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Are Young College Graduates Losing Their Edge in the Job Market?

High school graduates in their twenties have consistently experienced a higher unemployment rate than college graduates in the same age range. However, the unemployment gap between the two education groups has recently narrowed, reaching its lowest level since the late 1970s. This *Economic Commentary* shows that this narrowing coincides with a decades-long decline, one that began around 2000, in the job-finding rate among young college graduates.

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For decades, college graduates have typically faced lower unemployment rates, found jobs faster, and experienced more stable employment than high school graduates without college experience. Combined with higher expected wages, these advantages reinforced higher education as a pathway to economic security. However, some of the long-standing job market advantages offered by having a college degree may be eroding.

The postpandemic labor market shows signs of diminished prospects for young college graduates. Relative to the broader population, young graduates are experiencing higher-than-average

unemployment rates (Lahart and Chen, 2025; Tasci, 2025) alongside widespread anecdotes of difficulties in finding employment (Horsley, 2025; Pettypiece, 2025) and stories of tech industry contractions (Ellis and Bindley, 2025). Concerns about AI automation of entry-level positions traditionally filled by college graduates have compounded these worries (Brynjolfsson, Chandar, and Chen, 2025; Murray et al., 2025), especially since poor job market outcomes early in life can translate into persistent earnings shortfalls over the course of a career (Kahn, 2010; Oreopoulos, von Wachter, and Heisz, 2012).

In this *Economic Commentary*, we examine unemployment trends for high school and college graduates aged 22–27.[1] The unemployment gap between these groups has declined continually since the 2008 financial crisis, recently reaching its lowest level since the late 1970s. Comparing trends in transition rates among unemployment, employment, and economic inactivity (not in the labor force), we document that the shrinking unemployment gap has been accompanied by a secular decline in the job-finding rate—the fraction of the unemployed who find a job on a monthly basis—for young college graduates beginning around 2000. Recently, the job-finding rate for young college-educated workers has declined to be roughly in line with the rate for young high-school-educated workers, indicating that a long period of relatively easier job-finding prospects for college grads has ended. Trends in other transitions to and from unemployment, such as the job separation rate or entries from outside of the labor force, have moved in tandem for both schooling groups in the long run, despite diverging temporarily over business cycles in some cases. In particular, the entry rate into unemployment for young high-school-educated workers remains above that for young college-educated workers. As a result, despite convergence in job-finding rates, young college graduates maintain advantages in job stability and compensation once hired.

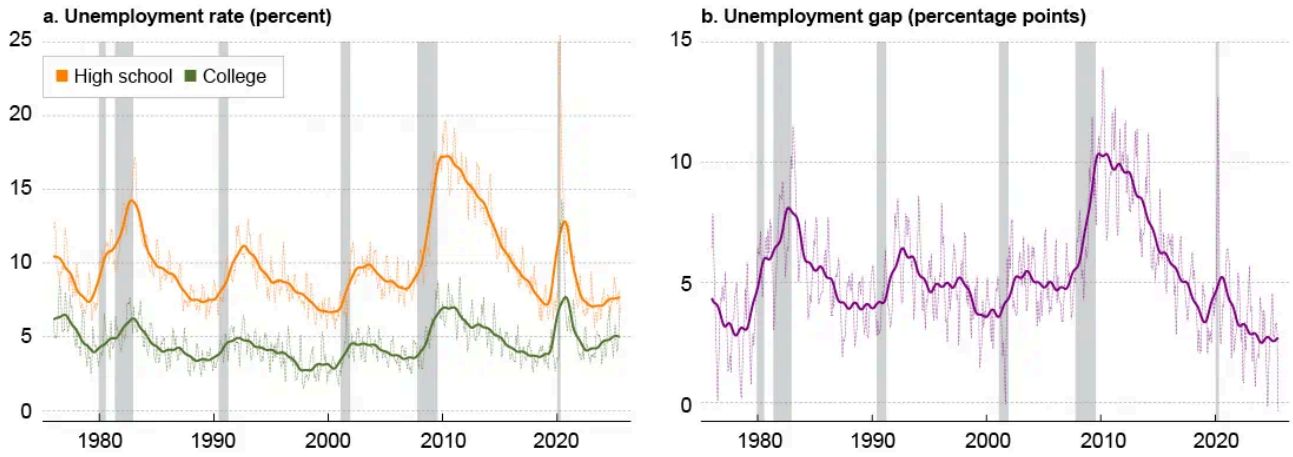
The Employment Situation for Young High School and College Graduates

