



The AGR Graduate Recruitment Survey 2007

Winter Review



The AGR Graduate Recruitment Survey 2007

Winter Review

Association of Graduate Recruiters
The Innovation Centre
Warwick Technology Park
Gallows Hill
Warwick CV34 6UW

T: 01926 623236
F: 01926 623237
E: info@agr.org.uk
W: www.agr.org.uk

Survey produced for AGR by  hobsons

Hobsons' Planning and Research Division
Challenger House
42 Adler Street
London E1 1EE

T: 020 7958 5081
F: 020 7958 5001
E: research.department@hobsons.co.uk

About the researchers

This research was produced for AGR by Hobsons Planning and Research Division. With research offices in London and Berlin (under the Trendence brand) Hobsons Research annually survey the opinions and job seeking behaviour of 200,000 students worldwide. Their UK, German, French, Swiss and pan-European surveys support employers across Europe to attract recruit and retain the best talent for their organisations.

All information contained in this report is believed to be correct and unbiased, but the publisher does not accept responsibility for any loss arising from decisions made upon this information.

© Hobsons Planning and Research Division and The Association of Graduate Recruiters 2007.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without prior permission of the publisher.

Contents



Executive Summary 5

Chapter 1 Introduction 7

Taking the Pulse of the Graduate Market
Methodology
Participating Employers

Chapter 2 Graduate Vacancies 11

Introduction
Graduate Vacancies in 2006 and 2007
Profiling Graduate Vacancies in 2006
Vacancies by Business Sector 2006
Vacancies by Geographical Location
Vacancies by Business Function
Changes in Graduate Vacancies in 2007
Changes in Vacancies by Business Sector
Changes in Vacancies by Geographical Location
Changes in Vacancies by Business Function
Recruitment Shortfalls and Challenges in 2007
Follow up Interviews
Diversity and Age of Graduates in 2006

Chapter 3 Graduate Salaries 21

Introduction
Graduate Salaries in 2006 and 2007
Profiling Graduate Salaries in 2006
Profile by Business Sector
Profile by Geographical Location
Profile by Business Function
Expected Changes in Graduate Salaries in 2007
Lump Sum Payment to Graduates in 2007
Education Premiums and other Remuneration for Graduates in 2007

Chapter 4 Graduate Recruitment Marketing 27

Introduction
Total Marketing Spend in 2006 and 2007
Spend on Graduate Recruitment Marketing Activities
Spend on Brochures and Websites
Spend on Advertising and Online Promotions
Spend on Careers Fairs and On-Campus Presentations
Targeting Universities in 2007
Marketing Spend per Vacancy

Chapter 5 Hot Topics in Graduate Recruitment 33

Introduction
School-Leaver Entry Programmes
Age Discrimination Act 2006
Incorporation of the Act into Recruitment Strategy
Top-up Fees

Executive Summary

About the Survey

The Winter Review of *The AGR Graduate Recruitment Survey 2007* is based on research conducted for the AGR by Hobsons Planning and Research Division with 211 graduate employers during November 2006.

The survey is produced to provide AGR employers with definitive, up-to-the-minute insights into the latest graduate market conditions, including:

- Predicted vacancies and salaries for 2007
- Actual vacancy and salary levels for 2006
- Recruitment shortfalls in 2006 and challenges for 2007
- Recruitment marketing budgets in 2006 and 2007
- Responses to current issues in graduate recruitment

Graduate Vacancies

- Graduate vacancies are predicted to increase by 15.1% in 2007. This figure represents a marked contrast to the actual rise in 2006, which, at a more cautious 5.2%, was consistent with that in 2005
- Just over half (50.2%) of AGR employers offered more graduate vacancies in 2006 than in the previous year
- Accountancy and professional services firms continued to recruit the largest numbers of graduates in 2006, with investment banks and fund managers close behind
- London and the South East will maintain and strengthen their position as the geographical centre of graduate recruitment in the UK
- Considerable increases in graduate recruitment are anticipated for retail management, research and development, civil engineering and science. The consulting sector, after a drop in predicted vacancies in 2006, is now anticipating growth in recruitment in 2007.

Recruitment Shortfalls and Challenges

- The percentage of AGR members experiencing recruitment shortfall in 2006 has increased on the 2005 figure, from 31.9% to 43.3%
- Among those respondents who experienced shortfall, an

average of 12.3 vacancies per organisation remained unfilled

- Reflecting increased competition for the best-quality graduates, a majority of AGR employers anticipate facing recruitment challenges in 2007
- Of those respondents expecting challenges, more than three in five are concerned about a lack of applicants with the necessary skills
- Recruitment challenges in specific geographical regions are anticipated by two-fifths of this group of respondents
- Construction companies or consultancies and engineering or industrial companies will, on current predictions, be hardest hit by recruitment shortfall in 2007. 83.3% and 80% respectively of AGR employers in these sectors expect unfilled vacancies next year.

Graduate Salaries

- Growth in median starting salaries at AGR employers was steady in 2006, standing at just 2.0%
- A majority (52.3%) of Survey respondents do not expect their starting salaries to change in 2007. This translates to a predicted increase in median starting salary, to almost £23,500 in 2007
- All UK regions except London, Scotland and East Anglia anticipate growth in median starting salaries in 2007.

Graduate Recruitment Marketing

- Median total recruitment marketing spend is predicted to rise considerably in 2007, from £50,000 in 2006 to £68,400
- The decline in spend on graduate recruitment brochures in previous years is forecast to be reversed in 2007. Similarly, after falling in 2006, median spend on recruitment websites is anticipated to return to 2005 levels
- Median spend on recruitment advertising is not predicted to change in 2007
- While mean spend on campus presentations increased substantially by over £10,000 in 2006, it is set to decline by almost £4,000 in 2007
- AGR employers predict that they will target a greater mean number of universities in 2007 than in 2006, with a greater proportion planning to target more than 20 universities – 24.5% as opposed to 17.2% last year.

Hot Topics in Graduate Recruitment

- Almost all respondents (99.4%) have brought their graduate recruitment strategy into line with the 2006 Age Discrimination Act
- The most frequently cited forms of action taken to ensure compliance with the Act are the removal of age restrictions from recruitment criteria, of dates of birth from application forms, and staff training in the requirements of the Act. Affirmative action policies and specific incentives for mature applicants are rejected by the majority of respondents
- Very few AGR employers (8% of those surveyed) have carried out, or are considering, adjustment of their graduate recruitment strategy in response to the introduction of top-up fees.

1

Chapter Introduction

Introduction



Taking the Pulse of the Graduate Market

Welcome to *The AGR Graduate Recruitment Survey 2007 – Winter Review*. *The AGR Graduate Recruitment Survey* is the definitive study of AGR employer members and their recruitment practices, providing up-to-the-minute insights into the latest conditions and trends in the graduate market as well as regular benchmarking of key market indicators such as salary and vacancy levels. As the definitive, leading study of graduate recruitment practices, spanning the longest continuous series of recruitment seasons, the Survey represents the primary source of information on graduate recruitment levels, methods and practices amongst AGR members – an invaluable tool for assessing and optimising graduate recruitment activities.

The AGR Graduate Recruitment Survey is conducted twice a year. Along with an assessment of the latest graduate remuneration and vacancy levels, the Winter Review is concerned with the ways employers have been marketing their graduate opportunities during the 2005-2006 recruitment season (referred to as “2006” throughout) and their recruitment marketing plans in the 2006-2007 recruitment season (referred to as “2007” throughout).

The Summer Review, to be published in June 2007, will further investigate recruitment practices and graduate recruitment management by focusing on selection and assessment procedures, retention rates and salary progression.

Methodology

The data presented in *The AGR Graduate Recruitment Survey* was obtained during a three-and-a-half week field period commencing in early November. AGR employers were invited to participate in the survey by email; the email message contained a web-link and personal password for the individual participant to access the online survey, which could also be completed in hard copy form or over the phone with the Hobsons Survey Manager.

The survey contained a range of detailed questions relating to graduate recruitment practices during the 2006 and 2007 recruitment seasons.

The design of the questionnaire enables employers to analyse data in relation to organisational characteristics such as industry, business sector or location or with reference to the career area or business function into which the graduates are recruited.

Participation

Hobsons Planning and Research Division invited 364 AGR employers to participate in *The AGR Graduate Recruitment Survey 2007*. 211 employers completed the questionnaire, giving a completion rate of 58%. These respondents between them employed a total of 18,825 graduate recruits in 2006.

The following are some of the AGR members who took part in the survey:

3M United Kingdom Plc

A

ABB Ltd
 ABN AMRO
 Accenture
 Addleshaw Goddard
 AIA
 Airbus
 Allen & Overy LLP
 Allianz Cornhill
 AMEC
 American Express
 Anglia Regional Co-operative Society
 Arcardia Group Ltd
 AREVA T&D UK Ltd
 Argos
 Arriva plc
 Arup
 ASDA
 Atkins
 Atos Origin
 Audit Commission
 AXA
 AXA Investment Managers

B

Badenoch & Clark
 BAE Systems
 Baillie Gifford
 Baker & McKenzie
 Bank of England
 Barclays
 Barclays Capital
 Barclays Global Investors
 BDO Stoy Hayward LLP
 BG Group
 BIG Lottery Fund
 BNP Paribas
 BOC
 Bombardier Transportation
 BP International
 British Airways
 British Energy
 British Nuclear Group
 Bruntwood Ltd
 BT
 BUPA

C

Cabinet Office

Cadbury Schweppes Plc
 Capital One
 Carillion
 Caterpillar
 Centrica
 CHEP UK Limited
 Cisco
 Citigroup
 Clifford Chance LLP
 Clyde & Co
 CMS Cameron McKenna LLP
 Co-operative Group
 Corus Group Plc
 Credit Suisse
 Cummins

D

Danone
 Data Connection Ltd
 Davis Langdon LLP
 Deloitte
 Detica
 Deutsche Bank
 DHL Exel Supply Chain
 Diageo
 Dixon Wilson
 DLA Piper UK LLP
 DML
 Dunnhumby Ltd

E

EC Harris
 ECA International
 EDF Energy
 Endsleigh Insurance
 Enterprise Rent-A-Car
 Environment Agency
 Ernst & Young
 Eversheds
 Explore Learning

F

Fidelity International
 Financial Services Authority
 FKI PLC
 Freshfields Bruckhaus Deringer
 Fujitsu Services

G

Gardiner & Theobald
 Gifford & Partners Ltd
 GlaxoSmithKline
 Goldman Sachs International
 Google

Government Economic Service
 Grant Thornton UK LLP
 Greggs plc

H

Halcrow Group Ltd
 HAT Group of Accountants
 Haymarket Publishing Group Ltd
 HBOS PLC
 Herbert Smith
 Highways Agency
 Hilton Hotels Corporation
 HM Prison Service
 Horwath Clark Whitehill
 HSBC

I

ICI
 Innocent Drinks
 Institute of Chartered Accountants
 of Scotland
 Interfleet Technology Ltd
 Irwin Mitchell

J

John Lewis Partnership
 Jones Day
 JP Morgan

K

Kerry Foods Ltd
 Kier Group
 KPMG

L

Linklaters Business Services
 Lloyd's Register
 Lloyds TSB Group Plc
 Lockheed Martin
 LogicaCMG
 Lovells

M

Macfarlanes
 Maersk Company Ltd
 Majestic Wine Warehouses
 Marks & Spencer plc
 Martineau Johnson
 Mayer, Brown, Rowe & Maw LLP
 MBDA UK Ltd
 McDonald's Restaurants Ltd
 McKinsey & Company
 Mercer HR Consulting

Merrill Lynch
Metropolitan Police Service
Microsoft
Mills & Reeve
Mitsubishi Electric
Morgan Stanley
Motability Operations

N

Nabarro Nathanson
National Audit Office
National Express Group
National Grid
National Leadership & Innovation Agency
for Healthcare
Nationwide Building Society
Network Rail
Next plc
NG Bailey
NHS Institute for Innovation and
Improvement
NHS Scotland
Nortel Networks
Northern Foods Plc
Northern Ireland Audit Office
Norton Rose
Norwich Union

O

Oracle Corporation UK Ltd
Orange PCS Ltd
Oxfam GB

P

PA Consulting Group
Pilkington Group Limited
PricewaterhouseCoopers
PSA Peugeot Citroen

Q

QinetiQ

R

Rank Group Gaming Division
Redrow Group Services Ltd
Reed Business Information
Renishaw plc
Reynolds Porter Chamberlain LLP
Richards Butler LLP
Rolls-Royce
Royal & SunAlliance
RSM Robson Rhodes LLP

S

Saffery Champness Chartered
Accountants
Sainsbury's
Saint-Gobain Building Distribution
Scott Wilson Group plc
Scottish & Newcastle Plc
Scottish Water
SELEX S&AS
Sembcorp Utilities (UK) Ltd
Severn Trent Water
Shell
Shoosmiths
Siemens Industrial Turbomachinery Ltd
Siemens plc
Simmons & Simmons
SJ Berwin LLP
Skanska UK
Smith & Williamson
Standard Life
Success Matrix

T

Taylor Wessing
Taylor Woodrow
Teach First
Tesco Stores Limited
Thame Water Utilities
Thomas Cook
TK Maxx
TLT Solicitors
TNS
Total UK
Towers Perrin

U

Unilever UK
UNISON
United Utilities

V

VT Group plc

W

Walt Disney Company
Waitrose
Wates Group Ltd
Watson Wyatt Partners
WestLB AG
Wincanton Logistics
Wragge & Co LLP

2

Chapter

Graduate Vacancies

Graduate Vacancies



Introduction

This first section of *The AGR Graduate Recruitment Survey 2007* provides an analysis of actual graduate recruitment in 2006 as well as of the graduate vacancies that AGR employers are seeking to fill in the 2007 recruitment season. Employers were asked to give the actual numbers of graduates recruited into their organisation during the 2006 recruitment season (typically to start work in the autumn of 2006), along with the number of graduates they expect to recruit in the 2007 season.

