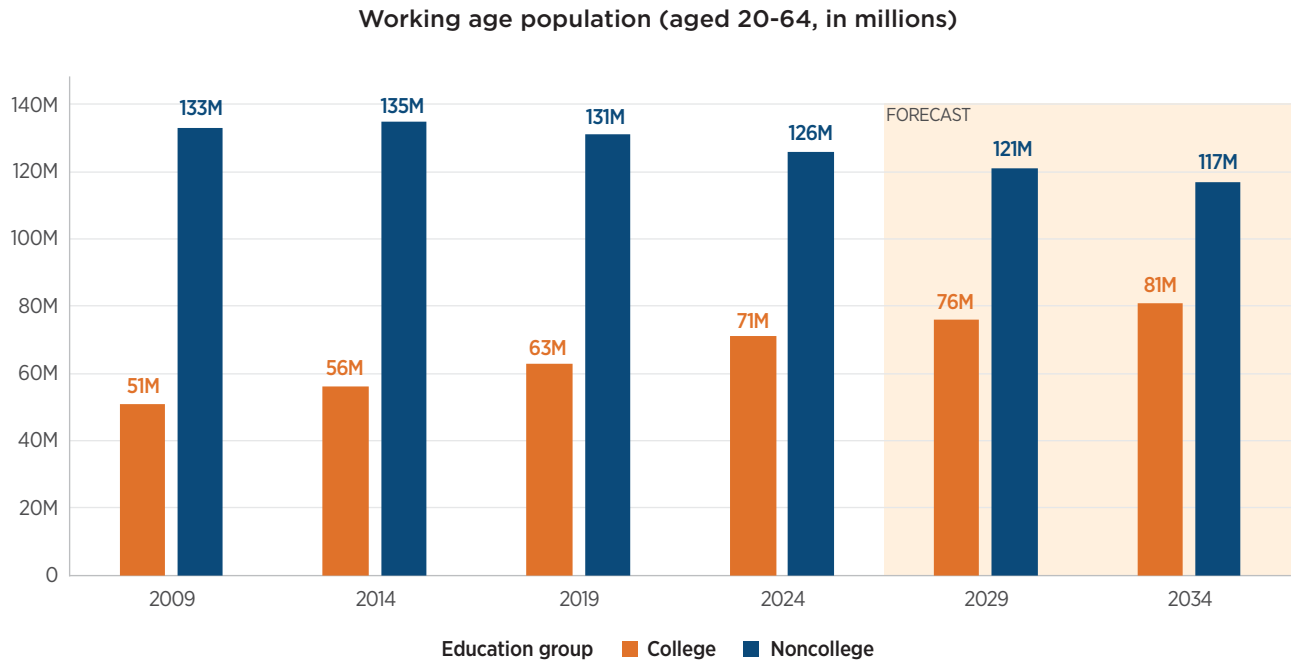
The Rising Graduate Glut

The collision of a surging supply of college graduates with a declining number of entry-level professional roles has created a hyper-competitive environment where even highly qualified individuals struggle to secure work commensurate with their education. *For the Class of 2023 – the latest class for which data is available –* ***52% found themselves one year after graduation working in jobs that didn't require a degree***. These high levels of what we call underemployment cut across the gamut of majors, not just those in which hiring has been experiencing a downturn. While graduates in STEM fields tend to fair considerably better, it is notable that even in engineering more than a quarter of graduates wind up underemployed.

Notably, this trend predates both the pandemic and the rise of generative AI, suggesting that deeper structural forces are at work for some time. This dynamic looks poised to worsen. While accelerating Boomer retirements and restricted levels of immigration are expected to freeze growth in the overall number of working-age Americans (aged 20-64), the number of college-educated adults will continue to climb steadily, as the majority of high school graduates now chooses to enroll in college. According to a **recent analysis** by Burning Glass Institute chief economist Gad Levanon, these dynamics translate to a net increase of somewhere between 7 and 11 million more college-educated Americans of working age by 2034.

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Chart 10: The college-educated workforce is set to grow 1-1.5% annually over the next decade



Note: projections are based on the low immigration scenario from the Census Bureau 2023 national population projections.
Sources: Census Bureau; National Cancer Institute population estimates; IPUMS-ACS, University of Minnesota; Burning Glass Institute

This trend creates an emerging risk of a persistent "graduate surplus"—especially as generative AI and business model changes dampen the growth of traditional white-collar employment. More graduates will be chasing a shrinking pool of suitable professional jobs, intensifying competition and fueling underemployment and credential inflation.

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Stranded at the Start: A Generational Employment Crisis

The convergence of these forces has produced a measurable and targeted crisis for a single demographic: young, college-educated Americans. While the broader economy continues to grow, and their peers—both older degree holders and young non-degree workers—experience relatively stable employment, this generation faces a unique convergence of structural forces that have severed traditional entry points to white-collar work.

