Graduate Labour Market Statistics

April-June Q2 2015

Key Findings *(for England only)*__:__

- **The nominal median salary for young graduates (21-30 year olds) has seen an annual increase of £1,000 to £25,000.**
- **The current unemployment rate of 4.4% among young graduates is the lowest Q2 rate since the 2.7% recorded in Q2 2008.**
- **The employment rate for working age postgraduates of 88.3% is the highest Q2 rate seen since the 89.5% recorded in Q2 2007.**

This is the fourth release of *Graduate Labour Market Statistics (GLMS)*, a quarterly publication on labour market conditions for English domiciled graduates and postgraduates relative to non-graduates. This report covers April-June (Q2) 2015 using data from the Labour Force Survey. As with the previous publication, this release provides further analysis on labour market indicators over time.

In this note, *graduates* refer to people whose highest qualification is an undergraduate degree at Bachelor's level, *postgraduates* hold a higher degree (such as a Master's or PhD) as their highest qualification, and *non-graduates* are those whose highest qualification is below undergraduate level (i.e. NQF Level 5 or below).[1]

It should be noted that quarter-on-quarter (Q/Q) changes can be highly reactive to seasonal variation. Year-on-year (Y/Y) changes provide a clearer indication of overall trends. See Tables 1.1 and 1.2 for current figures, Q/Q and Y/Y changes.

GLMS only provides simple outcome measures based on survey data and does not control for the differences in characteristics between graduates and non-graduates. This means that the outcomes reported may not be wholly attributable to the fact that an individual holds a particular qualification, but instead reflect other factors, such as their wider skills, experience, or natural ability.

Economic Activity

Graduates and postgraduates continue to have higher employment rates and are more likely to work in high skill jobs[2] than non-graduates. The employment rate[3] among the working age population of graduates decreased slightly since last quarter down to 87.0%, compared to 69.1% for non-graduates. The employment rate for working age postgraduates increased by 1.3 percentage points to 88.3%; this is the highest Q2 rate seen since the 89.5% recorded in Q2 2007.

Young graduates have an almost identical employment rate to all graduates, although the gap in high skilled employment rate remains just under 10 percentage

points[4]. There has been a 0.5 percentage point quarter-on-quarter rise in unemployment among young graduates up to 4.4%; however this represents the lowest Q2 rate since the 2.7% recorded in Q2 2008.

**Figure 1. Economic Activity by Qualification and Age Group, Q2 2015**
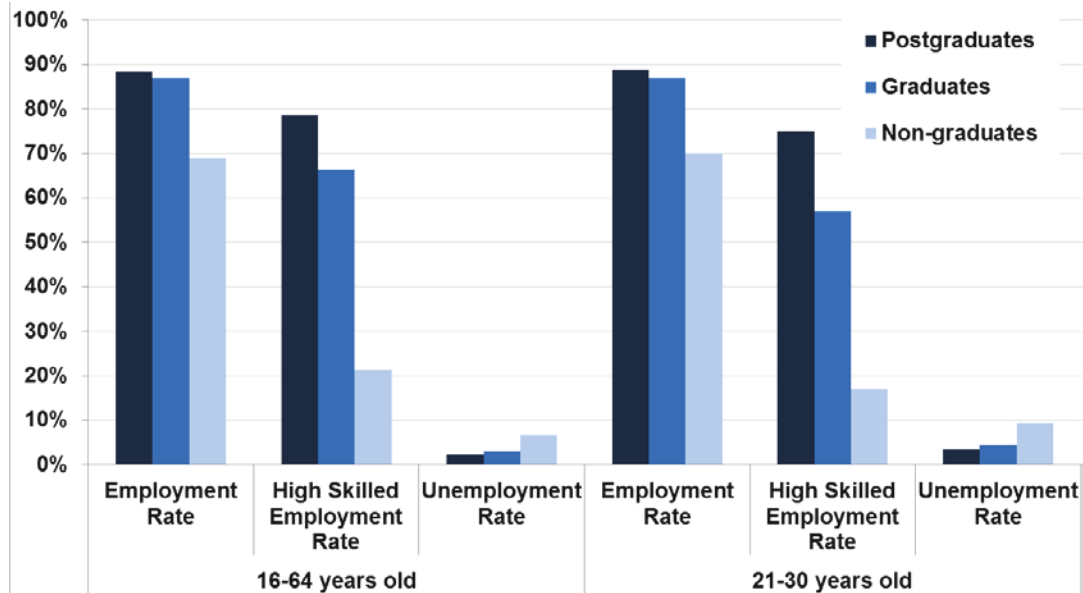
Annual Earnings

Full-time employed, working age postgraduates have seen a decrease of £500 in their nominal median salary to £38,500, although they still earn a significant premium over working age graduates who earn an average of £32,500.

