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Law school grads or vet school grads: Who's got it worse?

Veterinary economists weigh costs and benefits of both degrees to determine how many graduates is too many for these similar industries.



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By [Sean Barker](#)

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A recent law school graduate and friend of mine called me a few weeks ago to vent about his current work situation. Or rather, his lack thereof. Turns out, even though he was in the top 10 percent of his class, had several internships under his belt and had passed the bar in multiple states, he couldn't find a job.

After our conversation, I researched the current U.S. labor market for attorneys using data from the Bureau of Labor Statistics and the National Association for Law Placement (NALP). This research showed that the number of law school graduates exceeds the number of available positions by a ratio of more than two to one. This ratio causes two notable issues: the average wage earned by new law school graduates is low, and the underemployment rate is high.

A similar situation

Of course, this got me thinking about the veterinary profession, as underemployment is one of its primary concerns. We've certainly battled with the perception of "too many" veterinarians in recent years, but yet: Do we know *how many* veterinarians would need to graduate in a single year to be truly "too many"?

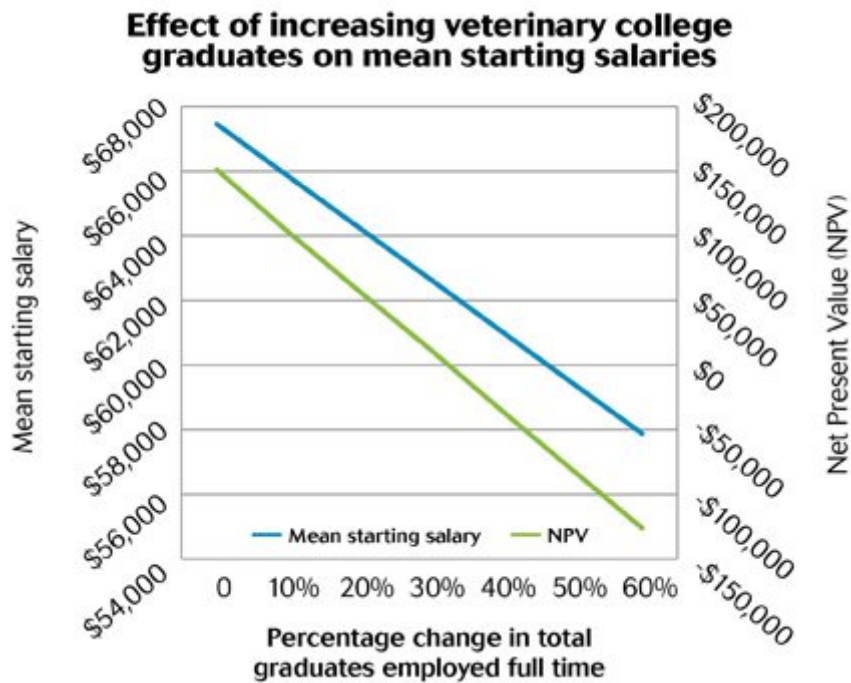
To answer this question, we employed the concept of net present value (NPV) for veterinary school graduates, as described in the 2015 AVMA Report on Veterinary Debt and Income. NPV provides a measure of the relative current value of a stream of benefits and costs over a specified period of time. A positive NPV indicates that the financial benefits of obtaining a DVM degree are greater than the costs, whereas a negative NPV indicates that the costs exceed the benefits. Using this approach, "too many" veterinarians would be exactly the number of graduates that push starting salaries down to the point that the average NPV is zero—the point where the total benefits of the DVM degree exactly equal the total costs.

A look at the numbers

The mean starting salary of full-time veterinarians in 2015 was \$72,527 for males and \$69,879 for females, according to the 2015 AVMA Senior Survey. Given the current level of debt at graduation and expected earnings paths, the NPV calculation indicated that the break-even starting salary for males is \$75,368 and \$58,886 for females. The survey's gender distribution of graduates was 22 percent male and 78 percent female. Using these percentages as weights, we determined the weighted break-even salary to be \$62,446.

We modeled the mean starting salary in each year as a function of per capita real U.S. gross domestic product (GDP) and the number of veterinary graduates finding full-time employment (N) following the methods we describe in the January dvm360 article "AVMA veterinary economist warns of education problems ahead." Using the

model's parameters, the break-even salary would result from N being 31 percent higher. Simply put, there would need to be 31 percent more graduates finding full-time employment to result in an NPV of zero, or the equivalent of 10 additional colleges of veterinary medicine.



Weighing costs vs. benefits

We collected data from the NALP's Employment Report and Salary Survey (ERSS) for 2014 and estimated the NPV for the legal profession in order to compare the job market for lawyers to that of veterinarians. Male law school graduates in 2014 earned a median starting salary of \$65,000, whereas females earned \$60,000, with a combined median debt of \$145,000, according to the ERSS.

We used median salaries for lawyers instead of means because the data is highly skewed: While most law school graduates earn a salary around the median value, about 12 percent of new graduates earn exactly \$160,000, making the mean much higher than the median. In contrast, the mean and median salaries for veterinarians are nearly identical. We otherwise made all of the same assumptions for law school graduates as we did for veterinary school graduates and calculated the NPV for lawyers as being -\$299,661 and \$31,207 for male and female graduates, respectively. The ERSS's respondents were 53 percent male and 47 percent female, making the weighted average NPV -\$144,815. This indicates that the current costs of earning a JD degree exceed the benefits.

Lawyers vs. veterinarians: A summary

	Lawyers	Veterinarians	
Male	NPV discount rate	4%	4%
	Student loan interest rate	6.21%	6.21%
	Mean student debt	\$145,000	\$136,462
	Age at graduation	25	26
	Age at retirement	67	67
	Net Present Value	-\$299,661	-\$79,548
	2015 starting salary	\$65,000	\$72,527
	Break-even starting salaries	\$72,702	\$75,368
Female	NPV discount rate	4%	4%
	Student loan interest rate	6.21%	6.21%
	Mean student debt	\$145,000	\$143,981
	Age at graduation	25	26
	Age at retirement	67	67
	Net Present Value	\$31,207	\$318,831
	2015 starting salary	\$60,000	\$69,879
	Break-even starting salaries	\$58,886	\$58,924

Some good news (for now)

Unlike the legal profession, the veterinary profession is far from reaching a negative or even zero NPV. Not surprisingly, because of their negative NPV, the law profession exhibits rising unemployment and underemployment rates and unfilled seats at law schools. In order for the veterinary industry to reach the problematic point seen in the job market for law professionals, there would have to be a large increase in the number of veterinary graduates.

Of course, in the future, declining GDP growth, increasing student debt and continued veterinary service price increases in excess of inflation will all negatively impact NPV and reduce the number of new veterinarians required to reach a zero NPV. Even more important, the trend in NPV is declining, bringing down with it the potential for expanding the number of new graduates. So while 10 additional schools today would cause to NPV to fall to zero, in the future it will take fewer.

Sean Barker is an intern in the AVMA Veterinary Economics Division and a recent agricultural economics graduate. Ross Knippenberg, PhD, assistant director of the Veterinary Economics Division, contributed to this article.

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