The data tells a story of historic firsts: the narrowest employment gap between degree and non-degree holders in 30 years, the steepest rise in underemployment across all majors, and the targeted elimination of entry-level roles in AI-exposed fields. While cyclical and sector-specific factors may be at play, the evidence points toward deeper structural shifts.

The mechanisms at play suggest both temporary shocks and permanent change. The shift to lean staffing models and employer wariness stemming from the Great Resignation may be one-time adaptations, eventually stabilizing at a new equilibrium. AI's replacement of junior roles might peak in these early years, tapering off once the easiest substitutions have been made.

Yet other forces point toward lasting change. The "Expertise Upheaval" framework suggests that, as AI capabilities expand, the erosion of traditional on-the-job learning pathways could deepen. With more graduates competing for fewer jobs, the mismatch threatens to become permanent.

Even if business models stabilize and AI's disruption tapers, the fundamental imbalance between supply and demand for college-educated workers will persist. The consequence is not temporary unemployment, but sustained underemployment, credential inflation, and the erosion of the value of a college degree.

Today's graduates suffer the worst of both worlds: caught in a sudden shock while still expecting traditional outcomes. Those who follow will at least know the rules have changed—though the new reality of fierce competition and limited opportunities may be no less harsh.

This represents more than individual tragedy. It's a massive economic inefficiency. From the post-war boom to the tech revolution, America's economic dominance has been built on human capital. When college graduates stock shelves instead of innovating, we're not just failing them. We're risking our own economic future amidst heightened global competition.

Yet this challenge could itself become the catalyst for change. Historically, these moments of disequilibrium have sparked innovation: new industries, new business models, new ways of organizing work. The nations that harness, rather than waste, their educated workforce will dominate the next era. The alternative—accepting a permanent underclass of educated but underemployed workers—would mark not just a social failure but a strategic surrender of the country's greatest advantage.

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Methodology

This analysis utilizes several data sources and specific methodologies to examine trends in unemployment, underemployment, and the impact of Generative AI on the job market.

1. UNEMPLOYMENT AND LAYOFF DATA

Our initial analysis of unemployment and labor force participation data was conducted using information from the Bureau of Labor Statistics (BLS).

- **Unemployment Rate:** This metric represents the number of unemployed people as a percentage of the labor force (which is the sum of the employed and unemployed). The unemployment rate is calculated as: (Unemployed ÷ Labor Force) x 100.

2. UNDEREMPLOYMENT MEASUREMENT

Underemployment was measured by identifying bachelor's degree holders working in occupations that typically do not require a college degree. This classification relies on an occupation-level assessment using three components:

1. BLS data on the educational attainment of workers in each occupation.
2. BLS assessments of the typical entry-level education required for an occupation.
3. Job postings data indicating employers' stated education requirements.

These inputs are averaged to determine whether an occupation is considered "college-level." A worker is classified as underemployed if they hold a bachelor's degree but are employed in an occupation where less than half of the workers either have or are required to have one, based on this composite measure.

3. PROJECTING AND IDENTIFYING GENERATIVE AI IMPACTS

- To project and identify the impacts of Generative AI (GenAI), we use exposure scores from Felten et al. (2023). The authors develop LLM exposure scores by linking language model capabilities to O*NET work activities via expert annotation. The scores estimate how likely specific tasks or occupations are to be affected by LLMs, serving as a proxy for potential automation or augmentation.

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Endnotes

[1] Joseph Fuller is a Professor of Management Practice at Harvard Business School and Faculty Co-Chair of the Project on Managing the Future of Work. Michael Fenlon is Executive Director of Advances in Learning/Harvard Online at Harvard University, a Senior Fellow at the Burning Glass Institute, and Co-Chair of the Board on the Future of Work at the Institute for Corporate Productivity.

[2] ResumeBuilder.com, "3 in 4 managers find it difficult to work with GenZ," April 17, 2023, **https://www.resumebuilder.com/3-in-4-managers-find-it-difficult-to-work-with-genz/**; Resume.org, "Recent College Grads Are Hard To Manage and Always on Their Phones; Many Managers Avoid Hiring Them," May 6, 2025, **https://www.resume.org/research/recent-college-grads-are-hard-to-manage-and-always-on-their-phones-many-managers-avoid-hiring-them/**; Intelligent.com, "1 in 4 Hiring Managers Say Recent Grads Are Unprepared for the Workforce, Many Plan to Avoid Hiring Them in 2025," January 7, 2025, **https://www.intelligent.com/1-in-4-hiring-managers-say-recent-grads-are-unprepared-for-the-workforce-many-plan-to-avoid-hiring-them-in-2025/**

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