MBAs confront a savage job market

Anne VanderMey

The MBA Class of 2009 was hit harder than expected by the recession. At some top schools, 1 in 5 are jobless 3 months after graduation.

Mark Ralston/AFP/Getty Images

Adam Rosenberg did everything right. He got into a good school. He landed a great internship. He was even vice-president of two MBA clubs and a graduate teaching fellow. But when it came time for companies to hire this year, the 2009 graduate of New York University's Stern School of Business (Stern Full-Time MBA Profile) was surprised to find out how little it all mattered. Says the aspiring real estate asset manager, now seeking employment: "I had to accept the fact that I was going to graduate from a top 10 business school without that job."

He's not alone. This spring, hundreds of unemployed business school students were likely thinking the same thing. Though it's no surprise with the economy still on life support and national unemployment numbers still on the rise, MBA students have found themselves facing what schools say is the worst hiring season they've ever seen.

According to the latest data reported to BusinessWeek, 16.5% of job-seeking students from the top 30 MBA programs did not get even one offer by the time schools collected their final fall employment data three months after graduation. Last year that was true of just 5% of students. And despite the meteoric rise of salaries over the past several years, starting pay was down this year for the top 30, dipping from roughly $98,000 in 2008 to $96,500. For many programs, it marked the first time since the tech bubble burst that salaries didn't increase. Signing bonuses, too, fell both in value and quantity.

Even students at top schools have been affected by the slump. With MBA mainstays like the consulting and financial services sectors still hurting from the crisis, industries that were once elite schools' bread and butter have hit lean times. The average number of students without job offers three months after graduation at the top 10 programs was 15%, just three percentage points better than the rest of the top 30. Heavyweights such as the Wharton School (Wharton Full-Time MBA Profile), the University of Michigan's Ross School of Business (Ross Full-Time MBA Profile), and Duke University's Fuqua School of Business (Fuqua Full-Time MBA Profile) are reporting close to 20% of students without job offers.

"I wasn't around during the Great Depression, so I don't know what it looked like then," says Roxanne Hori, assistant dean and director of career management at Northwestern University's Kellogg School of Management (Kellogg Full-Time MBA Profile) and a 14-year veteran of the industry. "But [this] is the worst that we've seen."

Echoes of a crisis

One factor that made this recession different was that it hit MBA students where it hurt the most, with thousands of high-paying finance jobs going up in smoke. The companies usually responsible for doling out generous bonuses dramatically scaled back both their hiring and incentive packages, says Michelle Antonio, director of MBA career management at the Wharton School. There, the percentage of employed graduates who got signing bonuses fell to 71% from 81% the year before, and their median value dropped by $5,000. In 2007 signing bonuses went to about 76% of students who accepted jobs across the top 30. That number fell to 65% in 2009.

The most successful schools this year were able to direct students who were shut out of investment banking and consulting into different industries. Washington University's Olin Business School (Olin Full-Time MBA Profile), ranked No. 28 by BusinessWeek, might seem an unlikely candidate to show up top 10 schools like Booth and Kellogg in terms of offers. However, it reported only 8% of students without at least one job offer within 3 months of graduation. That's five percentage points lower than the top-ranked University of Chicago Booth School of Business (Booth Full-Time MBA Profile).

Part of the key to its success, says Mark Brostoff, associate dean and director of the Weston Career Center at Olin, is that students had to "recognize the value of other career paths." Rather than holding on to their hopes of working on Wall Street, Brostoff advised students to look at their other skill sets, because "that Holy Grail's not there this year." At Olin last year, 28% of students with jobs found them in the financial services industry. This year, just 14% went that route. Instead, 31% went into the booming pharmaceutical, biotech, and health-care industries, up from 18% last year.

Kip Harrell, president of the MBA Career Services Council and vice-president for professional and career management at the Thunderbird School of Global Management (Thunderbird Full-Time MBA Profile), says that a few sectors have been able to pick up some of the slack. Health care, energy, government, and nonprofit hiring are holding up particularly well, he says, and in some cases increasing. As for the students who came in with Wall Street dreams, says Brostoff, some will complain: "'This is not why I came to your MBA school,' and I won't disagree with them," he says. "But you have to recognize what the realities of the market are."

