The AGR Graduate Recruitment Survey 2007

Summer Review

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.

Note: Unless otherwise stated, the base used in percentage calculations for this report is the total AGR employer sample group.

Contents

Executive Summary

The AGR Graduate Recruitment Survey 2007 - Summer Review is based on research conducted for AGR by trendence Institute with 219 graduate employers during May and June 2007.

The survey provides AGR employers with up-to-the-minute insights into the latest graduate market conditions, including: vacancies and salaries in 2007; applications, selection and assessment in 2007; graduate development and retention; and current issues in graduate recruitment.

Graduate Recruits, Vacancies and Salaries

AGR employers anticipate that by the end of the current season, recruitment will have risen by 12.7% on 2006 levels, a considerable increase on 2006's real rise of 5.2%.

A majority of members are recruiting more graduates in 2007 than in the previous year.

By contrast with the somewhat pessimistic prediction in the 2007 *Winter Review*, recruitment shortfall in 2007 is a worry for less than a third of respondents to this *Summer Review*.

Median graduate starting salaries in 2007 are set to just surpass 2006's modest rise, with a final prediction of a 2.4% increase. The 2007 median stands at £23,500.

Median salaries at law firms have increased greatly. High, though less dramatic, median salary increases have taken place in retail companies.

Reasons suggested by our respondents for the gap in rates of increase between graduate recruitment and salaries include the view that salaries are already competitive, the consideration that rises over previous years have made a slowdown inevitable, and the warning that graduates must remain realistic in view of their limited experience.

Applications, Selection and Assessment

The mean number of applications per vacancy at AGR recruiters in the 2007 recruitment season was 29.2.

Conversion rates for applications to AGR employers in 2007 reached 25% for initial interview and 12% for the final round.

The 2:1 remains unchallenged as a selection criterion, with nearly two-thirds stipulating it as a requirement.

Members changing their selection criteria, or considering doing so, are mainly looking at academic criteria and psychometric testing.

The majority of employers feel that the 2007 crop of applications was of a similar quality to last year's.

Graduate Development and Retention

Mean graduate retention rate over time declines from 92% for the 2006 graduate intake, to 74% for the 2004 cohort, to 59% for those graduates recruited to AGR members' organisations in 2002.

Almost exactly half of respondents view their retention levels as 'about right' for their organisation.

Specialist programmes are the most frequently offered type of graduate development programme. The most frequently cited programme length is 2 years.

Key Issues in Graduate Recruitment

AGR members place considerable confidence in psychometric testing, with 92% considering it a 'useful' or 'very useful' aid to the recruitment process. Further, 91% ascribe to psychometric tests 'some' or indeed a 'very strong' influence on recruiting decisions.

Applicants to AGR employers can give themselves a pat on the back: 74% of respondents are 'satisfied' and a further 11% 'very satisfied' with their quality.

AGR members see alignment between employers' and graduates' interests in the areas of career development and levels of academic achievement required for graduate entry.

Corporate social responsibility is 'important' or 'very important' to 96% of Survey participants. Two-thirds are particularly interested in graduates who demonstrate social responsibility through, for example, extra-curricular activities.

One-third of respondents report that their company's carbon footprint reduction policies are communicated externally to future graduate employees. A further third say they communicate such policies internally only.

Introduction

Introduction

Taking the Pulse of the Graduate Market

Welcome to The AGR Graduate Recruitment Survey 2007 – Summer 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 graduate market conditions as well as regular benchmarking of key market indicators such as vacancy and salary levels.

As the definitive, leading study of graduate recruitment in the UK, spanning the longest continuous series of recruitment seasons, the Survey represents the primary source of information on graduate recruitment levels, methods and practices among AGR members - an invaluable tool for assessing and optimising graduate recruitment activities.

The AGR Graduate Recruitment Survey is conducted twice a year. The Summer Review examines:

- the application and assessment process

- the calibre and quantity of applications made to AGR employers during the 2006–2007 recruitment campaign (referred to as '2007' throughout)

- success and acceptance rates.

The report also analyses:

- the graduate development programmes members offer

- the proportion of graduate recruits retained by employers over the past five years

- participants' views on graduate retention rates and why graduates leave their organisation.

Mirror Survey

In order to add a further dimension to AGR employers' perspective by providing a unique insight into the graduate experience, we conducted a mirror survey of 1,633 UK university students approaching the end of their course, using questions based on several of those asked in the AGR Graduate Recruitment Survey. In this way, we directly contrast employers' and upcoming graduates' views on the recruitment-salary gap, matters of retention, the experience of going through graduate recruitment processes, organisations' handling of recruitment and corporate social responsibility. How do you look from their perspective?

Methodology

The data presented in The AGR Graduate Recruitment Survey – Summer Review was obtained during a four-week field period in May/June 2007. 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 trendence Survey Manager.

The survey contained a range of detailed questions relating to graduate recruitment practices during the 2006 and 2007 recruitment seasons. There was a particular emphasis on graduate vacancies, remuneration, the recruitment process, and graduate development and retention.

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

Participation

trendence Institute invited 366 AGR employers to participate in The AGR Graduate Recruitment Survey 2007. 219 employers completed the questionnaire, giving a completion rate of 60%. These respondents between them are to employ an impressive total of 20,413 graduate recruits in 2007.

The following AGR members took part in the survey

3M United Kingdom Plc

A

ABB Ltd
ABN AMRO
Accenture
Addleshaw Goddard
Airbus
Aker Kvaerner Engineering Services Ltd
Allen & Overy LLP
Allianz Insurance plc
AMEC
American Express
Amey plc
Anglo Irish Bank
Arcadia Group Ltd
AREVA T&D UK Ltd
Argos
Arriva
Arup
ASDA Stores
Ashurst
Associated British Ports
Atkins
Atos Origin
Audit Commission
AXA Investment Managers
AXA UK

B

BAE Systems
Baillie Gifford & Co.
Baker & McKenzie
Baker Tilly
Balfour Beatty
Barclays Bank plc
Barclays Capital
Barclays Wealth
BDO Stoy Hayward LLP
Bhs
BNP Paribas
British Energy Group
British Nuclear Group
BSI Group
BT

C

Cabinet Office
Cadbury Schweppes Plc
CapGemini
Capital One
Caterpillar
Centrica
CHEP UK Limited

CHP Consulting
Cisco Systems Ltd
Citigroup
City & Law
Clifford Chance LLP
Clyde UK Services Company
CMS Cameron McKenna LLP
Colliers CRE
Commerzbank AG
Co-operative Group
Corus Group Plc
Costain
Credit Suisse
Cummins

D

Danone
Data Connection Ltd
Davis Langdon LLP
Dechert LLP
Deloitte
Denton Wilde Sapte
Diageo
Dixon Wilson
DLA Piper UK LLP
DML
Dresdner Kleinwort
DTZ

E

EC Harris
ECA International
Ecclesiastical Insurance Group
EDF Energy
Edmund Nuttall Ltd
EDS
Enterprise Rent-A-Car
Environment Agency
Ernst & Young
Eversheds

F

Faber Maunsell
FactSet Europe Ltd
Fidelity International
Filtrona plc
Financial Services Authority
Fitch Ratings
Freshfields Bruckhaus Deringer

G

Gifford & Partners Ltd
GlaxoSmithKline
Google UK
Government Economic Service

H

HAT Group of Accountants
HBG UK Ltd
HBOS
Herbert Smith
Highways Agency
HJ Heinz Ltd UK
HM Prison Service
Horwath Clark Whitehill

I

ICI plc
Improvement & Development Agency
Innocent Drinks
Interfleet Technology
Irwin Mitchell

J

J Sainsbury plc
Jacobs
John Lewis Partnership
Jones Day
JP Morgan

K

Kerry Foods Ltd
KPMG

L

Lehman Brothers
Lloyd's Register
Lloyds TSB Group
Lockheed Martin
LogicaCMG
Lovells

M

Macfarlanes
Majestic Wine Warehouses Ltd
Marks & Spencer plc
Mars Incorporated
Marsh
Martineau Johnson
Mayer, Brown, Rowe & Maw LLP
MBDA UK Ltd
McDonald's Restaurants Ltd
McKinsey & Company
Mercer HR Consulting
Merrill Lynch Europe plc
Metronet Rail
Microsoft

Mills & Reeve
Mitsubishi Electric Europe
Morgan Stanley & Co International plc
Motability Operations
Mott MacDonald
Mourant

N

Nabarro
National Audit Office
National Express Group
National Grid
Nationwide Building Society
Nestlé UK
Network Rail
Next plc
NG Bailey
NHS Graduate Management Training Scheme
NHS Scotland
Nortel
Northern Foods plc
Northern Ireland Audit Office
Norton Rose
Norwich Union

O

OC&C Strategy Consultants
Oracle Corporation UK Ltd
Orange PCS Ltd
Osborne Clarke

P

PA Consulting Group
Pilkington Group Limited
Pinsent Masons
PricewaterhouseCoopers
PSA Peugeot Citroen

Q

QinetiQ

R

Rank Group Gaming Division
RBC Capital Markets
Redrow
Reed Smith Richards Butler LLP
RM
Rolls-Royce
Royal Bank of Scotland Group
Royal Mail Group
Royal SunAlliance Insurance
RSM Robson Rhodes LLP
RWE npower

S

Saffery Champness
Salvesen

Schroders Investment Management
Scott Wilson Ltd
Scottish & Newcastle plc
Scottish Water
Shell International Ltd
Siemens Industrial Turbomachinery Ltd
Siemens plc
Simmons & Simmons
Skanska
Slaughter & May
Softcat Ltd
Standard Bank
Standard Chartered Bank
Standard Life Assurance Company
Stephenson Harwood
SThree

T
Tate & Lyle
Taylor Wessing
Taylor Woodrow
Teach First
Tenon
Tesco Stores Ltd
Tibco Software Ltd
TNS
TLT Solicitors
Towers Perrin
Transport for London

U
UBS
Unilever UK

V
VT Group Services Ltd

W
Waitrose Ltd
Wates Group Ltd
Watson Wyatt Partners
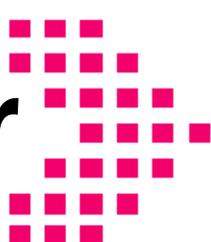WestLB
Withers LLP
Wolseley plc
Wragge & Co LLP

Y
Yorkshire Water

Z
Zurich Financial Services

Chapter

Graduate Recruits, Vacancies and Salaries

1

Graduate Recruits, Vacancies and Salaries

Introduction

This opening chapter of The AGR Graduate Recruitment Survey 2007 – Summer Review provides a comparative analysis of actual graduate recruitment and salary levels experienced in the 2006 recruitment season and those anticipated for 2007. Survey participants were asked to give actual numbers of graduate recruits taken on and starting salaries paid in the 2006 season (typically to start work in autumn 2006), along with expected recruitment and salary rates for 2007.

Provision in the questionnaire for breakdowns of recruitment in respondents' organisations 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 industry sectors, or are regionally focussed, to extract from the Survey the data most relevant to them. Likewise, the questionnaire asked about salaries both as an overall average, where this existed, and broken down by geographical location and business function. This permits the identification of significant differences in salary levels according to location or career sector.

We complete the section on salaries by taking up a finding of the 2007 Winter Review: the fact that salaries are not keeping pace with demand for graduate recruits. AGR employers and, to 'mirror' their perspectives, graduates-to-be are asked for their views on the subject.

Please note: The predicted changes in vacancy levels between 2006 and 2007 are based on the responses of employers who, in the AGR Recruitment Survey 2007, provided vacancy level data for 2006 and 2007.

Note on presentation of median salaries: As particularly high or low salaries can distort the average levels, the survey uses the median value to compare salary levels. Throughout this section, the median value has been calculated by taking the mid-point value salary for all the 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. 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 Vacancies in 2006 and 2007

After two years of modest growth, AGR employers find themselves anticipating a more buoyant recruitment scenario for the current year: the real increase in vacancies of 5.2% for 2006 is expected to be put in the shade by a rise of 12.7% for 2007 (see Chart 1.1). This figure is, however, a little down on the 2007 Winter Review's prediction of 15.1%.

A healthy majority – 61.2% - of members are expecting a final tally of more vacancies than in the previous year, and over a quarter in total anticipate an increase of more than ten vacancies (Chart 1.2). A third of all respondents to this question will be offering between 1 and 10 extra vacancies this year.