Among the young population, graduates have benefitted from an annual median salary increase of £1,000 up to £25,000; this is the highest nominal median salary level for this group on record[5]. In the same time period young postgraduates have seen a dip in median salary of £500 down to £28,500.

Non-graduate salaries in both age groups have increased by £500, up to £22,000 and £18,000 for the working age and young populations respectively.

Figure 2. Median Gross Annual Earnings by Qualification Level and Age, Q2 2015
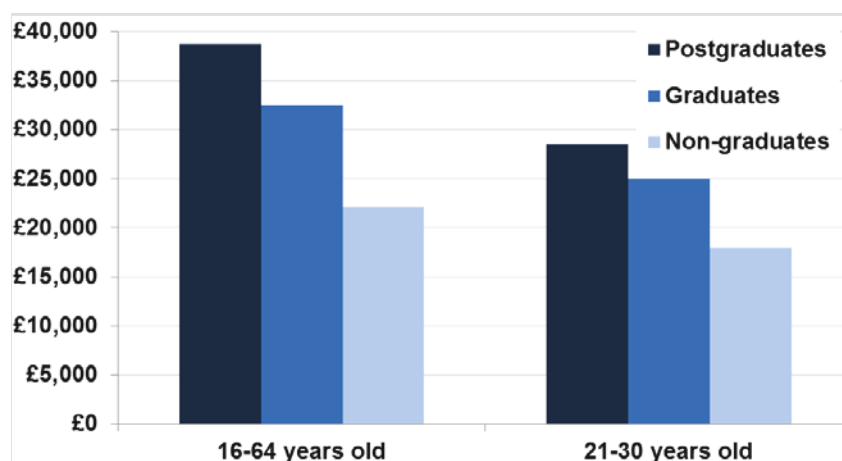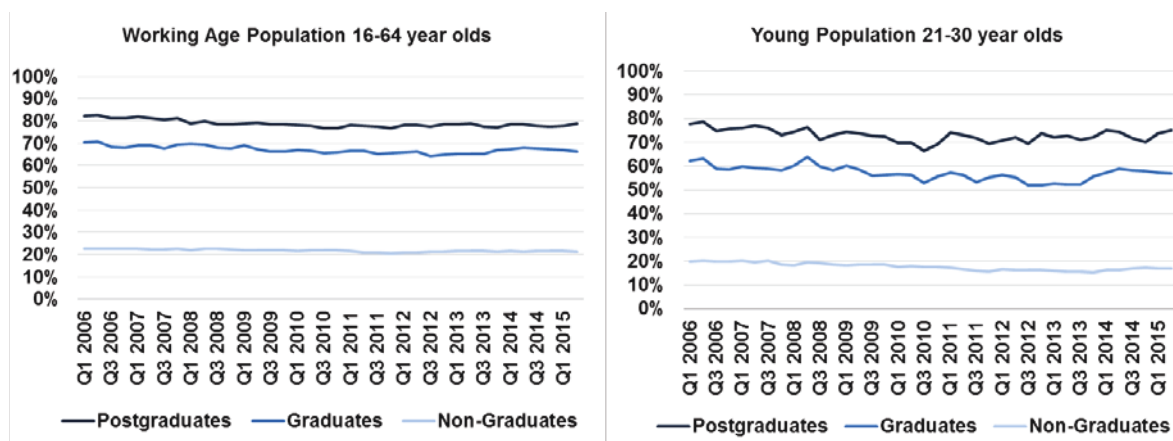
Historic Trends in High Skill Employment

Among the working age population, the past decade has seen gradually decreasing high skill employment rates for graduates, postgraduates and non-graduates. Comparing the high skill employment rates in Q2 2006 with Q2 2015 clearly demonstrates this trend; there has been a decrease from 70.9% to 66.4% for graduates, from 82.6% to 78.6% for postgraduates and from 22.7% to 21.3% for non-graduates over this time period.

These trends could be driven by various factors, such as a shifting of job composition towards the medium and low skill sectors of the economy, or an increasing demand for high level skills across sectors of the economy that have traditionally focused on medium or low skills. These changes may make the current classification of high skill employment less relevant than in the past[6].

Figure 3. High Skill Employment Rates by Qualification and Age Group, Q1 2006 – Q2 2015

Historic Trends in Unemployment

Working age graduates had a smaller increase in unemployment over the recession than working age non-graduates; both groups have now returned to around pre-recession levels. There are clear seasonal trends in young graduate unemployment, with peaks in Q3 every year as a new cohort of graduates enters the labour market.

