

## CAREERS

## The Declining Value Of Your College Degree

By GREG IP

A four-year college degree, seen for generations as a ticket to a better life, is no longer enough to guarantee a steadily rising paycheck.



Just ask Bea Dewing. After she earned a bachelor's degree -- her second -- in computer science from Maryland's Frostburg State University in 1986, she enjoyed almost unbroken advances in wages, eventually earning \$89,000 a year as a data modeler for Sprint Corp. in Lawrence, Kan. Then, in 2002, Sprint laid her off.

A college degree may not take you as far as you'd expect. However, WSJ's Jennifer Merritt reports on a few fields where a bachelor's degree still remains a worthy investment.

"I thought I might be looking a few weeks or months at the most," says Ms. Dewing, now 56 years old. Instead she spent the next six years in a career wilderness, starting an Internet café that didn't succeed, working temporary jobs and low-end positions in data processing, and fruitlessly responding to hundreds of job postings.

The low point came around 2004 when a recruiter for Sprint -- now known as **Sprint Nextel Corp.** -- called seeking to fill a job similar to the one she lost two years earlier, but paying barely a third of her old salary.

In April, Ms. Dewing finally landed a job similar to her old one in the information technology department of **Wal-Mart Stores Inc.**'s headquarters in Bentonville, Ark., where she relocated. She earns about 20% less than she did in 2002, adjusted for inflation, but considers herself fortunate, and wiser.

A degree, she says, "isn't any big guarantee of employment, it's a basic requirement, a step you have to take to even be considered for many professional jobs."

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[Trends in Education, Salaries<sup>1</sup>](#)

For decades, the typical college graduate's wage rose well above inflation. But no longer. In the economic

expansion that began in 2001 and now appears to be ending, the inflation-adjusted wages of the majority of U.S. workers didn't grow, even among those who went to college. The government's statistical snapshots show the typical weekly salary of a worker with a bachelor's degree, adjusted for inflation, didn't rise last year from 2006 and was 1.7% below the 2001 level.

College-educated workers are more plentiful, more commoditized and more subject to the downsizings that used to be the purview of blue-collar workers only. What employers want from workers nowadays is

more narrow, more abstract and less easily learned in college.

To be sure, the average American with a college diploma still earns about 75% more than a worker with a high-school diploma and is less likely to be unemployed. Yet while that so-called college premium is up from 40% in 1979, it is little changed from 2001, according to data compiled by Jared Bernstein of the Economic Policy Institute, a liberal Washington think tank.

Most statistics he and other economists use don't track individual workers over time, but compare annual snapshots of the work force. That said, this trend doesn't appear due to an influx of lower-paid young workers or falling starting salaries; Mr. Bernstein says when differences in age, race, marital status and place of residence are accounted for, the trend remains the same.

#### FURTHER READING

- [Ms. Goldin<sup>2</sup> and Mr. Katz<sup>3</sup>](#) have a new book, "[The Race between Education and Technology<sup>4</sup>](#)," that provides a historical analysis of the co-evolution of educational attainment and the wage structure in the United States through the twentieth century.
- [Jared Bernstein<sup>5</sup>](#) is an economist at the Economic Policy Institute. For more of his writings, visit the [institute's Web site<sup>6</sup>](#).
- [Real Time Econ: College Grads, Incomes Stagnant, Turn Against Globalization<sup>7</sup>](#)

A variety of economic forces are at work here. Globalization and technology have altered the types of skills that earn workers a premium wage; in many cases, those skills aren't learned in college classrooms. And compared with previous generations, today's college graduates are far more likely to be competing against educated immigrants and educated workers employed overseas.

The issue isn't a lack of economic growth, which was solid for most of the 2000s. Rather, it's that the fruits of growth are flowing largely to "a relatively small group of people who have a particular set of skills and assets that lots of other people don't," says Mr. Bernstein. And that "doesn't necessarily have that much to do with your education." In short, a college degree is often necessary, but not sufficient, to get a paycheck that beats inflation.

