

but in the other areas differences ranged from \$440 (finance) to \$910 (marketing). The largest differences were in personnel/human relations (\$1,226 real) and the "other" group (\$2,352 real): two areas where women had a higher representation than men. Only in economics and travel and tourism did women enjoy slightly higher salaries than men.

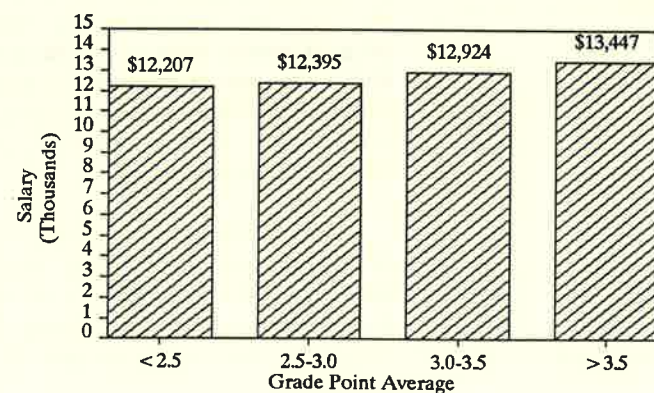
#### GRADE POINT AVERAGE

Grade point average introduced some interesting comparisons. The general trend pictured salaries increasing as grade point increased: at below 2.5, \$12,207, between 2.5 and 3.0, \$12,395, between 3.0 and 3.5, \$12,924, and above 3.5, \$13,447. Inflation and economic conditions played havoc with salaries within each GPA group during the early 1980's. Each group saw adjusted salary levels fall 9% to 15% between 1979 and 1982. After 1982, salaries began to improve with regards to inflation, particularly the 2.5 group. The below 2.5's 1984-85 average salary was nearly the same as the 1978-79 average while other groups still lagged considerably behind. Salary levels in 1985-86 fell for every group except for the 3.0-3.5 group, who saw a 1% increase, but even this group still lagged considerably behind the 1978-79 level.

#### RACE

The analysis of racial differences faced the problem of very small sample sizes for minorities. By com-

**Figure 6: Business Salaries (real) by Grade Point Average**



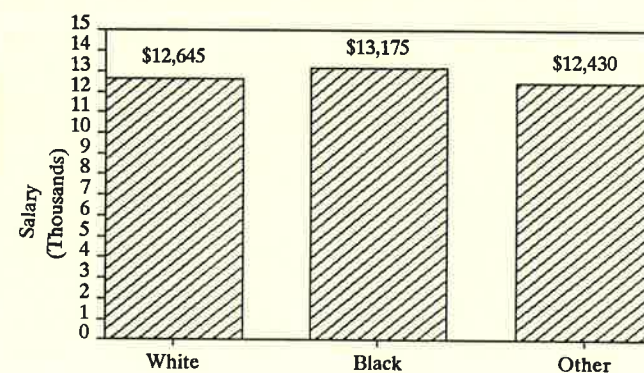
binning the minority groups (Blacks, Hispanics, Native Americans, and Asian-Americans) into one category, the trend in minority starting salaries can be compared to White salaries. The average starting salary for non-whites was \$13,049 (real), as compared to \$12,645 for Whites.

Over time, the two groups have experienced different salary adjustments with regards to inflation and economic conditions. White graduates faced three years where average starting salaries declined when measured against inflation. The non-white trend has been very cyclical with major declines (12% to 9%) followed by increases (5% and 7%). This pattern reflects the small sample problem which annually introduces wide variations in starting salaries. In general, minority starting salaries (for those who reported) appear to be comparable to White salaries.

#### CONCLUSION

Starting salaries for new business graduates were affected by inflation and economic conditions, particularly in the early 1980's. Some business majors saw healthy salary increases beginning in 1983. Other majors have experienced much more cyclical patterns with no clear salary trend emerging. A distressful finding was the leveling off and actual decline in real salaries in 1985-86.

**Figure 7: Business Salaries (real) by Ethnic Group**



Other important findings included the significant gap in starting salary between men and women. Only in accounting were salaries comparable across gender. At the "starting gate," women and men apparently are not on equal footing. Why this inequality exists, even after controlling for grade point average and other characteristics, requires further examination. The finding that there is little difference in salary between locations has to be heartening to Michigan businesses who wish to remain competitive in regional, national and world markets.

