

By Caden Wright

Job Market Insecurity Has Graduating Students Worried: Should You Be Concerned?



UCSB Commencement Ceremony.
Source: UC Santa Barbara

Mateo Poncia is a third year student at UCSB. He is also the vice president of the Undergraduate Accounting Society and bears the responsibility of scheduling representatives from accounting firms to come to his campus and recruit graduating students. Unfortunately for Mateo, one of his most important scheduled representatives was fired just one day before his recruitment event. This created two big questions for Mateo: Firstly, is anyone safe from the indiscriminate waves of layoffs across the globe? Secondly – and more importantly for him – if student recruiters are being laid off, is anyone looking to hire soon-to-graduate students?

“It causes concern that the layoffs are random. He had done nothing wrong. Everybody loved him. He was a notable person in his company,” Mateo said of the recruiter.¹ With reputable, high-performing employees losing jobs, the prospect of unproven college graduates breaking into the job market may seem bleak.

¹ Interview with Mateo Poncia, In-person, UCSB, 12/07/23

Over the past year, an increasing number of companies have been forced to lay off significant portions of their staff. According to [Intelligence data](#), Microsoft has laid off 10,000 employees, Amazon has laid off 18,000 employees, and UBS has laid off 35,000 employees – all since the start of 2023. Many smaller companies have done the same and hiring freezes are often paired with these mass layoffs. Worse still, this trend doesn't appear to be slowing.

As recently as December 4th, 2023, Spotify announced that it was laying off around 1,500 employees which accounted for a staggering 17% of the company's total workforce according to [Business Insider](#). In his memo to employees, Spotify CEO Daniel Ek included a sentiment that appears to be shared across the whole economy: "Being lean is not just an option but a necessity." For students like Mateo who are looking to break into the job market in the coming quarters, the frequency of attitudes like Daniel Ek's is a nerve racking indication of the future.

Soon-to-graduate students are left with one question at the top of their mind: Will they be able to get a job? To answer this question, it is first important to understand what causes a recession in the job market. There are many factors at play and each one directly affects the others. This can make it a difficult concept to understand, however there are some important factors to look for. Federal Reserve (Fed) interest rates, inflation, and venture capital investments all play crucial roles in how motivated companies are to spend money on new employees.

Susan Grover, a professor of economics and accounting at the University of California, Santa Barbara (UCSB), explained how the behaviors of the Fed affect hiring policies. "The Fed raised rates so quickly that it put a lot of pressure on the financial system. That's what took Silicon Valley Bank down and it took First Republic [Bank] down and it created a lot of uncertainty in the market. Whenever there is uncertainty in the market, companies tend to do hiring freezes,"

she said.² The collapse of financial institutions, such as banks, is never a good thing for any market because it creates this notorious “uncertainty”.

For business owners and executives, economic uncertainty means a shift in strategy that almost never includes increases in hiring. Ben Wright, the CEO of Eatclub (a subsidiary of Compass Group USA), has had to change his own gameplan and witnessed the same process at other companies. “Right now the economy is in a bad state so a lot of business owners and big corporations are focused on profitability rather than on growth,” Ben explained.³ Growth is a luxury for companies and it often involves new hires and a push for innovation, but in times of economic uncertainty, sustainability takes precedence over growth.

Sustainability means profitability. Profitability often involves cutting costs as Ben went on to say: “In some cases being profitable means ‘Let’s maximize the value from our existing investment’, rather than continuing to invest, believing that you are going to get exponential growth in the coming years. In that scenario, ‘Can I be profitable?’ quite often means I’m probably not going to hire.”

Economic uncertainty also affects the job market in more indirect ways. The amount of money that companies are willing to spend on new hires is largely dependent on how much money companies are receiving through investments or loans. Economic uncertainty causes venture capitalists to pause their investments and high Fed interest rates discourage business owners from taking on loans to grow their business. According to [EY](#), venture capital investment

² Interview with Susan Grover, In-person, UCSB, 11/30/23

³ Interview with Ben Wright, Zoom, Online, 12/05/23

dropped by 34% from Q1 to Q2 of 2023.

Business and sales consultant Matt Wright broke down what this means for job applicants: “Lately there’s been a pause in the funding situation so there’s also been a freeze in sales at a lot of companies.

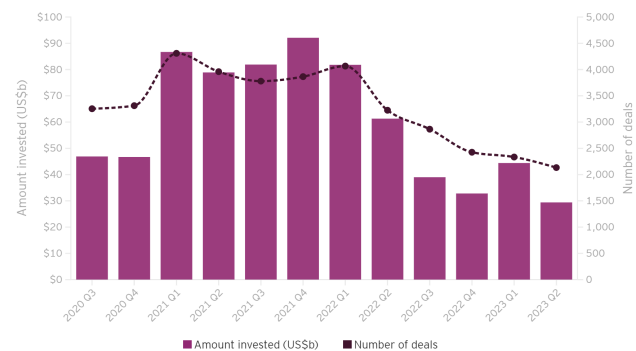
There’s been hiring freezes and there’s

been a lot of layoffs. A lot of people are looking for roles right now, and there’s not a lot of roles available.”⁴ This is a notably bad situation for all parties, but what does it mean for students specifically?