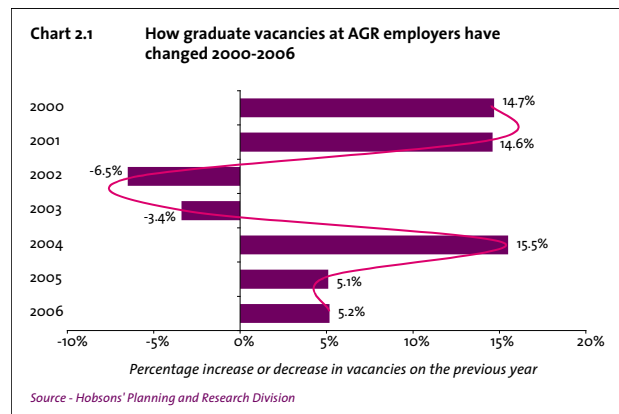
Provision in the questionnaire for breakdowns of recruitment in respondents' organisations in terms of location and business function allows the data to be analysed according to geographical location, business function and industry sector. This approach enables employers whose recruitment activities specialise in specific business functions or industry sectors, or are regionally focussed, to extract from the Survey the data most relevant to them. Thus, organisations whose recruitment activities possess regional targeting, with focus on London, for instance, can gain insight into their distinct recruitment markets regardless of the business sector or the industry in which they operate.

Similarly, organisations that recruit graduates into clearly defined career areas (business functions), such as law, are able to refer to data pertaining to this area and to those graduates seeking to enter it. This powerful precision type of analysis empowers graduate recruiters to better understand the market and sectors they are targeting. Furthermore, participating members will receive additional sector specific data. This will be in the form of an extract detailing key results of the winter review for certain business sectors.

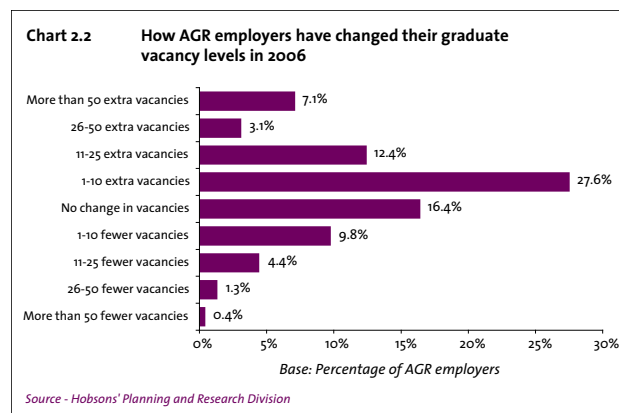
NOTE: In this chapter the comparisons of actual graduate vacancy levels between 2005 and 2006 are based on the responses of employers who completed both the 2005 and 2006 editions of AGR Recruitment Survey. The predicted changes in vacancy levels between 2006 and 2007 are based on the responses of employers who, in the AGR Recruitment Survey 2005, have provided vacancy level data for 2006 and 2007.

Graduate Vacancies in 2006 and 2007

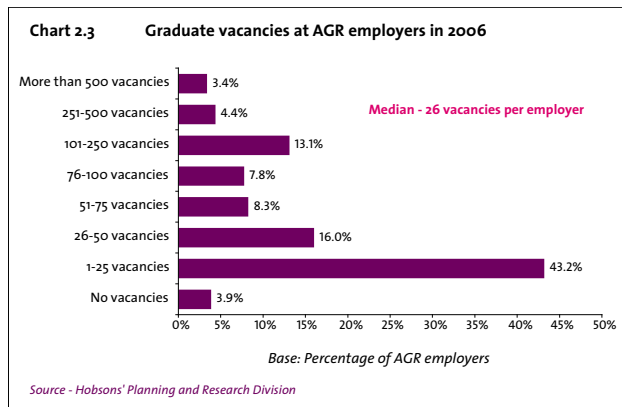
The buoyant prediction in the 2006 Summer Review of a 16.7% increase in graduate vacancies on 2005 has not entirely been fulfilled as 2006 saw only a 5.2% increase in vacancies, just 0.1% up on the increase from 2004-2005. (Please refer to Chart 2.1). A similar overly-optimistic outlook was present in the previous year. Despite this, AGR members continue to look with confidence to the future. A 15.1% increase in graduate vacancies is anticipated for 2007.



Almost exactly half (50.2%) of AGR employers offered more graduate vacancies in 2006 than in the previous year (by contrast, 58.2% expected to recruit more graduates) and the majority of these (27.6% of all employers) offered one to 10 extra vacancies. However, 9.8% recruited one to 10 fewer graduates in 2006 than in 2005, and 0.4% reported offering more than 50 fewer vacancies, by contrast with 1% who had expected this situation. (See Chart 2.2).



In 2006, the median value of vacancies among AGR employers was 26, which represents a reduction by two of the 2005 median figure per employer. As Chart 2.3 demonstrates, the most frequently encountered number of vacancies per employer was 1-25, with 43.2% of employers offering vacancies in this range. Nevertheless, one-fifth (20.9%) of employers reported offering over 100 vacancies, a healthy picture consistent with, even representing a slight increase on, the figure for 2005.



Profiling Graduate Vacancies in 2006

A particularly detailed and precise picture of the current state of the graduate recruitment market emerges when we examine sub-groups such as the industries, business sectors and regions in which particular employers are active.

Vacancies by Business Sector in 2006

- In 2006, accountancy or professional services firms continued to provide the lion's share of graduate vacancies at AGR employers, offering 23.1% of the 18,825 vacancies provided by the respondents in 2006 (see Table 2.4). This percentage, however, is slightly down on that of 2005 (24.6%)
- Investment banks or fund managers, with 21.0% of vacancies, run a close second – considerably closer than in 2005, when they took second position to the professional services firms but with only 10.2% of total vacancies. Engineering or industrial companies, with 8.6% of total vacancies (8.4% in 2005), change positions in 2006's table as compared to 2005 with law firms (7.6% of total vacancies in 2006; 8.5% in 2005)
- The public sector experienced a drop in total vacancies compared to the previous year (4.5% in 2006, 8.3% in 2005), as did banking and financial services (4.9% in 2006, 7.7% in 2005), however these figures are calculated from a small base (<1,000 of the total of 18,825 vacancies) which are sensitive to small changes in participation. For

example, with numbers such as these, the participation (or non-participation) of one firm can significantly influence the proportional contribution to total vacancies

- Under 1% of total vacancies each were found in insurance, FCMG, chemical or pharmaceutical, and transport or logistics companies.

Table 2.4 Vacancies at AGR employers by sector in 2006

	% of total vacancies
Accountancy or professional services firm	23.1%
Investment bank or fund managers	21.0%
Engineering or industrial company	8.6%
Law firm	7.6%
Consulting or business services firm	6.1%
Retail	5.7%
Banking or financial services	4.9%
Public sector	4.5%
Construction company or consultancy	1.8%
Oil company	1.8%
Telecommunications company	1.4%
IT hardware or software company	1.4%
Energy, water or utility company	1.1%
Insurance company	0.8%
FMCG company	0.6%
Chemical or pharmaceutical company	0.5%
Transport or logistics company	0.4%

Please note: Organisation types with insufficient data have been omitted.

Vacancies by Geographical Location

- London continues to be the centre of graduate recruitment in the UK, with a hefty 46.2% of total vacancies – up from 43.1% in 2005 - located there in 2006 (see Table 2.5)
- If we add the figure for the South East (10.9% in 2006) to the London figure, the majority of AGR members' graduate vacancies are concentrated in one specific geographical area of the UK
- The South West experienced a notable drop in its share of total vacancies, from 8.3% in 2005 to just 4.7% in 2006. The percentages of vacancies in the Midlands and the North West have remained fairly constant. These figures are again calculated from a low base (<1,000 vacancies)
- A total of 8.6% of all vacancies offered were outside the UK and Ireland, a level broadly similar to last year's. Notably, Asia (2.0% of total vacancies) is catching up with the USA (2.8% of total vacancies).

Table 2.5 Vacancies at AGR employers by geographical location in 2006	
	% of total vacancies
London	46.2%
South East	10.9%
The Midlands	9.6%
North West	5.9%
South West	4.7%
Scotland	4.1%
Yorkshire	3.1%
North East	2.4%
East Anglia	1.6%
Wales	1.4%
Northern Ireland	0.8%
Ireland	0.7%
Europe	3.3%
USA	2.8%
Asia	2.0%
Rest of the world	0.5%

Vacancies by Business Function

- In 2006, accountancy provided over a quarter of all vacancies at AGR employers (please refer to Table 2.6). The percentage is more than twice as high as that for the next most frequently encountered business function for graduate vacancies, investment banking (11.8%)
- The percentage of total vacancies available in general management has declined into single figures (9.3%, compared to 12.1% in the previous year). Legal work (8.8%) and IT (8.0%) are close behind
- Engineering functions account for a total of 8.6% of vacancies offered in 2006. Research and development, logistics, science and purchasing each contributed under 1% of total vacancies.

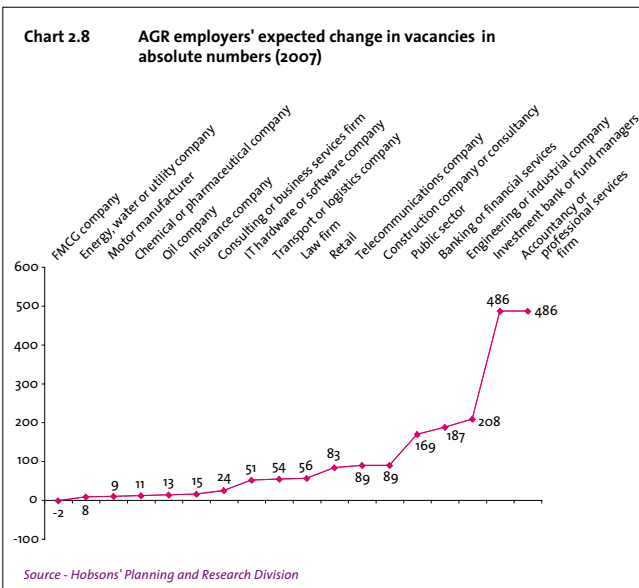
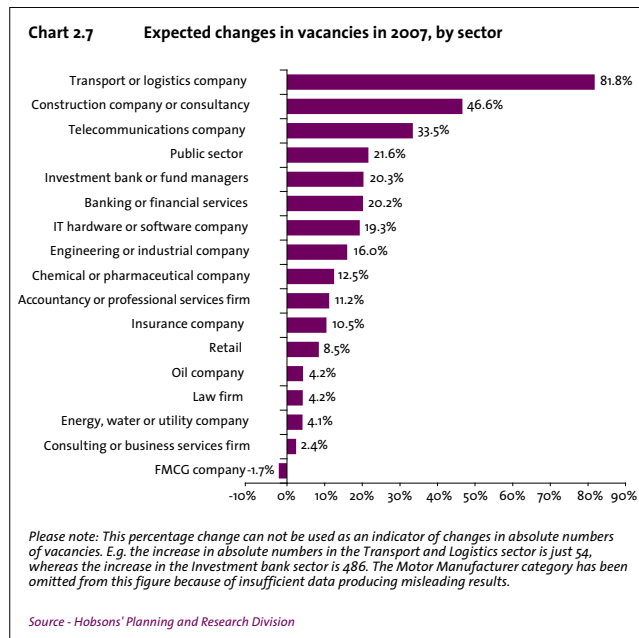
Table 2.6 Vacancies at AGR employers by business function or career area of vacancies in 2006	
	% of total vacancies
Accountancy	25.6%
Investment banking	11.8%
General management	9.3%
Legal work	8.8%
IT	8.0%
Consulting	5.7%
Retail management	3.9%
Financial management	2.8%
Civil engineering	2.6%
Mechanical engineering	2.6%
Electrical/electronic engineering	2.1%
Sales	2.1%
Manufacturing engineering	1.3%
Marketing	1.2%
Actuarial work	1.1%
Human resources	1.1%
Research and development	0.9%
Logistics	0.7%
Science	0.6%
Purchasing	0.6%
Other functions	7.2%

