

## College Grad Wages Are Sluggish, Too

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Having a college degree doesn't guarantee a raise these days. For the typical American worker with a bachelor's degree, surging U.S. productivity isn't showing up in his or her paycheck.

The average hourly wage of workers with **bachelor's degrees**, but no graduate degrees, was \$24.67 (**\$51,000/yr**) in 2005. That was only **1.3% higher than in 2000**, after adjusting for inflation, according to an analysis of monthly government data by the Economic Policy Institute, a liberal think tank. That's not a partisan calculation: President George W. Bush's latest Economic Report of the President displays a different set of government numbers showing that **average annual earnings of college-degreed workers fell 5% between 2000 and 2004, adjusted for inflation.**

Perhaps this is one reason Mr. Bush gets so little credit from a U.S. economy that is growing fast enough to push down unemployment -- and one reason Republicans worry about voters turning against them in November's U.S. congressional elections. Workers who play by the rules and still don't enjoy raises would seem more likely to turn on the party in power.

That's not to say that college is a waste. Wages of workers with bachelor's degrees averaged 75% more than those of high-school grads in 2005, a reward for schooling that has grown in recent decades.

And there are a few caveats: No single statistical snapshot can tell the complete story. Choosing an inflation gauge other than the Consumer Price Index to measure whether wages are beating prices can alter the picture a bit. And many employers are spending more on health benefits, leaving less money for wages.

Still, there remains something of a mystery. It's easy to understand how technology, immigration and competition from abroad are eroding wages of low-skilled U.S. workers, the 40% who haven't gone beyond high school, and perhaps even the 30% who have taken some college courses but not earned a B.A. But why aren't the 20% of workers who have finished four years of college (but not gone on to graduate school) doing better in a growing economy?

One explanation boils down to "just wait." A similar lag in wages marked the "jobless recovery" of the early 1990s, but then wages picked up. Average hourly wages of four-year grads rose just 2.5% faster than inflation from 1991 to 1996, then zoomed 15% from 1996 to 2001. Maybe that surge is just around the corner if Federal Reserve Chairman Ben Bernanke will keep his foot off the interest-rate brake as Alan Greenspan did in the late 1990s. Early indications from surveys by the National Association of Colleges and Employers are that starting salaries for the Class of '06 are up from last year.

A second is that changing technology is making skills ever more valuable and that only some college grads have the skills in hot demand. Surveys of starting salaries show that a Class of '05 graduate with a bachelor's in chemical engineering was offered \$56,549 on average, nearly 70% more than a history major. Back in 1990, starting salaries for chemical engineers averaged 56% more than history majors.

But these factors don't explain the whole puzzle. At least two other factors are at play.

Anxiety about losing one's job to India and China, once limited to factory workers, has spread to U.S. college grads, and employers are exploiting that. "Workers just don't have any bargaining power," says Frank Levy, an MIT economist. "They're very afraid of outsourcing and offshoring. **If an employer offers minimal raises and readjusts benefits to your detriment, the main alternative is to get another job. But right now people are afraid to do that.**" It will take more than a few months of low unemployment to turn that around.

And American attitudes seem to have changed in the past quarter-century. **In workplaces of all sorts, there's less pressure to share the goodies; giving the bulk of the raises to already well-paid workers, including the chief executive, is more socially acceptable.** Among college grads, the bottom three-quarters haven't enjoyed raises large enough to beat inflation in the past five years, but the best paid have, says Harvard economist Lawrence Katz. College grads that earn \$30,000 a year aren't keeping up with inflation. Those who make more than 90% of college grads, **the ones earning roughly \$90,000 a year (10%), have seen an average raise of 6% after inflation.**

The U.S. politics of inequality are hard to decipher. When their own fortunes are improving, Americans don't tend to be class-conscious, jealous voters. The question for this fall is how voters, particularly those who believed that earning a college diploma would put them on the up escalator, will react if they don't see economic good news showing up in paychecks.

