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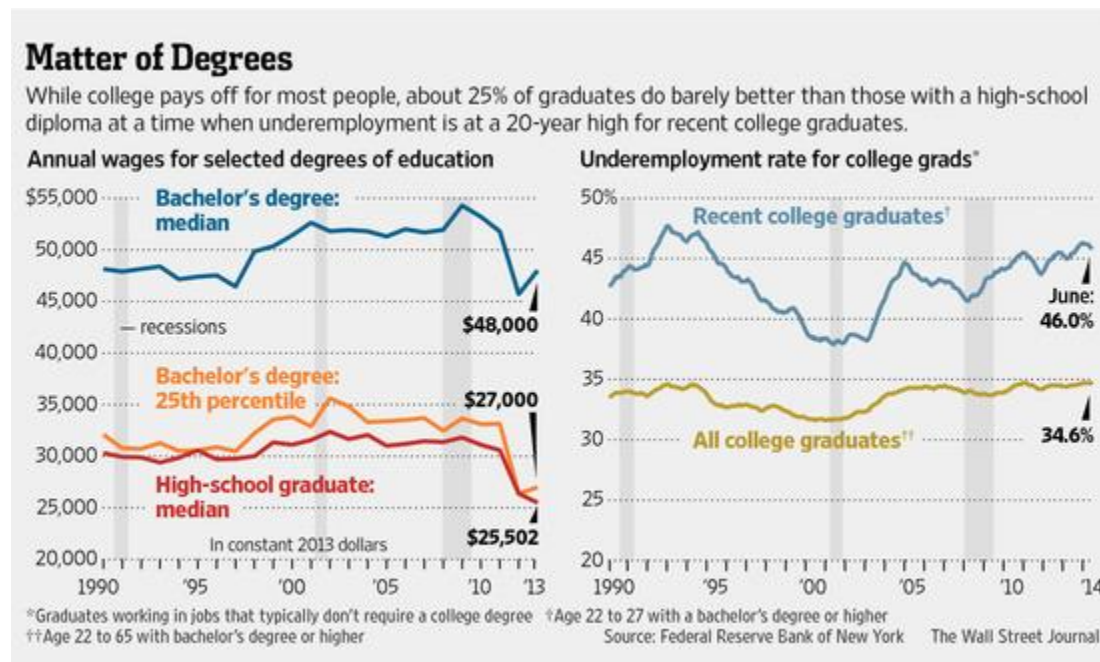
FOR SOME GRADUATES, COLLEGE ISN'T WORTH THE DEBT

By Douglas Belkin
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Roughly a quarter of college graduates with jobs are earning barely more than those with only a high-school diploma, stoking debate about whether too many Americans are sinking into too much student debt with too little to show for it.

The new research, released by the Federal Reserve Bank of New York on Thursday, shows that, overall, a college degree significantly boosts income. The median wage of an American with a bachelor's degree was \$48,000 last year, far higher than the \$25,052 earned by those with only a high-school diploma. But the lowest-earning quarter of college graduates make \$27,000 or less.

Accompanying research by the New York Fed also shows that many Americans with college degrees are still finding jobs that require only high-school-level education.



Reports of diverging returns on investment for a four-year degree come as the economy has begun churning out more jobs for those without college degrees than for college graduates, according to authors Jaison R. Abel and Richard Deitz. The result is that huge swaths of recent graduates are taking jobs that don't require a college education. That in turn is boosting recent college graduates' underemployment rate—defined as the share working in jobs in which less than half of the employees believe a college degree is necessary—to 46%.

That proportion, which is hovering around a 20-year high, speaks to the anemic pace with which the economic recovery has trickled down to recent graduates. It has prompted a debate about whether there is a structural decline for skilled workers in the economy.

"The fact that non-college [job] postings have leveled out suggests that recent college graduates are likely to continue to struggle to find good jobs for some time to come," wrote Messrs. Abel and Deitz.

That's bad news for Michelle Polyakov, who studied education and English at Drake University in Iowa. The 22-year-old Wisconsin resident graduated in May with \$30,000 in debt. She has so far unsuccessfully applied for 50 teaching jobs. She is now hunting for part-time work as an ACT tutor, as well as a position in financial sales. Meanwhile, she is living at home with her family and estimates the total out-of-pocket cost of her college education was \$160,000.

"It's just extremely disappointing and aggravating to have paid all that money and have nothing to show for it other than debt," she said.

The Fed report comes as the price of college continues to rise along with student debt. More than 70% of college students now graduate with loans, and the average debt is more than \$33,000. Two decades ago, less than 50% of students borrowed around an average of about half of that amount. A recent survey by Gallup and Purdue University has found that debt in excess of \$25,000 has a significant impact on financial, physical and social well-being even decades after graduation.

Nationally, student debt now exceeds \$1.1 trillion, and one in 10 borrowers is 90 days late on payments. That debt burden has made many Americans rethink the cost of a college degree even as the value for those who study subjects that are aligned with the job market is near an all-time high.

The value of a four-year degree is just shy of \$300,000, and it will take someone who earned a bachelor's degree in 2013 10 years to recoup the entire cost, according to the New York Fed. College graduates in 1983 needed 23 years to do so.

But the ROI of a four-year degree is predicated on actually finishing school in four years — a feat managed by fewer than 40% of the students who enter college each year. The New York Fed economists found that taking two additional years to complete school can end up costing well over \$122,000 when factoring in the cost of tuition, fees and lost wages and raises.

The broader picture painted by the Fed data is cautionary, said Richard Vedder, an economist and the director of the Center for College Affordability and Productivity. "Out of every 100 kids who enter college, 40 don't graduate, and for the 60 who do, 15 are in the bottom quartile and don't make any more money than if they hadn't gone to college," Mr. Vedder said. "What that tells me is that college is a pretty risky investment, and we may be over-invested in traditional higher education and under-invested in nontraditional, vocationally oriented programs like long-distance trucking and cutting hair."

Anthony Carnevale, director of the Georgetown Center on Education and the Workforce, said the Fed findings are wildly inaccurate because they rely on data that fail to capture the full range of jobs that demand a college degree. "The study defines college jobs far too narrowly," he said. "They are using definitions that skip over a lot of nuance, and it's ultimately very ham-handed."