Changes in Graduate Vacancies in 2007

Changes in Vacancies by Business Sector

Chart 2.7 shows the changes in levels of graduate vacancies that various industries and business sectors anticipate offering in the 2007 recruitment season. It shows the healthy picture of predicted growth in graduate recruitment for all sectors/industries, apart from FMCG. Transport or logistics companies, and construction companies or consultancies, appear to be anticipating exceptionally buoyant levels of growth. However, we must caution that the comparatively small base from which these values are derived (compare absolute figures, Chart 2.8) means they are somewhat distorted. This figure shows that the sectors anticipating the largest growth in numbers of vacancies are investment banks or bank managers and accountancy or professional services firms.

In contrast to last year's prediction of a significant decrease in vacancies, consulting and business services organisations are currently cautiously optimistic, estimating a modest increase (2.4%) in graduate recruitment for 2007.



Changes in Vacancies by Geographical Location

- Predicted changes in vacancies in 2007 by geographical location (represented in Table 2.9) show a unified picture of expansion. London and the South East continue, not just to dominate, but also to grow in terms of available graduate vacancies. London experienced a 10% increase in 2006 (exactly the same proportion as in 2005) and the South East showed 11.3% growth in graduate recruitment
- The South West anticipates a healthy 26.8% increase in

vacancies in 2007. The North East and East Anglia are also optimistic. The largest expected percentage rise for 2007 is in Northern Ireland (34.7%) but this comes from a very small base and sample (14 respondents and 95 vacancies in 2006)

- Vacancies in Europe are predicted by AGR employers to rise by 18.4% in the next recruitment season (17 respondents who provided 523 vacancies in 2006 predicting total European vacancies of 619 in 2007)

Table 2.9 Expected changes in vacancies in 2007, by geographical location

	% change in vacancies	
London	↑	10.0%
South East	↑	11.3%
The Midlands	↑	14.5%
South West	↑	26.8%
North West	↑	16.2%
Scotland	↑	18.5%
Yorkshire	↑	16.1%
North East	↑	23.1%
East Anglia	↑	23.1%
Wales	↑	16.5%
Northern Ireland	↑	34.7%
Ireland	↑	6.0%
Europe	↑	18.4%

Changes in Vacancies by Business Function

- AGR employers recruiting in the area of retail management are looking confidently into the future of graduate recruitment, predicting an increase in graduate vacancies by nearly half (45.8%) in 2007 (see Table 2.10)
- Substantial increases in graduate recruitment are anticipated in research and development, civil engineering and science over the next year; each of these career areas is expected by AGR employers to yield a graduate recruitment increase of over 25%
- By contrast with the predicted decrease in vacancies of 16.6% for 2006, graduate recruitment in consulting is the subject of a sunnier outlook for 2007, with expected growth in vacancies standing at 11%
- A percentage decrease in vacancies in 2007 is predicted for only two career areas: actuarial work and manufacturing engineering.

In summary, the outlook for graduate recruitment in 2007 is generally healthy.

Table 2.10 Expected changes in vacancies in 2007, by business function or career area	
	% change in vacancies
Retail management	45.8%
Research and development	29.8%
Civil engineering	29.7%
Science	28.4%
Financial management	20.3%
Investment banking	17.9%
Accountancy	17.3%
General management	17.3%
IT	16.0%
Mechanical engineering	15.8%
Electrical/electronic engineering	15.6%
Sales	15.0%
Human resources	12.3%
Marketing	11.3%
Consulting	11.0%
Legal work	2.8%
Purchasing	2.5%
Logistics	1.0%
Actuarial work	-3.8%
Manufacturing engineering	-5.4%

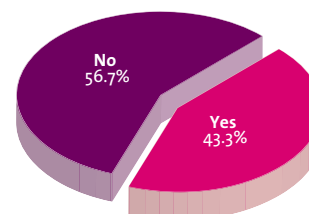
Please note: These results differ from the results shown in chart 2.7, because they show the "tasks" that the vacancy stands for, whereas chart 2.7 reflects the company sector.

Recruitment Shortfalls in 2006 and Challenges for 2007

While the graduate recruitment market has grown for three successive years and is predicted to continue at least into 2007, competition for the best-quality graduates remains intense and graduate employers face the growing challenge of filling their vacancies with appropriately qualified and skilled applicants. It seems that the problem of recruitment shortfall in the graduate market is increasing: whereas fewer than a third of AGR employers reported having experienced a recruitment shortfall in 2005, this figure has swollen in 2006, to 43.3% (see Chart 2.11). This translates, in absolute terms, to 958 vacancies left unfilled in 2006, a substantial increase on the 598 experienced by respondents in 2005.

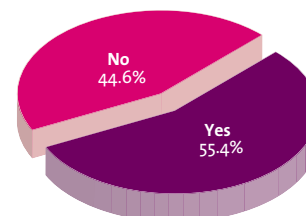
In accordance with this situation of increasing shortfall, a majority (55.4%) of respondents anticipate facing further recruitment challenges in 2007, compared to a slender minority which predicted challenges in 2006 (see Chart 2.12).

Chart 2.11 Proportion of AGR employers who experienced a recruitment shortfall in 2006



Source - Hobsons' Planning and Research Division

Chart 2.12 Proportion of AGR employers who expect recruiting challenges in 2007



Source - Hobsons' Planning and Research Division

By far the greatest challenge AGR employers face in 2007 is once again a lack of applicants with the right combination of skills; over three-fifths (62.4%) of those employers who expect challenges consider that this will affect them (please refer to Chart 2.13). Difficulty in finding applicants with the right qualifications is the second most frequently cited challenge, with 41.6% expecting challenges in this area.

Issues with specific geographical locations are an anticipated recruitment challenge for 40.6% in 2007. Limited marketing resources and applicants' perceptions of the industry sector are an expected hurdle to effective recruitment for 35.6% each. Only 4.0% see a potential difficulty with the competitiveness of their training programme, and 17.6% with the competitiveness of the salaries offered.

Among those respondents experiencing graduate recruitment shortfalls in 2006, an average of 12.3 vacancies per organisation remained unfilled (see Chart 2.14). Reassuringly, however, nearly half (48.7%) of these employers suffered shortfalls of only one to five vacancies, and a further 25.6% were unable to fill six to 10 roles.

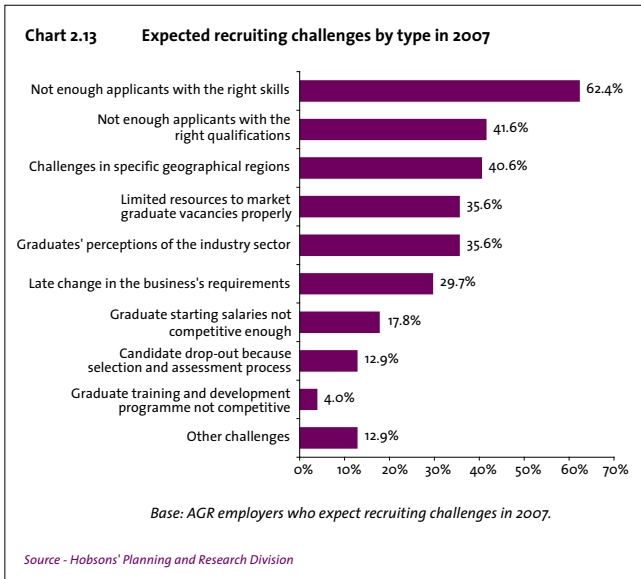


Table 2.15 Proportion of companies expecting a recruitment shortfall in 2007, by business sector

Construction company or consultancy	83.3%
Engineering or industrial company	80.0%
FMCG company	71.4%
Energy, water or utility company	66.7%
Accountancy or professional services firm	58.3%
Retail	58.3%
IT hardware or software company	57.1%
Investment bank or fund managers	50.0%
Consulting or business services firm	45.5%
Banking or financial services	38.5%
Public sector	33.3%
Law firm	33.3%
Transport or logistics company	33.3%

Please note: Business areas with insufficient data have been omitted.

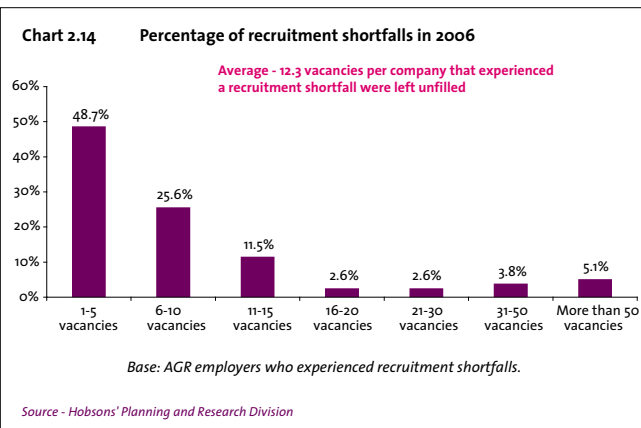


Table 2.15 shows the proportion of companies expecting a recruitment shortfall in 2007 by business sector. Shortfall is predicted to be most rife in construction companies or consultancies and in engineering or industrial companies, with 83.3% of the former and 80% of the latter predicting shortfall. FMCG companies also expect significant shortfall; 71.4% anticipate unfilled roles. A majority (58.3%) of accountancy and professional services firms and exactly half of investment banks and fund managers do not expect to fill all vacancies next recruitment season. One third of public sector employers, law firms and transport or logistics companies anticipate a recruitment shortfall in 2007.

Follow up interviews

To investigate the issue of recruitment shortfalls further, a randomly selected set of six respondents took part in follow up, one on one, interviews. The aim of this phase was to establish why these shortfalls are occurring, the impact they have on the respective company, how the shortfall has developed over time and what companies do to mitigate the effects in the short-term as well as prevent similar shortfalls occurring in the future.

One obvious potential cause for the recruitment shortfall is simply that targets have been set too high. With one exception those interviewed generally feel that their targets are realistic (in terms of numbers of recruits) and have remained the same for several years, but at the same time their requirements (in terms of candidate calibre) have increased. Therefore, they feel that the shortfall is linked mostly to inadequate supply of applicants of sufficient calibre. They go on to explain that candidates are normally academically proficient but lacking in soft skills such as communication as well as verbal and numerical reasoning. One respondent stated that they received a sufficient number of good applications but that the selected candidates performed poorly in their assessment centres, not because they were low quality but because they were ill-prepared. One respondent cited poor planning on their part (a late change to their target) as well as a misleading employer brand meaning they did not receive sufficient applicants from specific subject backgrounds. Another claimed that their overall employer brand is a hindrance especially at a time when competition for the best candidates is intense. The geographic location of

the vacancies is also cited as a problem by a couple of respondents and another made an interesting observation that graduates were getting more choosy (no doubt about what they wanted to do, where and for how much money)!

"A lot of it was because people hadn't prepared enough for the assessment centre so it wasn't that they didn't have the skills we were looking for but they were less able to demonstrate that they had the skills and therefore didn't get through the recruitment process.... Candidates were pitching up and on paper had very good degrees/masters but were still failing so the question was; why are they still failing?"

Governmental Department

"We received more than sufficient applications but I think whilst the candidates have the academic ability they didn't have the communication and soft employability skills so weren't getting through the assessment centres and we lost quite a few students through the psychometric testing stages because of a lack of numerical and verbal reasoning skills."

