

# The Education Advantage

*People with higher levels of education have more job opportunities and lower unemployment rates than people with less schooling.*

The unemployment rate is an important measure of economic health. It doesn't tell the whole story, however. Unemployment rates for the entire workforce are produced monthly in each state and nationally, but these rates can be broken down further to better illustrate the rates for different groups. One factor that is closely tied to a group's unemployment rate is educational attainment. Some jobs require higher education levels, like a college degree, while others do not, leading to a variation in the unemployment rate by education level.

## Understanding the Data

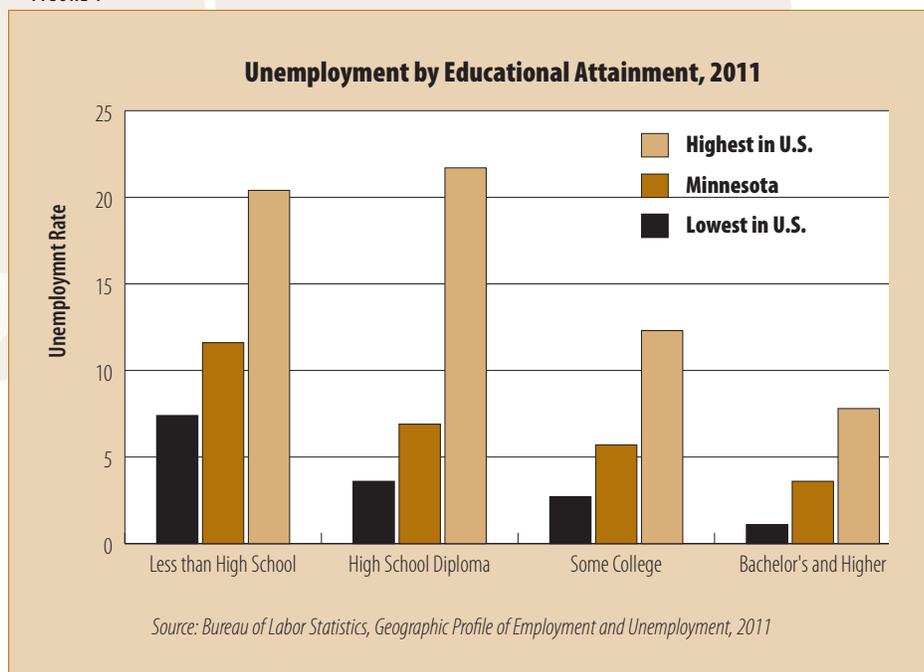
The Bureau of Labor Statistics collects unemployment data from every state in four education subcategories: 1) less than a high school diploma, 2) high school graduate with no college, 3) some college or an associate degree, and 4) bachelor's degree and higher. Unemployment rates tend to decrease with higher educational attainment. The unemployment rate for Minnesotans with a

bachelor's degree and higher in 2011 was 2.5 percent, compared with an unemployment rate of 7.3 percent for those with less than a high school diploma. Nationally, the range is even broader: People with less than a high school diploma had an unemployment rate of 20.4 percent, while the jobless rate for those with a bachelor's degree or higher was 2.8 percent.<sup>1</sup>

Figure 1 shows the unemployment rates for the four different levels of education in 2011. It gives the lowest and highest rates in the United States and the rate in Minnesota. In nearly all categories, the unemployment rate decreases as educational attainment increases.

This same trend is also seen in times of recession. In 2009, when the unemployment rate peaked,

FIGURE 1



Minnesotans with a bachelor's degree had a jobless rate of 3.4 percent, much lower than the 19.2 percent unemployment rate for Minnesotans with less than a high school diploma. Similarly, the unemployment rate for those with a bachelor's degree in the state with the highest jobless rates was still 15.6 percentage points lower than the rate for

thirds of the increase in the number of unemployed people between the ages of 25 and 64 in Minnesota. By 2011, 58 percent of the unemployed, or 90,000 Minnesotans, had at least some college experience. Unemployment rates are still higher at the low education levels and lower at higher education levels, but the recession resulted

of jobs requiring high educations. Instead, in his book "Why Good People Can't Get Jobs," he states, "When applicants far outnumber job openings, the over-qualified bump out those only adequately qualified." This implies that some workers with college degrees are working in jobs that do not require a college-level education.<sup>4</sup>

In other words, having a college degree could help a job candidate beat out competitors who don't have a college degree. This may be increasingly common, with more workers now holding positions for which they are overqualified, a situation known as "malemployment." These jobs neither require nor use a worker's higher education.