We use panel data from the Current Population Survey (CPS) spanning 1976–2025 (IPUMS, Flood et al., 2024). The CPS is a monthly survey sponsored jointly by the US Census Bureau and the US Bureau of Labor Statistics that tracks the socioeconomic characteristics of respondents over time, thus enabling the detection of changes in labor force status. Our sample includes respondents aged 22–27, split into college-educated (four-year degree or higher) and high school-educated groups.

Figure 1a shows the evolution of the unemployment rates for young high school and college workers since 1976. Dashed lines show raw data with seasonal noise; solid lines show smoothed series using locally weighted running-mean estimation (Cleveland, 1979). High school workers have historically had a higher and more procyclical unemployment rate (meaning it rose more during economic expansions and fell more during recessions) than that of college workers. But this gap has narrowed recently. Figure 1b illustrates this convergence. The unemployment gap oscillated around 5

percentage points for decades before climbing steeply after the 2008 financial crisis as high school workers particularly struggled with re-employment. Since then, the gap has steadily narrowed except for a brief pandemic-related spike. The current (July 2025) 12-month moving average of the gap—2.5 percentage points—sits near its March 2024 all-time low of 2.4 percentage points, with the last 20 months comprising the series' lowest string of realizations on record. [2]

Figure 1: Unemployment Rate among Young Americans: High School Graduates versus College Graduates



Sources: Current Population Survey, authors' calculations

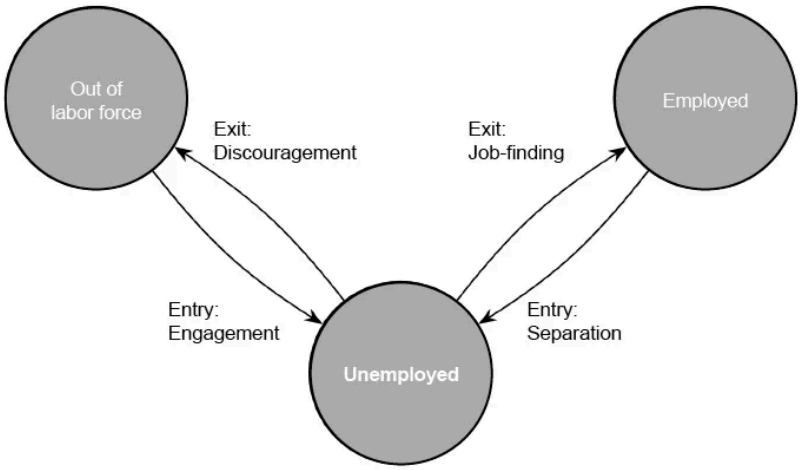
Notes: Dashed lines show raw data with seasonal noise. Solid lines show smoothed series using locally weighted running-mean estimation. Shaded vertical bars indicate NBER recessions.

This narrowing reflects a tale of two job markets. Young high school workers are riding the wave of the historically tight postpandemic labor market with well-below-average unemployment compared to that of past high school graduates, while young college workers are experiencing unemployment rates rarely observed among past college cohorts barring during recessions. To understand this convergence, we turn to the underlying job market dynamics.

