

A promotional banner for Mother's Day Deals. On the left is the FTD logo featuring a yellow figure holding a bouquet. In the center, the text reads "MOTHER'S DAY DEALS" in large, bold, black letters. To the right of this text, it says "STARTING AT \$19.99" with the price in a large, bold font. Further right is a yellow button with the text "SHOP NOW" and a right-pointing arrow. The background of the banner is light pink and features a bouquet of purple and white roses on the right side.

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The Curse of the Class of 2009

For College Grads Lucky Enough to Get Work This Year, Low Wages are Likely to Haunt Them for a Decade or More

By SARA MURRAY

The bad news for this spring's college graduates is that they're entering the toughest labor market in at least 25 years.

The worse news: Even those who land jobs will likely suffer lower wages for a decade or more compared to those lucky enough to graduate in better times, studies show.

Andrew Friedson graduated last year from the University of Maryland with a degree in government and politics and a stint as student-body president on his résumé. After working on Barack Obama's presidential campaign for a few months, Mr. Friedson hoped to get a position in the new administration. When that didn't pan out he looked for jobs on Capitol Hill. No luck there, either.

So now, instead of learning about policymaking and legislation, he's earning about \$1,250 a month as a high-school tutor and a part-time fundraiser for Hillel, a Jewish campus organization. To save money, he's living with his parents.

If asked a year ago whether he'd be tutoring now, Mr. Friedson says, "I would have laughed in your face."

Trading down to a lower-skilled job isn't just a hit to Mr. Friedson's ego. It could also hurt his bank account for years to come. Economic research shows that the consequences of graduating in a downturn are long-lasting. They include lower earnings, a slower climb up the occupational ladder and a widening gap between the least- and most-successful grads.

In short, luck matters. The damage can linger up to 15 years, says Lisa Kahn, a Yale School of Management economist. She used the National Longitudinal Survey of Youth, a government data base, to track wages of white men who graduated before, during and after the deep 1980s recession.

Ms. Kahn found that for each percentage-point increase in the unemployment rate, those with the misfortune to graduate during the recession earned 7% to 8% less in their first year out than comparable workers who graduated in better times. The effect persisted over many years, with recession-era grads earning 4% to 5% less by their 12th year out of college, and 2% less by their 18th year out.

For example, a man who graduated in December 1982 when unemployment was at 10.8% made, on average, 23% less his first year out of college and 6.6% less 18 years out than one who graduated in May 1981 when the unemployment rate was 7.5%. For a typical worker, that would mean earning \$100,000 less over the 18-year period.

The impact on wages could be just as severe this time around, says Ms. Kahn. That's because of the depth of this recession and the possibility that the unemployment rate may approach the 10.8% level not seen since the early 1980s. The rate hit 8.9% in April, the Labor Department reported Friday.

One reason behind declining wage potential, economists say: The caliber of jobs available in a recession, and their accompanying wages, tend to suffer. High-end firms hire fewer people and drive down salaries because jobs are in such demand.

That means many graduates end up with lower-wage, lower-skill jobs at less-prestigious firms or in firms outside their field of interest. Once the economy picks up and they try for better jobs, these workers have to learn skills they should have been developing immediately out of college. In the meantime, colleagues who graduated in a better economy have already developed these skills and progressed much further.

For Brad Dechter, a 24-year-old who majored in graphic design, this could mean starting at the bottom when and if he gets a job at an advertising agency. He studied at the Art Institute of Colorado partly because the Denver school advertises that 86% of alumni get a job within six months of graduation. So far, no dice.

Eight months after graduation, Mr. Dechter is making just \$500 a month freelancing for bands, designing flyers and album covers. When he runs short of cash, he borrows from his friends. He spends his days on Craigslist searching for job openings instead of learning the marketing and design skills he would have picked up in his first year at an agency.

"I've pretty much given up on trying to find my dream job," says Mr. Dechter.

Christine Pacheco, director of career services at the Art Institute, acknowledges that graduates face a struggle now. "They may need to take two part-time jobs and do some freelance rather than get a full-time job," she says.

College graduates remain better off than those with only high-school diplomas, in good times and bad. The unemployment rate in April among four-year college graduates between 20 and 24 years old was 6.1%; among those the same age with only high-school diplomas, it was 19.6%.

But a college degree isn't an automatic ticket to upward mobility, either. Even before the recession began, graduates were seeing their wages shrink. Between 2002 and 2007, according to government data, the inflation-adjusted hourly wage for men ages 25 to 35 with bachelor's degrees (and no graduate degrees) fell 4.5%. For the typical woman, inflation-adjusted wages fell 4.8%.