Chart 1.1 - How graduate vacancies at AGR employers have changed 2000-2007

Year	Value
2000	14.7%
2001	14.6%
2002	-6.5%
2003	-3.4%
2004	15.5%
2005	5.1%
2006	5.2%
2007	12.7%

Percentage increase or decrease in vacancies on the previous year
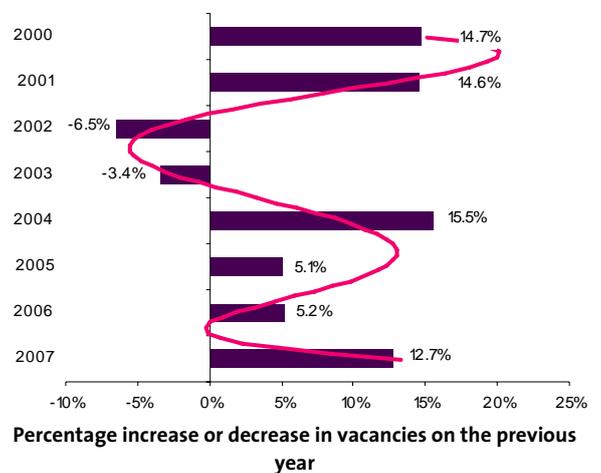
Source: trendence Institute

Chart 1.2 - How AGR employers have changed their graduate vacancy levels in 2007
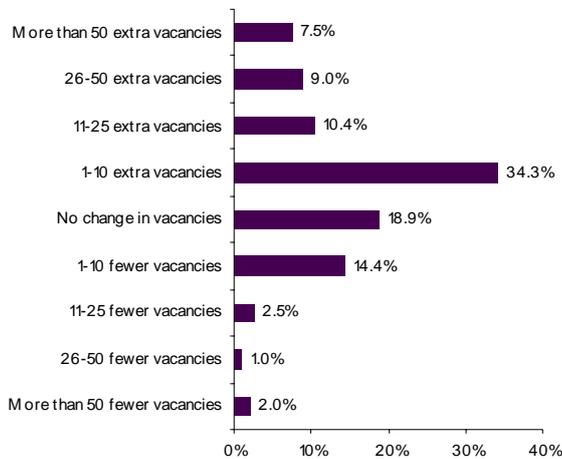
Source: trendence Institute

Chart 1.3 shows the number of vacancies on offer at AGR employers in the 2007 season. While 2006 saw a median of 26 vacancies per employer and 43.2% of 2007 Winter Review respondents offering between 1 and 25 graduate vacancies, for 2007 this percentage has fallen to 36.8%, are somewhat higher proportions of respondents offering more vacancies – almost a fifth, for example, anticipate finally offering 26-50 graduate jobs -, and the median per employer has increased to 38. Nearly a quarter (23.9%) of participants, as compared to 20.9% in the Winter Review, are offering more than 100 vacancies this season.

Chart 1.3 - Graduate vacancies at AGR employers in 2007

Median - 38 vacancies per employer
Source: trendence Institute

Profiling Graduate Vacancies in 2007

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 Organisation Type/Business Sector

Again, as Table 1.4 shows, accountancy or professional services organisations lead the way in terms of proportion of total vacancies among members, with 23.0% attributable to this sector.

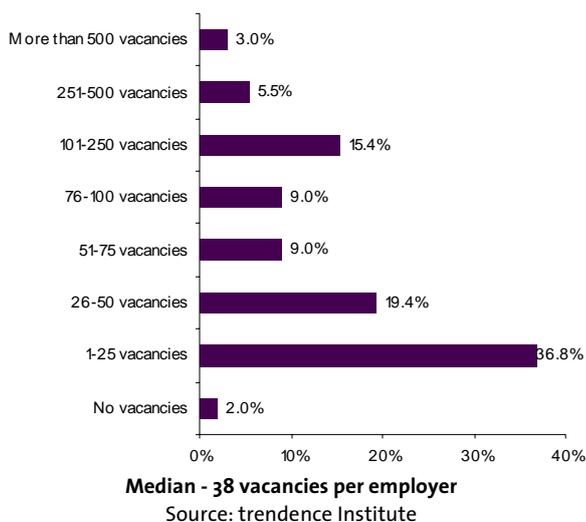This is followed by banking or financial services with 12.2%, and investment banks or fund managers, which almost challenged accountancy/professional services for the 2006 top spot in the 2007 Winter Review, only account for 8.7% of total 2007 vacancies, lagging behind engineering or industrial companies.

Table 1.4 - Vacancies at AGR employers by organisation type in 2007	
	% of total vacancies
Accountancy or professional services firm	23.0%
Banking or financial services	12.2%
Engineering or industrial company	9.3%
Investment bank or fund managers	8.7%
Law firm	7.4%
Transport or logistics company	6.2%
Consulting or business services firm	5.9%
Retail	5.9%
Construction company or consultancy	5.1%
Public sector	4.5%
IT hardware or software company	3.1%
Telecommunications company	1.8%
Energy, water or utility company	1.8%
FMCG company	0.9%
Insurance company	0.4%
Chemical or pharmaceutical company	0.3%

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

Vacancies by Geographical Location

It is no surprise that London continues to dominate the graduate recruitment market, accounting for 43.3% of total vacancies offered by Survey respondents in 2007 (see Table 1.5).

If we add to this the figure for the South East – 13.3% - we arrive at the equally unsurprising fact that a majority of AGR members' graduate vacancies in the UK is concentrated in a particular geographical area.

Locations outside the UK are not as popular in terms of vacancies in 2007 as in 2006, with just 4.5% of all 2007 vacancies being offered in a non-UK location, including Ireland.

Table 1.5 - Vacancies at AGR employers by geographical location in 2007	
	% of total vacancies
London	43.3%
South East	13.3%
Midlands	9.6%
North West	6.1%
Scotland	5.2%
South West	4.9%
Yorkshire	4.6%
North East	3.5%
East Anglia	2.3%
Wales	1.5%
Northern Ireland	1.2%
Europe	2.4%
Asia	0.8%
Ireland	0.7%
USA	0.5%
Rest of the World	0.1%

Table 1.6 - Vacancies at AGR employers by career area in 2007	
	% of total vacancies
Accountancy	24.4%
General management	12.2%
Investment banking	9.5%
Legal work	8.8%
IT	8.7%
Consulting	5.1%
Civil engineering	3.2%
Sales	3.2%
Retail management	2.7%
Financial management	2.6%
Mechanical engineering	2.5%
Electrical/electronic engineering	1.8%
Logistics	1.4%
Actuarial work	1.2%
Research and development	1.0%
Marketing	0.9%
Human resources	0.8%
Manufacturing engineering	0.8%
Science	0.6%
Purchasing	0.5%
Other functions	8.2%

Vacancies by Career Area/Business Function

With almost a quarter of all AGR members' graduate vacancies in 2007, accountancy continues to hold first position for vacancies in terms of business function (refer to Table 1.6).

General management and investment banking have exchanged places as compared to 2006's table (cf. 2007 Winter Review); 12.1% of 2007 vacancies are in general management and just 9.5% in investment banking.
The percentage of vacancies being offered in legal work is unchanged on the Winter Review figures, while that in IT has increased slightly.

Changes in Vacancies by Organisation Type/Business Sector

As Chart 1.7 demonstrates, the picture of graduate recruitment in 2007 presented by this Summer Review is a healthy one, with no sectors reporting a decline in vacancies and most looking forward to clear growth in the 2007 season. Please note, however, that some of the apparently dramatic rises shown in the chart are derived from a comparatively small base of organisations and absolute vacancies. In terms of absolute numbers (cf. Chart 1.8), the banking and financial services sector is doing emphatically well, offering 465 more vacancies in 2007 – an increase of 22.9% on the previous year's figures. Accountancy and professional services, although the percentage increase is just 9.7%, have 416 more vacancies on offer than in 2006.

Please note: The percentage change shown in Chart 1.7 cannot be used as an indicator of changes in absolute numbers of vacancies. For instance, the increase in absolute numbers in the energy, water or utility sector is just 120, whereas the increase in the engineering or industrial sector is 230.

Chart 1.7 - Changes in vacancies in 2007, by organisation type

| Organisation type	%
Energy, water or utility company	50.2%
Telecommunications company	41.7%
IT hardware or software company	34.6%
Banking or financial services	22.9%
Transport or logistics company	20.6%
FMCG company	18.4%
Insurance company	13.8%
Engineering or industrial company	13.8%
Construction company or	11.4%
Accountancy or professional	9.7%
Consulting or business services	7.8%
Law firm	3.8%
Investment bank or fund managers	2.7%
Retail	2.3%
Public sector	2.2%
Chemical or pharmaceutical	0.0%
Motor manufacturer	0.0%

Source: trendence Institute

Chart 1.8 - AGR employers' changes in vacancies by organisation type in absolute numbers (2007)
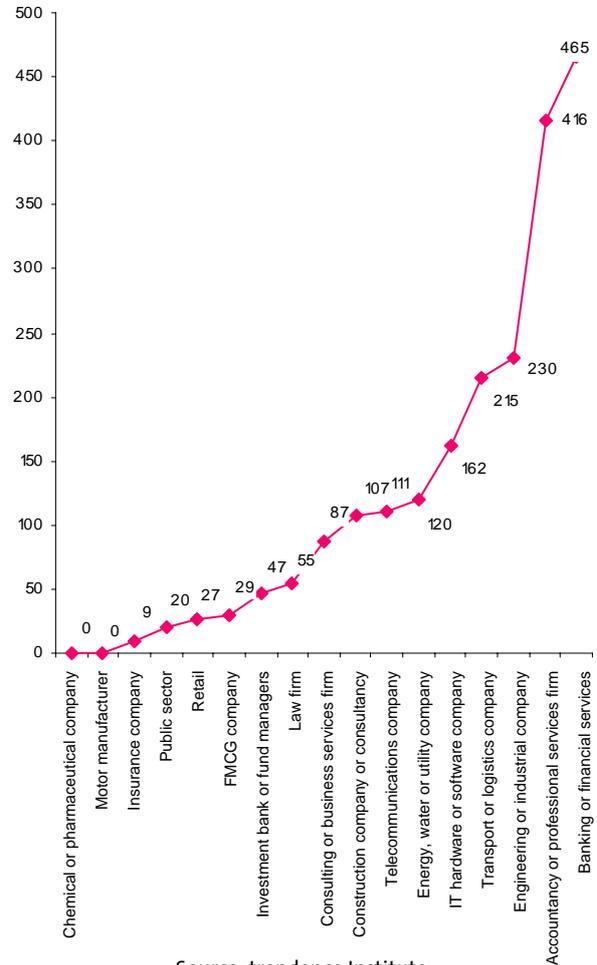
Source: trendence Institute

Changes in Vacancies by Geographical Location

Growth in double figures abounds in our breakdown, shown in Table 1.9, of 2007 vacancy changes by geographical location. Areas particularly on the up – and surpassing Winter Review predictions for 2007 - include East Anglia, Yorkshire and the North East. The largest graduate employer regions, London and the South East, report rises of 8.8% and 24.2% respectively, the former lower than anticipated, the latter considerably higher.

Contrary, though, to the Winter Review prediction of growth without exception, two UK regions – Wales and the North West – report decreases in vacancies in the current year. Vacancies filled by recruiters in the UK for European positions are also in decline.

Table 1.9 - Changes in vacancies in 2007, by geographical location		
		% of total vacancies
East Anglia	⬆	35.4%
Yorkshire	⬆	31.8%
North East	⬆	29.4%
Northern Ireland	⬆	26.1%
South East	⬆	24.2%
The Midlands	⬆	10.5%
Scotland	⬆	10.3%
London	⬆	8.8%
South West	⬆	8.2%
North West	⬇	-1.3%
Wales	⬇	-5.7%
Ireland	⬆	38.7%
Europe	⬇	-6.4%

Please note: Locations with insufficient data have been omitted.

Changes in Vacancies by Career Area/Business Function

Consulting and financial management are doing exceptionally well in 2007, with spectacular vacancy increases of 54.8% and 45.5% respectively. In fact, a total of ten business functions are recruiting to levels a fifth or more higher than those seen in 2006. Some of these rises, however, must be treated with caution, due to being derived from comparatively small bases.

Recruitment in research and development – predicted in the Winter Review to increase considerably – and particularly in manufacturing engineering is taking, as Table 1.10 shows, somewhat of a dip in 2007.

Table 1.10 - Changes in vacancies in 2007, by career area	
	% of total vacancies
Consulting	54.8%
Financial management	45.5%
Civil engineering	40.9%
Sales	38.0%
Mechanical engineering	34.5%
Electrical/electronic engineering	33.5%
Logistics	33.3%
IT	27.7%
Actuarial work	22.8%
Human resources	20.7%
Accountancy	9.6%
General management	8.7%
Investment banking	8.4%
Legal work	2.6%
Marketing	1.5%
Purchasing	1.4%
Research and development	-14.4%
Manufacturing engineering	-20.5%

Please note: These results differ from the results shown in chart 1.7, because they show the "tasks" that the vacancy stands for, whereas chart 1.7 reflects the company sector.

The Outlook for Vacancies in 2008

Chart 1.11 indicates that almost exactly half of AGR employers are looking to the coming recruitment season with quiet confidence, predicting broadly similar vacancy levels in 2007 and in 2008. More emphatic optimism reigns among another two-fifths; 28.9% anticipate that 'slightly more' graduates will be recruited to their organisation in 2008, and 12.3% are aiming for 'many more'. Those respondents expecting less graduate recruitment and those not planning to recruit any graduates at all in 2008 comprise a tiny minority.

