August 6, 2026 (Vol. XXVI, No.33)

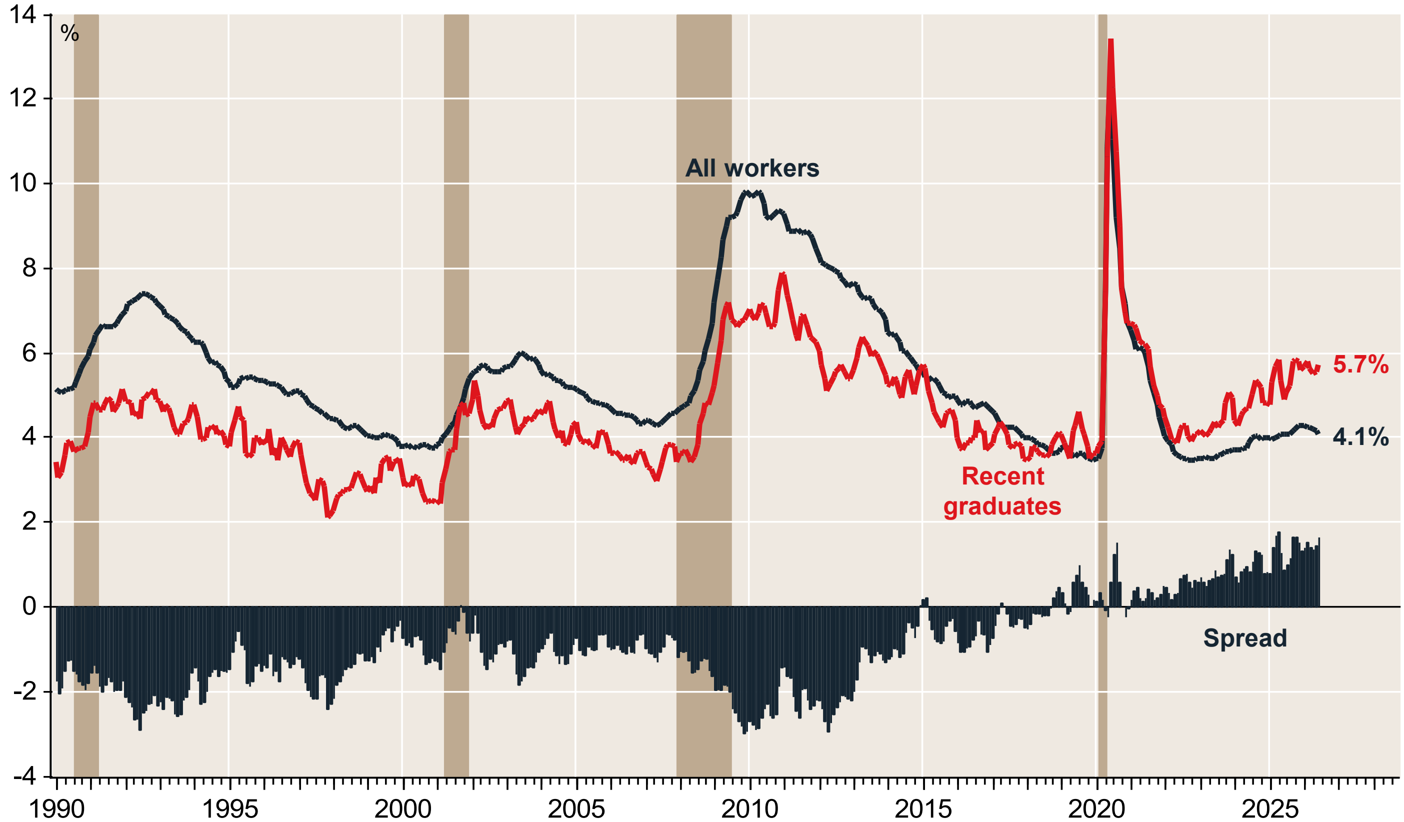
U.S. Watch

By Jocelyn Paquet

The health of the U.S. labour market is one of the most hotly debated topics at the moment, and for good reason, given that it is one of the main drivers of consumer spending and plays a crucial role in shaping the course of monetary policy. While acknowledging that reaching a consensus on this issue is difficult even under the best of circumstances, it must be admitted that experts are particularly divided at the moment, with some continuing to fear a deterioration in the coming months and others anticipating an improvement. Although we fall into the second group, we would be the first to acknowledge that the key employment indicators are currently sending mixed signals. If you ask consumers — as the Conference Board does every month — they would tell you that hiring conditions have steadily deteriorated over the past five years and are now the worst since the mid-2010s, excluding the pandemic period. Conversely, if you look at the data on initial unemployment claims—which are hovering near their historic lows—you can only conclude that companies are extremely reluctant to lay off workers at this time, a sign of the strength of the labour market. The reality probably lies somewhere in between and is characterized by a solid labour market overall, but one that hides certain pockets of weakness. Among the less fortunate, some may be surprised to find recent graduates, whose unemployment rate currently far exceeds that of the workforce as a whole, as shown in today's Hot Chart. This situation stands in direct contrast to the long-term historical trend, which saw recent graduates enjoy better job prospects between 1990 and 2020. However, this relationship has reversed in the wake of the pandemic, with the gap between the unemployment rate for recent graduates and that of the general population continuing to widen ever since. What happened? Although there are probably several causes of this phenomenon, notably the lack of demand for young workers resulting from over-hiring in the period that followed the pandemic, the potential role of artificial intelligence in this matter cannot be ignored. Since AI is particularly effective at automating tasks traditionally carried out by young white-collar workers, it is not unreasonable to suggest that it has prompted some companies to reduce their university recruitment. And while it is true that the decline in job prospects for recent graduates began before the commercial release of ChatGPT in November 2022, we cannot rule out the possibility that the advent of this technology accelerated the deterioration. In any case, developments regarding the outlook for this specific group will bear watching going forward given that, historically, businesses have tended to slow down recruitment *before* proceeding with costly layoffs when their demand for workers has declined.

U.S.: Is AI making it harder for graduates to find entry-level jobs?

Unemployment rate, all workers vs. recent graduates



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