Skills and Unemployment

The economy’s recovery from the 1990–91 recession has brought with it very low unemployment levels reminiscent of those seen 40 years ago. But the tight labor market has created another kind of problem: Many employers are struggling to find appropriately skilled workers. As the pool of unemployed workers dries up, the skilled proportion also recedes. This trend is most obvious in the changing education levels and age composition of the unemployed. Between 1992 and 1997, the share of jobless persons without a high school education rose from 28% to 33%, while the share in the overall workforce remained around 15%. The fraction of unemployed workers with high school diplomas declined over the same period, while the share with at least some college stayed constant. Another indicator of the skilled worker shortage is the growing share of the unemployed aged 16 to 24—32% today versus 25% in 1992.

Comparing the occupational composition of the employed and unemployed provides further evidence about which jobs are hardest to fill in today’s labor market. Administrative support personnel, for example, make up 14% of the workforce but...
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only 10% of the unemployed. Just after the last recession, 12% of the jobless fell into the administrative support category. These figures suggest that further jobs growth in this area will be hard to accommodate from the existing pool of unemployed. People qualified for production, craft, and repair work may also be increasingly difficult to find in today's job market. In 1992, workers with these skills accounted for 18% of the unemployed; last year, that figure fell to 12%. On the other hand, workers engaged in services now make up 20% of the jobless ranks, up from 13% in 1992. (Often, these are the younger, less skilled workers mentioned above.) The service component of the workforce is fairly stable, however, so service jobs should be easy to fill from the existing pool of unemployed.

With unemployment at its lowest point in more than a decade, fewer workers of all proficiency and skill levels are seeking jobs. However, the composition of the unemployed has changed over the course of the expansion. The current pool includes a greater share of unskilled workers, adding to the burden of employers who have skilled positions to fill.