

# Education and the labor market research paper examples

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## **“ Education is not the learning of facts, but the training of the mind to think.” –Albert Einstein**

A college degree is necessary to have the ability to compete in the job market nowadays. I believe in the idea that the more education a person has, the better that person fares in the labor market. However, it was observed by Wessel and Banchero (2012), that the idea that “ almost every generation has had substantially more education than that of its parents” is no longer true among the Americans; that is, they asserted that the education slowdown (or declining number of Americans obtaining 4-year college degree primarily due to high private costs of education) poses a threat to the United States. In this paper, I argue that obtaining a 4-year college degree is very important not to be left behind in a highly competitive labor market. Also, the reason why some college graduates do not have jobs is a result of a struggling job market because of a demoralized economy. On a personal note, the opportunity cost of not pursuing and finishing a college degree is very high—think of the good career and earnings in the future. In the following discussion, I present the current trend in US the labor market. This is followed by a review of economic literature giving emphasis on the importance of education to the individual and to the economy. A conclusion is also provided at the end of this paper.

### **Some Facts about the Labor Force**

The Bureau of Labor Statistics reported that as of October 2012, there are about 12.7 million Americans who would like to work but unable to find job. A breakdown of the country’s unemployment data (see graph below) reveals

that 12% of the unemployed Americans did not obtain high school diploma; 8. 4% are high school graduates; 6. 9% have obtained associate degrees; while 3. 8% have bachelor's degree or higher. A total of 5, 002, 000 Americans were unemployment for more than 27 weeks

### **Source: Bureau of Labor Statistics, November 2012**

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The current unemployment rate in the US is also an indication that the labor market is in crisis. The graph below that as of October 2012, the unemployment rate is at 14. 6%.

### **Source: Bureau of Labor Statistics, November 2012**

#### The Importance of Education

I believe that an individual's level of education determines his or her level of maturity, especially in accomplishing different tasks in the workplace. As Albert Einstein once said " education is not the learning of facts, but the training of the mind to think." This implies that as a student pursue higher education, his or her analytical or critical thinking skill is also developed. Hence most managers would prefer to high educated employees, especially college graduates. According to Spence (1973), the education of the employee can be taken as a signal that he possess the ability that the company needed.

Economists, in general believe that education is an investment that, on the average, pays off well over the long term, for both the individual students

and the society as a whole. As emphasized by James (2012) college graduates earn significantly higher wages on average than those with only a high school diploma. He noted that college degree holders enjoy 84% increase in earnings over high-school-educated counterparts. Over the last three decades, the earnings of four-year degree holders have significantly outpaced the earnings of high school graduates and those with some college but lacking a college degree. The sharpest increases occurred during the 1980s and early 1990s, and though they have flattened somewhat in the recent decade, they still persist at a very high level.

The decision to go to college has a profound effect on wages; however, we have seen that both college major and the pursuit of an advanced degree have a critical impact on the value one receives from a college education as well. Other factors affecting the return to college not discussed here include college quality, occupational choices, hours worked, and the relevance of unobserved skills.

Moreover, Baum and Schwartz (2012) said that postsecondary education is an investment with a high average return, but it is an uncertain investment that does not pay off equally well for all. For instance, students who leave school without completing credentials experience much lower returns than they might have anticipated. A weak economy increases the uncertainty associated with the level and timing of the return on investments in postsecondary education, but does not alter the fact that for most people, financial outcomes are far better than they would be without the investment.

It is becoming increasingly important for adults to attain higher education

degrees in order to become successful in the workforce. Not only is unemployment for individuals with only a high school diploma compared to individuals with a postsecondary degree, but shows that the growth in employment in the past two decades has been entirely due to increases in college-educated workers.

Looking forward, the need for college-educated workers continues to grow. By 2018, of new and replaced jobs will require some form of post-secondary education. Additionally it is estimated that " jobs requiring postsecondary education will go unfulfilled in the next decade," demonstrating that our economy is not faced with a lack of jobs, but rather a lack of skilled workers to fill the positions employers demand.

### **The Job Market (again)**

In a research conducted by the researchers from McKinsey Global Institute, Manyika, et. al (2011) forecasted that the US labor force will continue to grow, reaching 168.9 million in 2020. However, the configuration of the labor force will not neatly fit the requirements of employers. While company executives expressed enthusiasm for the strength and productivity of the US workforce, they also indicated a strong need for workers with specific skills and educational requirements- which they perceived may be lacking in the labor force of 2020.

Spence, Michael (1973). Job Market Signaling. The Quarterly Journal of Economics, Vol. 87, No. 3

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