



EVIDENCE FROM MAY'S EMPLOYMENT NUMBERS ON THE BENEFITS OF EDUCATION

**By Michael Greenstone
The Hamilton Project**

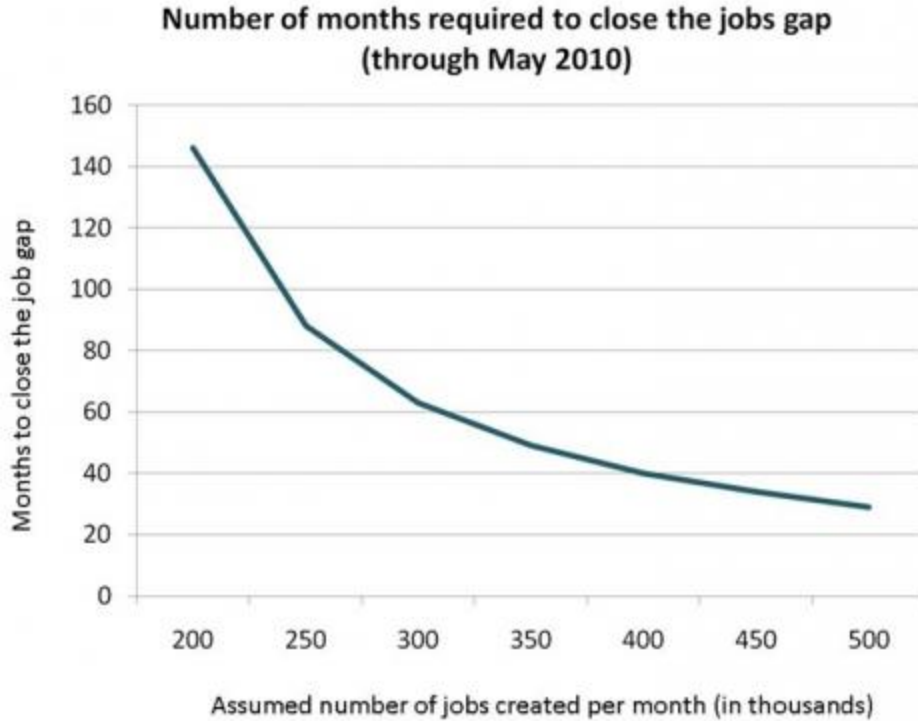
June 4, 2010 –

May employment numbers, released by the Labor Department today, demonstrate continued momentum behind our nation's economic recovery. With 431,000 new jobs, building on the 290,000 jobs created in April, this marks the first time we've had five consecutive months of positive job growth since the beginning of the Great Recession in December 2007. Yet, the great majority of these jobs (411,000) were temporary hires as part of Census surveying efforts. The private sector only accounted for 41,000 of the new jobs, indicating that the long-run prospects for the labor market remain challenging.

Last month, in an [Up Front Blog post](#), I described the growing "job gap" that remains despite these important improvements in the labor market. As I defined it, the job gap is the number of jobs it would take to return to employment levels from before the Great Recession, while also accounting for the 125,000 people who enter the labor force in a typical month.

After today's employment numbers, the job gap stands at roughly 11 million jobs. This is down slightly from last month's 11.3 million job gap. But for America's workers, the road back to full employment remains long and will be measured in years.

If future job growth continues at a growth rate of roughly 200,000 jobs per month, it would take 146 months or more than 12 years to close the current gap. In a more optimistic scenario, with 350,000 jobs created per month, it would take almost 49 months or more than 4 years. The below chart illustrates the time it would take to close the job gap at alternative rates of job growth.



As we examine today's numbers, I've taken my analysis a step further to look at the workers behind the job gap. This is something that I will continue to do in the coming months – drilling down into the employment numbers for a variety of subgroups.

The broadest measure of employment is the ratio of the number of people employed to the total population, which is often referred to as the employment-population ratio. Table 1 reports on the changes in the employment to population ratio by education level from the beginning of the Great Recession through May 2010. This ratio has been declining for all groups throughout the recession. The two most striking findings are:

- More education greatly increases the chances of employment both when the Great Recession began and today. Indeed, the employment advantage for people with a Bachelor's Degree is even larger now than at the Great Recession's onset.
- The declines in the employment-population ratio are the smallest for the top and bottom education categories. This pattern has been referred to as a polarization of the job market where job opportunities are increasingly concentrated in relatively high-skill, high wage jobs and low-skill, low wage jobs.

Table 1: Employment to Population Ratio by Education Category

	December 2007	May 2010	Change
Less than High School Diploma	42.8%	39.0%	-3.8%
High School Graduate (No College)	59.6%	55.2%	-4.4%
Some College (No Bachelor's Degree)	69.4%	65.1%	-4.3%
Bachelor's Degree	76.4%	73.6%	-2.8%

Source: Bureau of Labor Statistics, "Employment Situation Summary: May 2010," Released June 4, 2010

In a [recent paper](#) written for The Hamilton Project and the Center for American Progress, David Autor, a colleague of mine at MIT, demonstrates that this pattern of polarization during the recession has been ongoing for the last two decades. In this important paper, Autor also establishes a series of other facts about the labor market:

- The earnings of college-educated workers relative to high school-educated workers have risen steadily for almost three decades.
- The rise in the relative earnings of college graduates is due both to rising real earnings for college-educated workers and falling real earnings for non college-educated workers. The declining real earnings for workers with less than a college degree has also led to declining rates of labor force participation for them.
- Gains in educational attainment have not generally kept pace with rising educational returns, particularly for males. And the slowing pace of educational attainment has contributed to the rising college/high school earnings gap.

These trends and the growing polarization of our workforce pose an even greater challenge to our country's future than the Great Recession. They highlight the importance of new policy prescriptions for helping prepare Americans from across the educational spectrum for today's job market. In addition to our own targeted work on education reform, The Hamilton Project will team up with the Center for American Progress again in the fall to highlight several new proposals for putting Americans back to work at good wages.