Telecoms Company

"We are trying to recruit the same as the likes of and but they have a fantastic graduate brand and are very well known on campus, so there is work being done for this campaign to try and start changing perceptions of"

Telecoms Company

All respondents consider the inability to meet recruitment targets to have a high impact on their business. Most cited short-term effects related to being under-resourced. They stated that generally the result of not recruiting sufficient graduates meant that certain work could not be done. They clarified that this problem was exacerbated when the vacancies were in specialist roles. Other issues included the fact that recruitment shortfalls immediately increased their cost-per-recruit and also that there were ongoing monetary costs arising from the need to employ experienced contractors or specialists to fulfil work requirements.

"Depends on which part of the business if it's a specialist role it's quite a big impact because we have to therefore go out and recruit a professional who might cost us more money. If it's in an area where the skill isn't critical, it's impact is more on the resource management of people to try and cover that position until we've got someone to fill it."

Aeronautics Company

"Obviously there is a slight cost because the vacancies have been left and pushed recruitment cost up and for those roles where they were hoping to bring graduates for specific jobs obviously that impacts because the head count isn't there so they have to either look at recruiting externally and find someone who's not on the graduate scheme or look internally to fill the position."

Telecoms Company

Most interviewees think that if all things were kept equal, the shortfall has not worsened. However, some state that due to their own increased requirements in terms of graduate calibre it is becoming more difficult to reach their targets. Interestingly, several respondents stated that they consider the active work of universities to equip their graduates with relevant skills, to be working but they are still lacking at times, certain soft skills.

All respondents consider recruitment shortfalls to be serious issues for their organisation and stressed that they are well aware of the issue and actively seeking to mitigate the effects.

"It is a serious issue because we're all scrabbling after the same talent the people we're looking for are obviously very well able to go and work for at four times the salary so yes, it is a serious problem."

Governmental Department

"We can survive by taking 90% of our requirement and looking to do some internal transferring of roles but when we win new products or new business we automatically demand an increase in head count and graduates usually form a large part of that so when we have shortfalls it is a big problem for us."

Aeronautics Company

In the short term companies account for recruitment shortfalls in three ways:

- Internal re-organisation
- Reallocation of tasks
- Hiring of experienced contractors/specialists

The companies are implementing several different strategic initiatives to account for the mid to long-term effect of recruitment shortfalls. These are focussed on reduction of the shortfall in future years:

- Varied recruitment intakes through the year
- Investing more resources in planning and marketing
- Providing services to help candidates better prepare for the assessment process.
- Over recruitment – when times are good, recruiting more staff than necessary
- An earlier start to the recruitment process and marketing program
- Employer brand optimisation

Diversity and Age of Graduates in 2006

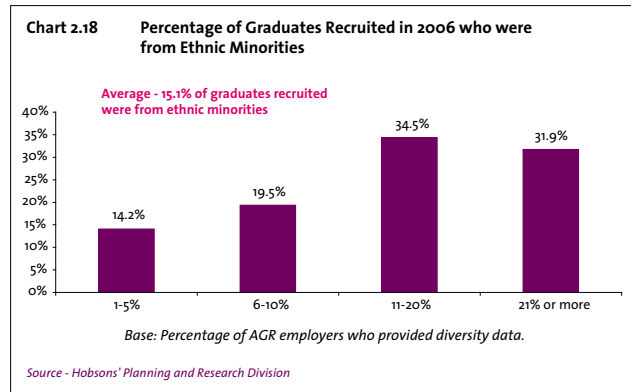
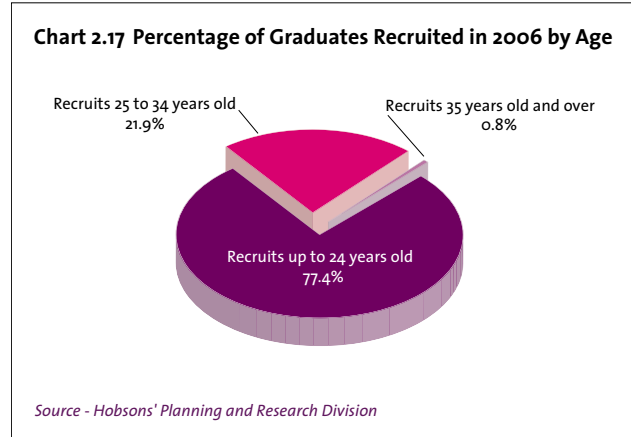
Responding to the ever-increasing importance of diversity in the workplace, the Winter Survey includes an analysis of the ethnic and gender diversity of the 2006 graduate intake. While this goes a long way to improving our understanding of developments regarding minority participation in the workforce it should be noted that the survey does not include to any great extent, some business sectors that recruit heavily from these specific groups, for example teaching and health.

In 2006, as Chart 2.16 illustrates, the proportion of female graduate recruits at AGR employers increased slightly on 2005's, to 42.6% overall. A majority (52.4%) of respondents counted between 26% and 50% women among their 2006 graduate intake.

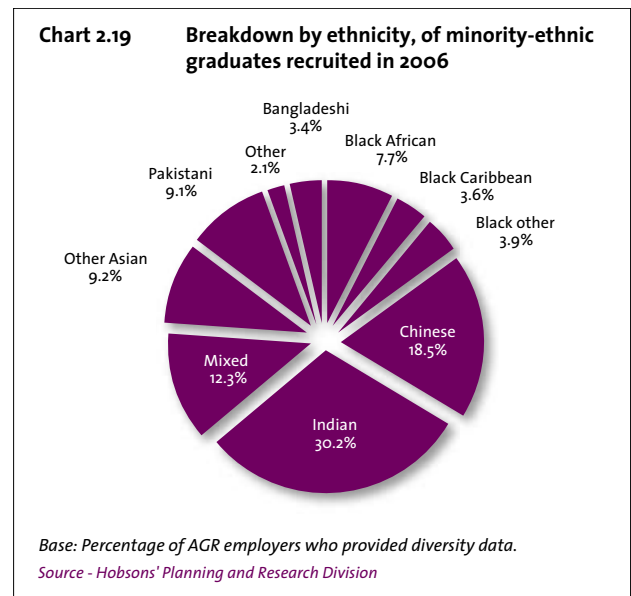


In keeping with the general average age of new graduates from UK Higher Education institutions, more than three-quarters (77.4%) of AGR employers' 2006 graduate intake were aged 24 years and under (see Chart 2.17). Just over one-fifth (21.9%), meanwhile, were between 25 and 34 years old, while a very small proportion (0.8%) was 35 and over. (Please refer to Chapter 5 of the Winter Review, in which the implications for AGR employers of the newly introduced Age Discrimination Act are discussed in detail).

The proportion of graduates from ethnic minority backgrounds recruited continues to rise (as illustrated by Chart 2.18), with 15.1% of graduate recruits overall coming from a minority ethnic background. Encouragingly, almost a third (31.9%) of respondents reported that over a fifth of their 2006 graduate intake were from minority ethnic backgrounds, and just 14.2% (substantially down on 25.5% in 2005) had 1-5% minority ethnic graduates among their 2006 recruits.



As shown in Chart 2.19, of those recruited from an ethnic minority background last year, 30.2% were of Indian origin and 18.5% were of Chinese origin.



3

Chapter 

Graduate Salaries

Graduate Salaries



Introduction

This section of *The AGR Graduate Recruitment Survey 2007* focuses on the salaries that employers are planning to pay new graduate recruits in the 2007 recruitment season, in comparison with the actual salaries they paid to graduates starting in 2006.

In order to identify any differences in graduate salary levels among geographical regions or business functions, respondents were asked to enter graduate starting salary in terms of a national average as well as on a location and business function basis.

As particularly high or low salaries can distort salary level averages, the Survey uses the 'median' value to compare salary levels. Throughout this section the median value is calculated by taking the 'mid-point' value salary for all the actual vacancies under consideration, rather than the 'mid-point' of the organisations' salaries.

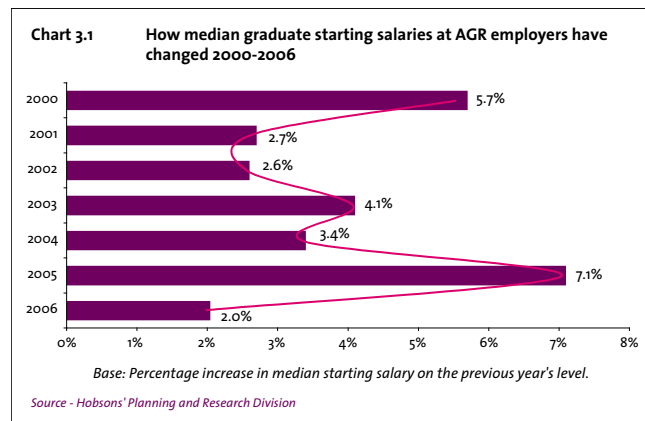
For example, to determine the median salary for five different employers who are offering 25 vacancies between them, the median salary is calculated to be the 13th highest salary (the mid-point) of the 25 individual vacancies, not the 3rd highest salary from the five employers. Additionally, the salary tables occasionally present the upper and lower quartiles, in order to illustrate the spread, or range, of responses. The median is the 50th percentile, the Upper Quartile is the 75th percentile and the Lower Quartile is the 25th percentile. It is sensible to report the upper and lower quartiles only in cases when there are sufficient responses.

The results shown in this section relate to the actual starting salaries paid in 2006, in comparison with starting salaries likely to be offered in 2007.

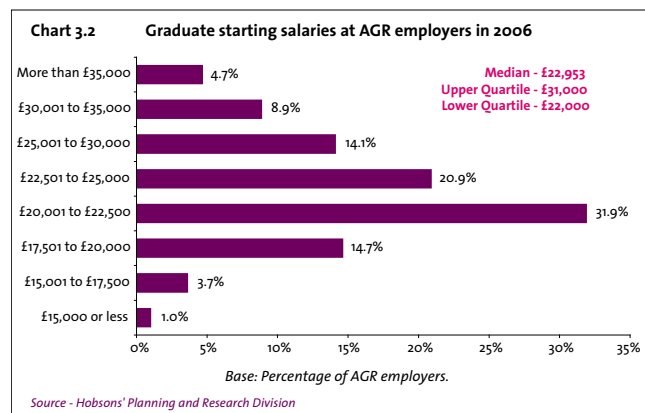
NOTE: The comparisons of salary levels between 2005 and 2006 are based on the responses of employers who completed both the 2005 and 2006 editions of the AGR Graduate Recruitment Survey. The predicted changes in salary levels between 2006 and 2007 are based on the responses of employers who, in *The AGR Graduate Recruitment Survey 2007*, have provided data for 2006 and 2007.

Graduate Salaries in 2006 and 2007

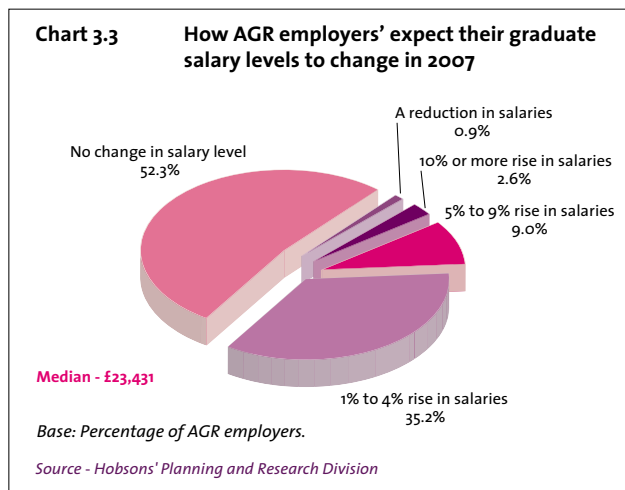
In previous years growth in median starting salaries at AGR employers has been strong, particularly so in 2005 when they increased by a substantial 7.1%. However, 2006 saw a slightly different picture. Median salaries, while predicted in the Summer Review to rise by 2.9% to £23,136, in reality only rose by 2.0% to £22,953 (see Chart 3.1).



As Chart 3.2 demonstrates, the median actual starting salary paid by AGR employers in 2006 was £22,953. Almost one-third (31.9%) of AGR members paid their new graduate recruits salaries in the region of £20,001 to £22,500. Salaries of £25,001 and upwards were paid to new graduates by a little over a quarter (27.7%) of AGR employers. This is a very similar level to 2005's 28.4%, although in 2005 over a fifth (21.2%) of graduate starting salaries were in the £25,001 to £30,000 bracket, compared to 14.1% in 2006. Therefore 2006 has seen larger increases in the highest graduate starting salary brackets.