Movements In and Out of Unemployment

Unemployment is a temporary status that many experience at various points in their careers. Figure 2 displays the different channels through which people enter and exit unemployment. People may enter unemployment by losing their jobs (separation) or (re)joining the labor force to search for jobs (engagement). People can exit unemployment by finding jobs or leaving the labor force (discouragement). The relative size of these entry and exit "flows" determines the unemployment rate: higher entry rates raise it, while higher exit rates lower it. Distinguishing between entry and exit flows, therefore, can shed light on the converging unemployment trends of the two education groups. We decompose these flows using two common methods.

Figure 2: Transitions In and Out of Unemployment

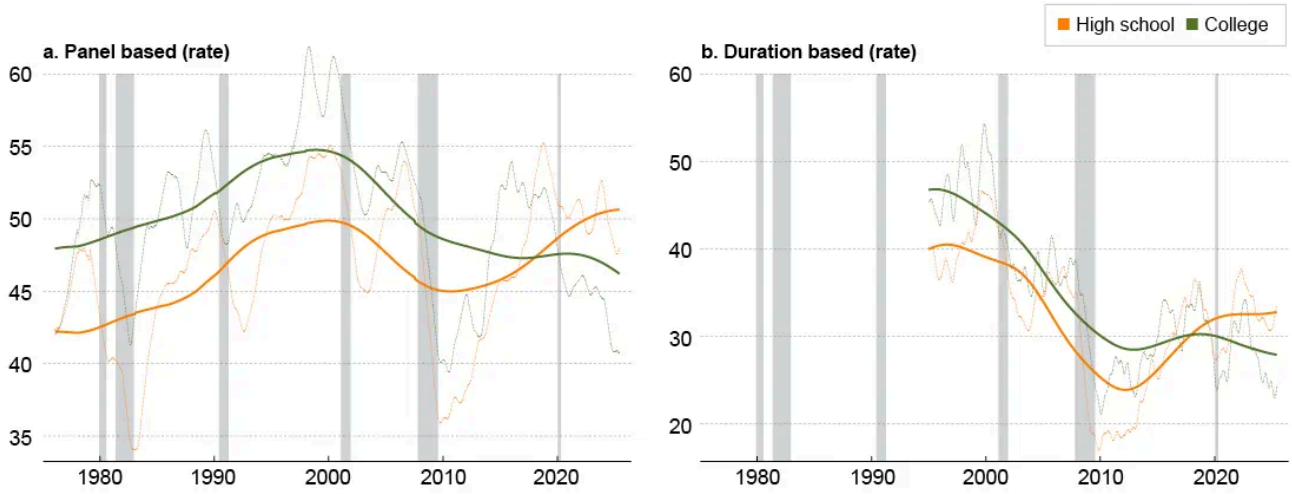


First, we track monthly employment-status changes using the panel structure of the CPS. We measure exit rates as unemployed respondents' becoming employed or leaving the labor force in subsequent monthly interviews and entry rates as newly unemployed divided by employed workers.

Second, following Shimer (2005), we use cross-sectional unemployment duration data to address time aggregation concerns that arise from monthly data's missing short unemployment spells that fall between consecutive interviews. Shimer (2005) defines monthly exit rates as one minus the ratio of workers unemployed for at least a month to the total number of unemployed workers in the preceding month, then solves for entry rates accounting for monthly changes in total unemployment given the exit rate.[3] This approach better captures short unemployment spells but lacks detail on reasons for exit (job-finding versus discouragement) and requires data available only after 1994.

Figure 3 shows unemployment exit rates for young high school and college graduates using both methods. Dashed lines are smoothed to capture short-run movements primarily from business cycle fluctuations; both groups show strongly procyclical exit rates with comparable amplitudes, meaning that economic cycles do not affect the exit rates of the two groups differentially. Solid lines reveal longer-term trends: High school exit rates remained stable until 2008, dropped during the jobless recovery from the 2008 recession, and now sit near long-run averages.[4] College exit rates trended upward from 1976 to 2000 and then declined sharply. The gap between the exit rates for high-school-educated and college-educated workers narrowed after 2000, closing entirely around 2019.

