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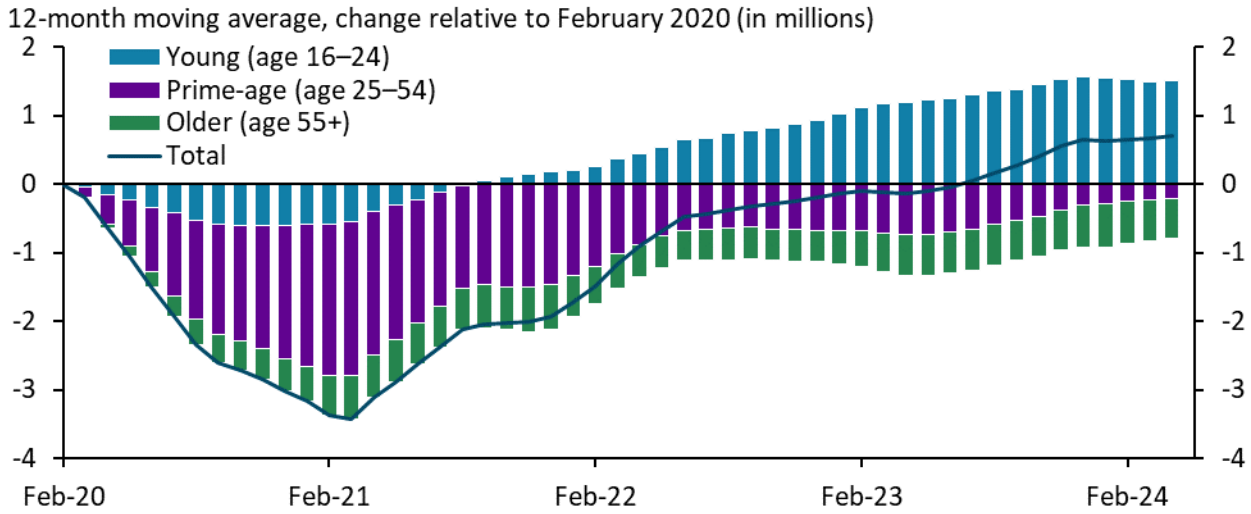
Young Workers Fuel Recovery in Jobs Requiring a High School Diploma or Less

By Emily Pollard

The labor force of individuals with a high school diploma or less has surpassed pre-pandemic levels thanks to an increase in the number of young workers. However, this shift toward younger workers could affect both the current and future productive capacity of the economy. Young workers lack experience and work fewer hours, which could lead to productivity losses in the short term. More concerningly, some young people appear to be foregoing education to work, which may hurt their future labor market prospects.

The labor force of individuals with a high school diploma or less, a group making up about one-third of the total labor force, has recently surpassed pre-pandemic levels.[1] The blue line in Chart 1 shows that the "high school or less" labor force reached its pre-pandemic level in mid-2023 and currently stands more than 700,000 above this level.[2] Younger workers in particular appear to have driven the recovery. Although the numbers of prime-age individuals (age 25 to 54, purple bars) and older individuals (age 55 and older, green bars) have not yet recovered to their pre-pandemic levels, 1.5 million more youth (age 16 to 24, blue bars) are now in the high school or less labor force relative to the pre-pandemic period.

Chart 1: Young workers have driven the recovery in the labor force of individuals with a high school diploma or less

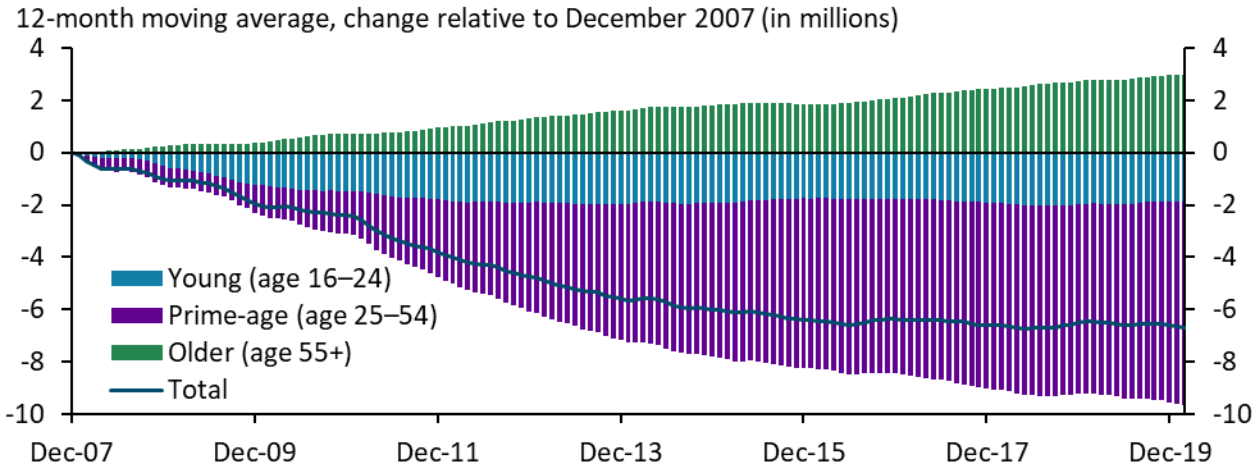


Sources: U.S. Census Bureau and author's calculations.