With regard to expected graduate starting salary levels in 2007, illustrated by Chart 3.3, a slender majority (52.3%) of respondents predict no change, and a further third (35.2%) are anticipating a rise of 1% to 4%. A reduction in salaries is expected by only 0.9% of participants. Expectations for 2007 of rises by 5% or more run to 11.6% in total. The median overall expected starting salary for 2007 stands at £23,431, a 2.1% increase on the actual median in 2006 of £22,953.



Profiling Graduate Salaries in 2006

Profile by Business Sector

- As in 2005, the highest-paying sector of AGR employers in 2006 was investment banks or fund managers, offering new graduate recruits median starting salaries of £36,000; law firms' median starting graduate salaries breached the £30,000 barrier this year (see Chart 3.4)
- Consulting or business services firms, oil companies, and accountancy or professional services firms continue to offer median starting salaries of £25,000 or above
- There has been a notable drop in the starting salaries paid by banking or financial services organisations. In 2006, these employers offered median starting salaries of £22,000, in contrast with £25,500 in 2005, and actually below the overall median. However, this matches with what these companies were predicting to pay in the Summer Review indicating that it is a real change
- The public sector and FMCG companies paid median starting salaries in excess of the overall median, at £24,500 and £23,000 respectively
- Although the retail industry paid the joint lowest median salaries in 2006 (along with transport or logistics companies), its median starting salaries reached £20,000 this year.



Please note: this chart shows the median (50th percentile), the lower quartile (25th percentile) and the upper quartile (75th percentile). Some sectors, notably banking/financial services and consulting/business services, exhibit wider inter-quartile ranges of starting salaries than others.

Profile by Geographical Location

- As is to be expected, salaries in London again top, by a wide margin, the table of median starting salary levels for 2006 (see Table 3.5). Here, the median graduate starting salary is £27,500; the South East, again predictably, follows, with median starting salaries of £22,000
- The £20,000 median mark is reached in 2006 by South West, the Midlands, the North West, Scotland and Yorkshire. The latter three regions saw median starting salaries of under £20,000 in 2005
- Median starting salaries in East Anglia, which reached £20,666 in 2005, were predicted in the Summer Review to decrease to £20,000 in 2006 and actually fell to £19,000 level this year as evidenced by the results of the 2007 Winter Review

- Median graduate starting salaries outside the UK reach comparatively high levels. All except Ireland (£21,000) outstrip, often substantially, the median for London.

	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
London	£27,500	£34,000	£26,000
South East	£22,000	£26,000	£22,000
The Midlands	£20,000	£21,500	£16,000
South West	£20,200	£22,000	£19,000
North West	£20,000	£20,000	£16,056
Scotland	£20,000	£22,000	£19,000
Yorkshire	£20,000	£21,500	£19,000
North East	£19,000	£24,000	£19,000
East Anglia	£19,000	£22,000	£15,500
Wales	£19,200	£20,152	£19,000
Northern Ireland	£17,000	£21,000	£12,000
Ireland	£21,000	£21,500	£21,000
Europe	£37,146	£37,146	£37,146
USA	£31,387	£32,000	£31,387
Asia	£28,000	£31,654	£28,000

Please note: Locations with insufficient data have been omitted.

Profile by Business Function

- In 2006, investment banking and legal work both offered median starting salaries in excess of £30,000, with investment banking (£36,000) heading the table by a clear margin (see Table 3.6); salaries in this career area increased in 2006 after two years of no change
- Consulting and IT follow, with median salaries of £28,500 and £28,000 respectively. Notably, IT shows a particularly large inter-quartile range of salaries, of over £10,000 (£22,500 to £33,500). An even larger inter-quartile range is found in financial management (£22,500 to £36,000, with a median salary of £25,000)
- The percentage growth in median salaries in actuarial work, purchasing, accountancy and science also outstrip the 2006 overall median salary growth

Expected Changes in Graduate Salaries in 2007

Table 3.7 shows expected changes in median graduate starting salaries for 2007 by type of organisation.

	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
Investment banking	£36,000	£36,000	£35,000
Legal work	£31,000	£31,300	£30,000
Consulting	£28,500	£28,500	£25,000
IT	£28,000	£33,500	£22,500
Actuarial work	£25,750	£25,750	£25,000
Financial management	£25,000	£36,000	£22,500
Purchasing	£25,000	£29,000	£23,000
Accountancy	£23,000	£26,000	£23,000
Science	£23,000	£28,000	£22,650
Electrical/electronic engineering	£22,500	£23,000	£21,500
Marketing	£22,000	£23,500	£21,000
Manufacturing engineering	£22,000	£22,990	£22,000
Mechanical engineering	£21,800	£22,500	£20,100
Research and development	£21,486	£23,400	£20,250
Retail management	£20,500	£21,500	£18,500
Logistics	£20,500	£20,500	£20,000
Civil engineering	£20,000	£22,000	£19,000
Human resources	£20,000	£23,000	£20,000
General management	£16,500	£20,000	£16,500
Sales	£16,000	£21,438	£15,000

The very considerable increase predicted for insurance companies owes largely to the fact that one respondent in this field, which pays a salary at the higher end of the range, has substantially increased their number of recruits. Median salary increases of over 5% are anticipated by FMCG companies, oil companies and energy, water and utility companies, while banking and financial services organisations and construction companies or consultancies predict rises of over 4%.

Organisation types expecting no change in median starting salaries in 2007 include investment banks or fund managers, the public sector, law firms, consulting or business services firms, and IT hardware or software companies.

Of the UK regions, only London and Scotland are predicted to experience no change in median salary levels in 2007, and median salaries in East Anglia are expected to decrease very slightly (see Table 3.8). All other regions anticipate growth in median salaries, with predicted rises of 7.3% in Yorkshire and 4.8% in the South West.

Inclusion in our analysis of expected median salary changes by business function or career area was dependent on respondents having answered the Survey questions on both

recruitment levels and salaries for both 2006 and 2007. We omitted from analysis those employers for which there were fewer than 10 cases in each category.

Table 3.7 Expected changes to salaries in 2007, by type of organisation		
		% change in median starting salaries
Insurance company	↑	37.5%
FMCG company	↑	8.7%
Oil company	↑	7.0%
Energy, water or utility company	↑	6.8%
Banking or financial services	↑	4.5%
Construction company or consultancy	↑	4.4%
Transport or logistics company	↑	2.5%
Retail	↑	2.4%
Accountancy or professional services firm	↑	1.9%
Engineering or industrial company	↑	0.9%
Public sector		NO CHANGE
Investment bank or fund managers		NO CHANGE
Law firm		NO CHANGE
Consulting or business services firm		NO CHANGE
IT hardware or software company		NO CHANGE

Please note: Organisation types with insufficient data have been omitted. Furthermore, the value for Insurance company shows a large increase mainly because one responding company which pays a higher salary has increased substantially their number of recruits. This, in turn effects the calculation of the median.

Table 3.8 Expected changes in salaries in 2007, by location of vacancies		
		% change in median starting salaries
Yorkshire	↑	7.3%
South West	↑	4.8%
North West	↑	2.6%
North East	↑	2.6%
The Midlands	↑	2.5%
South East	↑	2.3%
London		NO CHANGE
Scotland		NO CHANGE
East Anglia	↓	-7.5

Please note: Locations with insufficient data have been omitted.

The apparently exceptionally buoyant median salary growth prediction for the career area of financial management for

2007, shown in Table 3.9, is principally due to one large AGR recruiter planning to increase its starting salary by a significant amount. Sales and marketing are predicted to experience comparatively healthy rises (8.3% and 6.4% respectively); accountancy, mechanical engineering and HR also anticipate increases. Median starting salaries in electrical/electronic engineering, general management, legal work and IT are not expected to change in 2007.

Table 3.9 Expected changes in salaries in 2007, by business function or career area		
		% change in median starting salaries
Financial management	↑	38.5%
Sales	↑	8.3%
Marketing	↑	6.4%
Accountancy	↑	4.3%
Mechanical engineering	↑	3.6%
Human resources	↑	2.5%
Electrical/electronic engineering		NO CHANGE
General management		NO CHANGE
Legal work		NO CHANGE
IT		NO CHANGE

Please note: Business functions with insufficient data have been omitted. Furthermore, the value for Financial management shows a huge increase mainly because one responding company which recruits a large number of graduates is increasing their starting salary by a significant amount, which in turn effects the calculation of the median.

Lump Sum Payments to Graduates in 2007

In contrast to 2006, the coming year is predicted to see a slight fall in the number of AGR employers offering graduate recruits lump-sum payments on signing on (from 37.6% to 35.4%). The median amount paid, however, is expected to remain unchanged, again standing at £2,000. (Please refer to Chart 3.10).

Of those employers expecting to pay graduate recruits a lump sum in the coming year, exactly three-quarters (as in last year's Winter Review) plan to pay at commencement of work, while 14.7% intend to pay on acceptance of a job offer (see Chart 3.11). Over a third (38.2%) will make the payment in addition to salary, 14.7% as a repayable loan and just 4.4% will offer the payment as an advance of salary.

Education Premiums and Other Remuneration for Graduates in 2007

The Survey further examined the incentives on offer to graduate recruits at AGR employers, both monetary (in the form of education premiums) and non-monetary (such as training opportunities or study leave).

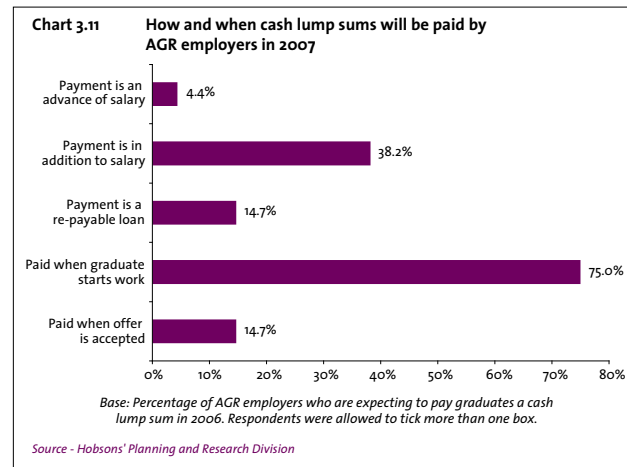
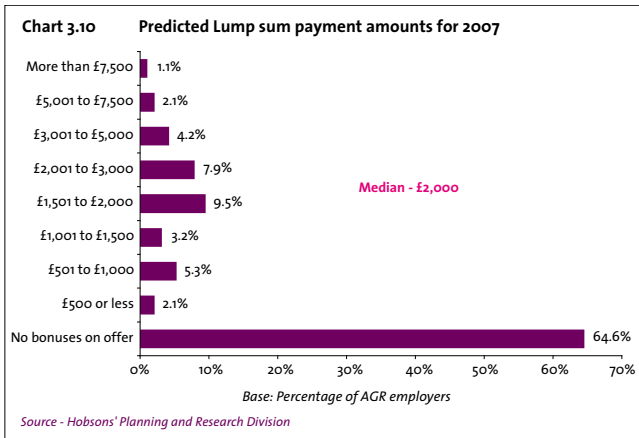
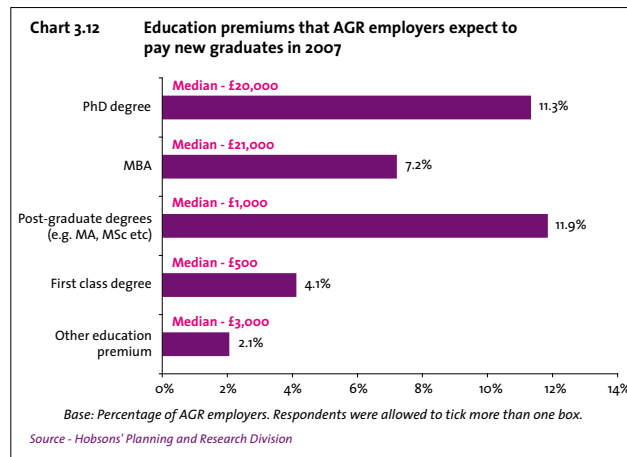


Chart 3.12 illustrates AGR members' plans to offer their 2007 graduate recruits premiums in relation to their level of educational achievement or qualifications over and above first degree level.