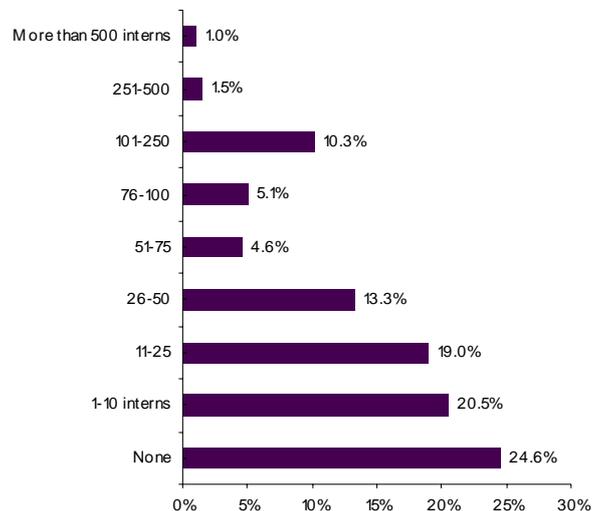**Chart 1.11 - Changes to graduate vacancy levels expected by AGR employers in 2008**

We expect to recruit many more graduates to start work in 20	12.3%
We expect to recruit slightly more graduates to start work i	28.9%
We expect graduate recruitment levels to be similar to 2007	49.0%
We expect to recruit slightly fewer graduates to start work	5.4%
We aren't planning to hire any graduates in 2008	1.0%
We don't know	3.4%

Source: trendence Institute
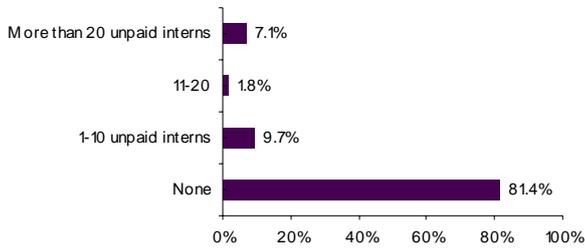
Interns and Placement Students

Paid interns or placement students are a feature of company life for three-quarters of Survey respondents, with just over a fifth (20.9%) employing between 1 and 10 in 2006, and almost a third (32.3%) with 11-50. Organisations which do not employ paid interns are in the minority among AGR members, and the same is true for those which do employ unpaid interns: only 19% of respondents in total do. (See Charts 1.12 and 1.13).

Chart 1.12 - Number of paid interns

More than 500 interns	1.0%
251-500	1.5%
101-250	10.3%
76-100	5.1%
51-75	4.6%
26-50	13.3%
11-25	19.0%
1-10 interns	20.5%
None	24.6%

Source: trendence Institute

Chart 1.13 - Number of unpaid interns

More than 20 unpaid interns 7.1%
11-20 1.8%
1-10 unpaid interns 9.7%
None 81.4%

Source: trendence Institute

Paid interns can look forward to a median paycheque of £1,200 per month. Chart 1.14 further shows that a majority (51.9%) of respondents employing paid interns pay them between £1,001 and £1,500 monthly.

Conversion rates for interns into employment are healthy, with a conversion rate of up to 20% being recorded by almost half (45.8%) of members who have interns (see Chart 1.15).

Chart 1.14 - Intern pay

more than £2000 8.9%
£1501-£2000 10.4%
£1001-£1500 51.9%
£501-£1000 22.2%
up to £500 6.7%
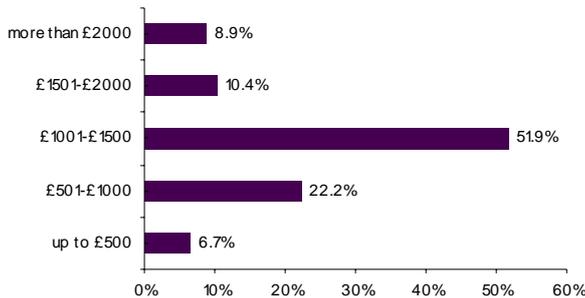
Median- £1,200 per month
Source: trendence Institute

Chart 1.15 - Conversion of interns to graduate recruits

81%-100% 8.4%
61%-80% 14.2%
41%-60% 15.5%
21%-40% 16.1%
up to 20% 45.8%
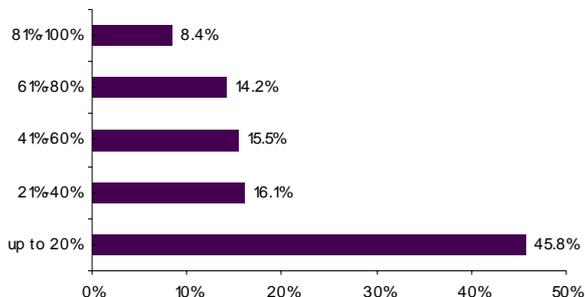
Source: trendence Institute

The most popular type of placement offered by Survey participants is the summer internship, with almost three-quarters of respondents to this question offering these; 57.9%, meanwhile, employ interns on 12-month placements, with other types far behind.

Chart 1.16 - Placement types

Summer placements/other holiday periods 74.2%
6 months 22.0%
12 months 57.9%
Other 13.8%
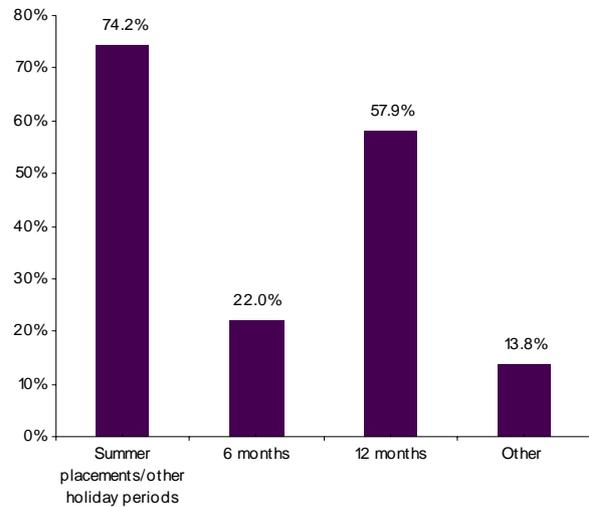
Source: trendence Institute

Recruitment Shortfall in 2007

Pessimism in the 2007 Winter Review, with a majority (55.4%) of employers expecting recruitment shortfall in 2007, has given way to confidence in the Summer Review, in which over two-thirds now state they anticipate filling all 2007's available vacancies. Of those predicting unfilled vacancies at the end of the season, just over two-fifths are expecting a relatively mild problem of one to five vacancies, and a further 27.6.0% anticipate 6-10 empty positions. (Please refer to Charts 1.17 and 1.18).

Chart 1.17 - Proportion of AGR employers who anticipate filling all vacancies for 2007

No 31.3%
Yes 68.7%
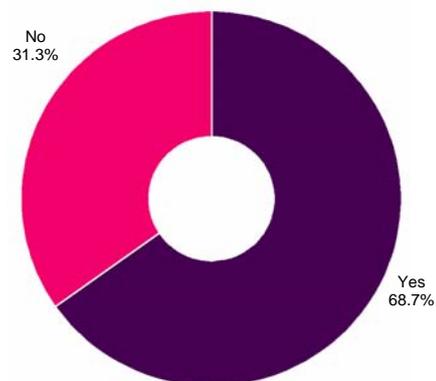
Source: trendence Institute

Chart 1.18 - Numbers of unfilled vacancies

Source: trendence Institute
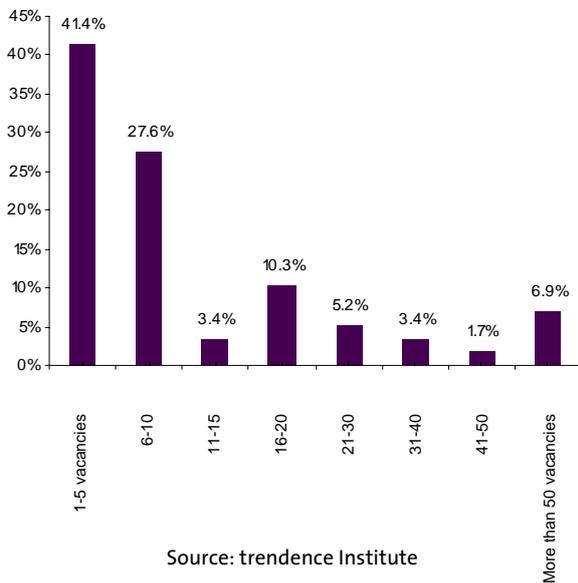
The Graduate Experience

Recruitment shortfalls and graduate salaries

The AGR's 2007 Winter Review indicated that a majority of members surveyed faced shortfall in the coming recruitment season and that a major reason for this was felt to be a lack of applicants with the right combination of skills or the necessary qualifications (cf. *Winter Review report*). With this difficulty in mind, the Higher Education Academy and the Council for Industry and Higher Education last year launched a series of Student Employability Profiles, aimed principally at higher education practitioners, in which fifty disciplines were listed with the sets of skills employers should be able to expect from graduates of these areas. (Source: *Graduate Prospects/CIHE/HE Academy, Student employability profiles: A guide for higher education practitioners, 2006*)

Those concerned about underdevelopment of graduate skills might be interested in the finding of trendence Institute's annual Graduate Recruitment Review that information about salary levels outstripped details of the qualifications and/or experience needed for the job as an 'essential fact' students researched before applying to a company. The respondents generally feel they have been prepared well for the world of work by their university degree and are happy with their choice of course, but look with some trepidation towards their search for a career job. (Source: *UK Graduate Recruitment Review Main Report, trendence Institute 2007*).

Although, as we discuss below, graduate starting salary increases have started lagging behind demand for employable graduates, research for Universities UK reported on in the UK media has recently reassured money-mindful students that the graduate salary 'premium' is still alive and kicking, to the tune of an average £160,000 over a working lifetime. (Source: *The Guardian, 7 February 2007*).

Graduate Salaries in 2006 and 2007

Median salaries in 2007 almost reproduce 2006's relatively modest rise of 2.0%, with final median starting salary expected to have risen by 2.4% to £23,500 (see Chart 1.19).

Chart 1.19: Changes in median graduate starting salaries at AGR employers 2000-2007

Base: Percentage increase in median starting salary on the previous year's level.
Source: trendence Institute
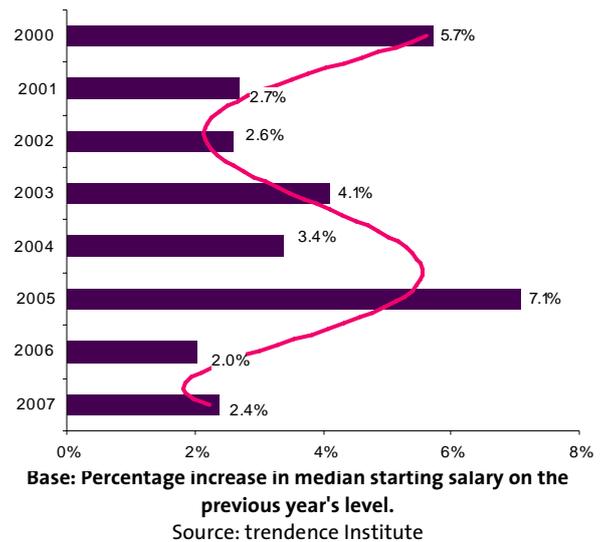
As we can see in Chart 1.20, a little over a quarter each of Survey respondents are paying their new graduate recruits salaries in the regions of £20,001-£22,500 (26.8%), £22,501-£25,000 (28.4%) and £25,001-£35,000 (25.3% of employers). If we compare these figures to those for 2006 in the Winter Review, we see a notable reduction in the proportion of employers paying under £20,000 and a sizeable leap in the percentage of those offering more than £35,000. Law firms account for the largest increases.

Chart 1.20 - Graduate starting salaries at AGR employers in 2007

Salary band	%
More than £35,000	11.6%
£25,001-£35,000	25.3%
£22,501-£25,000	28.4%
£20,001-£22,500	26.8%
£17,501-£20,000	5.3%
Up to £17,500	2.6%

Median - £23,500
Upper Quartile - £32,000
Lower Quartile - £21,300
Source: trendence Institute
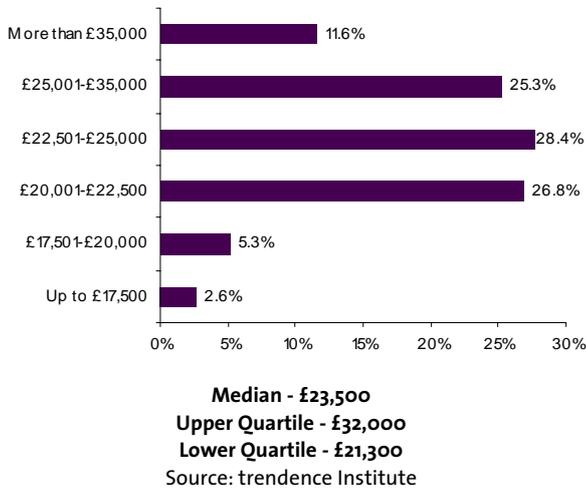
Anticipations of 'no change in salary levels' for 2007 were reported by the majority of respondents - 52.3% - in the 2007 Winter Review. The Summer Review's results (depicted in Chart 1.21), by contrast, suggest that those indicating 'no change' (31.1%) are just outnumbered by those saying salaries are increasing by 1-4% on 2006's (31.7%). Indeed, over a fifth report increases of 5-9%.