Figure 4. Unemployment Rates by Qualification and Age Group, Q1 2006 – Q2 2015
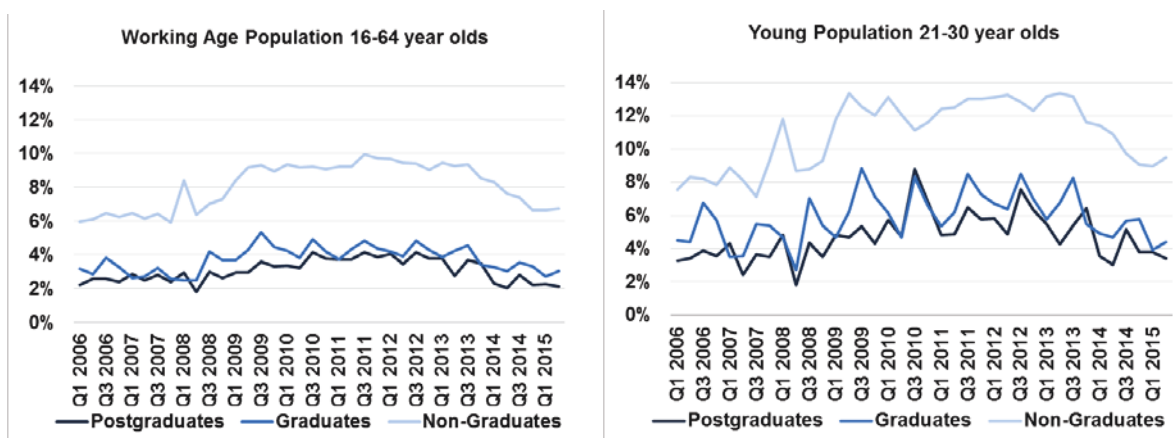
Graduate Labour Market Statistics Q2 2015: *Data Tables*

Table 1.1

Young People (21-30)	Employment Rate	Q/Q	Y/Y	High Skilled Employment Rate	Q/Q	Y/Y	Unemployment Rate	Q/Q	Y/Y	Median Salary	Y/Y
Postgraduates	88.8%	+ 2.1 ppts	-0.7 ppts	75.0%	+ 1.4 ppts	+ 0.5 ppts	3.4%	- 0.4 ppts	+ 0.3 ppts	£28,500	- £500
Graduates	86.9%	+ 0.1 ppts	- 0.5 ppts	57.0%	- 0.3 ppts	- 1.8 ppts	4.4%	+ 0.5 ppts	- 0.3 ppts	£25,000	+ £1,000
Non-graduates (L5-)	70.0%	- 0.1 ppts	+ 0.4 ppts	17.0%	- 0.1 ppts	+ 0.7 ppts	9.5%	+ 0.5 ppts	- 1.4 ppts	£18,000	+ £500

Table 1.2

Working Age People (16-64)	Employment Rate	Q/Q	Y/Y	High Skilled Employment Rate	Q/Q	Y/Y	Unemployment Rate	Q/Q	Y/Y	Median Salary	Y/Y
Postgraduates	88.3%	+ 1.3 ppts	+ 0.4 ppts	78.6%	+ 0.9 ppts	+ 0.2 ppts	2.1%	- 0.1 ppts	+ 0.1 ppts	£38,500	- £500
Graduates	87.0%	- 0.5 ppts	- 0.3 ppts	66.4%	- 0.5 ppts	- 1.5 ppts	3.0%	+ 0.3 ppts	*No change*	£32,500	*No change*
Non-graduates (L5-)	69.1%	- 0.2 ppts	+ 0.5 ppts	21.3%	- 0.2 ppts	*No change*	6.7%	+ 0.1 ppts	- 0.9 ppts	£22,000	+ £500

Note: **Employment Rates** and **High Skilled Employment Rates** use the Total Specified Population (i.e. all graduates aged 16-64) as their base for calculating percentages. The Total Specified Population **includes** those who are employed, unemployed and the economically inactive. This differs from the **Unemployment Rate** that uses only the economically active (employed or unemployed) as the base to calculate percentages, so it **excludes** the economically inactive. These definitions follows those set out by the Office for National Statistics.

Further *Graduate Labour Market Statistics publications* will be subject to consultation, details will be published on the gov.uk website by the end of November 2015.

[1] For a more detailed explanation of the qualifications included in each definition, please see the Methodology Note published on the gov.uk website.
[2] High skills jobs are defined as Standard Occupation Classification (SOC) codes 1-3. SOC 1-3 includes managers, directors, professional occupations and associate professional and technical occupations.
[3] The employment rate includes economically inactive individuals. This includes students, who are less likely to be employed. The young non-graduate population is particularly affected as individuals studying for undergraduate degrees will be classified in this group.
[4] The term percentage point refers to an absolute value rather than a proportion. E.g. Growth from 70% to 71% would be a one percentage point increase.
[5] Earnings data is given in nominal terms, so has not been adjusted for inflation over time. This is the highest level seen with calculations going back to Q1 2006.
[6] Job classifications are regularly reviewed by the Office for National Statistics, which determines where different jobs are placed in the SOC codes.