- A postgraduate degree such as an MA will, in 2007, be worth a premium – at a median level of £1,666 – to 11.9% of respondents, while a very similar percentage (11.3%) intend to pay a premium to recruits with a Ph.D.
- An MBA attracts a premium for 7.2% of AGR recruiters; just 4.1% plan to offer a premium (median £500) for a first-class degree
- While the median premium for a postgraduate degree has risen somewhat on the predicted figure for 2006, that for a First has dropped slightly (from £550).

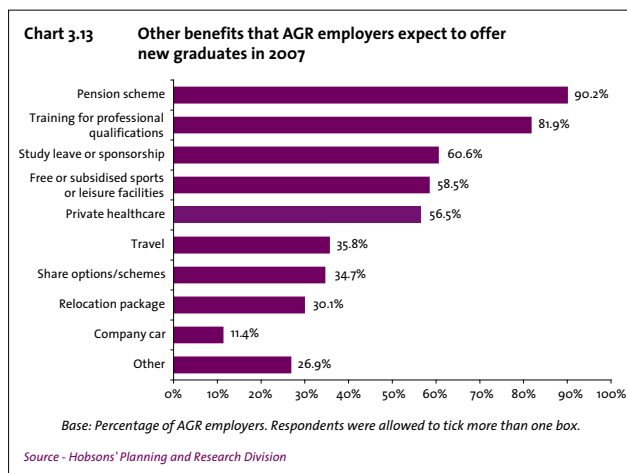


Please note that the exceptionally high median figures for MBA and PhD premiums are due to high premiums paid by two AGR employers who each recruit substantial numbers of graduates with these qualifications.

With regard to non-monetary benefits and other incentives, all those in the list shown in Chart 3.13 will, on current predictions, be offered more frequently in 2007 than was predicted for 2006.

- Pension schemes continue to be the benefit most frequently found in AGR members' graduate packages; 90.2% of respondents expect to offer them in 2007 (in contrast to 83.8% the previous year)
- Three-fifths (60.6%) of respondents are now expecting to offer their graduate recruits study leave or sponsorship, reflecting the continually increasing value of professional qualifications
- A noticeable rise has occurred in the provision of Travel allowances as a sign-on incentive. This was predicted by just under a quarter (24.8%) of AGR employers to feature in their 2006 recruitment packages, but is now expected to be offered by over a third (35.8%) of respondents.

It is clear that despite growth in vacancies and difficulties in identifying and recruiting suitable graduates, employers are not using the lever of paying higher salaries to solve their problems.



4

Chapter 

Graduate
Recruitment
Marketing

Graduate Recruitment Marketing

Introduction

In this section we investigate AGR members' graduate recruitment marketing practices: the size of recruitment marketing budgets, the proportionate spend on different marketing activities and approaches, and issues related to the targeting of universities.

Employers were asked to specify their spend in 2006 and 2007 (predicted) on six key marketing activities. These key activities were: employers' own graduate recruitment brochures employers' own graduate recruitment websites, graduate recruitment advertising, online graduate recruitment promotions, employer presence at graduate careers fairs, and on-campus presentations. The Survey also asked employers to specify how their spending was distributed within each of these general areas.

Not all employers retained such details in their records or were willing to disclose the information. However, data was provided by 144 AGR employers, which is sufficient to develop an understanding of the spending patterns related to recruitment marketing including calculation of total spend per employer and cost per graduate vacancy.

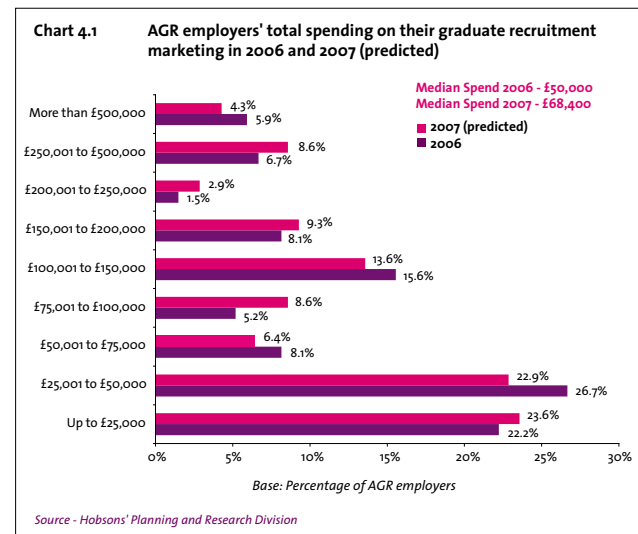
NOTE: This chapter uses the 'median' value to compare different spending levels when a sufficient number of employers has provided data. Where this is the case, the median value is calculated by taking the 'mid-point' spending for the employers being considered. For example, when analysing the spend of 15 employers on a particular form of promotion, the median spend is calculated to be the 8th highest spend (the mid-point) of the 15 individual budgets. Unfortunately, in several cases the number of employers who have provided data is low, meaning that at times the median did not prove optimal as a benchmarking tool. In these cases a mean value was used instead. Where, however, the numbers of employers who had provided data was too low, neither a mean nor a median was calculated.

Total Marketing Spend in 2006 and 2007

AGR employers' predicted median total marketing spend for 2006 was £50,000, a forecast which proved exactly correct. While the 2006 marketing budget for almost half (48.9%) of

respondents stood at £50,000 or lower, over two-fifths (43%) reported budgets of over £75,000.

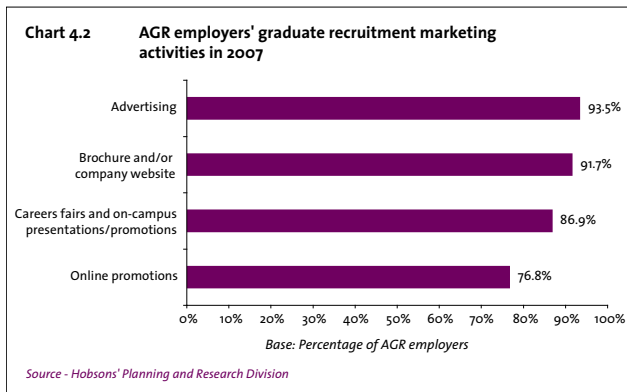
Survey respondents make a buoyant prediction on marketing spend for 2007, anticipating an £18,400 rise in median spend to £68,400; the increase evidently reflects increased vacancy levels as well as increasing competition for highly and appropriately skilled and qualified graduates. (See Chart 4.1). The proportion of AGR employers with recruitment marketing budgets of £50,000 or below will shrink slightly, if the expectations for 2007 are fulfilled, to 46.5%, and nearly half (47.3%) will spend more than £75,000.



Spend on Graduate Recruitment Marketing Activities

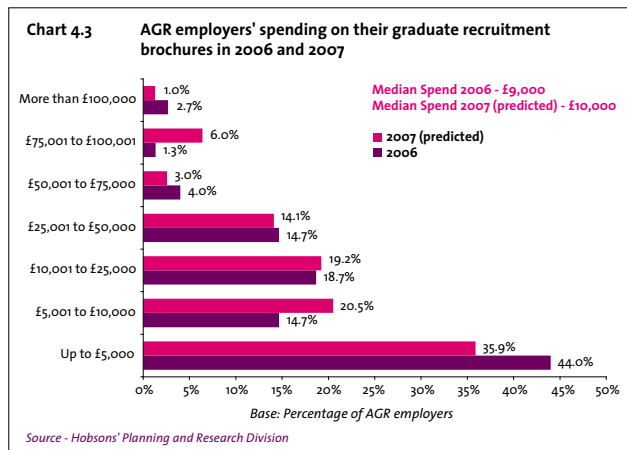
Chart 4.2 shows which marketing activities AGR employers expect to undertake in the 2007 recruitment season.

- Over nine in 10 respondents each will be communicating with prospective recruits via advertising (93.5%) and a brochure and/or company website (91.7%)
- Careers fairs and on-campus presentations or promotions will feature in the 2007 graduate recruitment strategy of 86.9% of respondents
- Three-quarters (76.8%), meanwhile, will conduct online promotions.



Spend on Brochures and Websites

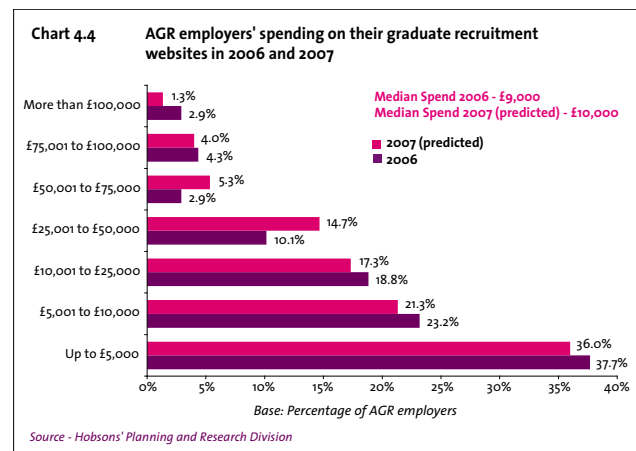
- While the actual median spend on graduate recruitment brochures in 2006 - £9,000 - dropped in comparison to 2005, and was indeed lower than the predicted median for 2006, median spend on brochures for 2007 is predicted to pick up again, to £10,000
- Only a third (35.9%) of AGR members plan to spend up to £5,000 in this area for 2007, contrasting with the 44% of respondents whose 2006 brochure spend was in this category (see Chart 4.3)
- Over a fifth (20.5%) predict a spend of £5,001 to £10,000 on brochures in 2007, compared to 14.7% who spent this amount in 2006. Precisely ten percent of respondents anticipate spending £50,001 or more on 2007's graduate recruitment brochures.



The picture for graduate recruitment websites is similar:

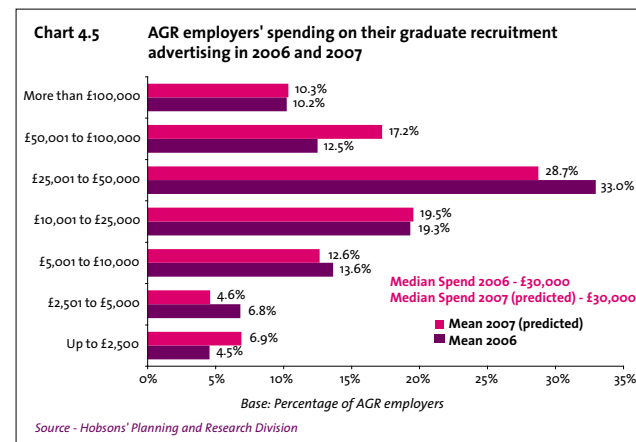
- The median spend on websites in 2006 was £9,000, an actual figure lower than 2006's predicted median spend of £10,000. For 2007, an increase in median spend back to 2005 levels (£10,000) is anticipated

- As Chart 4.4 demonstrates, just over a quarter (25.3%) of AGR employers expect to spend £25,001 and above on their 2007 graduate recruitment websites, compared with the fifth (20.2%) of employers whose actual 2006 spend was at this level. Specifically, website spends in the £25,001 to £75,000 bracket are anticipated by one-fifth exactly of respondents for 2007, whereas just 13% spent in this category in 2006.