Chart 1.21 - Salary changes 2006 to 2007

10% or more increase in salaries 13.1%
A reduction in salaries 3.3%
5% to 9% increase in salaries 20.8%
No change in salary level 31.1%
1% to 4% increase in salaries 31.7%

Source: trendence Institute
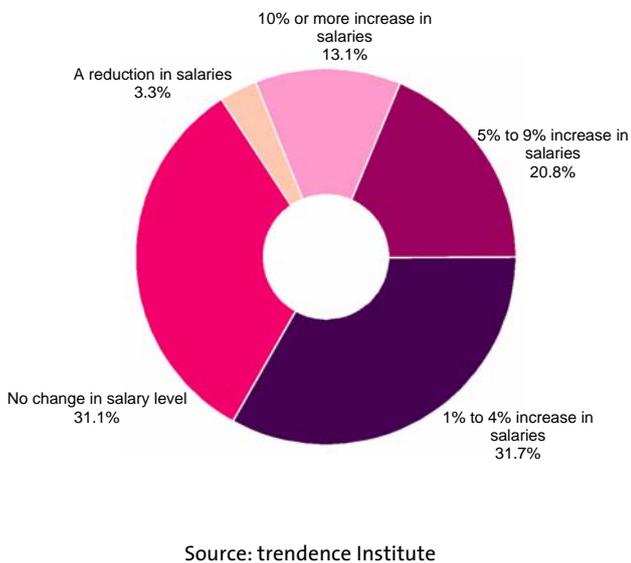
Profiling Graduate Salaries in 2007
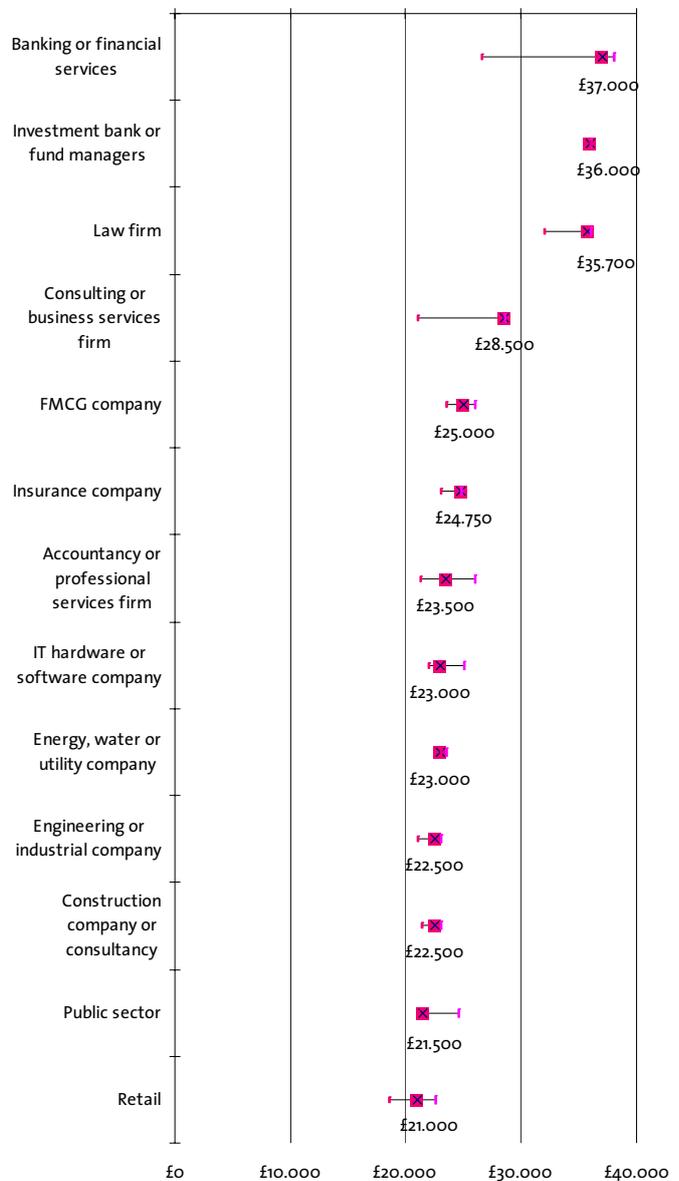
Profile by Business Sector

In 2007, largely due to a handful of particularly high-paying organisations, the banking and financial services sector knocks investment banking off the median salary top spot, trumping the latter's median starting salary of £36,000 by a further £1,000. Banking and financial

services exhibits, however, a particularly large inter-quartile range, while that of investment banks is non-existent.

Median salaries offered by law firms have shot up to £35,700 (from £31,000 in 2006), whereas those in the public sector and in accountancy or professional services have decreased.

Please note: Chart 1.22 shows the median (50th percentile), the lower quartile (25th percentile) and the upper quartile (75th percentile). As the chart demonstrates, some sectors show wider inter-quartile ranges of starting salaries than others.

Chart 1.22 - Median starting salary by sector in 2007

Sector	Median
Banking or financial services	£37.000
Investment bank or fund managers	£36.000
Law firm	£35.700
Consulting or business services firm	£28.500
FMCG company	£25.000
Insurance company	£24.750
Accountancy or professional services firm	£23.500
IT hardware or software company	£23.000
Energy, water or utility company	£23.000
Engineering or industrial company	£22.500
Construction company or consultancy	£22.500
Public sector	£21.500
Retail	£21.000

Source: trendence Institute

Profile by Geographical Location

Inevitably, London median starting salaries, at £28,500, top the geographical location list (Table 1.23) by a wide margin. The South East follows, at £23,000.

Median graduate starting salaries of £22,000 can be found in the Midlands, the South West and Yorkshire. Scotland (£21,500) just outstrips the North East and the North West (£21,000 each).

The median for Europe is a massive £36,000, with the upper quartile hitting the heights of £38,000. (Please note, however, the relatively small base of vacancies in Europe).

Table 1.23 - Median starting salary by geographical location in 2007		
	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
London	£28,500	£36,000	£25,500
South East	£23,000	£24,000	£18,000
The Midlands	£22,000	£23,000	£16,500
South West	£22,000	£22,750	£21,000
Yorkshire	£22,000	£22,500	£20,919
Scotland	£21,500	£23,000	£20,500
North East	£21,000	£23,000	£20,109
North West	£21,000	£22,500	£16,500
Wales	£20,500	£22,000	£20,500
East Anglia	£18,500	£22,800	£16,500
Northern Ireland	£18,500	£23,000	£18,000
Europe	£36,000	£38,000	£32,000
Ireland	£25,500	£30,000	£22,000

Please note: Locations with insufficient data have been omitted.

Profile by Career Area/Business Function

The career area – as opposed to the industry sector – of investment banking continues to lead the starting salary rankings, with a median of £37,000, although legal work – once again in second place – has closed the gap, exhibiting a median of £35,700 in 2007. (Please refer to Table 1.24).

These are the only two functions with medians in excess of £30,000. Actuarial work, financial management and consulting are, in 2007, all paying median salaries of over £25,000.

At the other end of the scale, medians of under £20,000 are found in general management (£16,500) and sales functions (£18,000).

IT, with an unexceptional median of £23,000, is notable for its inter-quartile range of £10,000 (£22,000-£32,000).

Table 1.24 - Median starting salary by career area in 2007		
	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
Investment banking	£37,000	£37,000	£36,000
Legal work	£35,700	£36,000	£34,000
Actuarial work	£27,000	£28,000	£25,500
Financial management	£26,500	£32,000	£26,500
Consulting	£26,000	£28,000	£23,000
Accountancy	£24,500	£26,000	£19,550
Marketing	£24,500	£25,500	£23,000
Human resources	£24,000	£25,000	£22,000
IT	£23,000	£32,000	£22,000
Research and development	£23,000	£26,500	£22,500
Mechanical engineering	£23,000	£25,500	£22,500
Logistics	£23,000	£25,500	£23,000
Purchasing	£23,000	£25,000	£22,309
Science	£23,000	£23,400	£23,000
Civil engineering	£23,000	£23,000	£21,000
Manufacturing enigineering	£22,750	£23,900	£22,500
Electrical/electronic engineering	£22,500	£23,000	£22,000
Retail management	£21,000	£22,500	£16,500
Sales	£18,000	£23,000	£18,000
General Management	£16,500	£23,000	£16,500

Changes in Graduate Salaries in 2007

Changes by Organisation Type/Business Sector

Table 1.25 shows expected changes in median graduate starting salaries for 2007 by type of organisation.

Table 1.25 - Changes to salaries in 2007, by organisation type		
		% change in median starting salaries
Law firm	⬆	15.2%
Retail	⬆	5.0%
Engineering or industrial company	⬆	4.8%
FMCG company	⬆	4.2%
Public sector	⬆	2.4%
Construction company or consultancy	⬆	2.3%
IT hardware or software company	⬆	2.2%
Investment bank or fund managers		NO CHANGE
Consulting or business services firm		NO CHANGE
Banking or financial services	⬇	-2.7%

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

Law firms lead the way in terms of increases, expecting to be paying their 2007 recruits 15.2% more than those from the previous season. This is by far the most substantial increase we can observe. The widespread pay hike across several key law firms is one of the most dramatic trends highlighted by the Summer Review results.

Some other sectors are proceeding more cautiously: investment banks/fund managers, and consulting/business services firms, report no change for 2007, while the banking and financial services sector – despite its impressive performance in the median salary tables – indicates salaries are experiencing a 2.7% fall.

Changes by Geographical Location

Of the UK regions, only East Anglia and London appear to be experiencing a fall in median starting salaries, while all other areas indicate either no change (this is the case for the North East and the North West) or modest rises. (See Table 1.26).

The fall for London may alarm, as London is the region recruiting largest number of graduates; however, it does not translate by any means to widespread salary reductions. On the contrary, only one London recruiter indicated offering a slightly lower starting salary than in 2006, with all other firms offering the same or higher salaries. The lower median is due instead to a higher increase in the number of vacancies in positions where there is a lower salary than the median salary. At the same time, the number of vacancies for higher paid positions has remained stable - the net effect being a reduction overall.

Table 1.26 - Changes in salaries 2007, by location		
		% change in median starting salaries
Wales	▲	6.8%
The Midlands	▲	5.6%
South West	▲	4.8%
Scotland	▲	4.8%
South East	▲	4.5%
Yorkshire	▲	2.3%
North West		NO CHANGE
North East		NO CHANGE
London	▼	-5.0%
East Anglia	▼	-14.0%

Please note: Locations with insufficient data have been omitted.

Changes by Career Area/Business Function

As also indicated above, legal work is commanding a 15.2% increase in median starting salary in 2007 (please refer to Table 1.27). The increase for research and development functions is also healthy, amounting to 12.8%. All other increases are modest, with a series of

functions reporting no change. Accountancy, meanwhile, sees a slight drop in median starting salaries this year.

Inclusion in this analysis was dependent on respondents having answered the Survey questions on both recruitment levels and salaries for both 2006 and 2007. We omitted those employers for which there were fewer than 10 cases in each category.
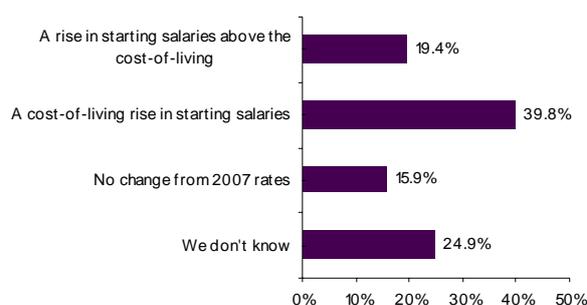
Table 1.27 - Changes in salaries in 2007, by career area		
		% change in median starting salaries
Legal work	▲	15.2%
Research and development	▲	12.8%
Civil engineering	▲	9.5%
Actuarial work	▲	8.7%
Electrical/electronic engineering	▲	4.5%
Human resources	▲	4.3%
Mechanical engineering	▲	0.4%
General management		NO CHANGE
IT		NO CHANGE
Investment banking		NO CHANGE
Financial management		NO CHANGE
Sales		NO CHANGE
Marketin		NO CHANGE
Accountancy	▼	-1.8%

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

The Outlook for Salaries in 2008

Looking to 2008, AGR members are not overly upbeat in their assessment of how graduate recruits' salaries will develop. As indicated in Chart 1.28, two-fifths consider that salaries in their organisation will increase in accordance with the cost of living, and just under a fifth are anticipating a rise higher than this. Nevertheless, 15.9% suggest that there will be no change, and a quarter are unwilling or unable to commit to a prediction of any kind.

Chart 1.28 - Expected changes to Graduate starting salaries at AGR employers in 2008

A rise in starting salaries above the cost-of-living	19.4%
A cost-of-living rise in starting salaries	39.8%
No change from 2007 rates	15.9%
We don't know	24.9%

Source: trendence Institute

Graduate Salaries and Demand for Graduates

In the 2007 Winter Review, we uncovered a perhaps surprising discrepancy between rates of increase in graduate recruitment and graduate salaries. While members estimated demand for graduates to rise by a substantial 15.1% in 2007 – and indeed report a healthy rise, of 12.7% - in this edition -, new recruits' starting salaries were expected to increase by just 2.1%, a prediction which this Summer Review can report has only just been outstripped (see above). The Summer Review aimed to get to the bottom of this finding by asking our Survey participants which reason or reasons they saw for the demand-salary gap. Respondents were able to give their own individual reasons by filling in an open text box in the questionnaire.

