

Weekly Economic Commentary

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Highlights

The unemployment rate for younger workers remains elevated.

The shifting dynamics of the labor market since the mid 2000s means that more skills and more education are required today to land a job.

Employment opportunities vary by industry, but in general, the more skills and the more education, the better.

While the unemployment rate for those in the 16-to-24-year-old age group remains disturbingly high, more education and more skills can raise the odds of landing a job.

Lessons From the Labor Market

More than four million children were born in the United States in 1990, the most in any year since the tail end of the baby boom in 1961. Twenty-two years later, in 2012, more than 1.8 million will earn a bachelor's degree and either enter the workforce or move on to more schooling (graduate school). In addition, approximately 3.2 million students, most born in 1994, will graduate from high school this spring, and face the same choices as college grads. While the unemployment rate for those in the 16-to-24-year-old age group remains disturbingly high, more education and more skills can raise the odds of landing a job. The good news is that latest data on job openings in the economy, as measured in the Job Openings and Labor Turnover (JOLTS) data, reveals that nearly 3.8 million open jobs awaited this year's graduates, the highest number of job openings in four years. The bad news is that many of those open jobs require skills and education that may not match this year's graduating class.

Twenty-two Years Later, Higher Education Continues to be a Driver for Employers

The ability to attend and finish college and earn a degree has a major impact on the unemployment rate. The unemployment rate for people who have earned at least a college degree is 4.0%, still more than double what it was prior to the onset of the Great Recession, but have only half the unemployment rate (8.0%) for those who have graduated from high school, but not earned a college degree. Your odds of landing one of those aforementioned 3.8 million open jobs are even worse if you do not have a high school diploma. The unemployment rate for high school dropouts is 12.5%, 8.5 percentage points above that for those with a college degree. At its widest during the Great Recession, the difference in the unemployment rate between those with a college degree or more and those without a high school diploma was nearly 11 percentage points. The Great Recession, and its aftermath, has clearly taken a big toll on workers with less education, fewer skills, and limited experience.

Data through April 2012 reveals that the overall unemployment rate stood at 8.1%, as 12.5 million people were unemployed out of a labor force of 154 million. The good news for new entrants to the labor force (essentially high school and college graduates) is that the unemployment rate among these new entrants was only 0.9%. The bad news is that this is triple what it was prior to the onset of the Great Recession and has not been this high on a consistent basis since the aftermath of the severe 1981–82 recession. New entrants to the labor market today need to have more skills, which often means more education, and more experience than ever to land that first job.

