

# THE RISE of GENERATION Z

A Paychex Special Report



Gen Z Workers Are The Only Generational Group Growing Within The Small Business Employment Sector.

Their wages, geographic distribution, gender differences, and industry preferences are key indicators about the future of the American workforce.

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# GENERATION Z SNAPSHOT

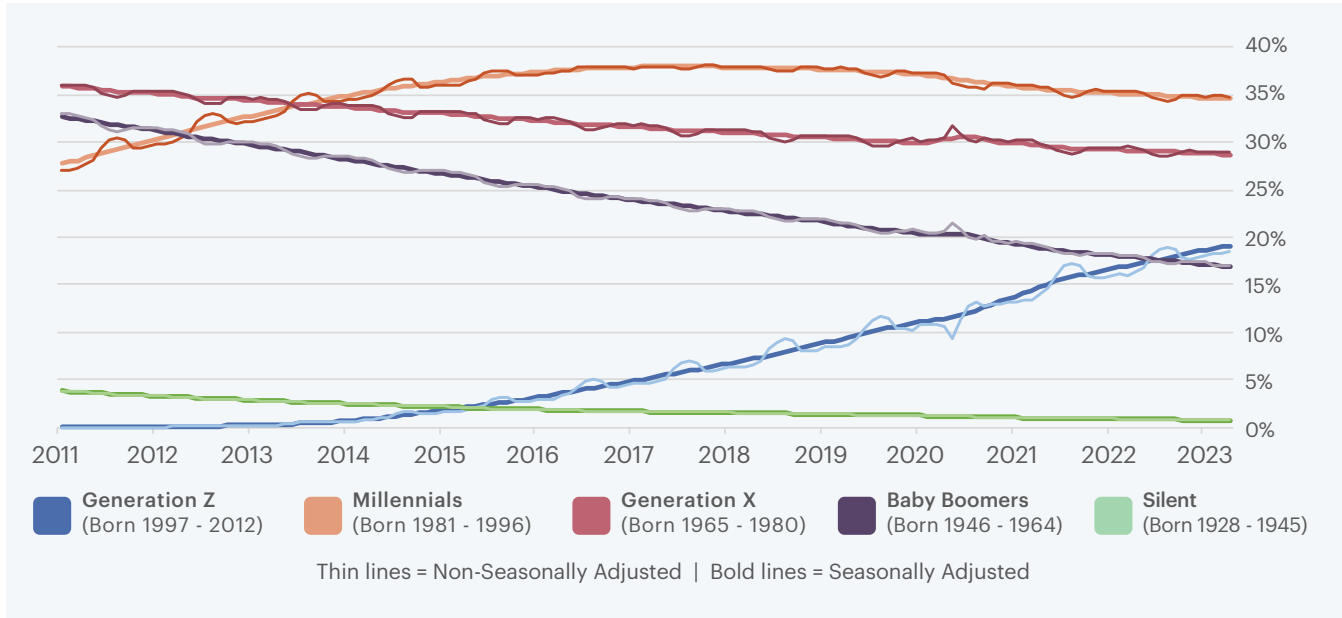


Nearly **ONE OF EVERY FIVE** small business workers is a member of Gen Z.

Where they work, what they do, & how much they make provide valuable insights into current and future workers in the U.S.



Growth of Generation Z in the Small Business Workforce



Since 2018, Gen Z has increased their employment share by at least 2 percent every year, while all other generations have decreased. Gen Z workers surpassed Baby Boomers in terms of small business participation in July 2022 and are quickly gaining ground on Gen X and Millennials.

Analyzing the non-seasonally adjusted trends, Gen Z suffered the largest share of employment loss due to the COVID-19 pandemic as they are more likely to work in an affected industry (Leisure and Hospitality, Education and Health Services). Also, the seasonal summer peaks of employment will start diminishing as Gen Z ages into full-time jobs and careers, as seen in the Millennial generation when they overtook Baby Boomers and Gen X as the largest group in the workforce.

Further differences can be seen when comparing Gen Z to the national average, especially when examining wages.

GENERATION Z MAKES  
**\$19.79/hr**  
 \$11.70/hr less than the national average.

