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Education and employment: Getting better jobs

by Jill L. Findeis, Leif Jensen, and Wan-Ling Hsu

Figure 1. The incidence of unemployment and underemployment in the U.S. by education level (Based on 1993 March Current Population Survey)

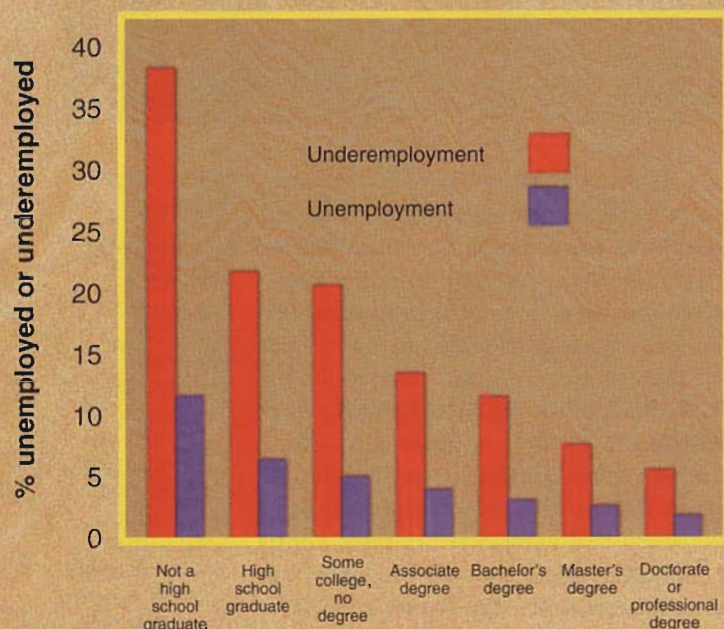
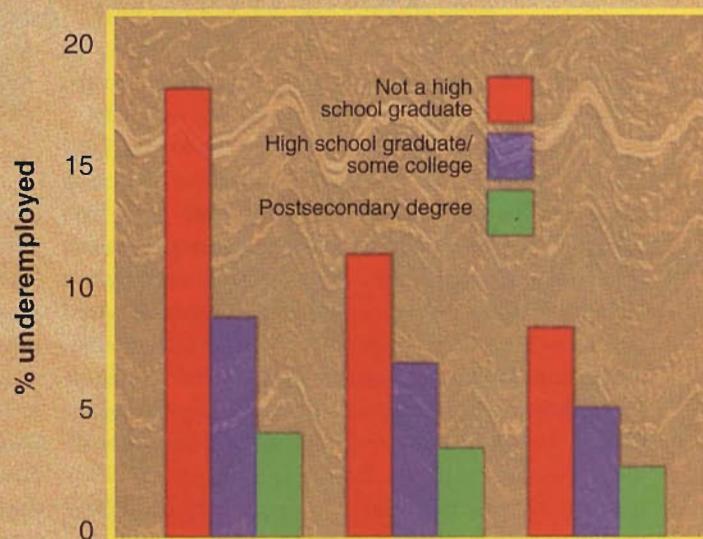


Figure 2. Forms of underemployment by education level in the U.S. (Based on 1993 March Current Population Survey)



*Defined as those persons earning less than 1.25 times the individual poverty threshold.

People are concerned about their jobs—staying employed and having a job that generates a good income. Education contributes significantly to employment success, and those with more education are both more likely to be employed and to earn a higher income.

Problems of unemployment and underemployment

Unemployment rates in the U.S. decline consistently as education level increases (figure 1). People who have not graduated from high school have much higher rates of unemployment. A high school degree significantly contributes to lower unemployment rates. Spending at least some time in college, earning an associate (two-year) degree in either a vocational or academic program, or earning a higher-level college degree helps even more.

But unemployment is not the only kind of employment hardship. Some employees work for poverty-level wages that yield only a meager income, even for full-time work. Others are only able to find part-time work, although they would

prefer to work more hours for a higher income. Still others, so-called “discouraged workers,” have given up looking for employment altogether. Discouraged workers, the unemployed, and those workers earning low wages or able to find only part-time employment are collectively considered to be “underemployed.” Underemployment rates provide a broad measure of employment distress.