This year, employers say they'll hire 22% fewer college graduates than last year, according to the National Association of Colleges and Employers, an organization of career counselors. At the same time, colleges are expected to see the highest number of graduates in a decade. The average starting salary for graduates who do get jobs, meanwhile, dropped to \$48,515 this spring, down 2.2% from the same time last year, according to NACE.

Plenty of recent graduates are making far less than the average. Between her business marketing degree and numerous New York City contacts, Nicole Buckley, 21, figured she would find a marketing job after graduating in December from Siena College, a small Catholic liberal arts college near Albany, N.Y. She didn't expect to be working the jobs she has now, five months after graduation: As a full-time receptionist with a part-time gig as a model, promoting Bacardi rum and Grey Goose vodka to patrons at bars. But after doing two interviews a day and applying to more than 50 jobs, she had to do something to pay the bills.

"I don't think anyone went to college and said, 'I want to graduate and make \$25,000 a year,'" says Ms. Buckley. She estimates her earnings at a little less than \$30,000 between the two jobs.

Sarah Veilleux, 22, one of Ms. Buckley's two roommates in a \$1,125-a-month Brooklyn apartment, graduated in May 2008 from the University of New Hampshire with a communications degree. For a few months, she worked selling band merchandise at a music venue. Then she found her ideal job: doing promotions for Sirius Satellite Radio. But they need her only 20 hours a week.

"As soon as I saw the offer for Sirius," she says, "it didn't matter how many hours a week." She spends the other half of her week doing administrative tasks for a staffing company, earning \$1,500 a month -- \$18,000 a year -- between the two jobs.

Still, Ms. Veilleux probably will be better off than those who take low-wage jobs outside their fields, says Till Marco von Wachter, a Columbia University economist. Mr. von Wachter, with a couple of colleagues, has looked at wage data covering 70% of all Canadians who graduated from college between 1976 and 1995, a span encompassing two recessions. His work indicates that graduates who get jobs in their fields -- even low-paying jobs -- are able to learn the right skills, and thus have an edge when the economy rebounds.

Mr. von Wachter also found that what recession-era graduates studied, and where they went to school, made a big

difference in how quickly they caught up to workers who graduated in boom times. People who majored in fields that lead to high-paying jobs, such as chemistry, biology, physics and engineering, tended to catch up to other graduates more quickly, primarily by switching jobs during the economic recovery and landing at better firms. In contrast, says Mr. von Wachter, the wages of humanities majors at less prestigious schools were less likely to catch up to the wages of their peers who graduated in healthier times.

For some graduates, the recession has had an unintended upside: a career path they never thought they wanted.

Diane Hempe, 24, planned to be a teacher. But after graduating from the University of Maryland last year with an elementary education degree, she failed to find a job at a school. So she settled for working at a day-care center, where the \$12 an hour she brought in felt like an affront.

In December, Ms. Hempe went in an entirely new direction. She took a job in the customer-service department at a Wells Fargo call center in Frederick, Md. "I definitely know I can move up," she says. "I can be in customer service; I can be in collections; I can be in so many different departments."

And in the meantime she's shifting her long-term goals. Instead of getting a master's degree in education like she once thought she would, Ms. Hempe says eventually she plans to get her master's in business.

Other are opting to ride out the slump doing public service. At AmeriCorps, a nationwide community-service network, applications more than tripled to about 48,500 between November 2008 and March compared to the same time period a year earlier. Teach for America received 35,000 applications this year -- 42% more than last year. About 70% of those were recent college graduates. Among the most common reasons people cited for applying, according to Teach for America, were poor job conditions and President Barack Obama's call to public service.

Another alternative to unemployment or a low-paying job: Stay in school.

Graduate applications for 2007-2008 were up 8% nationwide compared to the year before, according to the most recent numbers from the Council of Graduate Schools. Schools such as Northwestern University and Harvard are already tracking double-digit increases this year.

College grads who went to graduate school instead of the job market during the early '80s recession didn't suffer the same wage losses, says Ms. Kahn, the Yale economist.

That's the approach John Bence is taking. A 2008 graduate of Kenyon College in Ohio, the history major worked with a temp agency and did a six-month stint at an international consulting company. After repeatedly losing out on jobs -- at museums, universities, consulting firms -- to more-qualified candidates with master's degrees, he'll head to New York University to get a master's degree in history, specializing in archival management.

"I wasn't surprised I didn't get those jobs in, like, museums," Mr. Bence says. "But I was surprised that no one was willing to hire me to do anything."

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