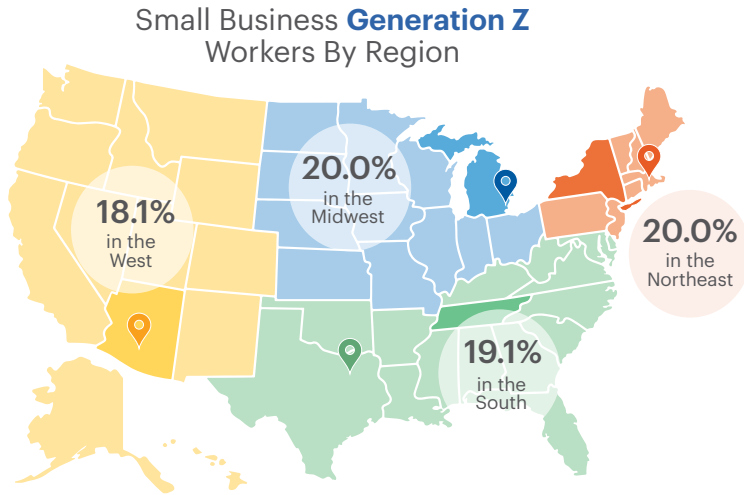
**HOWEVER,** their annual hourly earnings **GROWTH RATE** from **APRIL 2022 to APRIL 2023** is more than **DOUBLE** the **NATIONAL RATE**, 9.3% compared to 4.5%.



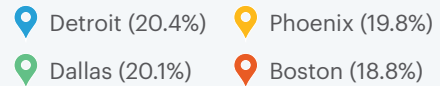
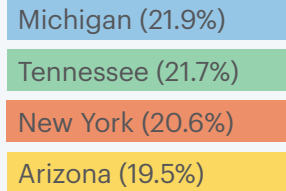
The lower-than-average hourly earnings is at least in part due to an increased percentage of part-time work for Gen Z. Among all workers, full-timers outpace part-timers at a 3:1 ratio, while the ratio for Gen Z is closer to 1:1.

# WHERE IN THE U.S. IS GENERATION Z WORKING?

Proportion of Gen Z workers in each region compared to the national average.

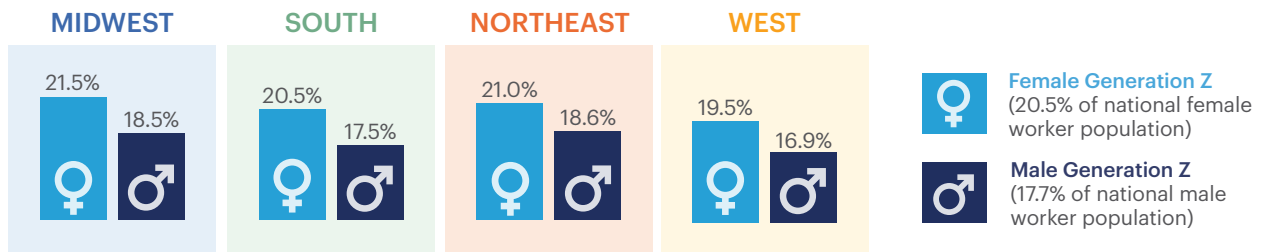


## States And Metro Areas With The Highest Percentage Of Gen Z Workers Per Region



Nationally, Gen Z represent **19.1%** of the worker population.

## Small Business Generation Z Workers By Region And Gender



Across the nation, Gen Z shows similar participation rates, all within 1% of the national average. However, the Midwest and Northeast have the highest percentage of their workforce represented by Gen Z, each at 20.0%.

Gender representation among Gen Z shows notable differences from the overall picture. The gender breakdown for all generations in the workforce shows females at 49% and males at 51%. Among Gen Z, however, females make up 53% of the workforce nationally, with a higher percentage than males across all regions.

THE **%** of **GENERATION Z** female workers is **HIGHER** than the male percentage in each region.

THE **MIDWEST** has the highest % of **GENERATION Z** female workers (21.5%).

## IN WHICH INDUSTRIES IS GENERATION Z WORKING?

Proportion of Gen Z workers in each industry compared to the national average.

