Dwindling job prospects and rising education costs face US college graduates

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Hiring of recent graduates from American colleges and universities has fallen by 36.4 percent compared to last year, according to a study released by the National Association of Colleges and Employers (NACE). This national trend stands in stark contrast to the situation experienced by some college graduates and widely reported by the media in the latter half of the 1990s. During the economic boom and the dizzying dot.com expansion, a segment of students, particularly in the technology and consulting industries, were able to command high entry-level salaries and signing bonuses as they juggled job offers from companies eager to attract talent from the country's campuses.

The western part of the country is the area worst affected by the collapse in demand, with US employers taking on 63.5 percent less students than they did in 2000-2001. While witnessing a less severe drop, in the Northeast the graduating classes of 2002 face a labor market that has contracted by 39 percent. The South and Midwest saw hiring of recent college graduates decline by approximately 27.5 percent.

The data collected from a survey of 415 employers indicates that a drop in university hiring within the manufacturing sector—which includes the automotive, mechanical, computer technology and business equipment industries—is the most severe, falling by 51.7 percent. Of any particular industry, however, consulting firms experienced the biggest collapse in demand for recent graduates—down over 89 percent compared to last year. Described in the *New York Times* as "one of the most competitive job markets in a decade," almost half of the employers contacted by NACE said that they were unable to project what hiring trends would be like this coming fall.

The only two sectors not impacted by this trend are the insurance industry and federal government, which have seen an increase in demand for college students by 30.8 percent and 16.2 percent respectively. The federal government in particular has taken to the country's campuses with a renewed vigor, boosted by recent increases in spending for federal law enforcement, military operations and other state activities.

Jessica, a graduate of the University of Florida, who graduated with a bachelor's degree in the spring of 2000, was unemployed for several months after being laid off from a major drug store chain. Unable to find a full-time job, she eventually secured a six-month unpaid internship working as an event planner in the employee incentive department of a large firm in the Boca Raton, Florida area. Disliking the fact that she "had to work for free," Jessica hoped that at the very least the internship would provide her with good experience and serve as a resume builder.

Although she has been living with her mother since graduation, during 2001 Jessica used up a good deal of her savings to support herself. Upon completing her internship in August of last year, she began to search for full-time employment. Approximately 100 resumes and five interviews later, she is still without work. Dee described the past year of searching for a job as "definitely demoralizing at times."

"The market has been completely saturated with people with more experience than me because of the huge downturn in the hospitality industry," Dee commented. "A couple of years ago when demand was high, I wouldn't have had a problem finding a job. But now, it doesn't even matter that I had a competitive internship at a highly reputable company. I've even had people tell me that they would like to hire me, but they just don't have any positions."

The NACE findings about job prospects come in the midst of several other reports about the deteriorating economic situation facing university students and recent graduates. According to data analyzed by the State Public Interest Research Group (PIRG), the average size of student loans has doubled in the past eight years to upwards of $16,000. In addition, growing numbers of graduates are finding their debt load unmanageable.

The increase in borrowing is in part tied to the fact that tertiary education is becoming less affordable for growing numbers of people. “Losing Ground: A National Status Report on the Affordability of American Higher Education,” published by the National Center for Public Policy and Higher Education (NCPPHE) in mid-May, states that since 1980 an ever larger percentage of a family’s income is needed to cover the cost of college. While the trend is noticeable in families across all income levels, it is most severe for those who fall in the bottom income quartile as determined by the US census.

In 1980, a student’s family at this income-level could attend a public university by spending approximately 12 percent of their yearly wages. Today that number has doubled to around 24 percent. This is still far below the cost of financing attendance at a private school, which is now approximately 117 percent of the total income for the poorest families, compared to around 58 percent 22 years ago.

The result of this trend has been that the gap between the college attendance of rich and poor (even the most academically well prepared) has widened over time, according to the NCPPHE report. The tuition increases at the core of this phenomenon tend to occur most dramatically during periods of economic slump. States seek to shore up budget deficits through tuition hikes and slashing education funds.

For example, this year the state legislature of Virginia cut the budget for higher education by $290 million in order to stave-off an anticipated $1 billion shortfall over the next two years. The NCPPHE report also warns about the potential dangers that California’s multibillion-dollar budget deficit bodes for the future of higher education in the state. Earlier this month the governor announced a proposed reduction of $162 million in the operating costs of the California public university system. While tuition increases have not been suggested for the dozens of campuses across the state, with the state treasury having been bled upwards of $12 billion in last year’s energy crisis, it is possible there will be fee hikes in the not so distant future.

The correlation uncovered by NCPPHE between tuition increases and economic hardship means that the bill for a college education grows the most at those times when people are least capable of shouldering the costs, due to rising unemployment and downward pressure on wages. Both federal and state financial assistance have failed to keep pace with the rising price tag of attending a university. At the same time, an increasing amount of government aid money is being channeled into programs that reward students on the basis of academic merit without regard to financial need.

As indebtedness grows within the university population, many students are also working longer hours to earn additional money. It is increasingly likely for students to work part- or even full-time while attending college, thereby delaying the completion of their degrees.

The NCPPHE notes that despite the growing financial obstacles that confront people as they pursue a higher education, there is a growing desire and need for university education because a high school diploma is no longer sufficient to secure a decent paying job. The average income of those who do not attend university has been falling steadily over recent years, as has the large income gap between college graduates and those with a high school education or less.