Grads finding lag in wages, benefits

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This Labor Day, the 45 million young people in the nation's workforce face a choppy job market in which entry-level wages have often trailed inflation, making it hard for many to cope with high housing costs and rising college debt loads.

Entry-level wages for college and high school graduates fell by more than 4 percent from 2001 to 2005, after factoring in inflation, according to an analysis of Labor Department data by the Economic Policy Institute. In addition, the percentage of college graduates receiving health and pension benefits in their entry-level jobs has dropped sharply.

Some labor experts say wage stagnation and the sharp increase in housing costs over the past decade have delayed the purchase of first homes among workers ages 20 to 35.

"People are getting married later, they're having children later, and they're buying houses later," said Cecilia E. Rouse, an economist at Princeton University and co-editor of a forthcoming book on the economics of early adulthood. "There's been a lengthening of the transition to adulthood, and it is very possible that what has happened in the economy is leading to some of these changes."

Census Bureau data released last week underlined the difficulties for young workers, showing that median income for families with at least one parent age 25 to 34 fell $3,009 from 2000 to 2005, sliding to $48,405, a 5.9 percent drop, after having jumped 12 percent in the late 1990s.

Worsening the crunch, far more college graduates are borrowing to pay for their education, and the amount borrowed has jumped by more than 50 percent in recent years, largely because of soaring tuition at public and private colleges.

In 2004, 50 percent of graduating seniors borrowed some money for college, with their debt load averaging $19,000, Rouse said. That was a sharp increase from 1992-93, when 35 percent of seniors had borrowed for college, with their debt averaging $12,500, translated into today's dollars.

Even though the economy has grown strongly in recent years, wages for young workers, especially college graduates, have been depressed by several factors, including the end of the high-tech boom and the trend of sending jobs overseas.

From 2001 to 2005, entry-level wages for male college graduates fell by 7.3 percent, to $19.72 an hour, while wages for female graduates declined 3.5 percent, to $17.08, according to the Economic Policy Institute, a liberal research group in Washington.

Lawrence F. Katz, a labor economist at Harvard, said plenty of slack remained in the job market for young workers. The percentage of young adults who are working has dropped since 2000 largely because many have grown discouraged and stopped looking for work.

This has happened even though the unemployment rate, which looks only at people looking for work, has fallen to 4.4 percent for those ages 25 to 34. It is 8.2 percent for workers ages 20 to 24.

In a steep drop over a short time, 64 percent of college graduates received health coverage in entry-level jobs in 2005, down from 71 percent five years earlier. As employers grapple with fast-rising health costs, many companies have reduced health coverage, with those cutbacks sharpest among young workers.

Largely because of the decline in manufacturing jobs that were a ticket to middle-class life, just one-third of workers with high school diplomas receive health coverage in their entry-level jobs, down from two-thirds in 1979.

Mark Zandi, chief economist at Moody's Economy.com, said one surprising development was how deeply young workers were going into debt to maintain the living standards they want.

The nation's personal savings sank below zero last year for the first time since the Depression, meaning that Americans spent more than they earned. But for households under age 35, the saving rate has plunged to minus 16 percent, meaning young Americans are spending 16 percent more than they are earning.

"The post-boomer generation feels very cavalier about saving," Zandi said. "They've been very aggressively dis-saving and have borrowed significantly to finance their spending."

For men with high school diplomas, entry-level pay fell by 3.3 percent, to $10.93, from 2001 to 2005, according to the Economic Policy Institute. For female high school graduates, entry-level pay fell by 4.9 percent, to $9.08 an hour.

Department of Labor officials voiced optimism for young workers, noting that the Bureau of Labor Statistics had projected that 18.9 million net new jobs will be created by 2014.

"The future is bright for young people because the opportunities are out there," said Mason Bishop, deputy assistant labor secretary for employment and training. "We want to help them get access to the post-secondary education that enables them to take advantage of the opportunities."

The wage gap between college-educated and high school-educated workers is the widest ever, with college graduates earning 45 percent more than high school graduates, up from 23 percent in 1979.

Rouse, the professor at Princeton, said a college degree added $402,000 to a graduate's lifetime earnings.

Alex Shayevsky, who graduated from New York University last year, said majoring in business had paid off. Shayevsky landed a job in the bond department of a major investment bank in New York.

His salary is $65,000, not including a bonus that could be at least half his salary.

"Getting my degree was very valuable," said Shayevsky, a 23-year-old from Buffalo Grove, Ill.

Sheldon H. Danziger, an economics professor at the University of Michigan, sees a bifurcated labor market for young workers: "You're much better off as a young worker today if you're the child of the well-to-do and you get a good education, and you're much worse off if you're a child of a blue-collar worker and you don't go to college."