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Modest Growth for Starting Salaries in 2014-15

About 37 percent of employers will increase starting salaries by 3 to 5 percent.

(East Lansing, Mich., October 27, 2014) *Recruiting Trends 2014-15*, a new study from Michigan State University's College Employment Research Institute, reveals the majority of employers (62 percent) will keep starting salaries at the same level as last year. About 37 percent of employers will increase starting salaries by 3 to 5 percent.

Pressure on employers to increase starting salaries has been minimal since the market crash. Many employers decreased starting salaries and eliminated the signing and performance bonuses new college graduates expected as part of their job offers. This year competition for qualified job candidates is heating up. More employers are increasing their incentives to attract the best candidates.

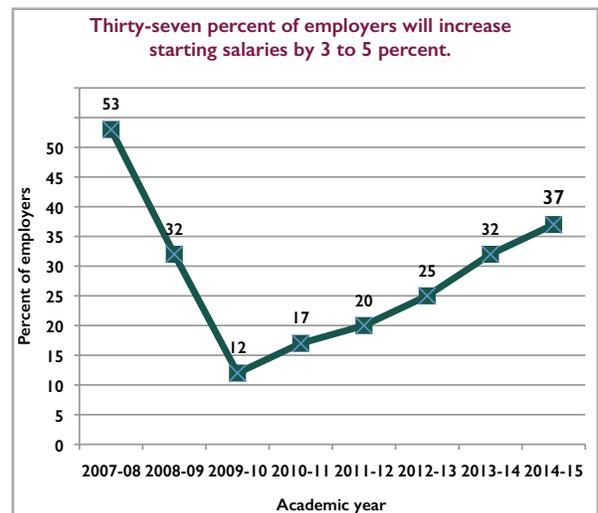
- Eighteen percent of employers will increase salaries by more than 10 percent.
- In 2008-09, 17 percent of employers offered signing bonuses. Although low by historical standards, 7 percent of employers will offer signing bonuses this year.
- Twenty-eight percent of employers will award performance bonuses at the end of the first year of employment.
- Commissioned-based salaries will creep up; 14 percent of employers will pay a base salary plus commission.

SECTOR. Some sectors will increase starting salaries at rates higher than the overall average of 5.2%.

- Within Manufacturing, Finance and Insurance Services, and Professional, Business, and Scientific Services, some employers will increase salaries by more than 10 percent.
- Information Services, Leasing and Real Estate, and Agriculture and Natural Resources will increase by more than 7 percent.
- Wholesale, Healthcare and Social Services, and the majority of employers in Finance and Insurance Services will increase by 6 to 7 percent.
- Government, Education, and Utilities will offer the smallest increases at 4 percent.

The sectors offering a mix of base salary and incentives will change this year as well.

- Retail and Professional, Business, and Scientific Services will offer signing bonuses.
- Construction, Transportation, and Healthcare and Social Services are more likely to offer performance bonuses.
- Mining and Oil, Utilities, and Information Services will offer a mix of both incentives.



COMPANY SIZE. This year, small and fast-growth companies are leading the new college labor market with increases in starting salaries and incentives.

- Very small and fast-growth companies (< 100 employees) will increase starting salaries, some (23 percent) by more than 10 percent.
- Midsize and large companies (1,500-10,000 employees) will increase salaries by about 4 percent. Of these, only 13 percent will increase their offers by more than 10 percent.

Salary incentives, though still lagging behind pre-recession levels, are growing this year.

- Although smaller companies (under 500 employees) rarely offer signing bonuses, 5 percent will offer them this year.
- Ten to 15 percent of very large companies (> 10,000 employees) will offer signing bonuses.
- About 30 percent of small companies (< 1,500 employees) will offer performance bonuses.
- Only 25 percent of larger companies (1,500-5,000 employees) will offer performance bonuses.

STARTING SALARIES. One college labor market condition does not change year after year: at every degree level, graduates with engineering degrees receive the highest starting salaries. The selected average starting salaries shown here for 2014-15 reflect base salary only and do not include commissions, stipends, bonuses, housing and moving allowances, or other incentives.

Extremely low and high salaries were examined to see if they fit within an acceptable range. A few extremely low salaries were omitted. Extremely high salaries were not omitted because few were reported; the highest salaries still tended to be moving toward the mean.

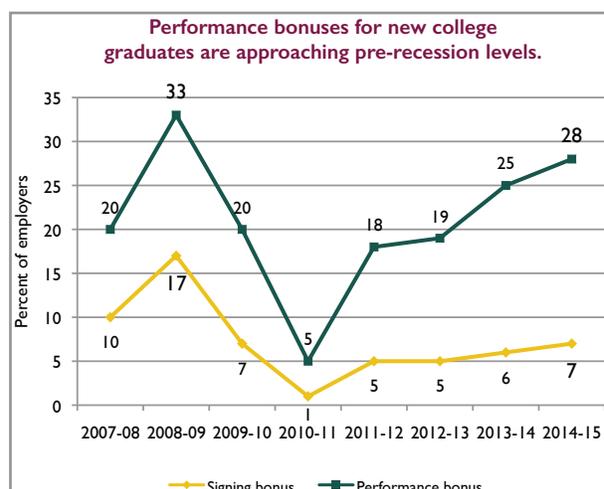
WAGE PRESSURE. During the hot job market from 1996-2000, starting salaries soared past salaries of employees hired during the economic slowdown of 1990-93. Starting salaries for new graduates also exceeded salaries of those who survived multiple rounds of downsizing or rightsizing. The disparity disrupted organizations where wage gaps were egregiously wide. The same dynamics were in play from 2006-07 before the recession nipped salary growth in the bud.

