Put down that prom dress. It seems, as ConvergEx's Nick Colas notes, Retail isn’t the only service moving from the brick and mortar world to the virtual one. **Online high schools have been popping up (on the internet, of course) more and more often in the last few years:** even Stanford University started a program in 2006. Of the 22 million high-school aged (14-18) population in the US, about **1 million are estimated to be enrolled in a class or a full-time high school online.** That said, virtual schools are unlikely to replace traditional classrooms anytime soon: they’re still used mostly for supplemental or make-up courses rather than a complete education. But, Colas adds hopefully, the **technology points in a positive direction:** **free high school education means more high school diplomas, which could lead to a higher labor force participation rate, lower unemployment, and higher earnings for those who might have otherwise dropped out.**

Via ConvergEx's Nick Colas,

**Online high schools may not become the norm, and they might not bring graduation rates to 100%, but they could be changing secondary education – and the workforce – for the better.**

Note from Nick: Online education is moving upstream, from college to high school. Today Sarah looks at this emerging trend to see what it may mean for long term trends in unemployment, labor force participation, and social welfare. **Bottom line: Americans without a high school education face far worse economic prospects than any other cohort; anything that helps this group is worth exploring.**
What if there was a way to add 3 million Americans to the labor force, increase earnings, reduce the unemployment rate, and increase labor force participation? Might sound too good to be true. But there is one way we might accomplish this: send the 25 or so million non-high school graduates back to school to get their diplomas. We’ll get to exactly how we can do that in a minute, but first a brief outline of the problem:

Of the 25 million or so US adults with less than a high school diploma, only 11.3 million are actually in the labor force; their participation rate was a dismal 43.7% in December 2013. In other words, if you don’t finish high school, you’re more likely than not to drop out of the labor force or never engage with it in the first place.

Men actually have a much higher rate of participation here – 57.9% - compared to women, of whom only 33.4% are active in the workforce.

The unemployment rate for those in the labor force currently stands at 9.8% - a full 3 percentage points above the headline number. That said, 9.8% is a significant improvement from November’s 10.6% and last year’s 11.6%.

So what would the labor force look like if all of these workers – who represent “only” 7.3% of employed Americans – were to complete their secondary educations, giving them the same employment outlook as high school graduates? We ran a few quick calculations, and this is what we came up with:

More than 3.5 million people would join the labor force. High school graduates – who now make up about 27% of the workforce, would then represent about 38%.

Of that number, 3.3 million would be employed – and would make about $10k more a year than they would have without a diploma, according to the Bureau of Labor Statistics earnings data.

The overall participation rate would rise to 64.2%. Still not up to par with historical standards, but certainly higher than current rates.

Unemployment would drop to 6.5% overall – and the absolute number of
Welcome To The Age Of The Online High School

The US population has been slowly moving towards a labor market with more high school graduates with increasing graduation rates, but there’s one relatively new service that could help us accelerate the process: online high school. Almost every state has founded some form of online primary education in the last decade or so; the idea has actually been around since about 1993 when the EBUS Academy in Canada began offering virtual classes. Originally, it was intended to be supplementary to established high school classes, not a replacement for them: students could take higher level or more challenging courses that may not have been offered locally.

As it’s evolved, though, more and more online schools are offering full-time programs that result in a diploma in four years or less; even Stanford University founded its own online high school in 2006. It’s the luxury version of online education, of course: seminar-style and directed-study courses, full-time or part-time, for $16k a year. And it’s been quite successful; the school is currently home to a few young superstars in science and the arts. But it offers the same essential service as the free public school programs: students dictate their own schedule, and thus learn on their own terms and in their own time.

Still, online high schools are nowhere near replacing their brick and mortar counterparts just yet. While researchers agree they have a few advantages over traditional classrooms, some doubt its efficacy in the short and long term. Here are a few of the facts they highlight in the literature:

Out of about 22 million high school-aged kids in the US, 16 million are enrolled in some sort of high school – but less than 1 million are enrolled in online classes, according to estimates from Anthony Picciano and Jeff Seaman of the Sloan Consortium. More than half of these are online part-time students, or students only taking one supplementary class; very few are enrolled full-time.

A 2000 study (Bigbie & McCarroll) found that more than half of the students who completed an online course in Florida scored an A or higher; only 7% received a failing grade. Another study in 2009 by Barbour and Mulcahy showed that in more than 200,000 cases, students enrolled in online classrooms performed as well as traditional classroom students on exams.

Not all the news is positive, though. Researchers Ballas and Belyk (2000) reported that participation rates for virtual students were up to 30% lower than classroom-based students; Bigbie and McCarroll (2000) reported that 25-50% of the students they followed dropped out of their virtual courses over the period, skewing the year-end exam results higher.
Students in online high school courses tend to come from one of two backgrounds: highly motivated and overachieving, or underperformers required to repeat a class. According to Barbour, this bipolarization skews the literature of virtual school students to focus on the high performers – giving virtual schools a better rep than they might otherwise get. In 2007, the two classes with the highest enrollment in the US were Algebra I and Algebra II – and many of the students enrolled in the course were taking it for the second or third time. Put simply, there is a split between those students who take courses to challenge themselves – like those enrolled at Stanford – and those that John Watson (2008) calls “at-risk” students: those who probably would have dropped out of traditional schools. Online schooling might be effective for the former, but the jury is still out on the latter.

Despite some of these setbacks, its existing and potential advantages make online schooling a theoretical boon for society at large. Aside from offering out-of-reach classes to students who want them, there are three major benefits to virtual schools:

- It gives everyone the opportunity to get a high school diploma – anywhere, any time – which means a more educated workforce, a larger workforce, and higher earnings potential. Currently, those without a high school diploma make about $10,000 less per year than someone who graduates: they're also more likely to be unemployed, if they are even in the labor force. If they're given the chance to complete their education on their own time and at their own pace, though, it's possible that graduation rates will rise – quite a few states, in fact, have created public online schools for exactly this reason. With a high school diploma, those who may otherwise have dropped out increase their earnings potential and employment opportunities – and as we showed before, increase the participation rate and reduce unemployment.

- As Stanford's experiment exemplifies, it lets schools (and society) identify the all-stars even before they reach college age. It's no fluke that Stanford's online student body has so many award winners; they're specifically selected because of their high potential and intellectual capabilities. Moreover, online education gives Stanford (and other schools) the chance to recruit from abroad, and thus bring the best and brightest in the world. And since the school can shape the education of its students, it would not be surprising if Stanford's OHS became a funnel for the university: catching the students early on gives the school the possibility of enrolling an exceptionally bright or entrepreneurial student before they're even teenagers.
Finally, like most online operations, virtual schooling helps lower costs. According to UC Berkeley, online classes each take about $50k-$100k to develop; but once they’re finished, they require very little maintenance. Eliminating the classroom, the books, the desks – all leads to lower costs for schooling. Some private online schools cost a pretty penny, yes – Stanford will set you back $16k for a year – but free public schools could benefit from this lower cost alternative to summer school or class repeats. And not to worry, teachers, you’re safe: online classrooms require an instructor, a grader, and a mentor. While you may not be teaching in front of a classroom, you can keep your job – and potentially work in your pajamas.

Again – online high school is not likely to take over the role of the traditional classroom anytime soon. And more research is necessary to determine its efficacy – though school districts in Georgia and Alabama are already touting the benefits of their programs. Overall, though, virtual schooling is a net positive: not only does it foster a larger, more educated workforce, but it also allows us to identify outperformers and lower costs. The only thing it’s missing is the prom.

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