# Collegiate Employment Research Institute

## Starting Salary Trends for Business Graduates of 1978-1986

Salary Bulletin No. 8

August, 1987

#### INTRODUCTION

Colleges of business have enrolled an increasing number of students who are attracted to them because of the potentially high salaries and rewarding careers. Several questions are commonly asked, especially: "What is the starting salary for a business major?" and "What impact have inflation and economic conditions during the early 1980's had on starting salary levels?" These questions are addressed in this bulletin, as well as other factors that may influence starting salary.

This bulletin summarizes Salary Report No. 10. Starting Salary Trends and Analysis: College of Business, 1978-1985 (available from the Collegiate Employment Research Institute), plus data from 1985-86 graduating class.

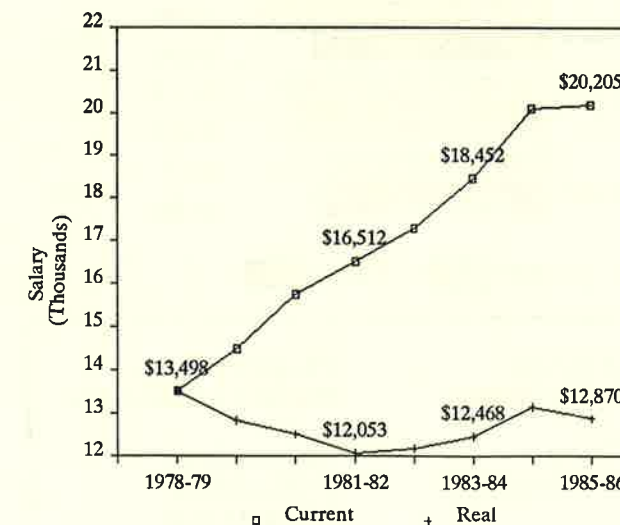
#### STARTING SALARY TRENDS

The 1978-79 average reported starting salary (current dollars that are unadjusted for inflation) was \$13,498. Starting salaries have increased steadily at approximately 7% per year. By 1985-86, the average starting salary had reached \$20,205.

When salary figures were adjusted for inflation (1978-79 = 100), the impact of inflation on current salary trends can be measured.<sup>1</sup> Between 1978-79 and 1980-81 current salary increases failed to keep up with inflation. This fact also reflected economic conditions that may have further suppressed starting salary increases, especially between 1979 and 1982.

Beginning in 1982-83, the situation improved as current salary increases over the next several years exceeded the rate of inflation (3% to 9%). These increases pointed to a stronger economy and a better labor market for College of Business graduates. However, in 1985-86, starting salaries fell by 2% from 1984-85 leaving the

**Figure 1: Average Starting Salary All Business Graduates (Current and Real)**



<sup>1</sup>The CPI index has been calculated for the annual period from July to June which closely approximates the academic year. For the academic year, 1980-81, the period covers July, 1980 to June, 1981. The 1978-79 year equalled 100 in the index.

buying power of salaries for 1985-86 5% below that of graduates from 1978-79, still stronger than four years previous. The 2% drop in starting salaries in 1985-86 can probably be attributed to economic conditions and organizational changes occurring within many companies.

#### MAJORS

Graduates from different business programs may have experienced different job markets, which are often reflected in starting salary offers. When comparing average salaries by major, several differences proved significant. The average salary for general business administration, \$12,389 (all numbers real unless otherwise indicated), will serve as a convenient break between the high and low salary majors. Materials and logistics management (MLM) majors received the highest salaries at \$13,977, followed by accounting (\$13,135), finance (\$12,732), marketing (\$12,678), and economics (\$12,648). Personnel/human relations (\$11,906); "other" business majors, composed of graduates from food systems economics and management, business education, and distributive education (\$11,325); hotel, restaurant, and institutional management (\$11,179); and travel and tourism (\$10,007) were at the lower end of the salary range.

Each program fared differently against inflation. Finance, for example, faced a common situation where inflation exceeded annual salary increases for the years between August, 1978, and June, 1982, and then annual salary increases exceeded inflation until 1985-86, when inflation once again exceeded salary increases. The average starting salary (real) in 1985-86 was 4% below the average salary level ob-



tained in 1978-79. HRI, personnel/human relations, and general business, generally followed this pattern.