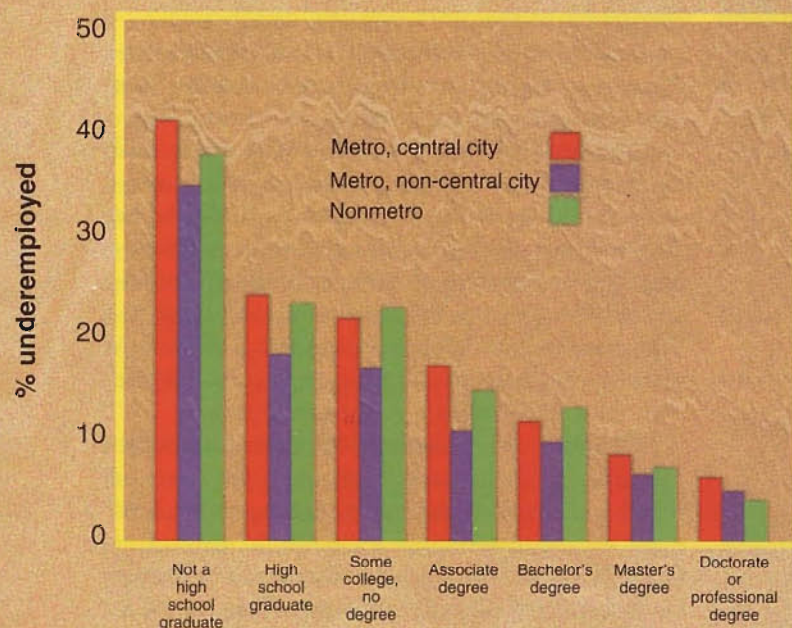
Education has a very significant impact on underemployment (figure 1), and on different forms of underemployment (figure 2). Almost 40 percent of the labor force lacking a high school degree (or equivalent) experience some form of employment hardship—lack of a job, low wages, or limited work hours. Young people who have dropped out of school have even higher rates of underemployment than shown in figure 1; they lack the job experience of many older workers with low levels of education. Now fewer jobs require (and reward) manual work.

Variations in underemployment

Interestingly, more education helps to reduce underemploy-

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Figure 3. Differences in underemployment by location in the U.S. (Based on 1993 March Current Population Survey)



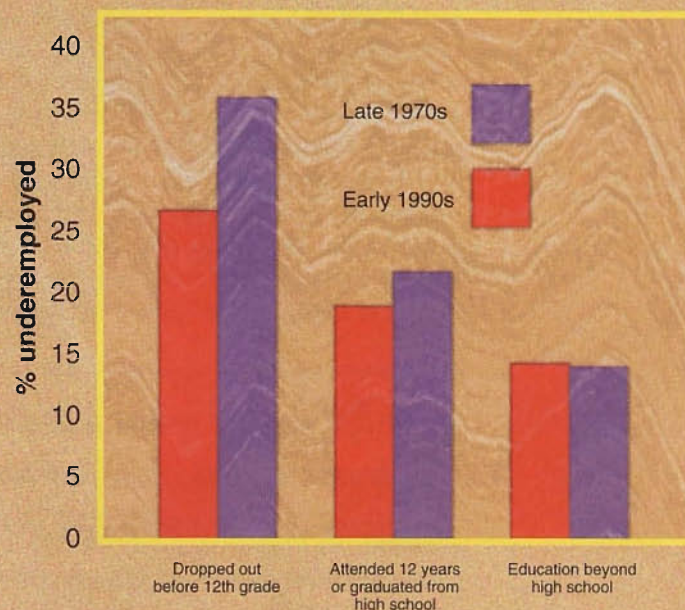
ment (and unemployment) regardless of location, race, gender and other similar characteristics including age. For example, while nonmetropolitan residents and residents of central cities in the United States have higher average rates of underemployment than others, education reduces underemployment no matter where one lives (figure 3).

Similar observations can be made for other populations. Although some groups (e.g., African-Americans, youths, and women) are more likely to encounter labor market problems, consistent declines in underemployment occur with more education for all groups.

Changes in underemployment over time

In the future, it is likely that having a better education will become increasingly important to ensure adequate employment. During the past two decades there have been significant changes in U.S. jobs, particularly more dependence on service employment and less dependence on both manufacturing and jobs directly related to natural resources. The

Figure 4. Changes over time in underemployment rates in the U.S. (Comparisons based on average annual averages for 1976-79 and 1990-93 March Current Population Surveys)



1980s was a period of transition and transformation of the U.S. economy.

Such changes in the economy likely have differential impacts. Comparisons of the average annual underemployment rates between the late 1970s and early 1980s show that poorly educated people are increasingly likely to encounter employment difficulties (figure 4). This occurs to a marked extent for high school drop-outs and to a small extent for those completing high school. Both the inability to find a job and the proportion of the labor force having particularly poor jobs have increased for the poorly educated.

It is clear that education is an important determinant of having a job, and a good job. More education, regardless of residence, gender, and race, helps to open the door to better employment.

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