

ECONOMY

Gap Widening as Top Workers Reap the Raises

By **NELSON D. SCHWARTZ** JULY 24, 2015

The same scene plays out in Robert DeMeola's Midtown Manhattan office every few weeks now — not that it ever gets any easier. In walks a director or senior accountant, job offer in hand, threatening to leave for a hedge fund or big bank unless Mr. DeMeola can deliver a raise of 30 percent, sometimes more.

“It used to be once a quarter. Now it's every month,” said Mr. DeMeola, chief operating officer of CohnReznick, a national accounting, tax and advisory firm headquartered in New York. “They expect you to negotiate.”

For much less senior workers at CohnReznick, even those with a college degree or other postsecondary education, it is another story. “We never like to lose someone good, but it's easy to teach someone those skills, and there are others in the marketplace who want those jobs,” Mr. DeMeola said.

The very different treatment accorded employees at the very top versus those in the bottom or middle ranks has become a fact of life at corporate offices, law and accounting firms, and other white-collar bastions across the country.

For the first time since the economic recovery began six years ago, white-

collar professionals with specialized skills in fields like technology, finance, engineering and software find themselves in the catbird seat.

But despite the steady addition of more than 200,000 jobs a month and a decline in the official jobless rate to a postrecession low of 5.3 percent, most American workers, including many college graduates, still face lukewarm wage growth at best and very limited bargaining power with bosses.

Strikingly, this feast-or-famine pattern does not simply pit people with less than a college degree against their more highly educated peers. It is also pronounced even within the 32 percent of American workers who are college graduates.

Since the beginning of 2014, median wages for all holders of a bachelor's degree or more have risen 2.7 percent, compared with about 2 percent for all workers. Among the top 10 percent of earners holding college degrees, however, wages are up more than 6 percent.

“If you want wage growth, you’re going to need a specific set of skills,” said Matt Ferguson, chief executive of CareerBuilder, a recruitment software firm. “The B.A. gets you in the door — there’s not much unemployment for people with a college degree — but it doesn’t allow you the wage growth you’d expect.”

The pattern has been especially pronounced in more elite, even glamorous fields that typically require a college degree — or more — and that pay more than the national average.

A new study by the Bureau of Labor Statistics shows that pay near the top of the scale in fields like art, entertainment and media was six times what it was near the bottom in 2014, compared with four times in 2007. The best-paid health care professionals now earn nearly four times what workers in the lowest tier make, compared with less than three times in 2007.

Nor are industries like finance and real estate, which have gilded New York City's economic fortunes in recent years, immune.

For workers making less than \$50,000 in these fields, wages fell last quarter, while their colleagues in the \$75,000 and above category enjoyed a 3.4 percent rise in wages, according to ADP, the payroll processing giant.

“Overall employment growth is everywhere, but in terms of wage growth, it's people making more than \$75,000,” said Ahu Yildirmaz, head of ADP Research Institute in Roseland, N.J.

Lawrence Katz, a professor of economics at Harvard, called the phenomenon polarization. He said it was likely to add to the growing debate over income inequality in the United States, as college graduates find themselves taking jobs that pay less than they expected to earn.

A December survey by CareerBuilder found that 37 percent of employers were hiring college graduates for jobs that once required only a high school diploma.

The great exception to this trend is for holders of degrees in the so-called STEM (science, technology, engineering and mathematics) fields.

STEM specialties have eclipsed the liberal arts as the portal to the executive track and ultimately the corner office in corporate America, even in fields where an English or sociology degree once provided entry.

“You can range further across industries and, crucially, get into management if you're an engineer or know chemistry and math,” said Anthony P. Carnevale, a Georgetown University professor who runs the Center on Education and the Workforce. Now, “the engineer becomes the director of sales and marketing. In the old days, it was the generalist,” he said.

Of course, even STEM graduates can lose out, finding that the skills they learned in school are becoming obsolete in rapidly evolving specialties like

social media.

But the war for top talent among the likes of Facebook, Amazon and Google in media and technology or among Big Pharma companies and biotech start-ups is causing salaries in the best-paid jobs to jump, while lower-tier workers in those fields are registering only modest gains.

New engineers have long earned much more than humanities majors, according to the National Association of Colleges and Employers, which connects on-campus career services staffs and university officials with recruiters and businesses.

But that gap has been widening. Engineers from the class of 2014 now start with salaries of \$65,000 a year compared with just under \$42,000 annually for liberal arts graduates.

Some of the biggest names on Wall Street and in other top professions were undergraduate humanities majors, like Lloyd C. Blankfein, the chief and chairman of Goldman Sachs, who majored in history at Harvard before going on to law school there. Or Carl C. Icahn, who studied philosophy at Princeton before amassing a \$21 billion fortune as a legendary corporate raider and activist investor.

But graduates from the nation's top 25 colleges and universities make up only a tiny part of the work force.

“If you go to Harvard, you can take some chances that other people don't,” like majoring in history, philosophy or English, Mr. Carnevale said. “Harvard will get you into graduate school, so these kids get the best of both worlds.”

Most recent graduates from less elite colleges face a much less forgiving job market.

“The person coming out of Harvard or Berkeley is doing just fine, pretty much in any major, as long as they have some analytical skills,” Mr. Katz said.

“For many graduates of the University of Massachusetts, Boston or a local community college, it’s still a tough job market.”

Still, experts caution that simply studying something “practical” is hardly a guarantee of rising wages in today’s economy.

In fact, the National Association of Colleges and Employers data shows salaries for hospitality majors falling 10.6 percent over the last seven years, even though the leisure and hospitality industry has added nearly two million jobs since 2008. Education and human resources graduates also experienced sharp wage declines.

Even some blue-collar workers who lack a college degree but have specific skills are better off than college graduates who do not, according to Mr. Carnevale.

“If you have an associate’s degree or a certificate in a technical field like heating and ventilation, machine repair, carpentry or plumbing,” he said, “you’ll do better than the average B.A. holder, both at the beginning and 10 years out of school.”

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