Young people do not usually drive a recovery in the labor force of individuals with a high school diploma or less, suggesting factors particular to the pandemic recovery may explain this rise. Chart 2 shows that during the Great Recession, for example, the youth high school or less labor force (blue bars) suffered large declines that were never made up.[3] Wirtz (2009) and Harrington and Khatiwada (2016) find that during the Great Recession and subsequent recovery, young people were interested in working but were kept out of the labor force by a lack of job opportunities, as employers favored older, more experienced

workers over teens. This finding suggests the current surge in the young high school or less labor force may be due to recent labor shortages.

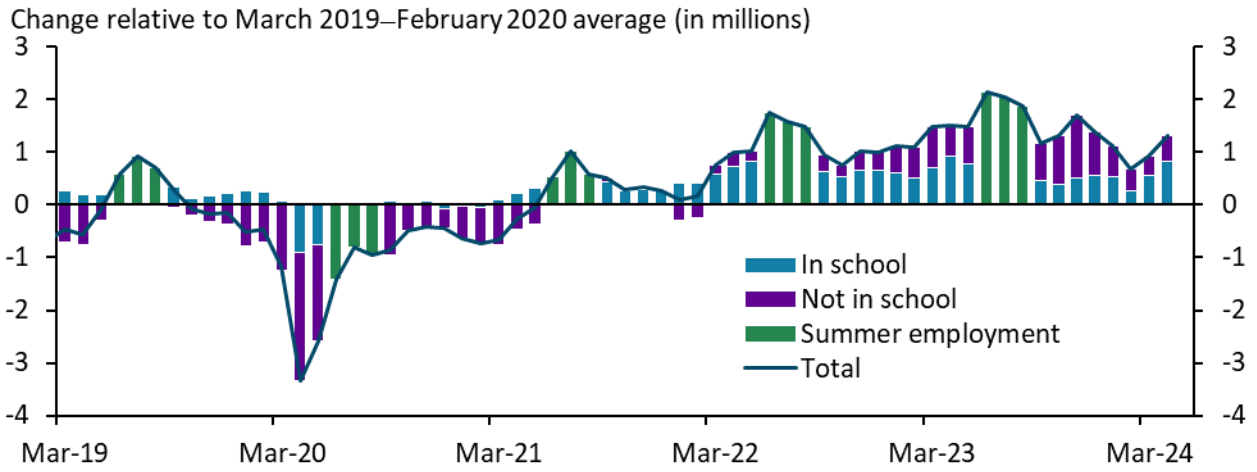
Chart 2: The number of young individuals in the high school or less labor force remained low in the wake of the Great Recession



Sources: U.S. Census Bureau and author's calculations.

Indeed, the recent growth in the labor force of young people has translated into large employment gains for this group, though much of this work is part-time or seasonal. Chart 3 breaks down the change in youth high school or less employment relative to its March 2019–February 2020 average by school enrollment. The green bars show that youth employment spikes every summer when many young people are on summer break (unfortunately, I cannot distinguish between summer workers who are planning to return to school in the fall and those who are not). During recent school years, total youth employment (blue line) has been lower than in the summer but still well above the March 2019–February 2020 average. These employment gains are due to both more students working while still in school (blue bars) and more young people working and not in school (purple bars).

Chart 3: Youth high school or less employment gains are due to more summer workers, more workers balancing work and school, and more workers no longer in school

