

UNDERGRADUATE STUDENT SALARY AND JOB EXPECTATIONS: WHAT THEY THINK IS GOING TO HAPPEN AND WHAT IS REALLY GOING TO HAPPEN!

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ABSTRACT

This study examines the salary and career expectations of upper-level business students as compared to the actual offerings of today's business environment. In addition to salary expectations, this research also examined the level of student debt as well as students' use of career services and job search activities. Differences were found between race and gender in the areas of expected salary and use of debt to finance an undergraduate degree, suggesting a disconnect between the cost/return function of a general business degree. Relationships were also found between GPA and salary expectation, GPA and involvement in an internship, as well as salary expectations and the willingness to relocate.

INTRODUCTION

Recently, undergraduate business students are finding that their expectations for job opportunities, as well as compensation packages are falling well above those that are actually offered by the current business environment. Students are finding it harder to obtain meaningful employment, especially in their field of study (Greenburg, 2011). Even those that are finding employment are realizing that the resulting salary and benefit package are much lower than expected (Lavelle, 2008). This problem is exasperated by the reports from some areas of business employment, especially with graduate degrees, that salaries are climbing. In addition to the realization that the expected return from an undergraduate business degree is decreasing, the cost of obtaining a college degree is skyrocketing, increasing much more than inflationary trends (Kristof, 2009). This paper examines this gap between student expectations and current market conditions and suggests practices which may help students make more reasonable decisions when choosing academic programs and the cost of obtaining them. We examine the expected return, or compensation packages that students expect to receive in their first jobs as well as the extensive use of debt that students use to finance their academic pursuits. This study also examines activities such as the use of internships, academic career services, and internships that may help students acquire meaningful employment.

Business schools have recently come under fire for presenting the business curriculum within "silos". Silos are described as separate activities and functions, such as accounting or marketing, that address the specifics of that course material, with little or no integration with other disciplines (Rosen, 2010). In addition, these silos offer little guidance to the interaction of all curriculum material as well as the realities and behaviors expected by the job market.

JOB AND SALARY EXPECTATIONS

While undergraduate students remain fairly optimistic about their job possibilities and good salaries, the resulting environment does not support such beliefs. However, there is research that suggests these benefits are dependent on subject and institution (Walker and Zhu, 2010). This overestimation of future earnings amplified the situation of graduates unable to find employment returns that justify their investment (Brunello, Lucifora, and Winter-Ebmer, 2004). The unemployment rate for 20 to 24 year olds in 2012 was a staggering 14% (Greenburg, 2011). That figure might be explained by the fact that 37% of senior students surveyed had not even started looking for a job (The Class of 2011 Student Survey Report, 2011).

In earlier recessions, companies often laid off their older workers who were making the highest salaries, but recently younger workers are having a tough time because companies are keeping their most talented and trained individuals, leaving little room for hiring newly minted undergraduate business students (Scott, 2009). Even those individuals that are lucky enough to find employment during this recession will find little comfort in the fact that placement during a recession can lead to a negative \$100,000 impact on lifetime earnings (Greenburg, 2011). Despite tough job realities, college graduates continue to have high expectations about their ability to obtain a good job (College Graduates Optimistic: Have High Expectations, 2001)

It has been suggested that a downturn in the economy is a good time for students to enter graduate programs and try to ride out the troubled times, but others suggest that the added cost of graduate school does not justify that decision (Greenburg, 2011). There has even been criticism about schools and financial institutions exaggerating the value of a college degree, even going so far as to label it fraud (Kristof, 2009). In addition to skyrocketing cost of a college degree, an underlying and often ignored variable in this equation is the hidden costs of financing a degree. It has been suggested that most students will struggle for at least a decade to pay off their college bill (Kristof, 2009).

To add to this malaise of debt and lost income potential are the low numbers of students that actually succeed in obtaining a degree. On average, three-quarter of those earning a high-school degree try to continue in college. Of that number, only half will graduate, while the other half will be left with no degree but a large amount of debt. To compound this problem, six in ten of African Americans that enter college will leave without a college degree, even though they are responsible for the debt incurred.