A large proportion of the responses fell into one of the following categories:

1. **Salaries are fine as they are.** Many respondents express the view that in their organisation, or in general, current graduate salaries are 'appropriate', 'at an acceptable level', 'competitive enough' – or 'already quite competitive' – or even 'close to the top of the appropriate level'. Additionally, some employers have discovered that high salaries have not been their organisation's key weapon in the war for talent: 'We find', comments one, 'that graduates are more interested in the training and development opportunities and aligning their personal value system with that of the organisation.' Another puts it succinctly: 'An employer's value proposition is much more than salary alone.'

2. **Salaries have been increasing (too) fast and the slowdown is inevitable.** Salaries have 'increased quite significantly over the years' and 'have been overinflated in previous years', hence they 'cannot continue to increase at the rate they have been' – three voices from several more making similar points. Further, many employers touch on the issue of consistency with salaries paid to previous years' graduate recruits and to other employees within the organisation. Several respondents mention the 'knock-on effect' the increasing of graduate salaries has on the rest of the organisation. The 'danger that new graduates will be earning more than those recruited last year' is not one employers wish to invite. 'If graduate salaries were not to "slow down"', comments one respondent, 'they would not be in proportion to the salaries of current employees'. There is also the worry that graduate salaries, if they continue to rise, could become artificial, i.e. 'out of line with the "real jobs"' the graduates will go into after completing their training.

3. **Salaries are fine as they are – for what graduates are bringing to the organisation.** A little impatience with the expectations of some graduates becomes apparent in some employers' responses to the question. One participant describes the demand-salary gap bluntly as 'a reflection that the graduate standard is dropping and business is not prepared to pay graduates a higher salary'. Another, possibly letting off a little steam from recruiting experiences, comments: 'Employment is a two-way street. New graduates need to bring something to the table – and today's graduates aren't as commercially aware as previous graduates.' A third accuses graduates of 'lacking certain skills', meaning that starting salaries 'cannot justifiably be increased by a huge amount'. Others are less critical, but still make the point that new graduates often 'have little related experience and thus one needs to be realistic'. A participant refers to the demand-salary gap in terms of 'a reality strike of people's worth and their ability to contribute in the business environment when armed with the knowledge, but not necessarily the skills and experiences to contribute and add value effectively.'

4. **There are plenty of graduates on the market, despite the rise in demand.** This observation is made by a considerable number of respondents, who point out that 'the high demand is usually met with a high supply of graduates', 'there is a bigger pool of graduates', and 'there has been a significant growth in numbers of graduates available for recruitment in recent years'. One employer reports: 'I have thousands of applications to choose from for relatively few jobs. Therefore I can call the shots, not the grads.' One or two respondents touch on the related issue of the increasing number of graduates giving rise to a change in the nature of a 'graduate' job: 'more jobs are now deemed to be "graduate" jobs because more people go to university.'

5. **The demand-salary gap does not necessarily hold true for the legal sector.** Several respondents from law firms state that salaries are currently rising considerably, in line with current market trends in the sector. The results of this Summer Review bear these observations out, as this chapter has indicated.

Mirror Survey

We asked the student participants in our mirror survey exactly the same question, giving them the opportunity to record their answers in open text.

Students certainly agree with employers that the rapidly rising numbers of graduates on the market mean that salaries have no need to increase as rapidly as vacancy levels. They comment that 'too many graduates' are on the market, that there is an 'oversupply' and that graduate jobs are 'still heavily oversubscribed'. Responses such as these are by far the most frequently given; today's graduates-to-be are obviously keenly conscious of the lessening exclusivity of a university education and the consequences this entails for their own futures. Upcoming graduates are evidently also aware of the lack of skills and experience that employers mention, and are absolutely fair to these in their responses: one student comments that graduates 'may not necessarily have the non-academic qualities and qualifications that warrant a higher salary', and another reflects that 'in the short term these new graduates will be fairly inexperienced, so will not be of that great use to the company'.

2

Chapter

Applications,
Selection
and
Assessment

# Applications, Selection and Assessment

Introduction

One of the objectives of The AGR Graduate Recruitment Survey 2007 is to assess the techniques used by AGR members to attract and recruit graduates. In line with this aim, Chapter 4 of this year's Winter Review presented information about AGR employers' recruitment marketing practices. In particular, it covered marketing budgets and how AGR members go about spending these funds.

In the Summer Review, the focus passes from attracting to assessing graduates: the questionnaire asked AGR members about the number of applications received for graduate vacancies during the 2006-2007 recruitment season; the organisational framework and the nature of their selection process, such as selection criteria, success and acceptance rates; and the time taken to process applications. Members' impressions of overall application quality have also been collected.

Applications to Graduate Employers

The mean number of applications per vacancy at AGR recruiters in the 2007 recruitment season was 29.2, compared with 28.4 which was the figure for 2006. Chart 2.1 expands on this information: While 29% of respondents received between 11 and 25 applications per graduate vacancy, a quarter got between 26 and 50, and a fifth were inundated with between 51 and 100 applications per job on offer. Only ten per cent received higher numbers of applications per vacancy, and 17% got just 1-10.

Chart 2.1 - Applications per graduate vacancy received by AGR employers in 2007
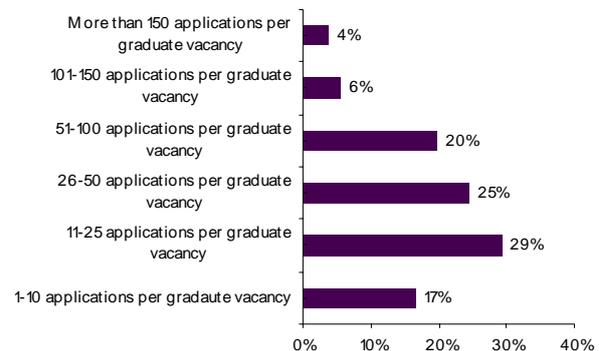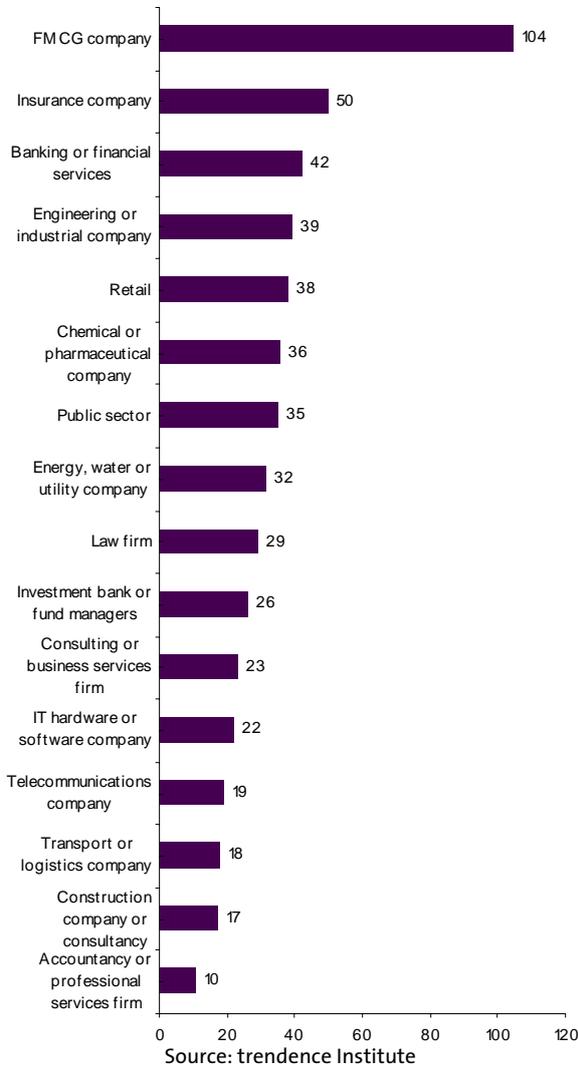

Mean: 29.2 applications per vacancy
Source: trendence Institute

It goes without saying that the ratio of applications to vacancies varies considerably between industries and business sectors. As we see in Chart 2.2, FMCG companies, with 104 applications per vacancy available, lead the field by a long way. Insurance companies, meanwhile, receive 50 applications per vacancy (it should, however, be noted that the numbers of applications to Survey participants in this field is substantially smaller than those in many others). An average of 42 candidates competed for each vacancy in banking and financial services. Applicants to accountancy or professional services firms enjoyed the lowest applicant to vacancy ratio, with only 10 candidates going for each available job in the field.
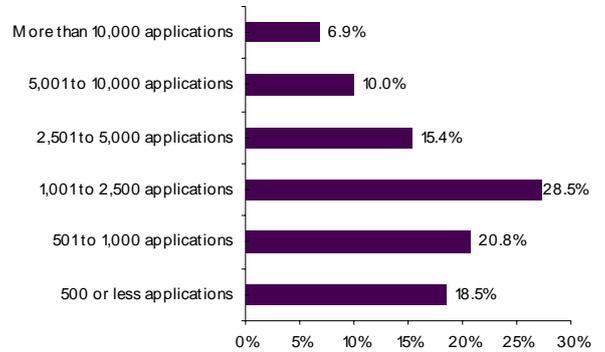
Chart 2.2 - Applications per graduate vacancy to AGR employers in 2007, by organisation type

Organisation type	Value
FMCG company	104
Insurance company	50
Banking or financial services	42
Engineering or industrial company	39
Retail	38
Chemical or pharmaceutical company	36
Public sector	35
Energy, water or utility company	32
Law firm	29
Investment bank or fund managers	26
Consulting or business services firm	23
IT hardware or software company	22
Telecommunications company	19
Transport or logistics company	18
Construction company or consultancy	17
Accountancy or professional services firm	10

Source: trendence Institute

In total, 28.5% of respondents received between 1,001 and 2,500 applications in the 2007 recruitment season, and just over a fifth had between 501 and 1,000 applications to contend with (see Chart 2.3). A third received 2,501 applications and above.

Comparing 2007's figures to those seen in 2006, we observe somewhat higher proportions of organisations receiving relatively few (400 or fewer) and relatively many (5,000 and more) applications in 2007.

Chart 2.3 - Total applications received by AGR employers in 2007

Applications	Percent
More than 10,000 applications	6.9%
5,001 to 10,000 applications	10.0%
2,501 to 5,000 applications	15.4%
1,001 to 2,500 applications	28.5%
501 to 1,000 applications	20.8%
500 or less applications	18.5%

Source: trendence Institute

The Application Process in 2007

Exactly a quarter of applicants to AGR members' organisations in 2007 were invited to an initial interview, and 12% got through to the final round.

AGR members appear to be moving towards a more flexible applications schedule. Whereas in 2006 a little over a quarter (27%) of Summer Review respondents said they accept applications during most or all of the year, this figure had grown in 2007's Summer Review to over a third (34.8%; shown in Chart 2.4). A further fifth run more than one phase of applications during the year; this figure is similar to that recorded in 2006 (20%).
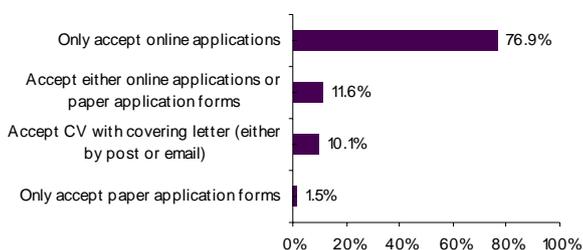
Chart 2.4 - The application process at AGR employers in 2007

Stage	Percent
Single application deadline in Sept / Oct 2006	2.5%
November	7.6%
December	5.6%
January 2007	5.1%
February	1.5%
March	1.5%
April or later	12.6%
More than one phase of applications during the year	21.2%
Applications accepted for most or all of the year	34.8%
Applications accepted on a job-by-job basis	7.6%
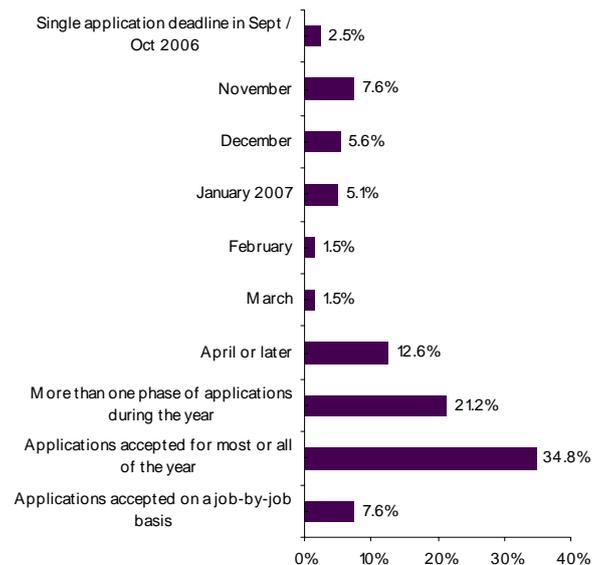
Source: trendence Institute

In terms of application methods, employers are turning more and more towards the online application. Last year's Summer Review reported that nearly two-thirds – 65% - of AGR employers were only accepting online applications. This year's corresponding figure, indicated by Chart 2.5, has swollen to over three-quarters (76.9%). One reason for this development could well be increasing awareness of the environmental impact of application procedures; please refer, in this context, to our discussion of corporate social and environmental responsibility in Chapter 4.

