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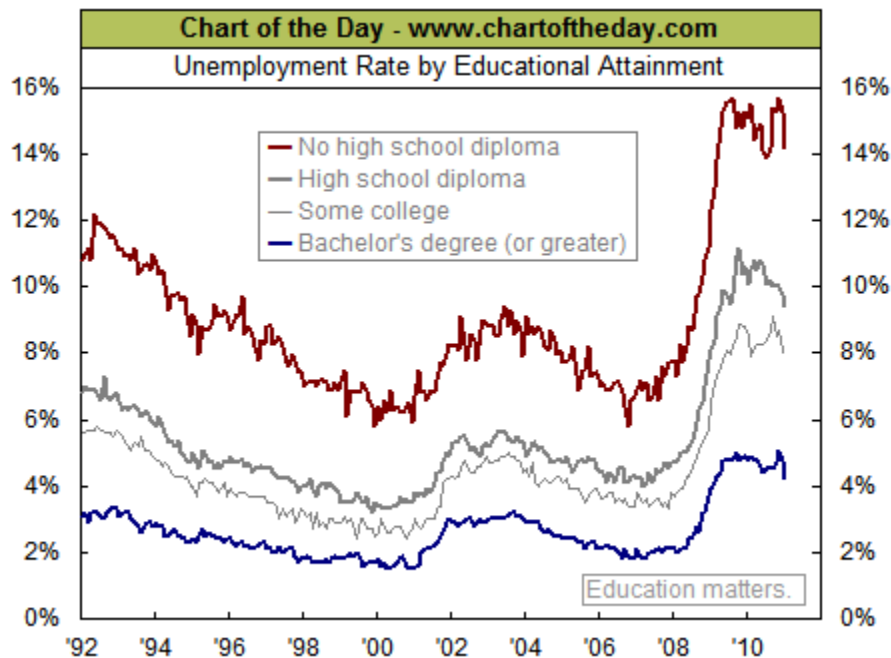
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Good News in the Unemployment Report

By Scott P. Noyes, CFA® CFP®

In January, the unemployment rate for those with a college degree was 4.2% while the unemployment rate for those with less than a high school diploma was 14.2%. Unemployment rates are used by many as bellwethers for the health of the economy and the markets react based on how those numbers compare to economists' forecasts and historical standards. What you won't hear on cable news is the fact that when unemployment is segmented by different levels of education; those with college degrees are experiencing nearly full employment, while those without a high school diploma continue to experience weak employment conditions (Exhibit 1).

Exhibit 1 – Unemployment Rate by Educational Attainment



The U.S. economy is about a year away from fully employing its excess supply of educated workers. The unemployment rate for those with a Bachelor's degree or higher stands at 4.2% as of January 2011 compared to 14.2% for those without a high school diploma (Table 1). Historically, a rate of 3.0% is considered full employment for this segment of the population. In 1999, when the economy was booming, this rate bottomed out at 2.0%.

We've all heard that college graduates usually earn better incomes throughout their careers, but here's another example of the importance of education during tough economic times when unemployment levels soar. When the economy weakens, companies usually reduce starting salaries knowing that they can hire someone who might not have been available when the economic picture was better. In other words, employers can pick and choose from the best of the best.

In addition, employers are starting to complain that they cannot find skilled labor at reasonable prices. They recognize that they may have to pay up for the right talent. Jobs are available for those with a college degree and desire to work. Therefore, the price of educated labor is likely to increase over the next two years as demand outstrips supply and this segment of the market experiences low unemployment rates.

Many expect that the pace of hiring will improve throughout 2011. I expect that the hiring of educated workers will reach full employment within the next twelve months. This should lead to increases in wages, even though the overall level of unemployment remains high.

Globalization has increased the supply of less educated workers and reduced wages in the previously high skilled countries. The ability for a country to have a strong education system will correlate with their overall level of per capita GDP.

Investment in education is clearly a winning strategy for our children. Families that can help their children and grandchildren achieve academic success are providing them a path to a sound economic future.

Table 1- Education Matters When It Comes to the Unemployment Picture.

<u>Unemployment Rate by Group</u>	<u>Jan-10</u>	<u>Jan-11</u>	<u>Change</u>
Less than a high school diploma ==>	15.1%	14.2%	-0.9%
High school graduates, no college ==>	10.1%	9.4%	-0.7%
Some College or associate degree ==>	9.0%	8.0%	-1.0%
Bachelor's degree and higher ==>	4.8%	4.2%	-0.6%
Consolidated Unemployment Rate	9.7%	9.0%	-0.7%

PS. My employees just asked for a raise after reading this report.