

Weekly Market Flash

Harder Times for the Young and Educated

June 6, 2025

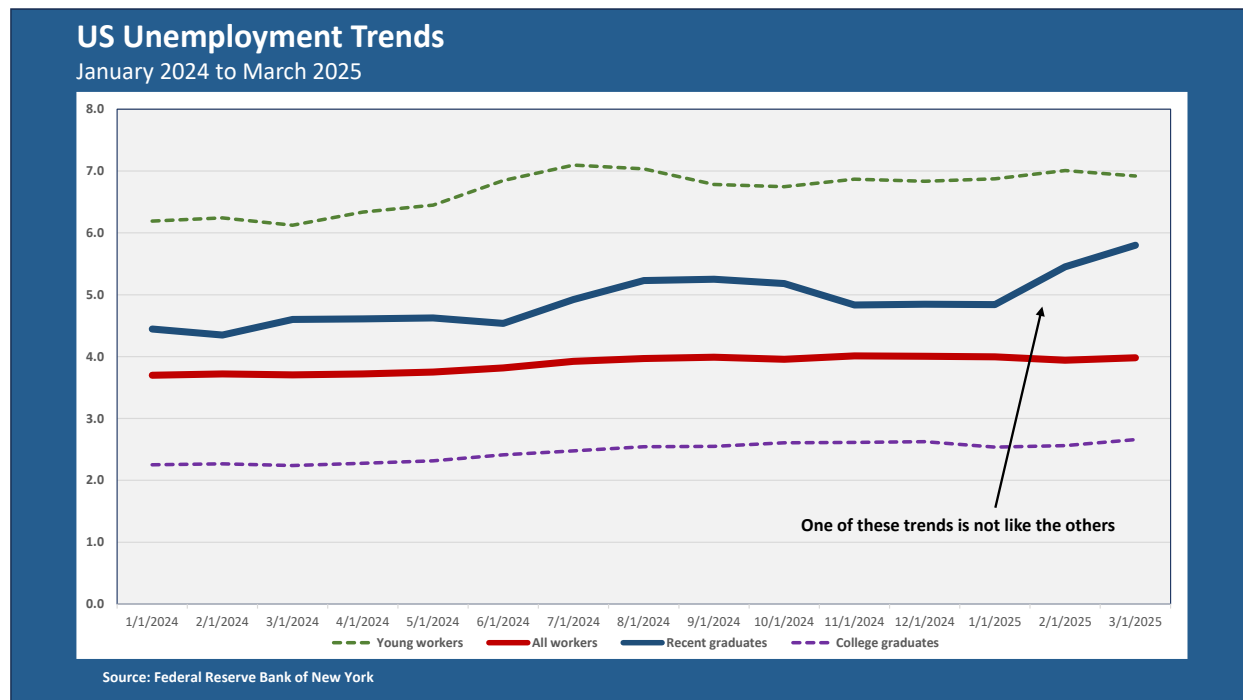
This week was Jobs Week, when we were afforded a fresh look at employment trends in the US, and the net takeaway was the proverbial mixed bag. The headline number for Jobs Week, of course, is the monthly report from the Bureau of Labor Statistics which contains, among other data points, the national unemployment rate and the gains or losses in nonfarm payrolls. That report, which came out this morning, showed a continuation of slowing payroll gains, the fifth month in a row in which payroll additions grew at a slower pace than the three-year average of 213,000. The overall unemployment rate, meanwhile, remained steady at 4.2 percent.

Earlier in the week, though, observers took note of a notable decline in payroll growth reported by the monthly ADP Employment Survey. This report had jobs growing by only 37,000 versus the consensus forecast by economists of 130,000, suggesting that the long-expected cooling off of the labor market may be further along than we thought. But wait, there's more! The JOLTS job openings report came in better than expected at 7,391 openings versus the forecast of 7,100.

All in all, then, a mixed bag. But there is an underlying trend going on in the labor market that we think merits closer attention as an indicator of where things generally may be headed.

Graduate Blues

The headline unemployment number has remained remarkably steady over the past year, with one exception. Unemployment for recent college graduates started to spike up at the beginning of this year and rose sharply through the first quarter, as shown in the chart below (the latest data available for this segment is March 31).



As the above chart shows, unemployment for all workers (shown in crimson), for all young workers (green dotted line) and for all college graduates (purple dotted line) did not change much over the 15 months to March 31. But the rate for recent college graduates, which encompasses workers aged 22 to 27 years old, jumped by roughly a full percentage point. Now it is possible, of course, that this is nothing more than a mini-trend that will reverse itself in due course. On the other hand there may be something more durable going on here, and at least some observers imagine that “something” as having to do with AI.

Agentics Versus Alumni

If you happen to have tuned in to any earnings calls by Big Tech companies lately, you would probably have heard the word “agentics” spring forth from the lips of tech execs multiple times. In the world of leading-edge AI, agentics means the implementation of platforms capable of handling a wide range of service-sector functions from customer service to data analytics and the parsing of legal documents. In other words, functions that often align with the job responsibilities of new college graduates. Economists are starting to connect the dots between this relatively recent development in AI and those spiking unemployment numbers for recent grads. A research briefing published last month by Oxford Economics notes that “there are signs that entry-level positions are being displaced by artificial intelligence at higher rates.” As an aside, it’s worth noting that some of the jobs that could get swept up in the agentics revolution are some of the most sought-after for newly-minted holders of bachelor’s degrees, such as investment banking analysts.

That said, it is still too early to infer causation from correlation in observing these trends. A recent article in the Economist, for example, drilled into some of the details underlying this employment trend and concluded that, no, AI was not coming to take away your job.

Not yet, anyway. But that may change as adoption rates of leading-edge AI technology grow among businesses. Use of AI in core business functions is still something that fewer than ten percent of all businesses surveyed say they are doing. That could mean that Big Tech’s promises of what AI can deliver are overhyped and will fall short of projections, or it could mean that we are still in the early stages of an adoption curve that will grow and, at some point, tip into hyperscale across the economy. Meanwhile, keep an eye on those numbers for recent college grads.

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