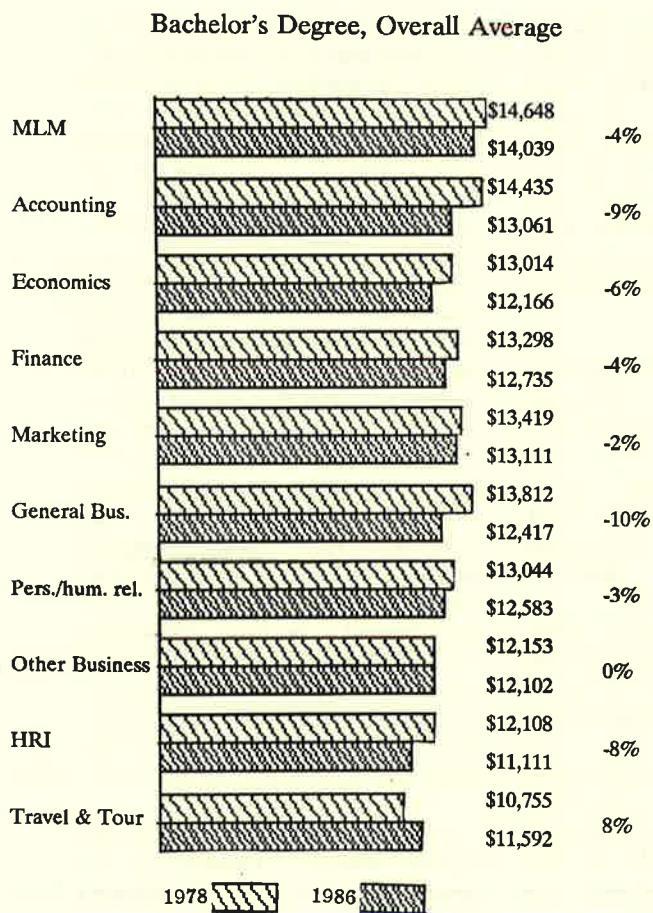
Graduates from MLM, accounting, marketing, economics, and the "other" group have faced a cyclical trend with salaries showing some improvement after a period of decline and then declining again. Economics graduates' starting salaries, for example, increased from 1978 to 1980 before dropping sharply between 1980-81 and 1982-83. A 9% increase after inflation in 1983-84 was partially negated by a 4%

drop between 1984-85 and 1985-86. The salary level for graduates from these departments, as of 1985-86, still has not regained the purchasing power enjoyed by graduates in 1978-79.

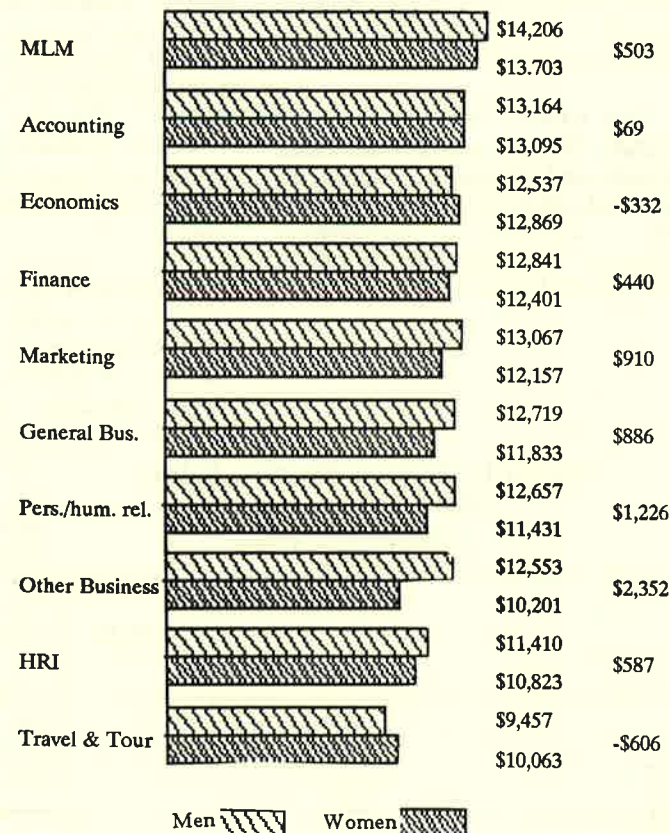
The salary trends for accounting graduates, often considered a high demand discipline, offers an interesting observation. Annual increases fell approximately 5% below the inflation rate over the first four years of the study. A modest 1% increase between 1981-82 and 1982-83 was negated the next year by a 2% decline. It appears that through this

period at least, firms hiring accountants were reluctant to match salary increases to inflationary conditions. This situation may reflect some underlying concerns about general conditions within the economy that may mitigate large annual increases in salary. More likely, new accountants initially serving in probationary/training positions reported lower salaries that would be augmented upon successful completion of the training program or probationary period. These augmentations may well boost first year salaries to higher levels even after adjusting for inflation.