Small Business Generation Z Workers by Industry

Industry	Overall	Female	Male
<b>National</b>	<b>19.1%</b>	<b>20.5%</b>	<b>17.7%</b>
Construction	15.5%	12.6%	16.3%
Education and Health Services	17.1%	17.6%	15.3%
Financial Activities	13.7%	13.6%	13.3%
Leisure and Hospitality	37.2%	39.5%	34.9%
Manufacturing	12.8%	14.6%	12.0%
Other Services (except Public Administration)	19.1%	20.8%	17.8%
Professional and Business Services	15.7%	16.4%	15.0%
Trade, Transportation, and Utilities	18.6%	21.8%	16.5%

Technical innovation continues to influence introductory job roles for newer generations, with Gen Z no exception. While 19.1% of all workers are from Gen Z across all industries, over one-third of workers in Leisure and Hospitality come from Gen Z, nearly double their participation in the other sectors. Conversely, just over 1 in 10 workers in Manufacturing come from Gen Z, similar to trends seen during the earlier years of Millennials joining the workforce.

Continuing the trend of higher levels of female Gen Z participation, Gen Z females make up a larger percentage of all female workers versus the comparable level of Gen Z male participation in all industries except Construction.

The largest **GAPS** between the % of male and female **GENERATION Z WORKERS**



can be found in **CONSTRUCTION, EDUCATION & HEALTH SERVICES**



**THE CONSTRUCTION INDUSTRY** has **4.9x** more males than females  
but  
**EDUCATION and HEALTH SERVICES** has **4.4x** more females than males.

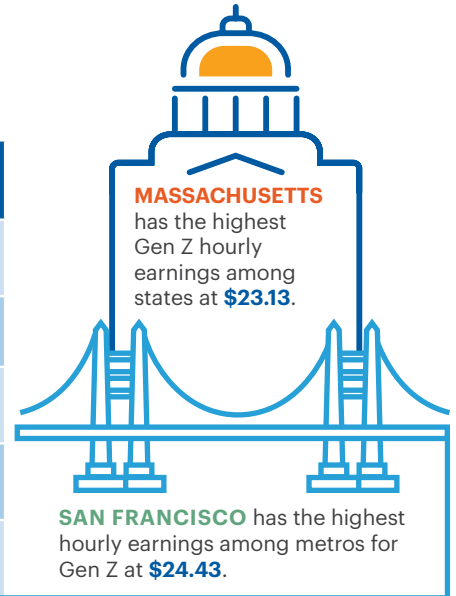


# WHERE ARE FULL-TIME GENERATION Z EMPLOYEES EARNING THE MOST?

And where are their wages growing fastest?

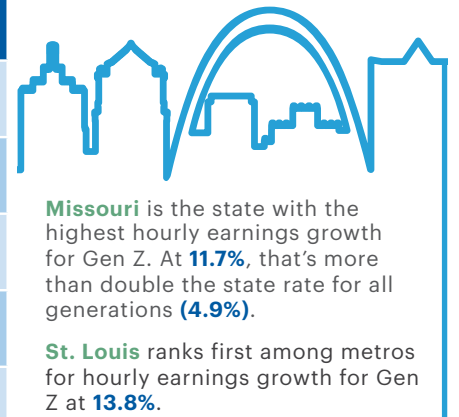
Generation Z Hourly Earnings By Region

Region	Overall	Female	Male
<b>National</b>	<b>\$19.79</b>	<b>\$18.82</b>	<b>\$20.82</b>
Midwest	\$18.89	\$17.60	\$20.02
South	\$18.33	\$17.50	\$19.27
Northeast	\$20.77	\$19.58	\$21.65
West	\$21.44	\$20.77	\$21.87



Generation Z Annual Hourly Earnings Growth By Region

Region	Overall	Female	Male
<b>National</b>	<b>9.3%</b>	<b>9.3%</b>	<b>9.4%</b>
Midwest	9.9%	9.2%	10.0%
South	9.9%	9.5%	10.1%
Northeast	9.1%	9.0%	8.6%
West	9.5%	9.7%	8.1%



Compared to all-generation wages, Gen Z employees earn an average of \$0.63 on the dollar nationally. Note that average hourly earnings for Gen Z employees should reach \$20/hour by the start of summer 2023, with the pace of growth slowing in recent months, but remaining strong. As a point of comparison, average hourly earnings for Gen Z were less than \$15/hour before the pandemic.