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Economists chiefly cite globalization and technology, which have prompted employers to put the highest value on abstract skills possessed by a relatively small group, for this state of affairs. Harvard University economists Lawrence Katz

and Claudia Goldin argue that in the 1990s, it became easier for firms to do overseas, or with computers at home, the work once done by "lower-end college graduates in middle management and certain professional positions." This depressed these workers' wages, but made college graduates whose work was more abstract and creative more productive, driving their salaries up.

Indeed, salaries have seen extraordinary growth among a small number of highly paid individuals in the financial sector -- such as fund management, investment banking and corporate law -- which, until the credit crisis hit a year ago, had benefited both from the buoyant financial environment and the globalization of finance, in which the U.S. remains a leader.

Richard Spitzer is one of those beneficiaries. He received his undergraduate degree in East Asian studies in 1995 from the College of William and Mary and graduated from Georgetown University's law school in 2001. The New York firm for which he works, now

called Dewey & LeBoeuf, has a specialty in complex legal work for insurance companies. There, Mr. Spitzer has developed an expertise in "catastrophe bonds." An insurance company sells such bonds to investors and pays them interest, unless an earthquake, a hurricane or unexpected surge in deaths occurs.

Experts in these bonds are "probably a rarefied species -- there's only a few law firms that do them," says Mr. Spitzer, 35 years old. He typically spends two to four months on a single deal, ensuring that details like timing of payments or definition of the triggering event are precise enough to avoid disputes or default.

Mr. Spitzer's salary has doubled to \$265,000 since joining in 2001, in line with salaries similar firms pay.

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- [In a Sinking Industry? Jump to Another Ship](#)<sup>12</sup>
- [Turning That Layoff Into Career Catalyst](#)<sup>13</sup>

But not all law graduates are so fortunate; many, especially those from less-prestigious schools, have far lower salaries and less job security. Similarly, some computer-science graduates strike it rich. But their skills are not as rare as they were in the early 1980s, when the discipline took off, and graduates today must contend with competition from hundreds of thousands of similarly qualified foreign workers in the U.S. or overseas.

That helps explain Ms. Dewing's experience. She was raised in a family that prized education. Both her parents went to college on the G.I. Bill, which pays tuition costs for servicemen and some dependents. Four of their six children earned college degrees. In 1979, she earned a bachelor's degree in government and politics from George Mason University in Virginia. Several years later, then a single mother, she decided to get a degree in computer science.

Her first job out of college was with the federal government, earning about \$35,000 in today's dollars. "For 16 years I had no trouble at all finding jobs," she said. Earlier this decade she ended up at Sprint designing databases -- a specialty called "data modeling" that isn't widely taught in schools and usually requires hands-on experience.

In 2002 Sprint, reeling from the collapse of the telecommunications industry, initiated a wave of layoffs that eventually totaled 15,000 workers in 13 months, Ms. Dewing among them. She remained in the Kansas City area, posting her résumé on job boards. When recruiters called, she would usually put her expected salary at something close to her old salary. As time went by without an offer she lowered it steadily, to \$60,000. She found herself competing for jobs with employees of outsourcing firms brought over from India on temporary visas, such as the H-1B.

A few months ago, Ms. Dewing got a call from a recruiter calling on behalf of Wal-Mart. Company officials pressed her during her interview on how she had kept up her data-modeling ability during her six years away from the specialty. She noted that while at Sprint she had revived the Kansas City chapter of a data modelers' professional association and, long after being laid off, continued to attend its seminars where invited experts would describe the latest advances. She even cited her short-lived Internet café as evidence of how she could solve diverse problems.

When she landed the job, she says, "I felt, 'All right, I'm a professional again.'" Even so, Ms. Dewing has a newfound appreciation for how insecure any job can be and how little a college degree by itself stands for. "There is enough competition for entry-

level positions that employers are going to ask, 'What else have you done in your life besides go to college?'" she says. "And in information technology, a portfolio of hands-on experience with programming is a really good thing to have."

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