

Even in Tough Times, Education Improves Chances in Labor Market

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During graduation season, there were a number of stories in the news about the difficulty that many new college graduates are having finding employment, particularly high paying employment within a field related to their course of study. In addition, announcements by many institutions of tuition and fee increases and the debates in Washington about the interest rate changed on student loans generated media attention on the high cost of higher education. Implicit in some of this coverage is the idea that given the high cost of going to college, and the short-term difficulty of some college graduates in the labor market, a college education might not be “worth it.” While “individual results may vary” as they say (in fact they do vary significantly), on average additional education is still associated with increased employment and higher long term earnings prospects.

The first job or first year out of college is not the whole story – or even the most important story.

“The most firmly established fact about labor mobility of all kids is that it declines with age.”¹ This was true in 1981 and it is still true today. Younger workers tend to change jobs more often than older workers. Workers of all ages are less likely to leave or lose a job the longer they have it. The pace of job change has slowed in recent years due to the very slow recovery from the recession, so job changes that might have happened in a year or two may take two or three years. Still, the historic data on job turnover by young people and those with new jobs shows that many, if not most, of the fresh college graduates who have started a new job that is less than

ideal will move on to other jobs within a few years. Many will have several jobs before finally settling into a job that will last for many years.

There have been studies that show that students who graduate when the labor market is depressed have lower lifetime earnings than those who graduate when labor markets are tight and the economy is growing rapidly. The persistent effects of a recession are particularly disturbing given the severity of the recent economic contraction and the slow pace of growth experienced since the recession’s

end. But to say that good times are better than bad (which is obvious on its face) does not imply that education is not worth the investment. A recession depresses earnings throughout the economy and those with more education will be more likely to have the skills to take advantage of the opportunities that will come along.

Aggregate data show a large premium for education in terms of income and the probability of being employed even during these difficult times.

The probability of being employed increases with

Connecticut Population Age 24 to 26

	Age		
	24	25	26
In School	10,654	9,883	8,499
% employed	66.4%	73.0%	64.9%
Not in School			
Less than HS			
Employed	2,786	2,409	2,232
Unemployed	332	607	474
Not in Labor Force	955	1,811	1,285
High School or GED			
Employed	6,367	6,866	7,734
Unemployed	1,279	1,399	1,407
Not in Labor Force	978	2,096	1,658
Some College			
Employed	4,632	5,572	4,751
Unemployed	577	936	823
Not in Labor Force	611	420	773
Associate's			
Employed	1,443	1,258	1,276
Unemployed	99	48	159
Not in Labor Force	107	87	321
Bachelor's			
Employed	7,355	8,704	8,767
Unemployed	630	476	241
Not in Labor Force	283	201	293
More than Bachelor's			
Employed	1,064	1,738	2,581
Unemployed	79	119	21
Not in Labor Force	27	326	302
Total Population	40,258	44,956	43,597

Not in school, employed, earnings

Wage and Salary Income of the Employed not in School	Age		
	24	25	26
Less than High School	\$14,068	\$17,342	\$20,729
High School Diploma or GED	\$21,721	\$27,457	\$25,477
Some College	\$27,402	\$29,701	\$32,264
Associate's Degree	\$28,513	\$39,658	\$40,360
Bachelor's Degree	\$34,541	\$41,673	\$46,967
More than Bachelor's	\$39,255	\$42,517	\$46,046

education. In Connecticut, those with a BA or more have an unemployment rate of 4.1%, about half the statewide rate of 8.3% and dramatically lower than the 20.9% suffered by those without a high school diploma. Of course, even 4.1% is high compared to the past. Four years ago the unemployment rate for those with a bachelor's or more was just 2.4%.²

According to the U.S. Census' American Community Survey (ACS), median household income fell more than 6% in Connecticut in 2010. However, as the chart below shows, median income was higher for those with more education. Earned income is also higher for those with more education. (Note that earned income is the wage and salary income reported for the past twelve months for those who reported being employed when the survey was conducted. The average includes individuals who may not have been employed during the entire year.)

Data from the American Community Survey also allow us to calculate estimates of employment and income by age and educational attainment. The ACS samples 1% of the population each year, so the estimates must be considered with caution. Nevertheless, the evidence that data provides is that young people with more education are faring better than their peers with less. For 24-26 year olds not still in school who have not completed an associate's or bachelor's degree the unemployment rates are in double digits. The young population with degrees has an unemployment rate significantly

lower. There are a significant number of 24-year-olds with bachelor's degrees who report being unemployed, but many of them may be recent graduates looking for a first job – there are very few out-of-school unemployed 26-year-olds with bachelor's degrees.

Education is for the long term

Nearly everyone has a more difficult time finding a job when the economy is weak – that is one of the definitions of a weak economy. One of the reasons for the lifetime earnings loss suffered by those who graduate during a recession is that they take longer to start their careers. The search for a career-oriented job takes longer. However, those careers will eventually start and the long term prospects for those with some post-secondary education are bright. Recently released

10-year projections for national job demand show a 14.3% increase in employment from 2010 to 2020, with occupations requiring more than a high school diploma growing faster than average while those requiring a high school diploma or less will grow slower. American's competitive advantage in the global economy remains its highly-skilled, productive workforce. Those with the right education and skills will be in the best position to take advantage of opportunities that will come when the national and global economies emerge from the current economic doldrums. ■

Source for the two tables:

American Community Survey, 2010 ACS 3-year. Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. **Integrated Public Use Microdata Series: Version 5.0** [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

¹ Mincer, Jacob and Boyan Jovanovic, "Labor Mobility and Wages" in *Studies in Labor Markets*, Sherwin Rosen, ed. Chicago: University of Chicago Press, 1981, p. 24.

² These unemployment rates were calculated using the Current Population Survey (CPS) microdata. The latest data is the average for the 12 months ending April 2012.

Connecticut Median Income 2010 by Educational Attainment