Chart 2.5 - The application methods at AGR employers in 2007

Application method	%
Only accept online applications	76.9%
Accept either online applications or paper application forms	11.6%
Accept CV with covering letter (either by post or email)	10.1%
Only accept paper application forms	1.5%

Source: trendence Institute

Selection Criteria

The 2:1 is clearly still the gold standard of application criteria at AGR employers. As a selection criterion, it is more popular than the demonstration by the candidate of certain competencies, with 64.1% specifying the former as a requirement and just 54% the latter (please refer to Chart 2.6). A third of respondents ask for a certain level of UCAS points, and a quarter require a 2:2 or above. Work experience is infrequently used as a selection criterion, with 10.6% indicating they require it. Of those employers who look at candidates' UCAS points, 42.9% require them to have 300 or above, 16.6% have a cut-off point of 320, and 10.7% ask for 340 (see Table 2.7).

As we can see in our discussion of changes in selection criteria below, some of the measures of a candidate's suitability for the organisation are currently being called into question by recruiters.

Table 2.7 - UCAS ponts/tariff cut-off levels	
	% of AGR employers
300	42.9%
320	16.6%
240	16.1%
340	10.7%
280	5.4%
260	3.6%
250	1.8%

Base: Percentage of AGR employers who have minimum UCAS pont/tariff requirements
Chart 2.6 - Academic requirements at AGR employers in 2007

Academic requirement	%
Applicants must have or expect a 2.1 or above	64.1%
Applicants must demonstrate certain competencies	54.0%
Applicants must have a certain level of UCAS points/tariff	33.3%
Applicants must have or expect a 2.2 or above	24.7%
Applicants must have studied specific degree courses	24.2%
Applicants must have had relevant work experience	10.6%
Applicants must have studied at particular universities	2.0%

Source: trendence Institute

Changes in Selection Criteria

Selection criteria respond to market conditions, the changing needs of organisations and the situation of graduates. With this in mind, we asked respondents who had recently changed their selection criteria, or were about to do so, to specify what these changes involved.

A substantial proportion of the changes revolves around academic criteria. Attitudes to UCAS points vary among our respondents. While some mention that they are including UCAS points in their application criteria, or considering doing so, in order to ensure a 'higher quality of graduate', others indicate that they are reconsidering or removing this part of selection criteria. Requirements relating to degree classification are also under review in some organisations. Three participants state that they will or may in future be prepared to consider applicants with a 2:2. It is clear that for many AGR employers, the days of academic criteria as the be-all and end-all are long gone; despite this fact, the extent to which some of them appear to be reducing emphasis on this side of things is interesting – particularly against the background of the 'grade inflation' phenomenon. One participant explains the idea behind allowing 2:2 as being to 'widen the pool and select on other criteria'. Another organisation is 'considering lowering the academic requirements for one area of the business to focus more on soft skills and to put more faith in the selection process' – and hence, one might infer, less faith in the ability of degree classes to accurately mirror the graduate competences that matter?

Psychometric testing – an area we look into in depth in Chapter 4 – has been or will be incorporated into the recruitment process by five organisations in future. One respondent whose organisation is planning to introduce verbal and numerical reasoning tests comments that 'degree qualifications are not a reliable indicator of this aptitude – unfortunately...'.

Other changes mentioned include a new emphasis on foreign languages – 'languages such as Russian, Cantonese and Arabic will be useful as our clients are becoming more international' -, stricter criteria in the initial assessment of applications – 'our conversion ratio of applications to interview is too high' -, and the introduction of leadership experience into selection criteria.

Methods of selection

As demonstrated by Chart 2.8, the most popular selection method used by Survey participants remains the final-round assessment centre or selection event, employed by 79% of respondents. Those who conduct first interviews at head office amount to 44%, and those using preliminary telephone screening come to two-fifths. On-campus first interviews are employed by a tenth of participants.

Chart 2.8 - Selection methods used by AGR employers in 2007
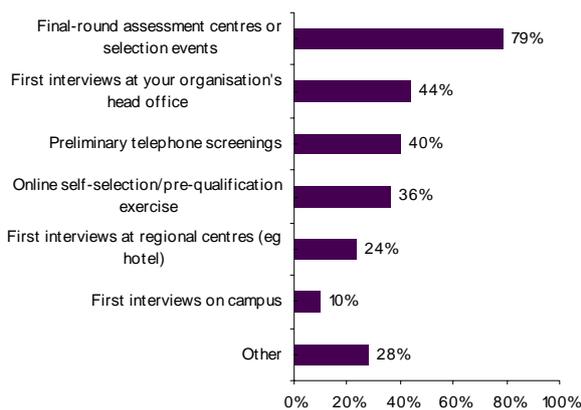
Source: trendence Institute

The most frequently employed self-selection or pre-qualification exercises among AGR employers, detailed in Chart 2.9, are numeric (used by 80.3%) and verbal reasoning tests (cited by 71.8%).

Chart 2.9 - Self-selection methods used by AGR employers in 2007
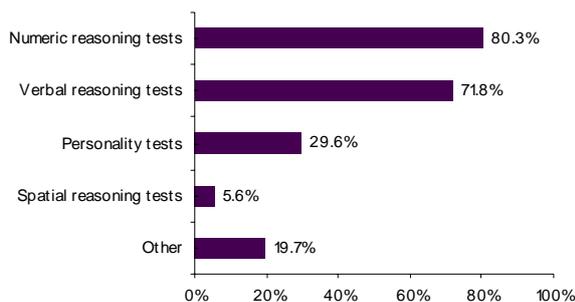
Source: trendence Institute

An emphatic majority (79%) of AGR employers process applications within three months; this figure is slightly up on 2006's (75%). The most frequent processing time – given by 37.9% (see Chart 2.10) - is between one and two months; in 2006, 30% took this amount of time to process applications.

Chart 2.10 - Time taken to process an application
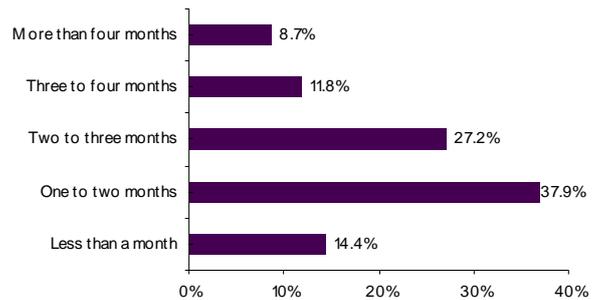
Source: trendence Institute

The Graduate Experience

Graduates in the application process

Onrec.com reported last year that, according to research conducted by Reed Consulting, over one in three graduates had 'actively switched brand loyalty' following a bad experience applying for a graduate job with the relevant company, and 22% had refused a job offer because of the 'organisation's behaviour during the recruitment process'. (Source: *http://www.onrec.com/newsstories/13022.asp*). This finding resonates interestingly with our mirror survey results in Chapter 4 below, which indicate lower satisfaction among student applicants with recruiters than among employers with students.

It is certainly the case that the main consumers of the graduate application process are not always slow to criticise it. When a participant in the Guardian's Fantasy Finalists series, published in 2003/4, complained that assessment centres were like 'cattle markets' and that 'the graduates who get the jobs are those who can afford to make job-hunting a full-time pursuit', many recent graduates wrote in to agree, with one commenting that the graduate recruitment process felt like a 'treadmill' and that government eulogising on the benefits of a degree had begun to appear disingenuous – 'the market already seems far too crowded' (Source: *The Guardian, 7 February and 27 March 2004*). Nevertheless, as our mirror survey findings regarding the demand-salary gap indicate, students and graduates do seem to be aware that a degree no longer automatically confers a job and that part of the graduate-employer interaction is about making skills and experiences stand out to the recruiter.

Application Acceptance Rates

Once they have received that prized job offer at an AGR employer, how many graduates actually accept it? As Chart 2.11 tells us, acceptance rates are healthy: almost a third of respondents are proud to report that their job acceptance rates reach 91% or higher. A further 31% each are taken up on 61% to 80%, and between 81% and 90%, of their graduate offers. Only 5% report that their acceptance rates have fallen below 60%.

Chart 2.11 - Acceptance rate for AGR employers
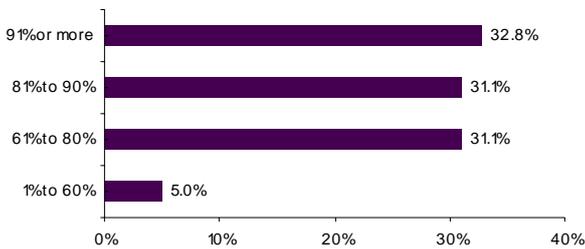
Source: trendence Institute

Quality of Applications

Chart 2.12 looks at AGR members' assessment of the quality of this year's crop of graduate applications. The majority – 57.1% - felt that the quality of applications they had received was generally on a par with last year's. A higher standard of applications was observed by 29.3%, and, reassuringly, just 13.6% took the view that the standard of applications had declined in comparison with the previous recruitment season.

Chart 2.12 - Quality of applications in 2007 compared to 2006
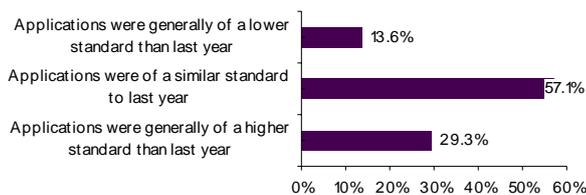
Source: trendence Institute

3

Chapter

Graduate Retention and Development

Graduate Retention and Development

Introduction

The third chapter of The AGR Graduate Recruitment Survey 2007 – Summer Review moves on from the application and assessment process to the next stage: how long do graduates stay in an organisation, what makes them stay (or leave), and how do they develop within the organisation? This part of the survey is conducted annually to benchmark how graduates develop and progress in their first five years of employment.

Employers were asked to state what percentage of graduates recruited in 2002, 2004 and 2006 remain working for the organisation. Further, the survey requested participants to assess their retention rates and categorise graduates' reasons for leaving their organisation. A mirror survey question contrasts these reasons with those factors which might persuade graduates to stay in an organisation longer then originally planned. We also report on graduate development programmes run by AGR members.

Graduate Retention

Before looking at actual retention rates, we commence this chapter by turning our attention to the graduates' side of things: why, in the view of their employers, do they leave their organisation? The responses to this question are illustrated by Chart 3.1.

Losing graduates to competitors seems to be a headache for many, with 31.5% selecting this option. Personal reasons and incompatibility between graduates' career goals and their role in the organisation are the major issue for a further 17.4% each. Dissatisfaction with career development was cited by 9.2%, and unhappiness with the salary or benefits on offer by 7.1%. Only 1.1% considered dissatisfaction with organisational culture to be a major problem. Those citing other reasons as the main issue amounted to 16.3%.

Chart 3.1 - Reasons why recruits leave organisations
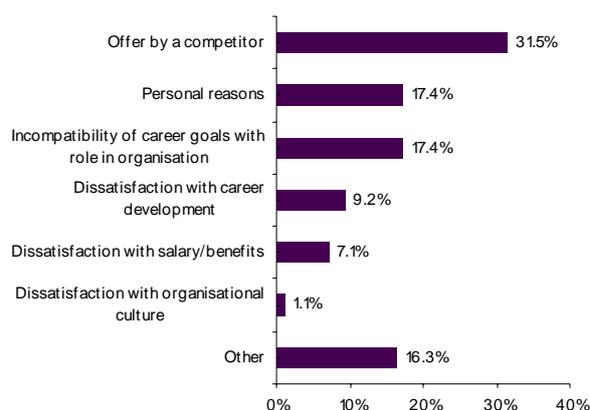
Source: trendence Institute

Mirror Survey

While we asked AGR members why they believe graduates leave their organisation, we phrased the mirror question to our students more positively, asking them to give the main reason which would tempt them to stay in an organisation longer than originally planned. The list of answer options reflected those open to AGR members in the question illustrated by Chart 3.1.

That the company is better than the competitors is only a principal reason for 1.4% of mirror survey respondents. The most popular reasons for a hypothetical longer stay in an organisation are particularly good career development, cited by over a quarter (27.6%) of students, and personal reasons, for example good work-life balance, which 22.3% felt would convince them to give long-term loyalty to an organisation. (Please also refer, in the context of work-life balance, to the findings of our mirror survey on alignment or conflict of employers' and graduates' interests below). Almost a fifth (19.8%) would be convinced to stay by particularly good salary or benefits, and 17.0% consider interesting work tasks to be an effective retention impetus.

Now to the concrete figures: In order to obtain a comprehensive picture of AGR members' graduate retention rates over several years, we asked our respondents to indicate what percentage of graduates recruited to start work one, three and five years ago – in 2006, 2004 and 2002 respectively – remained working for the organisation.

