

Employment Data Still Show Value of a College Degree

By Don Sutherland

The April 2018 Employment Situation Report revealed that the nation's unemployment rate had fallen to 3.9%. That is the lowest figure since December 2000 when the unemployment rate also stood at 3.9%. During that earlier economic expansion, which lasted until March 2001, the unemployment rate bottomed out at 3.8% in April 2000.

The April 2018 data also showed that the unemployment rate for persons with a Bachelor's Degree or above was 2.1%. In contrast, the unemployment rate for those with only a high school diploma and no college was 4.3%.

How do these figures stack up over longer periods of time?

During the 2000-09 period, the national unemployment rate averaged 5.5% with a monthly standard deviation of 1.4%. For those with college degrees, the respective figures were 2.6% and 0.8%. For persons with only a high school education, the respective figures were 5.2% and 1.7%. In sum, persons with college degrees enjoyed a persistently lower unemployment rate and less volatility in that rate than was the case for the entire labor market. Those with a high school education experienced a similar unemployment rate and somewhat greater volatility than the employment market as a whole. The standard deviation reflects greater exposure to economic slowdowns or worse.

The economy has changed modestly in structure since then. High technology now constitutes a somewhat greater share of GDP than it did then. Apple, Alphabet (largely Google), and Amazon have blossomed to the extent that they currently have among the highest market capitalization values ever achieved based on a combination of earnings and revenue growth and marketplace expectations related to a continuation of that growth.

During the 2000-2018 period (including the April 2018 data), the national unemployment rate has averaged 6.7% with a standard deviation of 1.9%. For people with a Bachelor's Degree or higher, the respective figures are 3.4% and 0.9%. For those with only a high school education, the respective figures are 7.0% and 2.0%.

Overall, the data show that even following the 2008 financial crisis and 2007-09 Great Recession, for which the after effects associated with deleveraging continued for several years afterward, the value of a college education has held up in the labor market.