What does the overall labor market look like?
The Employment Situation (October 3, 2014),

Starting Salaries, 2014-15	
Associate's Degrees	
All Engineering	\$48,558
All Computer Science & Information Technology	\$46,543
Nursing	\$40,481
All Business	\$39,164
All Healthcare and Social Services	\$36,170
Bachelor's Degrees	
All Majors	\$39,045
Electrical Engineering	\$57,030
Computer Engineering	\$56,576
Mechanical Engineering	\$56,055
Software Design	\$54,183
Computer Programming	\$54,065
Chemical Engineering	\$53,622
Computer Science	\$52,237
Civil Engineering	\$51,622
Mathematics (includes applied)	\$47,952
Construction	\$45,591
Supply Chain	\$45,508
Finance	\$44,699
Accounting	\$44,525
Nursing	\$43,481
Chemistry	\$43,344
Human Resources	\$42,495
Marketing	\$41,481
Economics	\$41,118
Humanities & Liberal Arts	\$39,162
Agricultural Sciences	\$38,854
Biology	\$38,806
Public Relations	\$38,568
Psychology	\$36,973
Social Work	\$36,639
Advertising	\$36,638
Master's Degrees	
Engineering	\$69,284
Computer Science & Information Technology	\$66,281
MBA	\$62,060
Physical & Biological Sciences	\$53,271
LIR/Human Resources	\$51,368
Social Sciences & Humanities	\$45,312

a monthly payroll report from the Bureau of Labor Statistics, indicated very little wage growth throughout the economy. The 2 percent increase for most employees could change quickly, especially if starting salaries increase sharply over the next 10 months. (Of course, the expectations for higher starting salaries could dampen if the global economy slips into another recession, depending on how the EU countries stimulate their economies.)

If wage pressure escalates, employers might switch to hiring lower cost labor. In the college labor market this often means degree substitution; that is, a bachelor's degree instead of an MBA or an associate's degree instead of a bachelor's degree will get the job done. In fact, a recent article suggests starting salaries for some associate's degrees already top those for bachelor's degrees ("Where the Jobs Are," *USA Today*, September 30, 2014, usatoday.com/longform/news/nation/2014/09/30/job-economy-middle-skill-growth-wage-blue-collar/14797413/).



Will the college labor market jump-start wage growth? Large corporations could start bidding wars over job candidates, or companies could award more and higher signing bonuses. Although a 3-5 percent increase is not enough to move all salaries, a 10 or 20 or 30 percent increase will carry over into the workplace. With a 5 percent increase in starting salaries, new hires will still lag behind current employees.

These incentives could pressure companies to increase wages for all their employees beyond the percentage estimated in the BLS report. The data, however, do not solidly suggest that wage pressure will escalate starting salaries.

WAGE PROGRESSION. Analysis of salary patterns during the recession and recovery reveals wage progression for new college graduates may be moving toward historically high levels. What remains to be seen is whether the college labor market can sustain these increases year after year.

- Before the market tanked, 33 percent of employers offered performance bonuses and 17 percent offered signing bonuses to new college graduates. The percentage of employers offering incentives dropped precipitously by 2010-11. Employers are slowly returning these incentives to salary packages, but only performance bonuses are approaching pre-recession highs.
- Except for the early years of the recession, recent salary progressions of 5 percent or more per year have exceeded inflation (cost of living indices). The majority of employers, however, have held salaries steady over the entire recession and recovery.

Another way to infer the patterns in starting salaries is to examine the reported averages over the last eight years from employers who increased, decreased, or maintained salary levels. The numbers have not been adjusted for inflation. Each year's sample represents a different mix of employers with only about 40 percent repeating each year.

Salary recovery is uneven.

Degree	2007-08	2009-10	2011-12	2013-14	2014-15
Electrical Engineering	\$53,200	\$51,600	\$55,100	\$57,100	\$57,000
Computer Science	\$50,200	\$47,500	\$47,200	\$52,200	\$52,237
Mathematics	\$40,700	\$43,600	\$44,600	\$49,200	\$47,900
Marketing	\$39,100	\$38,300	\$38,100	\$40,700	\$41,500
Advertising	\$35,700	\$35,500	\$34,100	\$38,500	\$36,600

- Starting salaries declined during the first few years of the recession.
- Salary recovery is uneven. Of the majors listed here, advertising may still be in flux.
- Although more employers will increase starting salaries, aggregate salaries will lag behind inflation.

These key findings from Michigan State University's *Recruiting Trends 2014-15* precede the full report, which will be released at the end of November.

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