

Which colleges help grads snare top salaries?

Matthew
Heimer

By

AnnaPrior

Senior editor



Reuters

Undegraduates cheer at Columbia University commencement in May. Their alma mater claims the No. 28 spot in the SmartMoney College Rankings.

In an era of dubious economic milestones, it was yet another lowlight. This spring, according to the Federal Reserve Bank of New York, Americans' total student-loan debt ballooned to more than \$900 billion — higher than their total credit-card debt. And no wonder the debt is piling up: Over the past two decades, the price of tuition has risen 20 times as fast as the average college grad's wages.

Statistics like these help to flesh out a now-familiar message: The cost of college has escalated from unsettling to obscene. College administrators say that the soaring price tags reflect the rising costs of their own biggest expenses — faculty salaries and state-of-the-art dorms and facilities.

But even insiders acknowledge that it can all become a burden. At Ivy League stalwart Cornell University, for example, four years of full-price tuition and fees approaches \$250,000. Faced with a choice between borrowing that much to go to that upstate New York Ivy or pursuing a more affordable education somewhere else, should an applicant really opt for the six-figure debt load? Says Thomas Keane, the school's director of financial aid: "Please, don't."

Still, families may not mind shelling out such big bucks if the investment pays for itself, and then some, in higher compensation down the road. To help readers make that kind of calculation, SmartMoney offers its annual college survey, a bottom-line approach to the academic experience that doesn't mind imitating the rude uncle at your family reunion — the one who insists on asking everybody what their salary is. And unlike many of the best-known college rankings, it's a contest where the winners don't always hail from the usual tiny pool of top names.

Finance 101 begins at home

With help from PayScale, a Seattle-based compensation-data company that maintains 35 million salary profiles, we collected median pay figures for two pools of each school's alums: recent grads (out of school for an average of three years) and midcareer types (an average of 15 years out). For each group, we divided the median alumnus or alumna salary by tuition and fees (assuming they paid full price at then-current rates), averaged the results and, finally, converted that result to a percentage figure. The outcome: a measure of return on investment that we've dubbed the Payback Score. For example, a hypothetical alum who spent \$100,000 to attend college and now earns \$150,000 a year would have a personal score of 150. Just as with the SATs, the higher the score, the better.

It's admittedly a narrowly targeted formula. It doesn't include, for example, financial aid, even as many schools are increasing it — under pressure from cash-strapped families' cries of *No más*. And the value of an education, of course, can't be measured merely in dollars and cents. But at a time when the average college grad is entering the workforce with \$25,250 in debt, it's the kind of calculation that financial advisers say more families are paying attention to.

Public schools

- Average Payback Score: 134
- Average salary for recent grads: \$47,790
- Average salary for midcareer grads: \$87,257

Among many folks who fixate on big-name northeastern liberal-arts schools, the Georgia Institute of Technology flies under the reputational radar. Even its president, G.P. Peterson, goes by the unassuming, guy-next-door nickname of "Bud." But based on our Payback Score, the school deserves a higher profile — and some bragging rights. After all, it's offering the best academic deal in America.

Recent Georgia Tech grads earn \$59,000, or a stellar 67% of what they paid in tuition. Grads in their 30s average \$102,000 a year, more than three times their 1990s tuition tab. Peterson says those imposing scores are no accident. Virtually all of Georgia Tech's students are focused on science-oriented disciplines, including engineering and computer and software design. Those, of course, are the kinds of fields where the prospects and opportunities have remained strong even in this shaky economy. And then there's the school's status as a public university, which gives it access to taxpayer funds that have subsidized the cost of attendance, especially for in-state students. "We're in a fortunate position," says Peterson.

All of Georgia Tech's neighbors at the top of the heap are also public universities; indeed, state schools have historically dominated our Payback Scorecard, and this year, they hold the top 17 slots. At midcareer, our public school graduates earn less in absolute dollars than their private-college counterparts, but as a proportion of their tuition, they're pulling down 58% more than Ivy grads, and 85% more than alumni of non-Ivy private schools. For many middle- and upper-middle income families, that translates into a lighter economic burden — all the more important in an economy where salaries for college grads overall have been stagnant.

Kent Chen of Los Angeles chose the University of California, Berkeley, over a top private school this spring after his family confronted the price gap between the two — more than \$27,000 a year. Paying higher tuition seems like too great a risk, says Kent's mother, Yvonne, the chief financial officer at a community bank in Los Angeles, who notes that college in general is an economic gamble these days: "There's a lot of kids graduating right now that can't find good jobs."

Matthew
Heimer

There's no guarantee that the Payback math will keep favoring the public colleges in years to come. Many states, coping with budget deficits, have been cutting aid to these institutions, and the schools have had to hike tuition to compensate: Nationwide, public-college tuition for residents is up 120% in the past 10 years. As a result, says Lynn O'Shaughnessy, author of "The College Solution," the assumption that state schools are still always cheaper is "just not true."

At the University of Michigan, one of the lowest-ranking public schools in our Payback survey, out-of-state tuition now tops \$30,000 a year, and financial aid is virtually out of the question for nonresidents. The university explains why: The per-student allocation from the state has shrunk by more than 50% over the past decade. And even our overall winner is coping with the new reality: At Georgia Tech, out-of-state students now pay almost three times as much as they would have a decade ago. But there's a payoff, notes Peterson: 67% of the class of 2012 had jobs lined up by graduation weekend, up from 53% for the class of 2010.