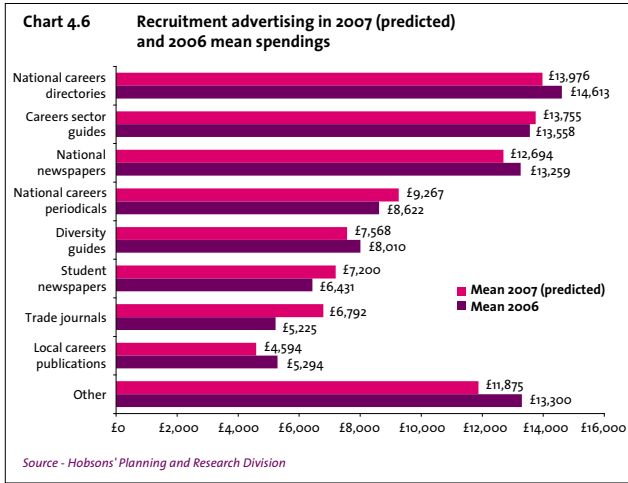


Spend on Advertising and Online Promotions

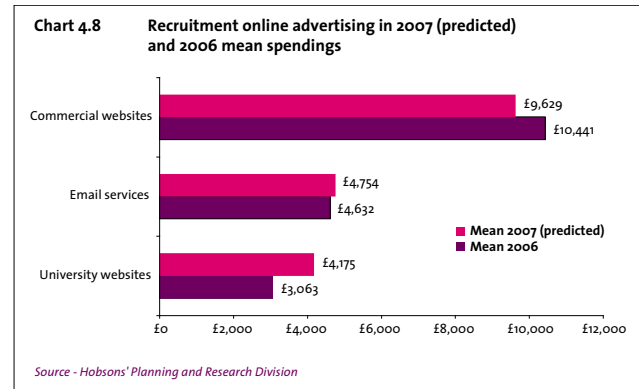
- AGR employers' median graduate recruitment advertising spend for 2006, which was predicted in last year's Winter Review to drop to £25,000, in fact remained at 2005 levels, standing at £30,000. Median spend for 2007 is not predicted to change
- While in 2006 33% of AGR members had advertising budgets of £25,001 to £50,000, 28.7% predict spend on this level for 2007 (see Chart 4.5). Conversely, 17.2% expect to spend between £50,000 and £100,000 on advertising in the coming recruitment season, while only an eighth reported this spend in 2006



- National careers directories, career sector guides and national newspapers continue to occupy the most substantial portion of advertising budgets, with actual mean spend for 2006 and predicted mean spend for 2007 showing only slight differences (please refer to Chart 4.6)

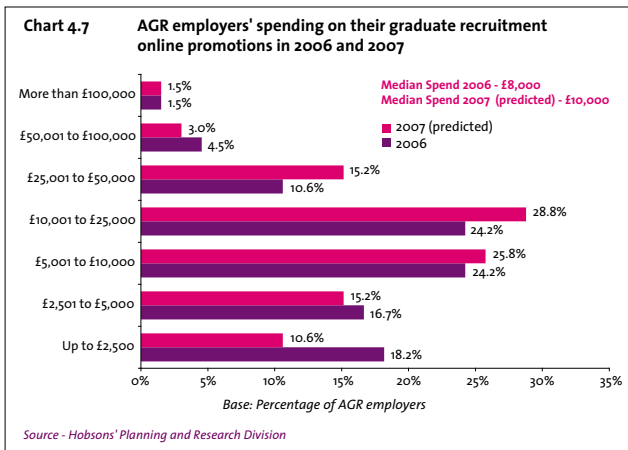


- As Chart 4.8 indicates, mean spend on commercial websites reached £10,441 in 2006, but is expected to decline to four figures (£9,629) in 2007; university websites, conversely, are predicted in 2007 to attract a mean spend over £1,000 higher than the actual mean for 2006.



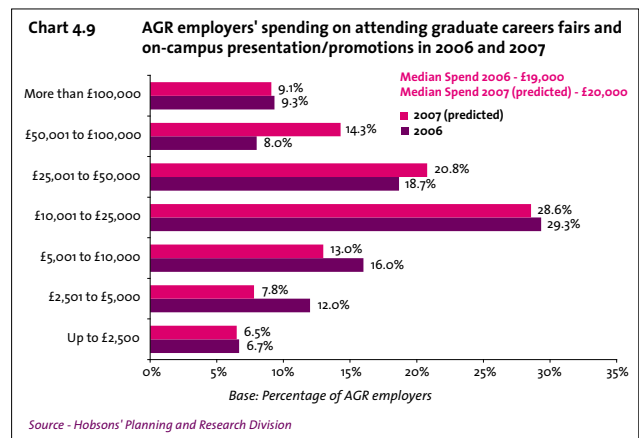
Spend on Careers Fairs and On-Campus Presentations

- Median spend on online graduate recruitment promotions, at £8,000 for 2006, was down on the actual median for 2005 and 2006's predicted median (both at £10,000). For 2007, however, the median spend on this form of promotion is anticipated to rise back to £10,000 (see Chart 4.7)

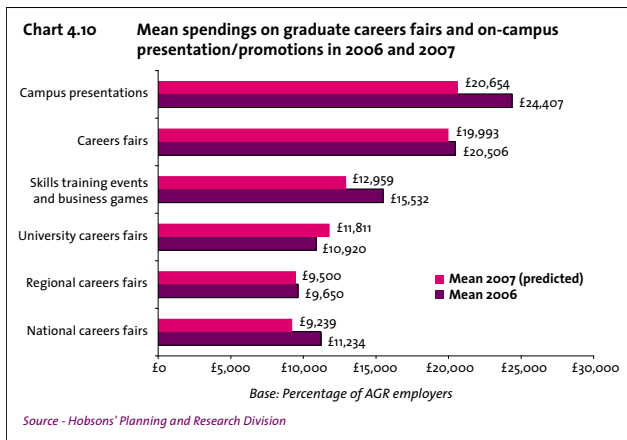


- Only 10.6% of respondents anticipate spending £2,500 or less on this form of promotion in 2007, in contrast to the 18.2% who did so last year; nearly half (48.5%) of AGR employers predict a spend of £10,001 and above in online promotions in the coming recruitment season, compared with slightly over two-fifths (40.8%) who spent in this category in 2006

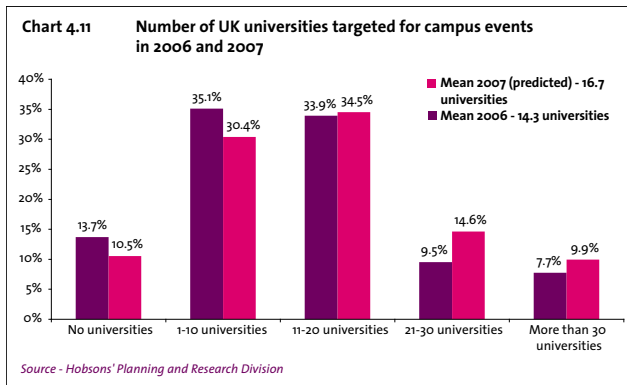
- University careers fairs and on-campus presentations continue to increase in significance for graduate recruiters; the median spend on these activities in 2006 was £19,000, up £4,000 on 2005's spend, albeit £1,000 under the predicted 2006 median from last year's Winter Review (please refer to Chart 4.9). In the coming year, AGR employers expect to see an increase in median spend to £20,000. Well over a fifth (23.4%) of Survey participants anticipate spending over £50,000 in this area in 2007, while only 17.3% actually did so in 2006



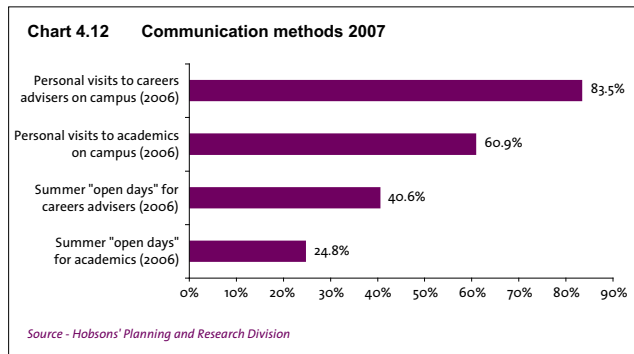
- Mean spend in 2006 on campus presentations, and on skills training events and business games, show particularly substantial increases on the figures for 2005. If 2007's predictions are fulfilled, however, spend on campus presentations is set to decrease considerably (to £20,654 from 2006's mean spend of £24,407; see Chart 4.10). Careers fairs, meanwhile, which in 2006 fell behind campus presentations in terms of size of spend, will remain slightly behind in 2007, with a predicted mean spend of £19,993.



Targeting Universities in 2007



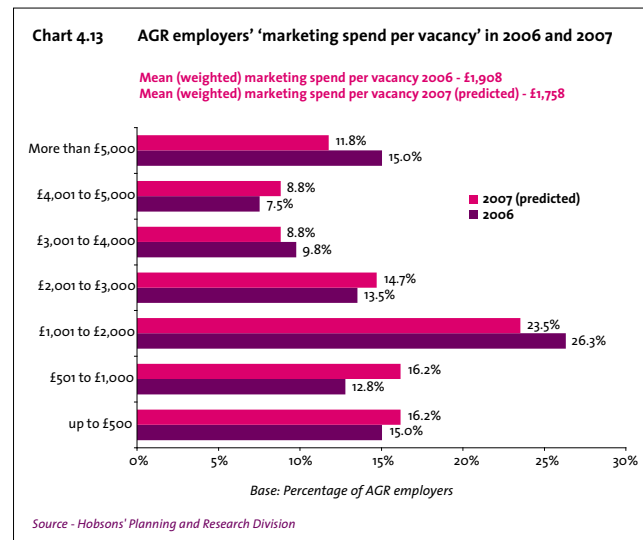
- AGR employers appear to be increasing their reach; the mean number of universities targeted in 2007 is predicted to increase to 16.7 from 14.3 in 2006. Almost a quarter of respondents are planning to target more than 20 universities in the coming recruitment season, whereas under a fifth did so in 2006 (see Chart 4.11). In keeping with this picture, the percentage of AGR members whose targeted recruitment activities focus on just one to 10 universities is predicted to fall to under a third



- As Chart 4.12 illustrates, AGR employers continue to target university careers advisers more frequently than academic staff. In 2006, 83.5% and 40.6% respectively organised personal visits to, and held summer 'open days' for, careers advisers, while 60.9% visited academic staff on campus and just under a quarter (24.8%) provided summer 'open days' for them.

Marketing Spend per Vacancy

- When marketing spend is considered in conjunction with the number of vacancies for which employers are recruiting, it is possible to calculate 'marketing spend per vacancy'. In 2006, the overall mean (weighted) marketing spend per vacancy was £1,908; predictions for 2007 indicate that this figure will decrease slightly, to £1,758. This is mostly due to employers increasing their recruitment targets whilst keeping their marketing budget comparatively static



- In 2006, more than a quarter (26.3%) of respondents reported a spend per vacancy of between £1,001 and £2,000; just under a quarter (23.5%) anticipate this level of spend per vacancy in the coming year (see Chart 4.13). According to predictions for 2007, spend per vacancy of over £5,000 will decline slightly in comparison to 2006
- Table 4.14 shows mean spend per vacancy by industry in 2006. The greatest mean spend per vacancy is seen at FMCG companies, with £5,247 (please note that this figure is affected by a respondent with a particularly large spend). Investment banks or fund managers, banking and financial services firms, retail organisations and transport or logistics companies all registered mean spends of over £3,000. Law firms, IT and utility companies all spent between £2,000 and £3,000 per vacancy in 2006

Table 4.14 Mean marketing spend per vacancy by industry in 2006	
	Mean spend per vacancy
FMCG company	£5,247
Investment bank or fund managers	£3,917
Banking or financial services	£3,869
Retail	£3,625
Transport or logistics company	£3,011
Law firm	£2,747
IT hardware or software company	£2,489
Energy, water or utility company	£2,470
Consulting or business services firm	£1,190
Telecommunications company	£951
Engineering or industrial company	£902
Accountancy or professional services firm	£889
Insurance company	£714
Public sector	£656
Construction company or consultancy	£603
<i>Please note: Industries with insufficient data have been omitted.</i>	

- As Table 4.15 indicates, law firms and accountancy and professional services firms in particular anticipate substantial increases in mean marketing spend per vacancy (by a quarter and a fifth respectively) in 2007; further, telecommunications companies expect an increase of 14%. By contrast, steep declines in mean marketing spend per vacancy are predicted most notably by transport and logistics companies and by investment banks and fund managers, but also by banking or financial services organisations.