It certainly appears that the cost/return equation for higher education is entering a new and difficult period. This is not to suggest that all undergraduate degrees do not promote a return on their investment. However, not all students share in an even cost/return scenario. It has been reported not only do men expect to earn more than women (The class of 2011 Student Survey Report), but in fact, female undergraduates start at \$4000 less than their male counterparts (College graduates optimistic: Have high expectations). Students graduating in more technical degrees such as computer-related degrees are seeing an increase in starting salaries (Yousuf, 2010). Undergraduate business degrees are seeing increases in Accounting and Finance, but other business degrees are experiencing a downturn (The Business Review, 2011).

STUDENT DEBT

The average cost of an undergraduate business degree in the US is currently topping \$40,000 (National Center for Education Statistics). To pay for this staggering sum, students are relying on government and private lending sources, with the students averaging \$25,000 in debt. To compound this increase in debt, employment rates for new college graduates have fallen drastically in the last two years (Hill, 2011). It seems that easy money from both government lending as well as private sources has exacerbated the increase in student lending (Kristof, 2009). With college debt added into the equation, most college graduates do not see real earnings above high-school graduates until the age of 33. Making this problem even worse, the US Government is seriously considering doubling the interest rates on student loans (Steinhauer and Lowrey, 2012).

METHODOLOGY

One hundred undergraduate business students from a small southeast university were administered a sixteen item measure which gathered information on their salary expectations, outstanding debt on student loans, as well as willingness to relocate for employment. Of the 100 subjects, 52 were males and 46 were females. Of the respondents, 79% were Caucasian and 17% were African-American. Sixty-seven percent of the subjects were Seniors. Field of study for this group was reported Management (55%), Accounting (35%), Marketing (8%) and Finance (2%). Other questions on the measure recorded student use of

university career services, activity in use of internship program, intention of attending graduate school, and their satisfaction with their field-of-study choice. Several questions concerned the student's satisfaction with choice of business degree and career choice. Finally, the students were asked how long they had been looking for a job and how long they thought it would take them to find a job.

RESULTS

An analysis was conducted examining all variables in the consideration of business school students' expectations in the areas of future career outcomes. This initial set of analyses was performed using SAS Proc GLM and all GLM results can be found in Table 1. Respondents to the question concerning salary expectations found that 52% believed they would make between \$35,000 and \$50,000, with 27% believing that they would make between \$40,000 and \$50,000. The remaining 14% of students reported that they would make more than \$50,000 a year. The average salary for business administration majors was \$44,000 in 2011. As stated earlier, exaggeration in expected earning is not uncommon for undergraduate students. Overall, there was a relationship between the GPA and salary expectations ($F = 3.10$, $p < .01$, $R^2 = .12$). As students do better in school, they also seem to increase the size of their compensation package after graduating. There was also a relationship between salary expectations and a willingness to relocate ($F = 2.51$, $p < .06$, $R^2 = .07$). Students that do well also appear to be willing to relocate to use their good GPA to land a good job. Not surprisingly, GPA and intentions to attend graduate school were also related ($F = 4.38$, $p < .03$, $R^2 = .09$) as were GPA and experiencing an internship ($F = 5.68$, $p < .01$, $R^2 = .06$). The belief that students would find a good job was associated with the amount of debt incurred for school ($F = 1.95$, $p < .09$, $R^2 = .09$). This relationship might be explained by the realization that the debt must be paid and so the outlook for a good job may be exaggerated.

Table 1

Proc GLM Simple Regression Analysis on Specific Variables

Variables	Equation F	R ²
GPA/Salary Exp.	3.10**	.12
Salary Exp/Relocate	2.51+	.07
GPA/Grad. School	4.36*	.04
GPA/Internship	5.98**	.05
Good Job/Total Debt	1.95+	.09

** $p < .01$, * $p < .05$, + $p < .10$

Other interesting findings centered around the differences between gender and race concerning earning potential, importance of finding a job in-field, use of university career-services, intentions to attend graduate school, and the belief that a business degree relates to getting a good job. The results of a two tailed T Test are as follows. It seems that White Males had higher salary expectations than did White Females ($t(72) = -1.89$, $p < .06$) (see Table 2). The negative t value is the result of the inverse coding of the data.

