

Snob nation

WASHINGTON, DC

Surging enrolment may help explain a labour-market puzzle

ON FEBRUARY 25th Rick Santorum, the second-ranking Republican presidential hopeful, called President Barack Obama a snob for advising everyone to get themselves a college education. America, apparently, is a nation of snobs. In a recent poll 94% of parents said they expected their children to go to college. And in January almost 60% of Americans aged 16 to 24 were enrolled in one, an all-time high for that month.

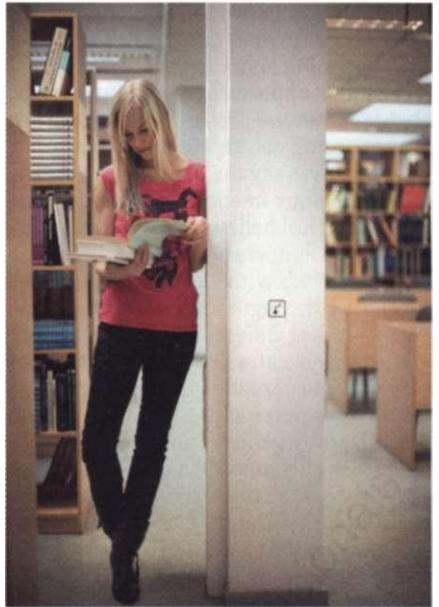
Enrolment has been rising for decades, egged on by parents, presidents of both political stripes (not to mention Mr Santorum, when a senator) and the rising wage premium that college graduates command. The recession added an extra kick. Enrolment rose from 57% in the 2007-08 academic year to 59% in 2010-11.

Unemployment always hits the young particularly hard, reducing the opportunity cost of going back to full-time education. An expansion of both federal Pell grants, from 5.5m in 2007-08 to 9.6m in 2011-12, and of college tax credits has helped defray costs, which may help explain why the share of students holding down jobs also dropped sharply after 2008.

This trend sheds light on one of the central mysteries of the recovery: why so many people have left the labour force. The proportion of the working-age population that is working or looking for work (the participation rate) has fallen from 66% in 2007 to below 64% in January. This has been an important part of the reduction in the headline unemployment figure. With fewer people entering the labour force, there are fewer job hunters to be counted as unemployed.

The drop has been by far the largest among 16-to-24-year-olds; their participation rate has dropped almost five percentage points since 2007. Alan Krueger, the chairman of Mr Obama's Council of Economic Advisers, reckons this can explain almost a third of the drop in the overall participation rate.

That puts a different spin on a trend most economists have seen in a drearier light. They thought a lacklustre economy was suppressing participation by driving discouraged workers out of the labour market altogether, and that participation would rebound along with the economy. Mr Krueger agrees that part of the drop is due to lack of demand for labour because of the recession, but thinks something else is at work: the underlying trend in partici-



Not Mr Santorum's favourite person

pation in the past decade has already been falling because of an ageing work force and a downdrift in participation by women. It may tick up in coming years as the young people now in college graduate. When they do, Mr Krueger notes, they will have more human capital, which will, with luck, earn them higher wages and boost the economy's overall potential. Which would be all to the good, since they will have hefty student loans to repay.

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