Figure 3: Unemployment Exit Rates among Young Americans: High School Graduates versus College Graduates



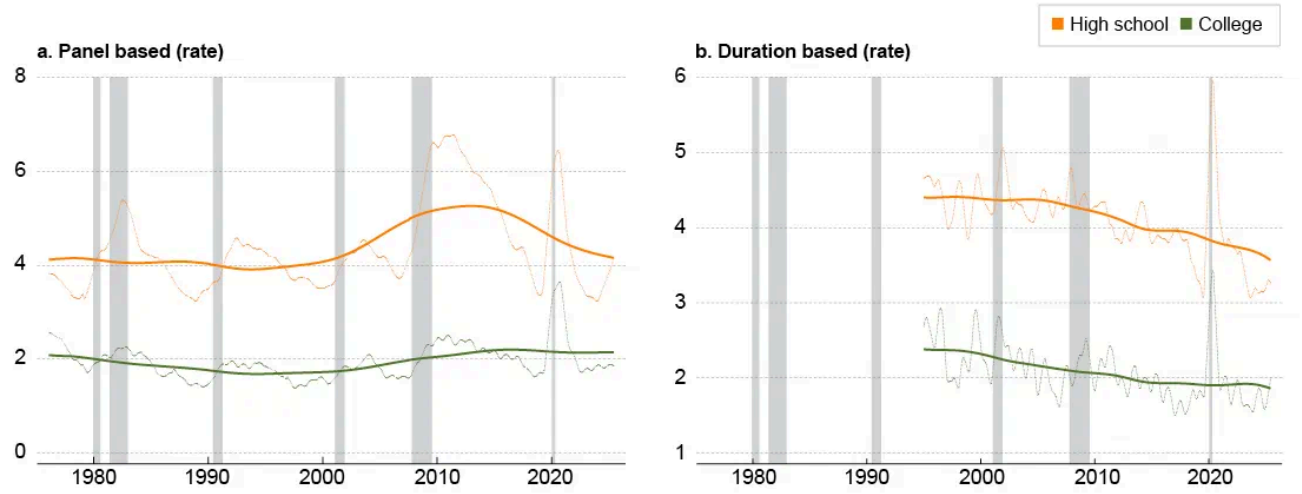
Sources: Current Population Survey, authors' calculations, monthly percentage rates

Notes: The exit rate represents the percent of the unemployed who either find a job or leave the labor force each month. Dashed lines are smoothed to capture short-run movements primarily from business cycle fluctuations. Solid lines reveal longer-term trends. Shaded vertical bars indicate NBER recessions.

Both methods show exit rates among college graduates to be declining relative to that of high school graduates. High school graduates now exit unemployment faster than college graduates. These changing dynamics entail shorter unemployment spells for high school graduates, a circumstance which acts to bring the unemployment rates of the two education groups closer to each other.

Figure 4 shows unemployment entry rates. High school graduates have had higher entry rates historically, a situation which, in combination with lower exit rates prior to 2019, explains their higher average unemployment. Entry rates are countercyclical, with college graduates showing lower amplitude over business cycles, indicating better job stability. Long-run trends show broad stability for both groups, though duration-based measures show declining entry rates over time. Importantly, the gap between groups remains stable, so trends in entry rates cannot be key to understanding the convergence in unemployment rates.

Figure 4: Unemployment Entry Rates among Young Americans: High School Graduates versus College Graduates



Sources: Current Population Survey, authors' calculations, monthly percentage rates

Notes: The entry rate is the percent ratio of newly unemployed to employment. Dashed lines are smoothed to capture short-run movements primarily from business cycle fluctuations. Solid lines reveal longer-term trends. Shaded vertical bars indicate NBER recessions.