Overall, hourly earnings growth for Gen Z employees peaked in May 2022 at 12.8% and has slowed for 11 consecutive months to 9.3%.

This dynamic is likely making part-time work more attractive for Gen Z, as they look to make up the full-time pay gap.

Across all regions, Gen Z employees earn **\$17.28/hr** for part-time work,

**\$4.12 less than** the national average. For full-time work, Gen Z earns nearly **\$11.76 less than** the overall average per hour.

## IN WHICH INDUSTRIES ARE GENERATION Z EARNING THE MOST?

And in which industries are their wages growing fastest?

Generation Z Hourly Earnings By Industry

Industry	Overall	Female	Male
<b>National</b>	<b>\$19.79</b>	<b>\$18.82</b>	<b>\$20.82</b>
Construction	\$22.54	\$19.95	\$23.52
Education and Health Services	\$18.69	\$18.64	\$19.24
Financial Activities	\$21.36	\$19.99	\$23.09
Leisure and Hospitality	\$17.61	\$17.65	\$17.57
Manufacturing	\$20.68	\$19.44	\$21.24
Other Services (except Public Administration)	\$18.84	\$17.85	\$19.60
Professional and Business Services	\$22.10	\$20.97	\$22.97
Trade, Transportation, and Utilities	\$19.18	\$17.95	\$20.15

Generation Z Annual Hourly Earnings Growth By Industry

Industry	Overall	Female	Male
<b>National</b>	<b>9.3%</b>	<b>9.3%</b>	<b>9.4%</b>
Construction	7.6%	8.9%	9.4%
Education and Health Services	9.6%	9.9%	9.4%
Financial Activities	9.9%	9.4%	10.6%
Leisure and Hospitality	8.3%	8.1%	8.9%
Manufacturing	9.5%	9.3%	8.8%
Other Services (except Public Administration)	8.3%	6.1%	8.5%
Professional and Business Services	10.2%	9.9%	9.0%
Trade, Transportation, and Utilities	8.8%	9.1%	8.8%

Gen Z employees in Construction earn the most at \$22.54/hour, followed by Professional and Business Services at \$22.10. However, Professional and Business Services show the highest hourly earnings growth rate in Gen Z among all industries, at 10.2%, with Construction the lowest at 7.6%. Hourly earnings growth in Gen Z is 5.9% higher compared to all generations in Professional and Business Services (10.2% versus 4.3%) and Education and Health Services (9.6% vs. 3.7%).

Leisure and Hospitality Gen Z employees make the least at \$17.61/hour. However, Leisure and Hospitality is the only industry in which female Gen Z employees make more than their male counterparts, by a slim margin of \$0.08/hour.

at **\$0.80**  
to the dollar, the  
GENERATION Z

  
to national hourly  
**EARNINGS  
RATIO**

in Leisure and Hospitality  
 is the **HIGHEST**  
among industries

as **MINIMUM**  
**WAGE INCREASES**  
are likely impacting  
**the pay scale.**

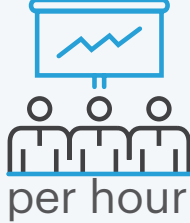
# HOW QUICKLY IS GENERATION Z HELPING TO CLOSE THE GENDER PAY GAP?

## Hourly Earnings of Females Versus Males In Small Business

Gender	Generation Z		National	
	\$/Hr	Annual Growth Rate	\$/Hr	Annual Growth Rate
<b>Overall</b>	<b>\$19.79</b>	<b>9.3%</b>	<b>\$31.49</b>	<b>4.5%</b>
<b>Female</b>	\$18.82	9.3%	\$27.82	4.9%
<b>Male</b>	\$20.82	9.4%	\$34.56	4.4%


Employees in Gen Z earn less than the national average as expected due to their more recent entry into the workforce. However, the generation’s impact on the gender pay gap highlights significant progress, with pay differential for females only \$9.00/hour down from the national figures, versus \$13.74/hour less than the national rate for males. For part-time work, females and males show similar disparities from the national average, earning \$0.82 and \$0.80, respectively, for every \$1 earned among all generations.