Unfortunately, it's more bad news. Companies are looking for safe bets and consistent results, keeping only the most reputable employees. Most companies aren’t in a position to take a chance on young, new hires. Trimming the fat means keeping only the highest quality employees. Matt added that “higher quality is usually defined – from the ‘safest bet’ perspective – as someone who has the longest tenure in these roles.” With recent layoffs, there are more of those “high quality” candidates on the market. This makes recent college graduates less attractive to employers.

However, there are important tradeoffs to every hire that business owners must keep in mind, and some of those tradeoffs may make recent graduates a more attractive hire than applicants with extensive resumés. Ben Wright explained that in an age of cost-cutting, “Part of the benefit that a college student can bring, if I’m honest about it, is they’re probably less expensive.”⁵ This allows companies to save money while potentially maintaining the same number of roles. “They can

Deals and dollars invested
Equity financings in US VC-backed companies, Q2 2023



⁴ Interview with Matt Wright, Zoom, Online, 12/05/23

⁵ Interview with Ben Wright, Zoom, Online, 12/05/23

demonstrate an energy, a willingness to be flexible, a willingness to wear multiple hats,” Ben adds as further advantages that young applicants may have in the job market.

Time is another factor that affects graduating students’ ability to enter the workforce seamlessly. Students looking to find jobs right now might be in for a tough time, but the economy changes with time and will certainly change in the coming years and months. As a professor of economics at UCSB, Scott Fulkerson is aware of economy’s cyclical nature. “Everything works in it’s cycles, right? You have your peaks and your troughs. I typically don’t think it’ll be too long. Most of these tend to be one or two years and then rebounds,” said Fulkerson, when asked how long he expects hiring freezes and layoffs to continue.⁶

Though the current job market is poor, it is likely that it will begin to recover within the coming quarters. For current fourth year students, this might not offer much comfort, but second or third year students might see a largely healthy job market by the time they graduate. Of course, no future is guaranteed so it is important for students to do all they can to make themselves attractive candidates in any scenario.

In Fulkerson’s opinion, standing out as a student applicant comes down to involvement. “I think there should be more focus when you’re at a school, a college like this, to be more involved. Showing extracurricular work, being involved in organizations, taking leadership roles, be a president in some organization, community service, having a job – that goes a lot further in getting a job than having the best GPA in the world,” he said. Employers are looking for students who show initiative, take action, and are driven to succeed. Having a robust resumé outside of school is one of the best ways to demonstrate your ambition, and professors aren’t the only ones who think so.

⁶ Interview with Scott Fulkerson, In-person, UCSB, 12/04/23

On his approach to finding new, valuable team members, Ben Wright said, “I look for people who’ve accomplished things, and I almost don’t really care what those things are. I look for people who have actually proven a willingness and a drive and a determination to be really good at and master something.”⁷ It has been proven that drive and determination are two of the most important determining factors when it comes to predicting an individual’s success, and this is something that employers are aware of. There are many ways to demonstrate that drive to employers and some may be more impactful than simply being a straight-A student. Having only a good GPA will probably do little to separate you from the pack compared to showing active involvement in clubs and organizations.

Special skills and impressive interviews also go a long way in the hiring process. According to Susan Grover, “having computer science skills is what really sets students apart.”⁸ Any skills that students can add to their resumés such as computer programming or Excel could shift the odds in their favor and demonstrate their interest in the subject. Many special skills are specific to certain industries but others, such as good interview skills, are universal.

Nailing the interview process is an important step in any job application but can be even more important for students applying to their first career position since they have no prior experience to stand on. Matt Wright emphasizes this: “If you can really own the interview process – because that’s what really sets you apart from the other people – that’s going to put you ahead. Your ability to understand what the company is doing and their strategic moves and where they see the future for their company – your ability to understand that and speak to that as much as possible, I think, will set you apart.”⁹ Doing background research, asking relevant questions, and citing

⁷ Interview with Ben Wright, Zoom, Online, 12/05/23

⁸ Interview with Susan Grover, In-person, UCSB, 11/30/23

⁹ Interview with Matt Wright, Zoom, Online, 12/05/23

specific company values that align with your personal attributes will show interviewers that you care about the company and position that you are applying for.

Graduating students should also keep in mind that first jobs serve an important purpose. More than anything, first jobs are important because they get students' feet in the door. It is tempting to only apply to massive companies such as Google or Facebook and it is easy to get discouraged when those opportunities don't amount to anything, but first jobs don't always need to be home runs. Matt goes on to explain that it is important to "apply to companies that are willing to give you your first shot. Because once you get your first shot, then you can start to gain that experience and gain that work experience history that you can take to other companies."¹⁰

Entering the job market in its current state is a daunting task. Economic uncertainty is uncomfortable for everyone from CEOs to economists to students looking for their first jobs. However, it is important to keep in mind that economic trends are constantly changing and recessions are often followed by booms. Regardless of the economy, students and job applicants must always remain ambitious, presentable, and ready to jump on any opportunity that comes their way.

¹⁰ Interview with Matt Wright, Zoom, Online, 12/05/23