Table 1 contrasts the average entry and exit rates of young high school and college graduates from 1976 to 2000 with their corresponding rates during the 12-month period ending in June 2025.[5] Prior to 2001, young high school graduates had lower exit rates from unemployment (41.2 percent versus 47.0 percent) and higher entry rates (3.9 percent versus 1.8 percent), consistent with a significantly higher unemployment rate among high school graduates than college graduates. There has, however, been a reversal of exit rates in recent years. While high school graduates historically exited unemployment more slowly, they now exit faster than college graduates (41.5 percent versus 37.1 percent), with a nearly 10 percentage point decline in the exit rate for college graduates. In contrast, entry rates currently stand near their historical averages for both education groups (3.9 percent versus 1.9 percent). This suggests that the reversal of exit rates is the key factor behind the narrowing of the unemployment rate gap.

Table 1: Unemployment Entry and Exit Rates by Education

Education	Exit rate	Entry rate
	1976–2000	
High school	41.2	3.9
College	47.0	1.8
Education gap	-5.9	2.1
	2024–2025	
High school	41.5	3.9
College	37.1	1.9
Education gap	4.4	2.0

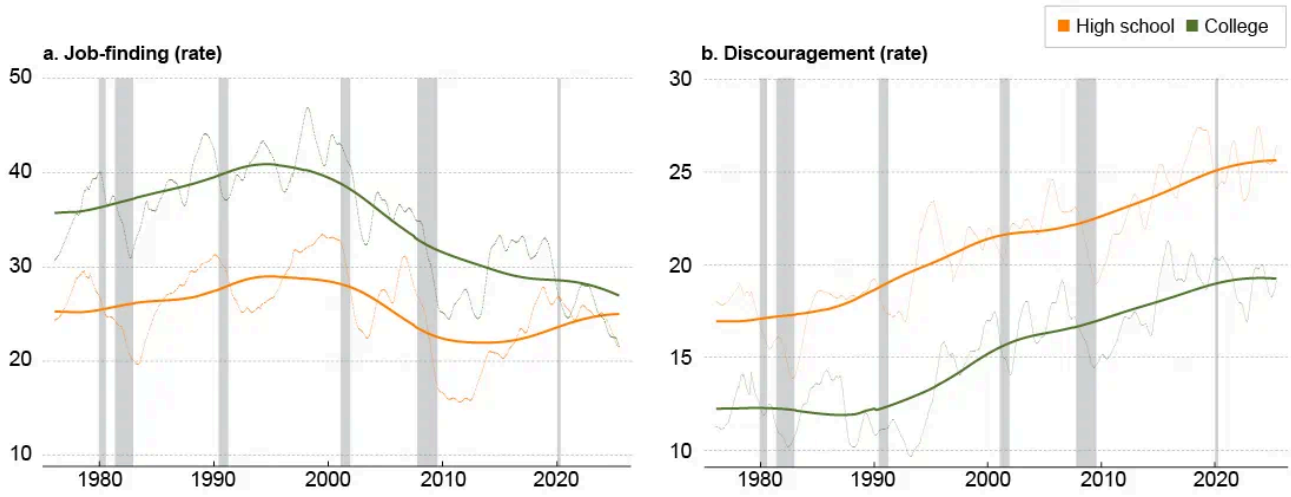
Notes: The span 1976–2000 denotes February 1976 (when the data become available) to December 2000. The span 2024–2025 denotes the last 12 months of the sample, June 2024 to July 2025.

Unemployment Departures: Finding Jobs or Leaving the Labor Force?

What explains the reversal in exit rates? Recall that exit occurs through job-finding or labor force departure (discouragement); thus, differences in trends in either how quickly each group finds a job or how often each group gets discouraged from job searching could both explain this pattern. It is essential to distinguish between these two explanations because they imply opposite interpretations of comparative job prospects. Are high school graduates getting discouraged more easily or finding jobs more quickly relative to college graduates?