Non-Ivy private colleges

- Average Payback Score: 75
- Average salary for recent grads: \$46,024
- Average salary for midcareer grads: \$91,019

"Our degrees have the same workplace clout — at twice the price!" No admissions officer in their right mind would put that on a recruitment brochure, but that's the picture that emerges when you compare non-Ivy private schools and public schools on our Payback Scorecard. By their mid-30s, alumni of the 21 private liberal-arts schools we surveyed are pulling down only about 4% more than their public school peers, despite having spent almost twice as much on tuition (assuming they paid the sticker price). At five of those schools, recent grads earned less than \$43,100, the national average for all recently graduated bachelor's degree holders.

School administrators and employment experts say this gap reflects the less-competitive compensation in liberal-arts-oriented careers like education, the arts and public policy. That's not a gap that's likely to go away: Between now and 2020, the Bureau of Labor Statistics expects annual growth of 3% or better in jobs in health care, software, and computer design, but much slower job growth in "softer" humanities-oriented fields like education and government. (Not to mention a steady decline in, gulp, publishing jobs.) Perhaps not surprisingly, our survey's top-finishing non-Ivy private school, Carnegie Mellon — whose recent grads pull in almost \$60,000 a year — is the Georgia Tech of that world, strongly oriented toward engineering and computer science.

Jim McKean, a consultant for Indianapolis coaching firm Career Investments, says that, in some ways, even less technical professions are becoming less receptive to liberal-arts grads: With budgets tight, many companies have eliminated the development programs that used to give basket-weaving types a year or two of apprenticeship in the business world. "They've taken their foot off the accelerator," McKean says.

School officials say they're aware that they're not perfectly in step with the iPad workplace. Administrators at Sarah Lawrence, for one, say they recognize that they need to play a role in helping students get jobs, and they plan to launch a new Career Invention center in the coming year to teach students about starting their own businesses (more than 25% of their alums go on "to be developers of small businesses and innovators," says Tom Blum, the college's vice president for administration).

Some of the richer schools are taking a different tack, tapping their endowments to give big aid packages to new students. And some, like Vassar's president Catharine Hill, point out that the economy won't be depressed forever, and a liberal-arts education creates well-rounded employees able to deploy a variety of skills, like critical thinking and writing. "We are equipping them to lead interesting, satisfying lives when they leave us," she says.

For the many students who get less aid, or none, there's also a potential consolation prize. Top-tier private schools pride themselves on how well they prepare their students for graduate school. According to PayScale, midcareer graduates of all the private schools on our list were much more likely than the average bachelor's degree holder to have earned a graduate degree; and nationwide, advanced degree holders earn 28% more than the bachelor's-only crowd. Of course, there's one big caveat: Getting more schooling often means paying even more tuition.

The Ivy League

- Average Payback Score: 88
- Average salary for recent grads: \$53,750
- Average salary for midcareer grads: \$110,250

At least at first glance, the stereotypical connection between an Ivy League degree and a gold-plated salary appears to hold water. Three years out of college, Ivy grads are earning around 9% more per year than their peers from other private schools. By their mid-30s, that gap has inched up to 14%. And Ivy League alumni are two to four times as likely as the average college graduate to go on and earn an advanced degree — along with the higher compensation that comes with it.

But where the Payback Score is concerned, the Ivy story isn't so great. Four years of tuition and fees now total around \$140,000, and a recent Ivy grad's average compensation — \$53,750 a year — represents 39% of his or her education's cost. Public school grads take home about \$6,000 less annually, but they earn 52% of their tuition. At 15 years, the Payback Ratio is 137% for the Ivies, versus 216% for state school kids.

In an economic climate where job prospects are less certain than ever, it's the kind of stat that can give parents and kids pause about whether the best schools are worth the price. Lesley Mitler, founder of the New York City coaching firm Priority Candidates which works exclusively with college students and recent graduates, says the numbers in part reflect the fact that Ivies don't always do any better than other colleges in preparing their students for the working world. Without a track record of strong academic performance, internships and leadership positions, "you'll often have as much trouble as everyone else getting a job, even if you went to an Ivy League school," says Mitler.

Still, the salary numbers don't reflect some of the biggest advantages of an Ivy League education — including the network of alumni in leadership positions in almost every industry, says Nick Corcodilos, an executive recruiter in Lebanon, N.J., and host of Asktheheadhunter.com. "Ivy League schools in general tend to be better at promoting networking and connections to alumni," he says.

Some Ivies have made efforts recently to leverage their large endowments (around \$90 billion, collectively) to cut tuition costs. In 2001, 45% of Princeton's seniors graduated with debt, averaging \$15,000 per borrower. Since then, the school has broadened a no-loan program for upper-middle-income families; today, only 25% of outgoing seniors have debt, averaging \$5,000.

Even at the most generous Ivies, of course, about 40% of students get no aid at all. Rachel Durrwachter of Herndon, Va., got into Cornell this spring, but the school offered no financial assistance. So instead, Rachel is attending the College of William & Mary, an in-state public university. Keane, the Cornell aid officer, notes that the school has a larger student body than any of the other Ivies, and that its endowment is relatively small; so in practice, he says, the

school has had to be more selective about aid “since the economy tanked.”

As for Rachel, she says she’s glad she’ll be free to explore majors with less pressure to haul in a huge salary, especially since she wants to earn degrees beyond a bachelor’s. Her father, Michael, a sales director in the telecom equipment industry, has perhaps the most hard-nosed take: “It didn’t make sense to take on a ton of debt just for an undergrad degree.”