Professors Andrew M. Sum and Paul E. Harrington of the Northeastern University Center for Labor Market Studies explain that, in these situations, workers with a college degree tend to have higher earnings than their high school-educated counterparts, but the difference is only about 5 to 8 percent. Additionally, college graduates working in non-college degree occupations are only slightly more productive than workers with only a high school diploma. In these cases, the college degree produces a rather low return on investment.



those who did not complete a high school education.<sup>2</sup>

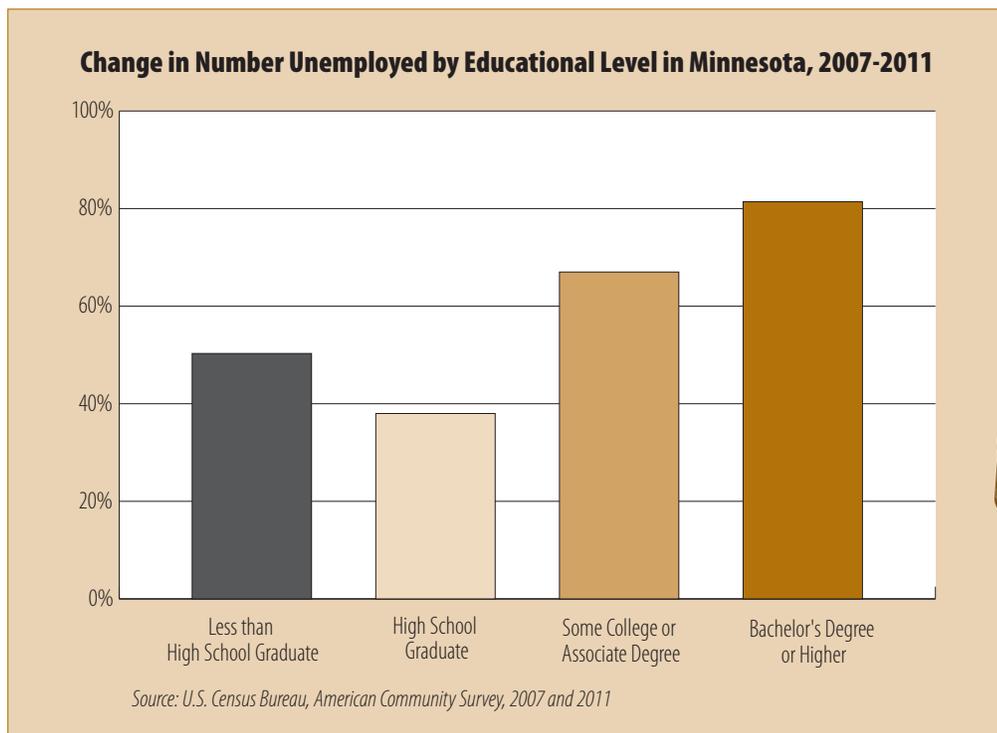
Those with more education, however, experienced a greater increase in unemployment in the aftermath of the recession than those with less education. Between 2007 and 2011, people with post-secondary educations accounted for two-

in a proportionally larger pool of educated job seekers than four years earlier (see Figure 2).<sup>3</sup>

### Behind the Numbers

According to labor market expert Peter Cappelli, lower unemployment rates for highly educated people doesn't mean they have access to a larger pool

FIGURE 2



## Looking to the Future

The recent recession was different from others in that a lot of people were unemployed for a long time. This will have a noticeable effect well into the future, but it can be mitigated. Cappelli reasons that higher education may indicate a generally more qualified candidate, leading to an increase in the chances of being hired for any type of job.<sup>5</sup> Along with

a lower unemployment rate, holding a bachelor's degree or higher opens doors to more job opportunities. Whether they are in the graduate's field of choice or pay substantially better is another matter. **T**



<sup>1</sup>Geographic Profile of Employment and Unemployment 2011, U.S. Bureau of Labor Statistics, U.S. Department of Labor.

<sup>2</sup>Geographic Profile of Employment and Unemployment 2009, U.S. Bureau of Labor Statistics, U.S. Department of Labor.

<sup>3</sup>American Community Survey 2007 and 2011, U.S. Census Bureau, U.S. Department of Commerce.

<sup>4</sup>"Why Good People Can't Get Jobs," Peter Cappelli, 2012.

<sup>5</sup>College Labor Shortages in 2018? Paul E. Harrington and Andrew M. Sum, New England Board of Higher Education, November 2010.