**Figure 2: Salary (real) by Academic Major in Business**



**Figure 3: Average Salary (real) by Gender for Business Majors**  
Difference = Men - Women



The Salary Bulletin is published by the:  
Collegiate Employment Research Institute  
Placement Services  
Michigan State University  
East Lansing, MI 48824

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**EMPLOYER**

The average starting salary (real) offered by manufacturing firms was significantly higher than all other sectors, at \$13,944. Government and service companies, including banks and financial institutions, followed at \$12,686 and \$12,038, respectively. Average starting salaries paid by the "other" group, which is composed of consulting firms, volunteer organizations, and self-employment, and education, were at the lower end, \$12,020 and \$10,766, respectively.

When sorted by year of graduation, the sample sizes in education were very small, restricting the interpretation of salary trends. Graduates working in the manufacturing sector have fared better against inflation than other graduates. Salaries dropped sharply between 1979-80 and 1980-81. Several years of improvement have placed 1985-86 salary levels slightly below 1978-79. Service sector employees, on the other hand, were buffeted by the economic recession and inflation, as salaries fell nearly 13% over four years. The recovery in salary has not been strong. Government, education, and the "other" group have experienced patterns that are more cyclical.

**JOB LOCATION**

The decision to accept a position within or outside Michigan can have an impact on starting salaries. The average starting salary outside of Michigan was \$12,709 (real) while positions inside Michigan were \$12,616, a difference of \$93. Areas

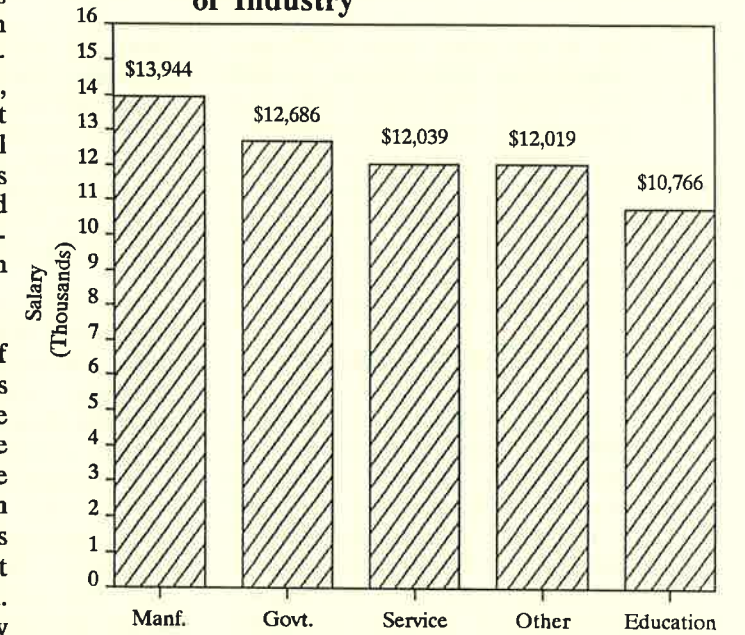
paying slightly higher salaries than Michigan were the southwest, northcentral, and northwest states. This small difference suggests that location did not have a significant impact on starting salary.

Comparison of yearly averages revealed that the difference can be traced to the several years when the state's economy was not performing well. Once the economy began to perform better, the difference dropped from a high of \$804 in 1981-82 to a \$88 difference in favor of Michigan positions in 1985-86. Over the last four years, Michigan starting salaries have shown a healthier net increase than positions outside the state, 11% as compared to 3%.

**GENDER**

The average starting salary for men was \$12,828 (real) as compared to the \$12,254 average for women; a difference of \$574. Inflation and general economic conditions had a negative impact on both men's and women's starting salaries, particularly between 1978-79 and 1981-82. During this period women's salary levels dropped by approximately 15%, from \$13,475 (real) to \$11,585

**Figure 5: Business Salaries (real) by Type of Industry**



(real). Over the same period, men experienced a 9% decline. Salary increases above the inflation rate began one year earlier for women than men with women gaining approximately 9% compared to the men's 7% (actually 6% if the 1% decline between 1981-82 and 1982-83 is included) over the last three years. In 1985-86, salary levels for both men and women fell by 1%.

The salary gap between genders has been influenced by these trends. In 1978-79 the gap was only \$36, but the difference increased dramatically the following year to \$717. The largest difference was in 1980-81 where men's salaries were \$957 higher than women's salaries. When women's salaries began to improve the gap was reduced, but recent improvement in men's salaries has left the gap at approximately \$600. Women would need a 5% increase above the annual increase in men's salaries in 1986-87 to reach parity, if other factors such as major are not taken into consideration.

Across academic majors, the salary position of men and women varied. Men generally had the higher salaries. For accounting, the difference was approximately \$70,

**Figure 4: Business Salaries (real) by Region**