Table 2

Significant Tests of Differences Between Gender and Salary Expectations

Gender	Salary Expectations Means	t
White Male	2.65	-1.89*
White Female	3.31	

*p<.05

The amount of student loans used by African-Americans and Whites was also significantly different ($t(87) = 2.0, p < .04$) (Table 3), with African-Americans relying more on loan debt to finance their undergraduate degree. Again, socio-economic differences between these two groups could explain this difference.

Table 3
Significant Test of Difference between Race and Student Loans

Race	Student Loans Means	t
African-American	4.26	2.0*
White	5.01	

*p<.05

There was also a difference found between African-Americans and Whites in their use of university career services ($t(78) = 3.03, p < .00$) (Table 4) and the intention of attending graduate school ($t(87) = 2.52, p < .01$) (Table 5). It is possible that African-Americans are using available resources for job placement more readily than whites because of the historic difficulties African-Americans have experienced with job placement. African-Americans may also see graduate programs as a way to increase their job and earning potential and again are trying to use every resource available. And lastly, African-Americans believe that receiving a business degree is more influential in landing a good job than do White students ($t(86) = -1.75, p < .08$).

Table 4
Significant Tests of Differences Between Race and Use of Career Services

Race	Use of Career Services	t
African-Americans	1.75	3.03**
White	1.37	

**p<.01

Table 5
Significant Tests of Differences Between Race and Intention to attend Graduate School

Race	Intentions to Attend Graduate School	t
African-Americans	1.64	-1.75+
White	1.31	

+p<.10

DISCUSSION

This research examined the career expectations of junior and senior business students in areas such as salary, job placement, as well as difficulty in finding employment. In addition, we examined the amount of student loan debt as well as the student's willingness to relocate or take a job out of field. Our findings indicate that students in general have an inflated view of salary and career opportunities, such as length of time it will take to find a job. In addition, we found that there were differences in these expectations depending on gender and race.

Expectedly, we found a relationship between expected salary and GPA. Students that maintained a high academic average believed that they would make a higher salary, which is to be expected. However, in today's tight job market, students are finding both jobs and high salaries a difficult quest. A high GPA was also associated with willingness to relocate as well as intentions to attend graduate school. These relationships are not surprising. Not surprisingly, students with high levels of college debt also had exaggerated beliefs in the availability of a good job.

It also appears that African-American students have lower salary expectations than do White students. This can be partially explained by the historically low wages earned by African-Americans during most of this country's existence. Although not significant, it was also interesting to see that white males had higher salary expectations than white females. As women have historically made less at the same job than men, it seems females realize that salary inequalities exist. It was also found that, African-American Females have higher salary expectations than African-American Males.

Results also indicate that African-American students are more reliant on student loans to pay for college than are White students. The continued increase in college tuition and the depressed earnings of the African-American community could combine to make borrowing a primary way for African-Americans to fund college tuition. It was also found that African-American students used the university career services office more frequently than did White students. African-American students seem to be using available resources more often in order to better promote themselves in the job search. And lastly, African-Americans students showed a greater interest in attending graduate school than did their white counterparts, which may suggest that African-American students see graduate school as yet another resource to better one's chances of success.

This research examined the disconnect between student evaluation of career and salary opportunities, suggesting that students are generating unrealistically optimistic views of reality. The recession that started in 2008 has begun a rebound, although slower than most would have predicted. Perhaps students have been insulated from current economic realities and are using old models of hiring and placement. We also found some remarkable differences in the way different genders and races viewed their economic prospect.

While there is little that Business Schools can do to change the current environment, we certainly can have realistic discussions with our students concerning their future possibilities. It is vital that young adults are well informed of the costs and benefits of a higher education degree (Jerrim, 2011). Perhaps seminars could be developed that asked students to research for themselves, the current state of available hiring and salary ranges. However, this interaction cannot take place during their last semester. To be effective, this process would have to start early enough to allow students to engage in career promoting activities, such as use of career services, internships, and other career enhancing programs.

As always, there were limitations to this study. The overall population was small (100) with an even smaller population of African-Americans. We also only have data from one university in a southeastern

state. Further research is necessary to help the academic community understand the disconnect between student expectations and the actual environment. It is essential that schools of business administration do everything they can to present a realistic preview of the investment required and the return to be delivered. It is also imperative that universities prepare students for the quality of life that they and their families expect.

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