



School and Work

It is a truism that education helps you get a job, but few people realize just how true this is. The Bureau of Labor Statistics has recently begun to publish employment statistics broken down into four educational levels: About 17 percent of the noninstitutional population over age 25 has not finished high school; 34 percent finished high school, but did not attend college; 25 percent started college, but did not graduate or have an associate degree; and about 25 percent have a college degree. This breakdown is more informative than a demographic one, because educational levels correspond much more closely than demographic categories to skill levels that employers care about.

The chart shows employment-population ratios for the most and least educated groups. The two data series are plotted against different axes to highlight changes over time, but the difference in the levels is dramatic. During the first 4 months of 1998, an average of only 39.6 percent of those who did not finish high school were at work, but 78.7 percent of college-educated adults held jobs. The figures for those with a high school diploma and those with some college lie in between, at 62.9 percent and 72.3 percent, respectively.

Unemployment rates produce a less dramatic picture, ranging from 7.1 percent for those who did not finish high school down to only 1.9 percent for those with a college degree. But official unemployment totals represent only a fraction of those who do not have jobs, so unemployment rates can be misleading about the economic opportunities of different groups. The statistical distinction between unemployed individuals and those who are not in the labor force is based entirely on whether an individual searched for a job in the recent past. Workers with low skill levels (for which education is a good proxy) have limited labor market opportunities—wages are low for jobs they can get. The value of other opportunities

(staying home to take care of children or early retirement, for example) may exceed the prospective value of a job, so they are less likely to seek one.

The chart also illustrates an important aspect of labor market tightness. Though the overall employment-population ratio has recently been at record levels (see page 10), the average hides considerable diversity among different segments of the population. The ratio for college graduates has shown no trend since 1992. This is why there are widespread reports that businesses are having trouble hiring high-skill workers as the expansion continues. Meanwhile, as the chart suggests, lower-skill groups have increased their employment rates significantly; since 1994 the ratio for those who did not finish high school has risen by about 3 percentage points. (Employment rates for the two intermediate groups rose more slowly.) This pattern across educational groups is consistent with the fact that employment in blue-collar occupations (generally low-skill) varies more over the business cycle than white-collar employment.

—Joseph A. Ritter

Employment-Population Ratios
By Educational Levels