Figure 5 separates the two components of exit from unemployment: the job-finding rate (left) and the discouragement rate (right). Historically, college graduates have found jobs faster. Both groups experienced cyclical fluctuations, but long-term trends moved together between 1976 and 2000, consistent with parallel exit rates during this period. Patterns diverged after 2000: high school job-finding rates remained stable despite a prolonged downturn after the 2008 recession, while college rates have declined consistently since 2000. The series converged around 2019, with recent data showing similar job-finding rates.

Figure 5: Job-Finding and Discouragement Rates among Young Americans: High School Graduates versus College Graduates



Sources: Current Population Survey, authors' calculations

Notes: The job-finding rate is the fraction of the unemployed who find a job on a monthly basis. The discouragement rate is the fraction of the unemployed who leave the labor force. All rates are based on panel data and expressed in percentages. Dashed lines are smoothed to capture short-run movements primarily from business cycle fluctuations. Solid lines reveal longer-term trends. Shaded vertical bars indicate NBER recessions.

By contrast, discouragement rates (right panel) show no differential trends. Both groups increased in parallel before and after 2000. Thus, the reversal in exit rates from unemployment is a consequence of the secular decline in the college job-finding rate.

Discussion

Our analysis reveals that the recent narrowing of the unemployment gap between young high school and college graduates has been accompanied by the long-term decline in the college job-finding rate beginning around 2000. This timing coincides with the switch from college-biased to education-neutral growth in labor demand, as documented by Cline and Kaymak (2025). Declining job prospects among young college graduates may reflect the continued growth in college attainment, adding ever larger cohorts of college graduates to the ranks of job seekers, even though technology no longer favors college-educated workers.

Although the narrowing unemployment gap was noticed recently, the underlying factors that contribute to this trend have been operating for much longer. The prolonged jobless recovery after 2008 particularly affected high school graduates, obscuring the secular convergence of job-finding rates between college-educated and high-school-educated workers. It does not appear that recent developments are attributable to postpandemic factors alone. If historically tight labor markets drove narrowing, the high school job-finding rate should have risen to match college rates rather than a decline in the college job-finding rate. Developments related to AI, which may be affecting job-finding prospects in some cases, cannot explain the decades-long decline in the college job-finding rate.

The labor market advantages conferred by a college degree have historically justified individual investment in higher education and expanding support for college access. If the job-finding rate of college graduates continues to decline relative to the rate for high school graduates, we may see a reversal of these trends. It is important to note, however, that not all employment advantages have disappeared for young college graduates. They continue to experience lower job separation rates than high school graduates, meaning greater job security once employed. College graduates also still retain substantial wage premiums. The convergence we document concerns the initial step of securing employment rather than overall labor market outcomes. These details suggest a nuanced shift in employment dynamics, one in which college graduates face greater difficulty finding jobs than previously but maintain advantages compared with high school graduates in job stability and compensation once hired.

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Endnotes

1. We limit the sample to those aged 22–27 to match the Federal Reserve Bank of New York's Labor Market for Recent College Graduates indicator, which has drawn attention in the media. Return to 1
2. Indeed, other than March 2024, the current unemployment gap is the lowest since the data became available. Return to 2
3. Specifically, the monthly exit rate is $F_t = 1 - (U_{t+1} - U_{t+1}^s) / U_t$, where U_t denotes the number of unemployed workers in month t and U_t^s denotes those who have been unemployed for less than four weeks. The monthly entry rate, S_t then solves $U_{t+1} - U_t = E_t \ln\ (1 + S_t) + \ln\ (1 - F_t) U_t$. Return to 3
4. Dashed lines employ a running-mean estimator that produces an average of the closest 5 percent of the sample at each point in time. Solid lines increase this bandwidth to 50 percent. Return to 4
5. We consider 12 months to circumvent seasonal variations in entry and exit rates. Return to 5

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