

Why You Should Reconsider College as an Investment

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Part 1: College as an Investment...Really?

It continues to be my experience that most parents in most communities—and most guidance counselors in most communities—see manufacturing as a place for the kids in the bottom of the class. They think that everyone else should have a college degree as their “destiny.”

Yet, the number of unemployed bachelor’s degree holders living in their parents’ basements, unable to pay off their college loans AND support themselves, is testimony that something about this thinking might need to change.

Many families assume that a college degree for their children is an indisputable investment, one that will assure their children’s economic success. They seldom look at the underlying assumptions.

As a parent, as a former plant manager, as an industry professional and as an adjunct professor at a private university, I’d like to help you review some of those assumptions. Because I know that if your children have the potential to be successful in college, they can also be successful in the manufacturing industry. Here, we have plenty of jobs for sharp people and a career path that will include some college—but not years of college debt and lost earnings.

Assumption No. 1: A Bachelor’s Degree Takes Only Four Years. This is the first assumption you need to understand for planning purposes. The degree completion rate has fallen so badly that the National Center for Educational Statistics now reports the 4-, 5-, 6- and 8-year bachelor’s graduation rates. Eight years to complete a 4-year degree!

Approximately 58 percent of first-time, full-time students seeking a bachelor’s degree in 2004, completed the degree at that institution within six years or 150 percent of nominal completion time.

Assumption No. 2: Your Child Will Graduate. This is the flip side of Assumption No. 1. If 58 percent of students who start the program graduate within six years, that means that 42 percent (not quite half) will not. But they will have paid (or will owe) for whatever they spent in that 6-year time period. Will that debt have a return if there is no degree to show at a job interview?

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Assumption No. 3: Bachelor’s Degree Earnings Outpace Non-Degree Holders. There are a number of studies that can show you this quite clearly. There’s only one problem... they are historic. The studies were conducted back when we had a functioning economy and college graduates could find jobs.

That is not the case today, and it is not looking very bright in the immediate future. More than half (53.6 percent) of America’s recent college graduates are either unemployed or under-employed according to the Associated Press.

Assumption No 4: A College Degree Will Result in a Job, Not Just Debt. It used to be that a college degree was a guarantee to a better job and a brighter future. Today, all that a degree seems to assure is student loan debt. According to Business Week, more than one quarter of the post-college population is unemployed. One in ten has a college loan debt over \$40,000.

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COLLEGE AS AN INVESTMENT

According to the Federal Reserve Bank of New York, nearly one-third of all student loans have past due balances of 30 days or more. The average college loan debt is \$25,250. That figure is up 25 percent over the past ten years.

Among people under 30 years old, 40.1 percent have outstanding student loan debt. For people between the ages of 30 and 39, 25.1 percent have outstanding student loan debt.

Americans 60 and older still owe about \$36 billion in student loans. So there are no assurances that the college investment will, in fact, result in a job capable of paying back that debt. But on average, there will be debt, regardless of whether or not there is a job.

Assumption No. 5: How Many Marine Biologists Will the Economy Need? Is your student's goal realistic? I speak from experience on this one. Marine biology was the dream of one of my kids, and that of many of her fellow students.

According to the website of the Southwest Fisheries Science Center/National Oceanic and Atmospheric Administration, "The employment outlook in this field is highly competitive. The supply of marine scientists far ex-

ceeds the demand and the number of government jobs (the federal and state governments are important employers) is limited."

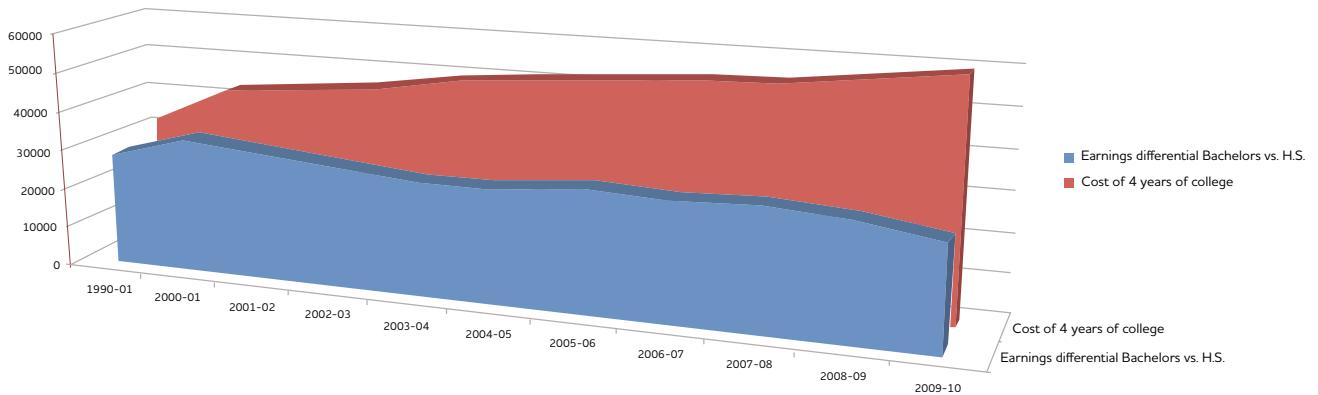
The Innovators Guide website has this to say: "Prospective marine biology students should be aware that those who would like to enter this specialty far outnumber the very few openings available each year for the types of glamorous research jobs many would like to obtain."

While I was okay with my child student wanting to study marine biology as a passion, I was under no illusions that it was job training or that it would become a career.

Many experts talk about a college degree as an investment. With completion rates at 58 percent and six years, or 150 percent of time needed to complete it, plus sizeable debt and 25 percent of graduates unemployed, we aren't at all certain that a 4-year degree can be truly considered "investment grade."

Next Month: Part 2: Another Vision of Career Success—Skills, Employment and Career Growth.

WHY YOU SHOULD RETHINK COLLEGE AS AN INVESTMENT



	1990-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Earnings differential Bachelors vs. H.S.	\$28515	\$33981	\$31890	\$30317	\$28630	\$28620	\$30705	\$29691	\$30669	\$29316	\$26308
Cost of 4 years of college	\$33612	\$42436	\$44312	\$46148	\$49248	\$51180	\$52248	\$53828	\$54464	\$57048	\$59480