As Chart 3.2 shows, mean retention for the 2006 cohort stands at 92%, with two-thirds of respondents stating that between 91 and 100 per cent of graduates recruited for this start date were still with them. For 2004 (see Chart 3.3), the mean retention rate is 74%; only 13% had retained 91%-100% of 2004 recruits, while just over a third (34%) had retention of 76%-90% and 39% gave 51%-75%. The mean declines again for 2002, to 59%; for this year, 43% had retained 51-75% of recruits, and 38% said half of their 2002 intake was still working for them. Only 3% claimed to have retained 91%-100% (please refer to Chart 3.4).

Chart 3.2 - Retention rates for graduates recruited by AGR members one year ago, in 2006
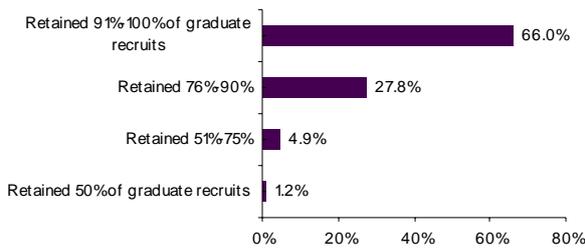
Base: Average percentage of graduates retained by AGR employers from those recruited in 2006
Source: trendence Institute

Chart 3.3 - Retention rates for graduates recruited by AGR members three years ago, in 2004
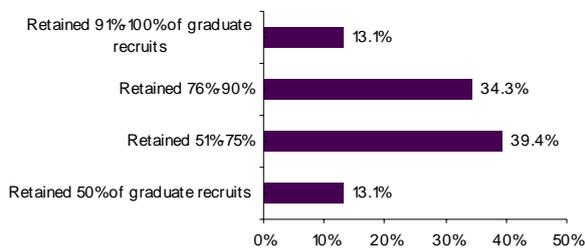
Base: Average percentage of graduates retained by AGR employers from those recruited in 2004
Source: trendence Institute

Chart 3.4 - Retention rates for graduates recruited by AGR members five years ago, in 2002


Base: Average percentage of graduates retained by AGR employers from those recruited in 2001
Source: trendence Institute

Satisfaction with retention rates

Almost exactly half of respondents consider their retention levels to be 'about right' for their organisation. This leaves, as Chart 3.5 demonstrates, just under half who are unhappy with their retention rates. A third (33.5%) consider that their organisation 'needs to retain a few more graduates', while retention of 'many more graduates' is a concern for 16.2%.

Chart 3.5 - Graduate retention
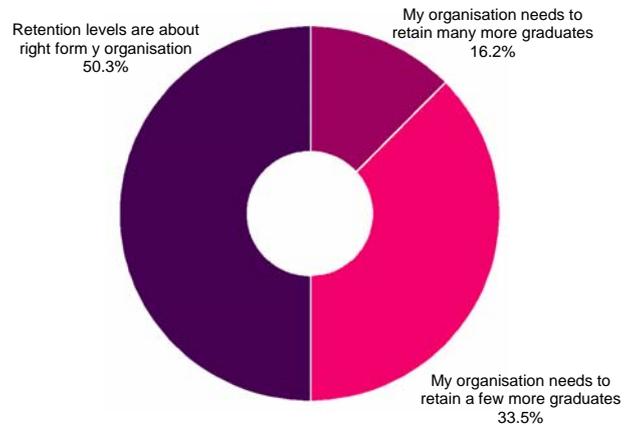
Source: trendence Institute

The Graduate Experience

Graduates in their first earning years

A study for the Chartered Institute of Personnel and Development (CIPD), looking at 2000 and 2005 graduates' views on their university and graduate experience, shows that those who are on graduate training schemes are more likely to consider that their organisation is meeting their needs than those who are not. Just over a quarter of those surveyed, however, feel that graduate training schemes are potentially divisive within their organisation. (Source: *Graduates in the workplace: does a degree add value?, CIPD 2006*).

General satisfaction with the world of work is offset by financial concerns, particularly in view of the increasing student debt burden and the pressure, in homeowning-oriented Britain, to climb the first rung of the property ladder, an ambition which former NUS president Gemma Tumelty has described as a 'pipedream' for many graduates. (Source: *interview on gradjobs.co.uk*).

Graduate Development Programmes

Chart 3.6 illustrates the types of graduate development programmes on offer at AGR employers. Specialist development programmes, i.e. those programmes offered within individual business functions, are offered by 43.7%. General programmes are conducted by another 21.8%, while a third offer both specialist and general programmes.

Chart 3.6 - Graduate Programmes
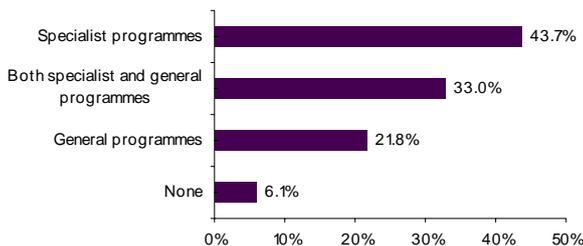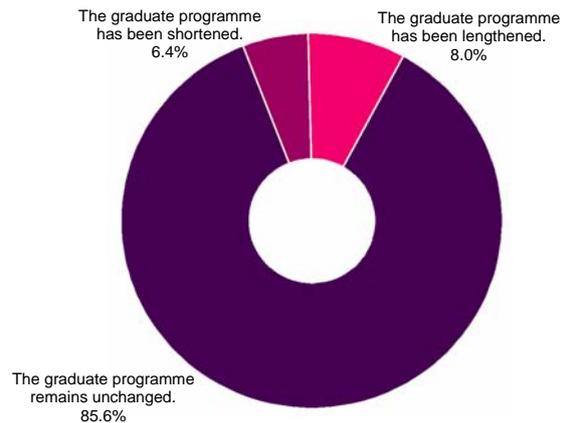

Source: trendence Institute

Length of graduate development programmes

This question was asked using an open text box in the questionnaire, hence allowing respondents to indicate where the length of their graduate development programme varied. The most commonly mentioned length was 2 years, followed by 3 years – this length was often cited in combination with study for and achievement of a professional qualification – and one year. Many organisations vary the length of their

programmes according to the progress of the individual graduate.

An overwhelming majority – 85.6% - report that their graduate programme has remained unchanged over the past three years. Fairly similar percentages say it has been lengthened (8.0%) and shortened (6.4%). (Please refer to Chart 3.7).

**Chart 3.7 - Graduate programme length changes**

Source: trendence Institute

Progression of graduates on development programmes

Chart 3.8 shows that the majority practice among AGR employers is to offer graduates a 'proper' role only at the end of their graduate development programme. However, a sizeable minority – 44.3% - allow their graduates to be offered and take up a position at any time during the programme.

**Chart 3.8 - Progression from graduate programme to full time position.**
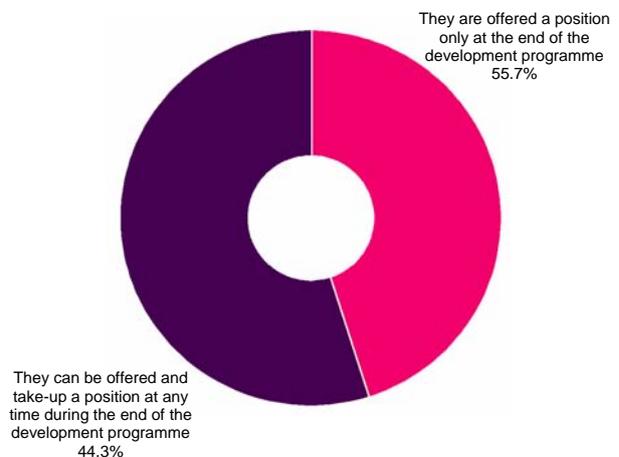
Source: trendence Institute

Appendix: Graduate start dates

Currently, the flexibility of rolling start dates or starting graduates on a job-by-job basis is preferred to fixed intake dates by just 26.9% of AGR employers.

For those who have a single start date for their new recruits in the late summer or autumn of 2007 – almost half of all participants (see Chart 3.9) -, September is the most popular month by far, with three-quarters (77%) starting their graduates then. October is the starting month for 11.5%; a further 11.5% choose a summer month (July or August). (Please refer to Table 3.10).

Chart 3.9 - Intake dates
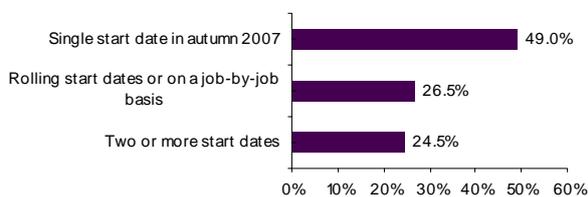
Source: trendence Institute

Table 3.10 - Single start dates (Autumn 2007)	
	% of AGR employers
September	77.0%
October	11.5%
August	9.2%
July	2.3%

Base: Percentage of AGR employers who have a single intake in the autumn of 2007

Organisations with multiple start dates amount to a quarter of total respondents. As Table 3.11 indicates, they tend to prefer the combinations March-September (18.2%) or September-October (9.1%).

Table 3.11 - Multiple start dates in 2007	
	% of AGR employers
March and September	18.2%
September and October	9.1%
April and September	6.8%
September and January	6.8%
March and September	6.8%
August and February	6.8%
February and September	4.5%
July and August	4.5%
July and September	4.5%
September and December	2.3%
August and September	2.3%
January and August	2.3%
July and October	2.3%
Other combination	22.7%

Base: Percentage of AGR employers with more than a single intake in 2007

4

Chapter

Key Issues in Graduate Recruitment

Key Issues in Graduate Recruitment

Introduction

This chapter concludes the Summer Review by examining employer and graduate perspectives on a series of issues with current relevance to graduate recruitment.

We begin with a close look at the recruitment process per se, with investigations of the role of psychometric testing in the selection processes employed by AGR members and employer satisfaction with the recruitment process and its results. This view is widened by an impression of AGR members' perspectives on the convergence or conflict of employers' and graduates' interests, and rounded off with information on AGR members' engagement with corporate social and environmental responsibility.

The chapter deals with a series of issues for which we posed complementary questions in our student mirror survey. In this way, it additionally demonstrates how upcoming graduates are thinking on these issues, contrasting employers' views directly with graduates' and mirroring the perspectives of graduate recruiters and graduates-to-be on both matters with direct relevance to the recruitment process and wider topics.
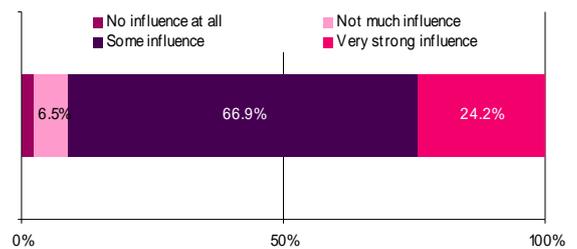
Psychometric Testing

Psychometric testing – the structured assessment of candidates' ability or personality by means of tests developed by psychologists – is becoming a significant part of the graduate recruitment process in many organisations. As Chart 4.1 illustrates, a substantial majority of AGR employers think favourably of such testing: a hefty 92% in total feel that it is a 'useful' (65.9%) or indeed 'very useful' (26%) aid to their recruitment process. We have similar responses to our question on the degree of influence the results of psychometric tests exert on recruiting decisions (demonstrated in Chart 4.2). Two-thirds ascribe 'some influence' to these results, and almost a quarter (24.2%) state that they have a 'very strong influence'. 'No influence at all' is reported by just 2%.

Chart 4.1 - Usefulness of psychometric testing
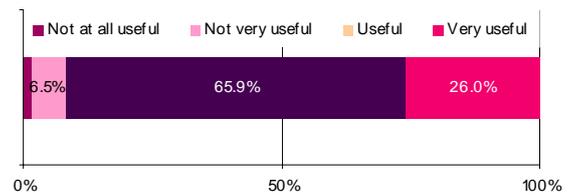
Source: trendence Institute

Chart 4.2 - The influence of psychometric testing

Source: trendence Institute

Further, members were asked to indicate which skills or strengths (or possibly weaknesses) they hope to identify in candidates by means of psychometric testing. The question was asked as an open text field, for the respondents to enter their own individual answers.

Analysis of the responses given shows that numeracy, numerical reasoning and logic clearly tops the table of skills looked for by psychometric testing among those organisations who conduct it, with 50 organisations mentioning this field in their answers. Second place is taken by literacy and verbal reasoning: 37 respondents report that their organisation uses psychometric tests to assess this competency. Analytical ability is also sought after, with 13 organisations measuring it in applicants via psychometric tests; the same number test for what one could describe as 'core competences' or 'soft skills', such as communication, leadership, time management and what one respondent describes as emotional intelligence. Eleven organisations say they investigate their applicants' problem solving, lateral thinking or critical reasoning abilities. Decision-making and ability under pressure are mentioned specifically by three participants each.

Mirror Survey

The prospect of psychometric testing during the application process can, no doubt, prove daunting to some upcoming graduates. With this in mind, we asked our 'mirror students' whether they would be put off applying to an organisation by the existence of psychometric testing in its application process. Reassuringly for companies which use psychometric tests, two-thirds say they would not. Almost a fifth would be deterred, and 13.2% were unsure.