**FEMALE** ♀  
Generation Z employees earn  
**\$18.82**



per hour


compared to  
**\$20.82**  
per hour for male  
**GENERATION Z EMPLOYEES**

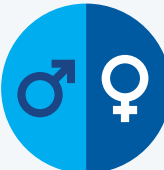


That’s a  
**\$2.00**  
DIFFERENCE  
compared to  
**\$6.74** **OVERALL.**

The national hourly earnings growth rate for female employees is 4.9%, while it is 9.3% for Gen Z females, almost on par with Gen Z males (9.4%). Hourly earnings growth for Gen Z females was faster than males for two straight years leading up to April 2023, averaging 11.4% from April 2021 through March 2023, compared to 10.5% for Gen Z males.

**THE ANNUAL**  
hourly earnings growth rate for **male**  
**GENERATION Z**





is **NEARLY EQUAL**  
to Generation Z  
**FEMALES**

**9.4**  
VS.  
**9.3** **%**  
(respectively).

Regionally, Gen Z females show a faster year-over-year growth rate in hourly earnings than male employees in the Northeast and West, along with higher growth rates in Education and Health Services, Manufacturing, Professional and Business Services, and Trade, Transportation and Utilities industries. As a result, the gender gap for the hourly earnings rate is narrower among Gen Z than the national average for every Region and every Industry among small businesses. The goal for Gen Z will be to continue to close the gender gap as they climb the workforce ladder.

## WHAT DOES THIS MEAN?

Now that you have a snapshot of the geographic and industry concentration of Gen Z talent, along with their wages, here are a few actionable tips for HR leaders on recruiting and engaging Gen Z.



### ATTRACTING GENERATION Z TALENT

- They prioritize salary, flexible schedules, benefits, and company culture. Although their lives are intertwined with technology, they are not drawn to the technology of a company nor remote work.
- They seek financial security, especially since the pandemic might have caused additional stress related to credit card and college debt. Be proactive by considering programs that help with student loan repayments.
- They favor working for multiple employers, so offer flexible hours or even contract work that demonstrates your willingness to adapt.
- Focus on your social and digital recruiting. Build a strong brand and have mobile-friendly content (e.g., videos) on your website.



### ENGAGING GENERATION Z TALENT

- They are motivated and driven by success and value responsibility. Give them projects to work on, and offer feedback and open discussions to demonstrate that their opinions are respected.
- Many Gen Zers express their desire to own their own business. Foster their entrepreneurial goals and watch as they adapt and change to improve processes.
- Their education often emphasized collaboration. However, they are competitive and want their input and efforts judged on their own merit.
- They want to work in a safe, friendly, and diverse workspace. Demonstrate your commitment to fostering such an environment.



### GROWING GENERATION Z TALENT

- Provide opportunities for development. Expose them to other departments, offer classes/training outside of the workplace, and/or introduce them to a mentor. By providing these tangible opportunities, you appeal to their entrepreneurial spirit and let them elevate their skills to the next level.
- Appeal to what they are passionate about and see how those align with your company's goals and mission. Celebrate their individuality but show them how they contribute to the organization.
- Be transparent from the start: Ask about their career goals, help them develop a plan to get there, offer regular performance feedback, and monitor their progress toward those milestones.

For more insight, go to our resource library and [read this article](#).



## About the Paychex Special Report

Leveraging Paychex payroll data as of April 2023, the Gen Z special report, which includes individuals born between 1997 and 2012, contains data and analysis regarding employment share and hourly earnings. Employment share data is extracted from a subset of Paychex payroll clients with 1-49 workers, which includes both employees and contractors. Hourly earnings data was created using the methodology from the Paychex | IHS Markit Small Business Employment Watch. The special report offers geographical results at a national and regional level, as well as for the top 20 most populous U.S. states and MSAs. Industry results are also available at the NAICS supersector level. Workers' gender information is reported by Paychex clients.

The Paychex | IHS Markit Small Business Employment Watch is released each month by Paychex, Inc., a leading provider of integrated human capital management solutions for human resources, payroll, benefits, and insurance services and IHS Markit, a world leader in critical information, analytics, and expertise. For more information, including a detailed methodology, visit [www.paychex.com/employment-watch](http://www.paychex.com/employment-watch).



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