

Declining social conditions of students and youth in the US

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As the world financial crisis deepens, its effect on students and young workers is becoming increasingly apparent. From the difficulty in obtaining student loans to low job prospects and declining wages, conditions for young people in the United States are deteriorating.

The seizing up of credit markets is beginning to take a toll on the availability of student loans. In the fall 2008 semester financial aid officers around the country reported that some students have been forced to drop classes, change to part-time status, or even drop out altogether because of inability to obtain adequate loans.

While federally subsidized Stafford loans are still available, they are woefully inadequate for tuition at even public colleges and universities, much less so at their private counterparts. According to the College Board, the average tuition is \$6,185 at public schools and \$23,712 at private schools. Stafford loans are capped at between \$3,500 and \$5,500.

Because Stafford loans cannot by themselves cover expenses, most students are forced to take out additional, private loans. Such loans carry higher interest rates—Sallie Mae's average private loan rate is 12 percent—and are more difficult to get. As tuition costs have risen over the last decade, the private educational loan industry has ballooned almost 900 percent. In 2006 the dollar amount of loans in this industry totaled \$18.5 billion.

But more and more lenders are tightening their lending criteria as the world economy descends into recession. *Business Week* reports that Sallie Mae, a leader in the industry, recently increased its lending criteria across the board for private educational loans. Also, some thirty-six lenders have left the educational finance sector altogether.

Such restrictions compel students to seek credit-worthy co-signers, often parents and relatives, who may be facing economic hardships themselves. For those students with no one to co-sign, the government slightly increases the cap on Stafford loan amounts. Still, a survey by the National

Association of Independent Colleges and Universities, which represents private educational institutions, found that almost half of the 504 schools participating had between 11 and 50 students who were unable to secure private loans this semester; eleven percent of participating schools had over 50 such students. For 56 percent of these students, the inability to obtain a private loan was due to the absence of a creditworthy cosigner.

Even more alarming is how students are forced to cope with this shortage in loans. In the same survey, 46 percent of students said they planned to reduce their course load or take time off from school; 38 percent planned to work to cover the gap, and 34 percent turned to credit cards.

The NAICU survey was conducted in September. Since then, economic conditions have deteriorated considerably. Students' financing for the fall semester had been secured before this most recent downturn. As a result, financial aid administrators predict that the impact of the credit crisis will hit much harder in the spring.

High-level university administrators continue to fleece the institutions that employ them with compensation packages rivaling those of corporate executives. University of Michigan president Mary Sue Coleman received a \$21,280 raise this September, for a total compensation of \$743,151, making her the fourth highest-paid public university president in the country.

E. Gordon Gee, president of Ohio State University, raked in nearly \$2 million in compensation this year. Johns Hopkins University's president William R. Brody will receive over \$2 million this year.

Fewer job prospects

According to the FinAid.org website, 65.7 percent of undergraduate seniors in the United States take on some educational debt. The median amount is \$17,120, but one quarter of undergraduates borrow over \$24,396 and one tenth borrow \$35,213 or more. Saddled with this heavy burden, how can students expect to fare as they begin their professional lives?

By all indications graduates' prospects for earning a decent living are meager. In an article ominously titled "For '09 Grads, Job Prospects Take a Dive" (October 22, by Cari Tuna), the *Wall Street Journal* reports that US employers intend to hire only 1.3 percent more graduates than they did last year. The figure is the lowest in six years. In another reflection of the broader economic downturn, the same figure one year ago (for 2008 graduates) was a 16 percent increase from 2007.

In anticipation of hiring fewer graduates, major companies have decreased their presence at campus job recruitment fairs. Trudy Steinfeld, director of career services at New York University, told the *Wall Street Journal* that 15 percent fewer companies are recruiting on campus this year than in 2007. She added, "There are some students who are quite nervous, especially those who thought they were headed to a Wall Street career."

The director of career services for the University of Wisconsin at Madison's College of Letters and Science told the *Journal* that the number of employers attending the school's career fair declined from 232 in 2007 to 225 in 2008. A similar picture appears at the University of Tampa, where there are 45 percent fewer internet job postings than this time last year.

For young people without a secondary education, conditions in the job market are abysmal. A *New York Times* article titled "Working Poor and Young Hit Hard in Downturn" (November 8, by Erik Eckholm) points out that the percentage of 16- to 19-year-olds working declined eight percent since October 2007, the most severe decline for any age group.

The *Times* describes a downward spiral of unemployment for young people whereby college graduates, finding ever fewer prospects in the fields for which they were trained, rush to the jobs typically held by the youngest workers, including retail sales and food service. Young workers with the least work experience and education face reduced hours and unemployment.

Decline in purchasing power

Accompanying the lack of employment opportunities is the fact that wages for younger workers have declined ten percent in real terms over the last 30 years, according to a recent report by the Center for Economic and Policy Research.

A separate survey funded in part by the *Washington Post* found that eight in ten wage workers find it difficult to buy gasoline or save for retirement; about half said they had difficulty affording food. The *Post* points out that this is despite the fact that productivity is at an all time high.

Margaret C. Simms, director of the Urban Institute's Low-Income Working Families Project, told the *Post*, "Low-wage workers have had a difficult balancing act in terms of matching their expenses with their limited incomes. They are very limited in their ability to deal with an emergency." (Life's Basics More of a Stretch," October 17, by Michael Fletcher)

The same survey found that three in ten wage workers had no health care and four in ten have no retirement plan. Six in ten said they think about money every day.

The *Washington Post* article followed the plight of one man and his family who were struggling to get by on his \$13-per-hour wage as a hotel worker. He told the newspaper that he had to go so far as to refrain from using his stove, instead preparing sandwiches and cold meals for his children, because he could not afford his utility bill. He had made use of some local charities after he discovered that his \$27,000 per year income was, absurdly, too large to qualify him for federal food stamps.

That a working family is refused assistance for the most basic necessities is all the more repugnant given that the Democrats and Republicans alike offer the US financial elite helping after helping from the federal treasury to the tune of hundreds of billions of dollars. The working class is told that it must tighten its belt, while those who caused the economic crisis snatch up an even larger share of social wealth.



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