To reflect graduates' perspective on the influence that psychometric testing exerts on AGR members' recruiting decisions, we further asked our student respondents to indicate the degree of importance they feel should be attached to the results of psychometric tests in graduate application and recruitment processes. It is evident from the results of this question that upcoming graduates are more sceptical about the informative value of psychometric testing than are many AGR employers. An index value of +0.1 (on a scale of -2, 'not at all important', to +2, 'very important') indicates that our mirror students feel psychometric tests should only be allotted a minor influence on recruitment decisions.

Graduates and the Recruitment Process

Earlier in the Summer Review, we reported on AGR members' views of the quality of their applicants. How happy are employers with what lands on their desks in recruitment season? We have good news, which we present in Chart 4.3: nearly three-quarters are 'satisfied' with the quality of applications they receive, and a further 10.8% are 'very satisfied'. Those who are 'very dissatisfied' amount to a minuscule 2%.

**Chart 4.3 - Level of satisfaction with applicants**
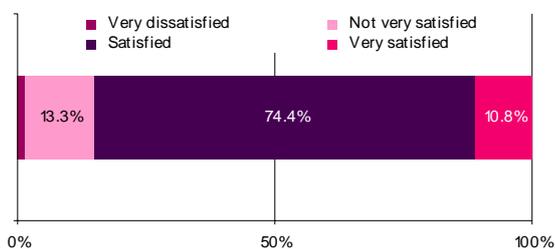
Source: trendence Institute

After this upbeat picture of employers' satisfaction with their candidate pool, we now turn our focus to the other side of the interviewer's desk: what are graduate recruiters doing right in the recruitment process? What are they doing so right that candidates give them

positive feedback? We asked our members to indicate which elements of their recruitment process candidates mentioned positively to them.

Recruiters' demeanour and behaviour are clearly hitting the right note with applicants: approachability of recruiters is a point an overwhelming 83% of respondents say their candidates experience positively, while 54% have had applicants comment on recruiters' politeness. Three-fifths have had the style of their interviews praised, and almost half have been commended by applicants for the simplicity of their recruitment process. Speed of response was a pleasant surprise for the would-be employees of 42% of Survey participants.

Chart 4.4 – Positive aspects of recruitment process
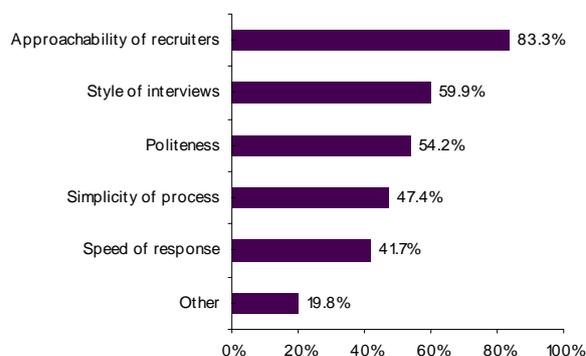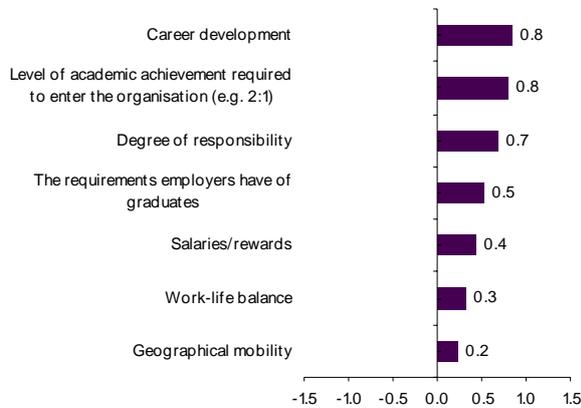

Source: trendence Institute

Along with the answer options we provided, respondents were able to add their own in an open text box. According to these open responses, several recruiters have heard from students who enjoyed their assessment centre experience, and others reported that candidates are pleased with the friendliness or relaxed atmosphere of the face-to-face elements of the selection process. Other applicants have communicated that they value the thoroughness and challenge of the organisation's recruitment procedures.

Despite all complaints and concerns about a 'disconnect' between graduates and employers (please refer to the 'Graduate Experience' box in this chapter), AGR members give an emphatically positive assessment of the concurrence of graduates' and recruiters' interests on a series of key issues. Indeed, there is no topic on which Survey participants as a whole consider these interests to be in conflict. They see a particular degree of alignment on matters of career development and levels of academic achievement required for graduate entry. The lowest degrees of alignment are perceived with regard to what one might describe as graduates' 'life issues' (rather than 'work issues' in a more narrow sense): geographical mobility and work-life balance. (Please refer to Chart 4.5).

Chart 4.5 - Alignment of interest / conflict for employers and graduates.

-2 "Strong conflict" - +2 "Strong alignment"
Source: trendence Institute

The Graduate Experience

Employers and graduates

Employers and graduates have been accused of 'speaking in different languages' by Sir Digby Jones, former director general of the CBI (quoted in The Guardian, 24 June 2006). A study by Demos puts it still more bluntly, referring to a 'damaging disconnect between young people and organisations'. Employers worry about graduates' skills at listening (many are 'likely to be better at talking') and self-management. (Source: *Working progress: how to reconnect young people and organisations, Demos/Orange 2006*).

Demos has found that a majority of the HR directors it interviewed 'find it increasingly difficult to find the right graduates with the right skills' – despite a staggering 91% of graduates in total feeling 'quite' or 'very' well prepared for the 'necessary [non-job-specific] skills needed for a working environment'. Employers do concede, however, that 'the demands placed on graduates have grown over the last ten years'. (Source: *ibid.*)

Staying on the subject of soft skills, those students in the thick of the recruitment process occasionally bemoan that they 'would have got more involved in extra-curricular activity [...] at university' if they'd realised it would 'help their employment prospects' (source: *UK Graduate Recruitment Review, trendence Institute 2007*). Please refer in this context to the findings of our questions on CSR and of our mirror survey on the same topic below.

Mirror Survey

Do students' perspectives match up with employers' strengths in the recruitment process? Giving our students the same list of aspects of the application process as our AGR respondents received above, we asked them to indicate a maximum of two which they consider as 'most important' to them. Speed of response and approachability of recruiters are neck-and-neck at the top, with almost half of respondents each selecting these options. Simplicity of application processes is of particular value to a further third (34.8%), and 29.1% set particular store by style of interviews. One-fifth have an especially close eye on recruiters' politeness. These results, compared with those AGR respondents gave on which elements of their recruitment process are praised by students, indicate that recruiters are clearly doing well.

We mirrored the measure of employers' satisfaction with the quality of applicants with a question to students on their degree of satisfaction with the recruitment processes of organisations they had applied to. Here, students are less euphoric than recruiters; satisfaction runs at an index value of +0.3 (on a scale of -2, 'very dissatisfied', to +2, 'very satisfied'). This still indicates a tendency to satisfaction rather than dissatisfaction, and it must be taken into consideration that graduates' views of an organisation's recruitment process may be coloured by their success or otherwise in that process. The finding, however, could raise some concerns about the graduate experience of the recruitment process.

How do the perspectives of graduates-to-be on their and employers' interests compare with those of the people seeking to recruit them? Our 'mirror students' were presented with the same list of issues as were AGR members, and were likewise asked to indicate the degree of alignment or conflict they perceived between employers' and graduates' interests in relation to each. In agreement with recruiters, our mirror survey respondents believe that graduates' and companies' interests in matters of career development are in relatively strong alignment. Students, however, are less sure than recruiters that employers and graduates are singing from the same hymn sheet in relation to levels of academic achievement required for graduate entry and on the degree of responsibility accorded to graduates in an organisation. We also uncover a potential communication issue for graduate employers: with regard to work-life balance, mirror survey respondents actually see a conflict of interests, whereas employers still tend to perceive alignment.

Corporate Social and Environmental Responsibility

CSR in the recruitment process

Corporate social responsibility (CSR) is without doubt a big issue. As Chart 4.6 shows us, AGR members concur, with a majority (57.1%) reporting that CSR is 'very important' in their organisation, and a further 38.8% viewing it as 'important'. Such a vital issue will obviously have at least some degree of effect on organisations' graduate recruitment procedures. Asked whether they are particularly interested in recruiting graduates who demonstrate social responsibility - in extra-curricular activities, for example - two-thirds (66.2%) say they are.

Chart 4.6 - Importance of corporate social responsibility
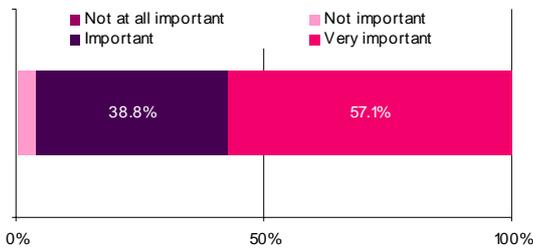
Source: trendence Institute

Our respondents are clearly aware of the interest in issues of CSR among their applicant base and several have actively picked up on this interest. Members comment that 'graduates often say they apply to us due to our core beliefs and work on CSR that are similar to their own', and that potential applicants are 'extremely attracted by the importance we give to social responsibility'. One respondent describes an extensive inclusion of CSR in their organisation's communication with students: 'We highlight these on our website, run specific campus sessions on CSR and many of our interviewers will be personally involved in CSR activities'. Another, however, offers a different perspective: 'We hear that it is important to graduates but then see no direct correlation – students are more swayed by reward than by CSR'.

Carbon footprint reduction policies

Asked about the way or ways in which their organisation tackles the issue of carbon footprint, one-third of respondents each report that their company policies on the issue are communicated externally, particularly to graduates and future employees, and that their policies are only communicated internally. This leaves, as we can see in Chart 4.7, roughly another third whose organisation either has not yet implemented carbon footprint reduction policies (24.5%) or does not actively address the issue (9.8%).

We asked respondents to enter the ways in which their carbon footprint awareness and reduction policies influence their recruitment processes.

Many employers have adopted practical measures to reduce the carbon and waste volume generated in the recruitment process. The major two sets of measures which are mentioned repeatedly are reduction in travel – by both applicants and recruiters – and reduction in waste generation by recycling of application-related waste, use of recycled paper, using less printed material and refraining from printing out application materials.

Some organisations have incorporated carbon footprint-related issues into the content of their application and recruitment processes; this could involve testing candidates on their awareness of the issues at assessment centres, specifically screening candidates for environmental and/or CSR awareness, or involving recruited graduates in related projects.

As indicated above, organisations are aware of students' interest in corporate social and environmental responsibility, and some do in fact promote their policies to their applicants, as this respondent comments: 'Graduates want to work for a "green" company and are impressed if you have good policies (and more importantly practices) in place'. One organisation, indeed, is planning for its carbon footprint reduction and environmental policies to 'provide the background to the attraction and selection materials for the 2008 recruitment campaign'. Nevertheless, another participant rejects the idea of jumping on the green 'bandwagon', commenting that 'we have been environmentally aware for ages – not just since it became popular.'

Chart 4.7 - Company policy on carbon footprints
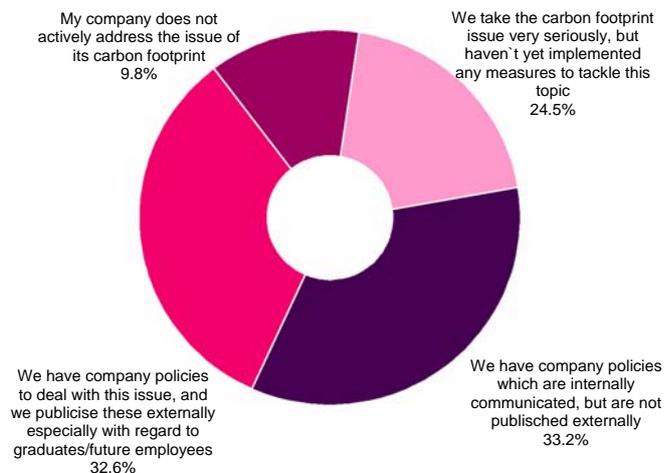
Source: trendence Institute

Mirror Survey

Is the significance major graduate recruiters attach to CSR matched by that which students assign to it? Our future graduates were asked to indicate how important CSR is to them as applicants. We can report that they speak in unison with their employers on this issue: an index value of +0.8 (on a scale of -2, 'not at all important', to +2, 'very important') proves that CSR is well and truly on the student agenda.

The demonstration of social responsibility is clearly an attractive asset a graduate brings into the application process. Are students themselves aware of this potential bonus? Going by our mirror survey results, they certainly are: 70% of our student respondents are convinced that their demonstration of social responsibility will be a help to them in clinching their ideal graduate job.

About trendence

trendence is Europe's leading research institute specialising in the areas of employer branding, personnel marketing and recruiting.

trendence surveys over 200,000 students, graduates and young professionals on a yearly basis to extract up-to-the-minute information about their expectations and preferences in terms of their employer of choice and career decisions. The results of these studies support the recruitment and human resources departments of major companies in making important decisions about their recruiting and personnel marketing strategies, and enable them to understand their target groups' perspective and to gather vital information about potential recruits.

The surveys are conducted on a national, pan-European and international level. Examples of trendence research studies are Das Absolventenbarometer (Germany), The UK Graduate Recruitment Review, The European Student Barometer and the Baromètre Etudiants (France).