Table 4.15 Predicted changes in marketing spend per vacancy by industry in 2007		
	% change in mean marketing spend per vacancy	
Law firm	↑	26.6%
Accountancy or professional services firm	↑	20.7%
Telecommunications company	↑	14.0%
FMCG company	↑	9.1%
Public sector	↑	8.8%
Retail	↑	6.0%
Consulting or business services firm	↑	3.2%
Construction company or consultancy	↑	2.1%
Insurance company	↑	1.9%
IT hardware or software company	↓	-2.2%
Engineering or industrial company	↓	-2.8%
Energy, water or utility company	↓	-11.9%
Banking or financial services	↓	-17.3%
Investment bank or fund managers	↓	-22.9%
Transport or logistics company	↓	-38.0%
<i>Please note: Industries with insufficient data have been omitted.</i>		

5

Chapter 

Hot Topics in
Graduate
Recruitment

Hot Topics in Graduate Recruitment

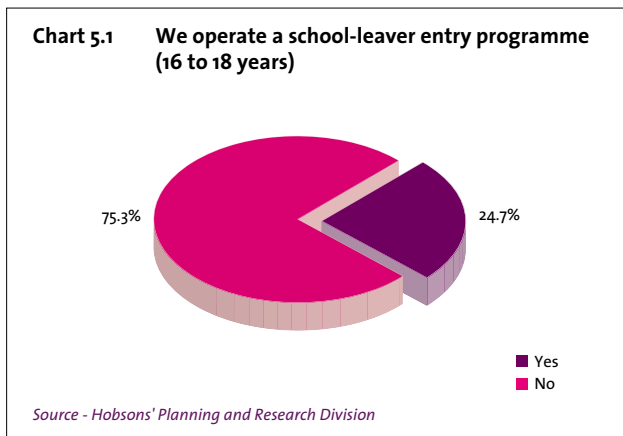
Introduction

This final chapter of the Winter Review addresses a series of hot topics relevant to graduate recruitment. Changes in the legal, social and political framework in which graduate recruitment activities operate may imply changes to the way recruiters work. Chapter 5 seeks to track some of these issues.

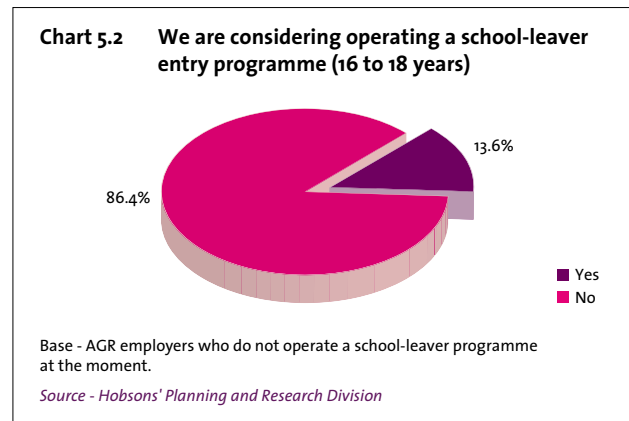
In addition to the question from previous Surveys on the existence of, or plans for, school-leaver entry programmes among AGR members, this Winter Review investigates the impact of the new Age Discrimination Act, and the 'top-up fees' for University courses which were introduced in October 2006.

School-Leaver Entry Programmes

The situation apparent in the Winter Review 2006 – that the substantial majority of AGR employers do not operate a programme for entry at school-leaver level (16 to 18 years of age) – remains unchanged. Nevertheless, we can observe a small increase in the percentage of employers operating such a scheme: almost a quarter of respondents (24.7%) do so, compared with 22.1% a year ago (please refer to Chart 5.1).



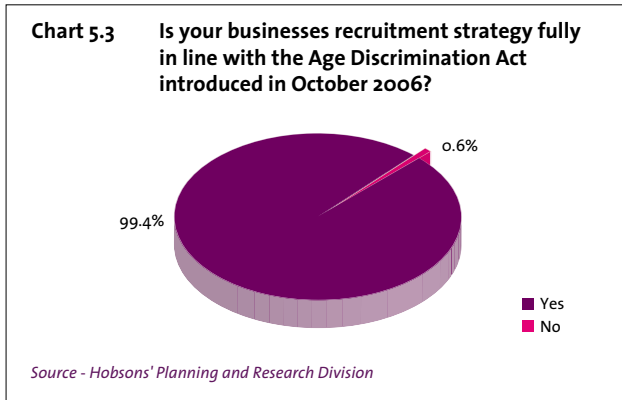
Among those employers who currently do not operate school-leaver entry programmes, 13.6% are considering the introduction of one (see Chart 5.2). One year ago, one-fifth (20.3%) of those employers without such a programme reported that they are currently considering the issue. In other words, some of those employers 'considering' the introduction of a school-leaver entry programme one year ago may have realised their plans in this area, accounting for the small rise in existing programmes. A further number may have chosen not to introduce a school-leaver entry programme after taking into account all the considerations. For the majority of AGR members, school-leaver talent streams do not appear to be on the agenda.



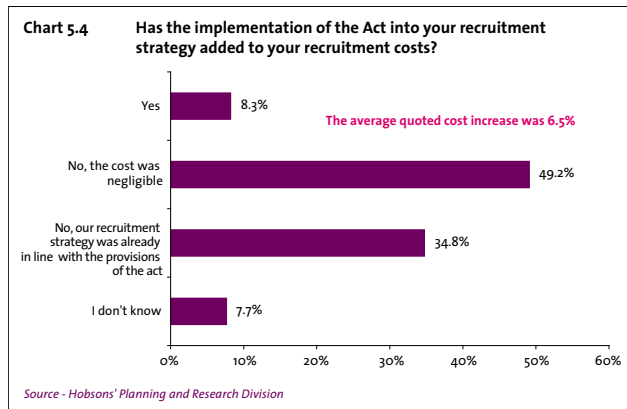
Age Discrimination Act 2006

The Age Discrimination Act, which came into force in October 2006, has considerable implications for the workplace in general. The introduction of the Act is an issue of particular significance for AGR employers, their recruitment programmes and practices.

It is immediately apparent that AGR members have realised and acted on the concerns the Act raises. A resounding 99.4% of survey participants gave an affirmative response to the question 'Is your business's recruitment strategy fully in line with the Age Discrimination Act introduced in October 2006?' (see Chart 5.3). The one respondent who answered 'No' indicated that their business was planning to bring itself into line soon.



We went on to ask respondents whether the implementation of the Act had added to their recruitment costs. Happily, this does not generally seem to be the case; only a small minority – 8.3% - answered Yes. As Chart 5.4 illustrates, almost half (49.2%) had found the cost of implementation 'negligible', while over one-third (34.8%) reported that their recruitment strategy had already been in line with the provisions of the Act.



Incorporation of the Act into Recruitment Strategy

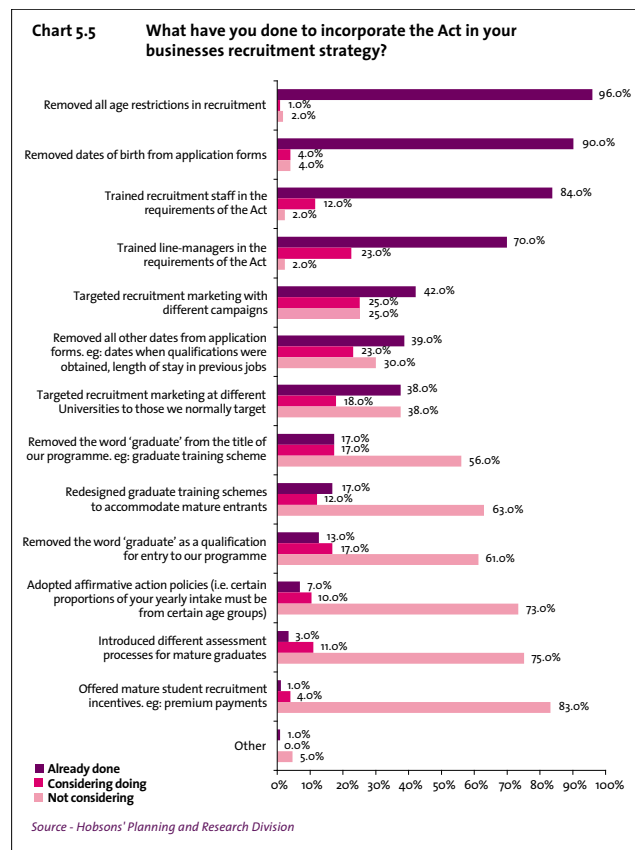
The Survey examined the action taken by AGR members to incorporate the Act into their recruitment strategy. A range of measures were provided in the questionnaire, to which participants were asked to respond. The responses are represented in Chart 5.5.

Four measures in particular have been frequently implemented among AGR members.

- The first two of these, the removal of all age restrictions in recruitment and of the requirement to give dates of birth on application forms, have been carried out by the overwhelming majority of respondents: 96% and 90% respectively.

Only 2% and 4% respectively are not considering the implementation of these measures

- The removal however, of other dates (which could give clues to the applicant's age such as when qualifications were obtained) from application forms is a less unanimously adopted measure: 39% of respondents have done so and 23% are considering doing so, but 30% are not considering it
- Two key measures relate to staff training in sensitivity to age discrimination. Four fifths (84%) of respondents report having already trained recruitment staff in the requirements of the Act, while 70% have trained line managers, a measure under consideration by a further 23% of respondents. For both of these measures, only 2% report that they are currently not considering their implementation.



A more variable picture presents itself with regard to other forms of action listed:

- While over two in five (42%) of employers surveyed have altered the targeting of their recruitment marketing practices in response to the Act, a quarter of employers are as yet only considering implementing this measure and another quarter are not considering implementing it

- An even split (38% have implemented, 38% not considering) can be seen regarding the targeting of recruitment marketing activities at different universities from the usually targeted ones, e.g. 'new' universities which traditionally attract high proportions of mature students. Additionally, 18% of respondents report that this measure is under consideration in their organisation
- The removal of the word 'graduate' from titles of recruitment programmes and as an entry requirement is a less common feature, with majorities of AGR employers (56% and 61% respectively) not considering it. However, 17% of respondents are currently considering each of these measures and 17% and 13% respectively have implemented these two measure
- The redesign of graduate training schemes to accommodate mature entrants' often very distinct needs and situations (e.g. existence of dependants) is not yet under consideration by a majority 63% of AGR employers.

Affirmative action policies and specific incentives to attract mature applicants have proved to be distinctly unpopular forms of incorporating the Act into recruitment strategy:

- Special mature student recruitment incentives, such as premium payments, are overwhelmingly rejected, with 83% stating they are not considering this and only 1% that they have implemented such a scheme
- The variation of assessment processes for mature graduates is not being considered by three-quarters of respondents
- Affirmative action policies such as quotas of mature students in yearly intake are an issue for 17% in total (7% have implemented, 10% are considering), but not on the agenda for 73% of the employers surveyed.

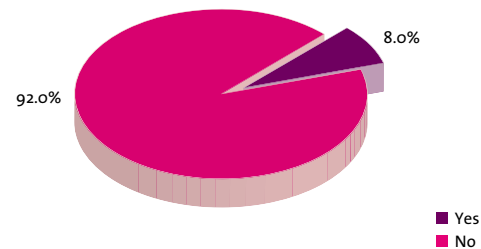
Top-up Fees

Those students who have begun University courses in the current academic year are the first required to pay 'top-up fees' of up to £3,000 per year. The considerably increased debts most graduates are predicted to shoulder are not regarded by the majority of AGR employers as an issue which will affect their graduate recruitment policies (as shown in Chart 5.6, only 8% of respondents to the Survey have adjusted, or are planning to adjust, their graduate recruitment strategy in response to the fees). The basis, then, for the following question as to which adjustments employers have implemented or intend to implement (please refer to Chart 5.7) is small, comprising 12 respondents in absolute terms.

Of these employers, half are planning to offer increased starting salary levels, while 41.7% intend to increase

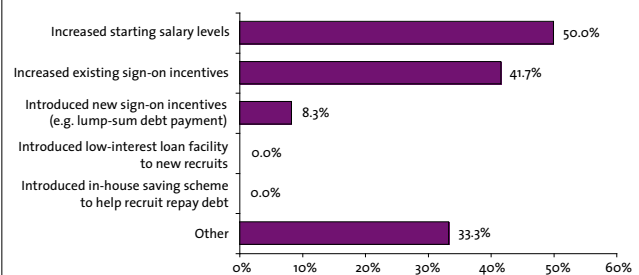
existing sign-on incentives. Only one respondent has planned a new incentive specific to the top-up fee. As the first generation of graduates who are likely to be affected by top-up fees will only emerge onto the recruitment market in 2009, it may be that further graduate employers will follow these 8% in future recruitment seasons. As yet, however, direct or indirect assistance with top-up fees does not appear to be of great relevance as a recruitment marketing tool. Time will tell if benefits packages do change to reflect the growing personal financial stake that students have to make in order to become graduates.

Chart 5.6 Have you or are you planning to adjust your recruitment strategy in any way to accommodate the Top up fees?



Source - Hobsons' Planning and Research Division

Chart 5.7 What have you done or are you planning to do?



Base: Percentage of AGR employers who have or will adjust their recruitment strategy to address the advent of Top-up Fees

Source - Hobsons' Planning and Research Division