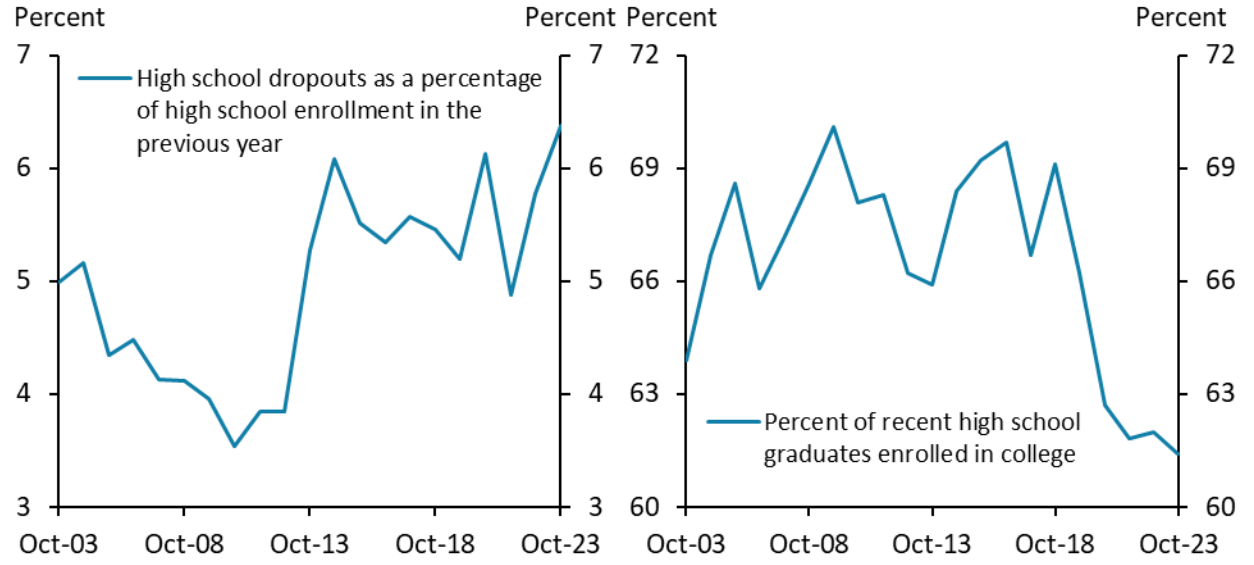


Sources: U.S. Census Bureau and author's calculations.

Increases in each of these three youth employment groups have different implications for the economy. Young people who only work during summer break can only fill seasonal needs, while young people who work during the school year can generally only work part-time after school and on weekends. Although only 21 percent of the high school or less group (all ages) worked part time during the 2022–23 school year, this figure is much higher for young workers enrolled in school (88 percent).[4] In fact, although the total high school or less labor force has seen strong employment gains overall, with more workers working part time, aggregate weekly hours of workers with a high school diploma or less are *below* their pre-pandemic level. Moreover, these numbers do not reflect potential productivity losses from shifting jobs to young employees who generally have less experience, or the struggles employers may face filling shifts during the school year or during school hours.

Perhaps more concerningly, young workers who report not being in school may be dropping out of high school or foregoing college to work, posing long-term risks to the economy. The left panel of Chart 4 shows that the high school dropout rate was higher in 2022 and 2023 than before the pandemic; the 2023 dropout rate of 6.4 percent was the highest in the 20-year sample. The right panel shows that the college enrollment rate for recent high school graduates plummeted during the pandemic and has yet to recover, remaining about 6 percentage points below its pre-pandemic level.

Chart 4: More young people are dropping out of high school and fewer are enrolling in college than pre-pandemic



Notes: The left panel shows the number of 16- to 24-year-olds who dropped out of high school in the preceding year (October to October) as a percentage of the total number of 16- to 24-year-olds enrolled in high school the previous October. The right panel shows the percentage of recent high school graduates (graduated in January to October of that year) enrolled in college that October. Data are from the yearly releases on College Enrollment and Work Activity of High School Graduates.
Sources: U.S. Bureau of Labor Statistics and author's calculations.

Foregoing education could have negative longer-run effects on these young workers and on the overall economy. Individuals with a high school diploma or less have historically had a higher unemployment rate and lower labor force participation rate than those with post-secondary education, suggesting they

face tougher employment prospects. Mustre-del-Río and Pollard (2019) find that, on average, workers with a high school diploma or less make less over their lifetimes than workers with even some post-secondary education. Over the next 10 years, the U.S. Bureau of Labor Statistics forecasts that employment growth will be concentrated in jobs where the typical entry-level education is a post-secondary credential, while growth in jobs requiring no post-secondary credential is expected to stagnate. This dynamic could create a mismatch between the educational attainment of the workforce and that needed for available jobs, which in turn could lead to higher unemployment for those with a high school diploma or less and labor shortages for employers.

However, the boom in high school or less youth employment may already be on the wane. Vacancies in jobs requiring a high school diploma or less are well below their 2022 peaks. In turn, the pace of youth high school or less year-over-year employment growth slowed in 2023, with 12-month average employment declining since December 2023. Given evidence from the Great Recession, as the labor market loosens, young workers may be the first to feel the effects.

Endnotes

[1] The designation "high school diploma or less" does not include people with college, community college, or trade school credits or people with post-secondary non-degree certificates.

[2] The series shown in Charts 1 and 2 are 12-month moving averages. Both the youth and high school or less labor force and employment series are highly seasonal, with higher values in the summer and lower values in the winter. I use 12-month moving averages to smooth out these seasonal patterns.

[3] The youth high school or less labor force also never surpassed its pre-recession peak during the business cycles of the 1990s and early 2000s.

[4] About 95 percent of these young school-enrolled workers with less than a high school diploma were choosing to work part time rather than being unable to find full-time work, so their high part-time rate is not due to a lack of job opportunities.

References

Harrington, Paul, and Ishwar Khatiwada. 2016. "U.S. Teens Want to Work." Federal Reserve Bank of Boston, *Communities & Banking*, March 1.

Mustre-del-Río, José, and Emily Pollard. 2019. "What Explains Lifetime Earnings Differences across Individuals?" Federal Reserve Bank of Kansas City, *Economic Review*, vol. 104, no. 1, pp. 35−56.

Wirtz, Ron. 2009. "OMG! Like, Where Are All the Teen Workers?" Federal Reserve Bank of Minneapolis, September 1.

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