MBA job outlook dims

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New research suggests fewer companies will be hiring MBAs this year, and salaries in tech, financing, and manufacturing will be flat or down.

By all objective measures, the summer of 2008 was a bad time for new MBAs to venture into the job market. The fed was slashing interest rates, CEOs were stepping down, and people were starting to mutter about recession. Unfortunately for the 2009 class of MBAs, that was just the tip of the iceberg.

This year, students will enter the job market with unemployment at a 16-year high, coveted jobs in investment banking and finance gone after the downturn gave way to a full-blown financial crisis, and an overall job picture for MBAs that is suddenly far darker than it was just a few months ago. While many companies are still expecting to hire MBAs, new research suggests that many others have hiring plans that are far from certain, and for the first time since the dot-com bust, overall salaries for new graduates may be flat or even down in some industries.

For Brian Hall, who will receive his MBA from the University of Michigan's Ross School of Business in the spring, the mood is one of "cautious optimism." Last summer the 27-year-old dual music and business student had an internship at Steinway & Sons (LVB), and though the legendary piano company initially talked about creating a new position for him once he graduated, it ultimately did not. For now, he has a few leads from potential employers, but most companies he talks to aren't willing to commit until their financial outlook is more secure. One of the problems is that the economy seems to fluctuate on an almost day-to-day basis. "Tomorrow there's an earnings report coming out, and believe me, I'll be on the Webcast," Hall said.

If the news is good? "I'll be on the phone with the recruiter."

Even if many can no longer take their pick from several jobs offers, MBAs are still a reasonably hot commodity. According to a November survey by the Graduate Management Admission Council, 59% of the employers said they would or probably would hire at least some new MBAs in 2009. However, one out of four said they will not or probably will not hire any MBAs this year. That's in sharp contrast to 2008, when only 17% of the employers said they did not plan to hire any MBAs.

Salary Stagnation

For new hires, the study predicts that the average MBA starting salary would likely remain at or below 2008 levels, a departure from the usual annual increases that MBA graduates have

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come to expect. In all, half the employers said MBA salaries would remain flat, while 35% predicted higher salaries and 15% said salaries would decrease or didn't know. High tech, finance and accounting, and manufacturing all had substantially more than half of all companies predicting no change in salaries, while energy, health care, and nonprofits/government all had more than half of all companies predicting higher MBA salaries in 2009.

The salary stagnation is likely a result of supply and demand being knocked "off kilter" by downsizing, says Steve Gross, a compensation analyst for Mercer Consulting. The employee retention rate is higher than it's been in years, and Gross says companies are looking to take care of their own before they start bringing on "new mouths to feed." Although 2010 will probably be a better year for graduating MBAs, it's hard to say for sure without an easy fix for the economy in sight. "There's just nothing on the horizon," he says.

Still, this year's expected salary freeze may be an improvement over the one that followed the 2001 recession, when MBA compensation dropped and then leveled off for several years, says Jackie Wilbur, the career development office director at the Massachusetts Institute of Technology. In terms of hiring, recruiting, and salary for MIT grads, she says this year's decline is "literally not half as bad." She estimates that about half of the 2009 graduating class already has jobs lined up for graduation, about the the same number as in January 2008. But the assistant dean and director of MBA career services at Columbia Business School, Regina Resnick, notes that a lot can happen in coming months—good and bad. "It's still early yet," she says. "What I've learned is that things can turn quickly one way or the other."

A Different Ball Game

For some recruiters, there may be a silver lining to the downturn. Companies who weren't hit as hard by the recession have access to a group of graduates who are not as discerning about location or signing bonuses as they once were. Additionally, companies that can afford to keep the talent pipeline from running dry will see long-term advantages, says Steve Canale, head of recruiting for General Electric (GE). Although GE's hiring numbers are expected to dip this year, the company will still take on new MBAs, he said. One change is that more MBA hires will come from GE's expanded class of interns—who assimilate faster and have better retention rates. At Deutsche Bank (DB), it's a similar story. Recruiting is "slightly" down, says Kristina Peters, regional head of graduate recruiting for the bank, and most of the 2009 full-time hires are former interns.

What that means is there's even more pressure on students whose internships didn't lead to full-time employment—and there are a lot of them. On campus, career-services directors are finding fewer firms are making the effort to recruit for full-time hires on campus, and more are using job boards and other methods. At the University of California at Los Angeles' Anderson School of Management, in-person recruiting on campus dropped by roughly 24% from last year, said Eric Mokover, associate dean of career initiatives at the school. Meanwhile, full-time job posting—a recruiting method that doesn't require travel—has gone up around 13%. The school also purchased a $12,000 video-conferencing system, making it easier and less expensive for recruiters to connect virtually with potential hires.

So far, Mokover estimates that about a third of UCLA's 2009 MBA class has jobs lined up after graduation. That's significantly down from January 2008, a recurring theme for B-schools this year. The hope is that companies will start making offers once the economy improves, and the numbers will even out, but student's shouldn't count on it. Mokover warns against recession-induced "paralysis," stressing that students can't afford just to wait around for things to get better.

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"Don't expect someone else to do it for you," he says. "You need to use every resource you can. From the school, from your undergraduate school, from your family contacts, from your former employer, friends, lovers, animals—whatever. Whatever it takes."

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