

# The Crushing Problem Of Student Debt

Mike Collins, Author, Saving American Manufacturing



The American dream has always been about upward mobility and the mantra for the last 50 years has been “Just get a college education.” In the 1950s only 10 percent of workers had bachelor's degrees. Then the mantra kicked in and people flocked to colleges. By 2007 27 percent of the working people had four-year degrees.

Well times and the economy have changed drastically and bachelor's degrees are not as valuable as they once were. The bottom line is that a high school degree won't get a person into the middle of the middle class wages, unless you are lucky enough to get the few union jobs that are available or get into a trade. "A bachelor's degree, today, has taken the place of a high school degree in the fifties, and a master's degree has about the value of bachelor's degree," says Tamara Draught, author of the book, *Strapped -Why America's 20 to 30 something's can't get ahead*.

Public investment in education at four-year colleges has diminished over the years. Since 2002, university tuition and fees have increased 6-13 percent per year. To fill this gap students have had to borrow money. The loans are fairly easy to get but this debt is a problem for graduates that may plague them for decades to come. It is estimated that two out of every three students take out public or private loads to get through college to the tune of more than \$15 billion per year. The national average of student loans for graduates is more than \$23,000.

This is truly a black cloud hanging over the heads of students who want a college degree, and begs several important questions such as:

1. Will a college degree get a graduate a family wage job that affords them the opportunity to get married and have couple of kids?

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2. What is the college debt vs. starting salaries?
3. Is the cost of the debt worth less for general degrees vs. professional degrees?
4. Does the mantra of “just get a college degree” still apply in today’s economy?

### **Family Wage Jobs**

Josh Seeds is a 31 year old man who is married with four kids. He received his bachelor’s degree in bio chemistry and a master’s degree in Environmental science from a NW state college. The total cost of his loan was \$90,000 plus \$25,000 for a nursing school loan for his wife, Kara. loan for nursing school.

After graduation-and several low paying jobs-he got a job as a water quality analyst with the Department of Environmental Quality at \$45,000 per year. By the time he pays off all of his loans he will be 67 years old and eligible for Medicare and Social Security.

"I think there is a myth out there that if you get a degree, you will be able to pay off your loans and the jobs are out there," says Josh. "When you talk to the loan people or the financial aid people at school their attitude is, 'don't worry about it - you are going to take out these loans and then you are going to get a great job and you will be able to pay them off, no problem. You are young and the loans aren't that big.' I definitely feel I was lied to,"

### **College Debt & Starting Salaries**

A good example is Jessica Hiddleson who never thought she would be on food stamps after graduating from college. But with \$18,000 in student loans and a part-time minimum wage job, the 23 year old needed the help. Hiddleson is putting off graduate school to give herself a chance to pay off some of her undergraduate loans.”

Hiddleson is getting out of school in a recession with one of the toughest job markets in years, but commanding a high enough starting salary to pay off student loans is a problem that is getting worse every year.

### **General vs. Professional Degrees**

In a previous article on college degrees I found at the National Center for Education Statistics website, that there were 1, 485,252 degrees awarded in 2005/06. These statistical tables can be divided into degrees that are academic (or general degrees) and career (professional degrees) The professional or career degrees have enough specialized information and skills to interview for a specific career job such as teaching, engineering, journalism, nursing etc.

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When I added up the various degree categories I found that at least 50 percent (700,000) of the degrees were in the general category and did not include enough specific skills to be termed a professional degree that could command a well paid job. Starting salaries for people with these general degrees are much lower than professional degrees but the real problem is debt. If the student had to borrow a lot of money to get this degree it will take a very long time to pay it off on service industry wages. The return on the college investment just may not be there.

### Mantra

In answer to the last question it appears that the mantra of “just get a college degree” needs to be modified. Just getting a degree is no longer the answer, particularly with the general degree graduates.

Dave Lister is a small business owner in Portland, OR and has hired his share of college graduates over the years. He says, “For the last 40 years people have been under increasing pressure to go to college. They have been convinced that they will never have a decent quality of life without a higher education. Not only is that not true, but the combination of poor job prospects and education debt will result in just the opposite for many.”

So what can we do about the increasing cost of a college education and long term student debt? Here are some suggestions:

*For parents and students* - The first and most important thing is to recognize that the operating words for the future are skill sets not college degrees. Parents sit down with your high school graduate and review the career he or she wants to pursue. If you have money to pay for any degree, then go for it. If the student is going to have to take out loans to get through school, then review the job opportunities first so you can help them make a good cost/benefit decision. Take a look at the U.S. Department of Labor list titled “Occupations with the Largest Job Growth” project out ten years, and dig around for the starting or average salaries.

Secondly, if they really don't know what to do have them try a vocational program at a community college. At least they will come out with some skills to get a job and a lot less debt.

*Colleges* - Four-year colleges, particularly liberal arts colleges should consider offering people in general degree careers credits for skill classes, even if the class is not at the college. For instance a student could take simple drafting, CAD training or machining courses along with their general classes. This might get them at least an interview with a manufacturer.

In addition, colleges should face the reality of the new workforce problems and the terrible indebtedness that their students are incurring. They can start by saying out loud that they exist to help students get family wage jobs in the new economy. Higher education needs to quit clutching the cross of a “good education” to their chests and admit that they are part of the indebtedness problem. This includes counseling students on the reality of starting salaries in many of the general degree

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categories. Considering the tremendous debt being incurred by students, being honest about future salaries is absolutely essential.

*Working with your hands* - It has been seen as uncool to work with ones hands for the last 40 years and many students and parents look down on technical and vocational schools. We have closed down shop classes, degraded physical work, to get every student to go to college so they could get a job in a cubicle in the new knowledge economy.

Writing in Foreign Affairs, the Princeton economist Alan Blinder says, "The supposed remedy for rich countries is more education and an upskilling of the workforce, but this view may be mistaken."

Blinder finds "that 30 million to 40 million U.S. jobs may be offshorable from scientists, mathematicians and editors to telephone operators, clerks and typists." He predicts a massive economic disruption and millions of white collar jobs that people thought were immune to foreign competition will suddenly find the jobs going offshore. On the other hand, his analysis suggests future rising wages for construction, maintenance and repair work.

Mathew Crawford makes a case in his book, *Shop Class as Soul Craft* that working with your hands may be a better alternative then most college degrees. Crawford says, "The trades are then a natural home for anyone who would live by his own powers, free not only from deadening abstraction but also of the insidious hopes and rising insecurities that seem to be endemic in our current life". He says, "Even if you do go to college, learn a trade in the summers. You're likely to be less damaged and quite possibly better paid as an independent tradesman then a cubicle dwelling tender of information systems."

In the manufacturing sector we will need 10 million people to replace the retirees; both blue collar and white collar workers. The average pay is above \$60,000 and most jobs still have good benefits. We also need skilled workers who can work with their hands and have good backgrounds in science, math, and English.

*Mike Collins is the author of Saving American Manufacturing. His website is [www.mpcmgt.com](http://www.mpcmgt.com) [1].*

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