The downturn was particularly hard on schools with strong links to financial services. At Wharton, where ties to the highest paid sectors of industry are legendary, Antonio says that the loss of consulting and banking jobs, while not as bad as the loss of tech jobs after the dot-com bust in 2001, set the school back significantly in terms of hiring. In the aftermath of the shake-up, she's not sure that the roaring years of unlimited banking jobs and the attendant lavish paychecks are going to make a comeback. "I think there's no question that in investment banking there's been a fundamental and major shift," Antonio says. "I think the playing field has been forever altered."

A marathon

In a typical year, recruiters will show up on campus early in the fall to conduct interviews and hand out sweet deals laden with bonuses to their favorite candidates. But that didn't happen in fall 2008, at least not to the extent that it did in the past. When the September market collapse rippled throughout the financial industry, campus hiring nosedived, and hope for even a barely adequate placement rate quickly vanished. "After the massive layoffs, there was a point I was feeling that if we came in in the high 70s that would be the new normal," Kellogg's Hori says.

But the school's worst fears weren't realized. At Kellogg, roughly 85% of students eventually reported receiving an offer, and few others came in below 80%. Instead, much of the hiring happened months later than normal. Many companies shifted from hiring on an academic schedule, which requires the stability to sign on new employees almost half a year before they show up to work, to hiring on an as-needed basis—often making offers much later in the year.

"We knew it was going to take longer," says Eric Mokover, associate dean of career services for the UCLA Anderson School of Management (UCLA Anderson Full-Time MBA Profile). Last year only about 7% of students in the top 30 received their first offer in the three months following graduation, which is usually considered late for hiring. This year, that number was closer to 12%, despite the lower rate of offers in general. Now, nearly half a year after graduation, some students are getting their first word from companies. "We're still hearing good news every day," Mokover says.

Patricia Baione, a 2009 graduate of Columbia Business School (Columbia Full-Time MBA Profile), said she knew when she turned down a "great offer" in November that it was going to be a long haul. Indeed, the other early-term offers she was interviewing for never materialized, and she was left waiting for companies to hire later in the season. Nearly a year later she's still waiting. She spent some of the summer travelling, but she now spends her time volunteering, on LinkedIn, researching companies, and trying to meet with potential employers and industry experts over coffee. When she turned down the offer, she says, her outlook on the job search shifted. Says Baione: "At that point I changed my mindset from being 'I'm going to have a job by Christmas' to 'This is going to be a marathon, not a sprint.'"

A different finish line

Early signs this year don't point to a swift recovery for the class of 2010. Some, like Brostoff, believe the coming months will be even worse. That means many students will end up taking jobs they might not otherwise have considered, he says, or returning to industries they came to business school to get out of. That could be both good and bad news for this recession's new grads.

Some students will discover jobs in new fields, try entrepreneurship, or travel to new countries. Instead of gravitating to a few companies that dominate recruiting, many schools say students are going to boutique firms or startups where they might be the only MBA hire that year. At Wharton, an increasing number of students are going overseas for work, Antonio says. And though some experts are predicting the class of '09 will leave their current jobs as soon as the economy recovers, many will stay put. "Students are opening their minds to new things," Antonio says, finding dream jobs in places they'd never dreamed of. "And that's a good thing."

Other students will stick to Plan A, even if it takes longer. Stern's Rosenberg, who's been in job search mode for the better part of a year, is still committed to finding something in the particularly distressed commercial real estate industry. So far, he's grown his proverbial Rolodex "exponentially," once meeting with 19 companies in a single four-day trip. If he doesn't get a job, he says, it won't be for lack of trying. Says Rosenberg: "I really couldn't be more optimistic about the next couple of years."

Paul Oyer, an economics professor at Stanford University's Graduate School of Business (Stanford Full-Time MBA Profile) and who has researched MBA compensation, says the dismal hiring climate could have an impact on this year's grads that extends well beyond the recovery. Simply by virtue of having fewer students take jobs in finance, Oyer says, this year's classes will probably see smaller paychecks on average over the course of their careers. There's no telling whether they'll also be more satisfied, but for better or for worse, says Oyer,

the graduates of this year "are going to get started down a very different path than the grads from a just a couple of years ago."

VANDERMEY, Anne. MBAs confront a savage job market. **BusinessWeek**, New York, Oct. 29th 2009. Disponível em: <www.businessweek.com>. Acesso em: 30 out. 2009.