



The AGR Graduate Recruitment Survey 2006

Winter Review

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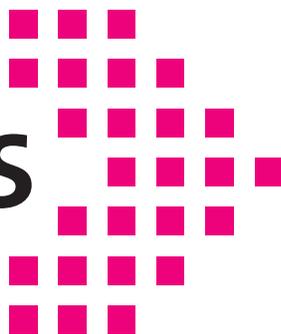
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Executive Summary

The Winter Review of *The AGR Graduate Recruitment Survey 2006* is based on research conducted for AGR by Hobsons' Planning and Research Division.

222 graduate employers took part in the research during November 2005.

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

- Predicted vacancies and salaries for 2006
- Actual vacancy and salary levels for 2005
- Recruitment shortfalls and challenges for 2006
- Recruitment marketing budgets in 2006 and 2005
- Hot topics for 2006

Graduate Vacancies

- Vacancies are predicted to increase by 14.6% in 2006. This would be the third consecutive year of growth
- More than half of employers (58%) expect to hire more graduates in 2006 than they did in 2005
- The majority of graduates will be recruited for positions in London or the South East in 2006
- The greatest percentage increase in vacancies will be in manufacturing engineering, sales, research and development, investment banking and IT
- The sectors recruiting the largest numbers of graduates continue to be accountancy and professional services, investment banking and law.
- Actual graduate vacancies in 2005 increased by 5.1%

Graduate Salaries

- In 2006, median starting salaries are predicted

to increase by only 2.3% to around £23,000

- The public sector, telecommunications and construction and oil are the sectors predicting the biggest salary increases in 2006
- 2006 median starting salaries are predicted to increase most in the South West
- Actual median graduate starting salaries increased by 7.1% in 2005, exceeding expectations

Recruitment Shortfalls and Challenges

- Employers do not foresee starting salaries to cause them a recruiting challenge in 2006
- Of those employers expecting to face difficulties in fulfilling their recruitment objectives, almost three out of five (57.6%) do not expect to receive sufficient applications from graduates with the correct skills

Recruitment Marketing Budgets

- Spend on recruitment brochures has fallen and is forecast to fall further in 2006
- Total spend on attending careers fairs and on campus presentations is forecast to fall slightly
- The proportion of employers targeting specific universities is predicted to increase in 2006
- There has been a strong increase in the number of employers who will target more than 20 universities suggesting that the milk-round could be making a come-back
- Media spend per vacancy was £1,680 in 2005

Hot Topics for 2006

- Competition for graduates
- Age discrimination legislation
- Graduate expectations
- Grade inflation at school and university
- Recruiting a racially diverse workforce

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Chapter Introduction

Introduction

Researching the Graduate Market

Welcome to *The AGR Graduate Recruitment Survey 2006 – Winter Review*. This is the definitive survey of AGR members and their recruitment practices, and as such represents the primary source of information regarding recruitment levels, methods and practices among employers. It provides AGR members with twice-yearly, up-to-the-minute insights into the latest graduate market conditions, as well as regular benchmarking of key market indicators such as salary and vacancy levels; invaluable information for employers.

The Winter Review presents an assessment of the latest graduate remuneration and vacancy levels. It also examines how employers have marketed their graduate opportunities during the 2004–2005 recruitment season (referred to as 2005 throughout) and how they are planning recruitment marketing campaigns in the 2005–2006 recruitment season (referred to as 2006 throughout).

The Summer Review, published in June 2006, will examine recruitment practices and strategies, by assessing selection and assessment procedures, retention rates and salary progression.

The AGR Graduate Recruitment Survey has been conducted on behalf of the AGR by Hobsons' Planning and Research Division. Hobsons is the single largest provider of global education and recruitment information services and research, and as such is the market leader in helping organisations around the world practise excellence in student recruitment planning, development and delivery. Hobsons' Planning and Research Division annually researches the opinions of 40,000 European students from 13 countries, over 18,000 domestic students and young professionals, and its surveys include the annual Graduate Recruitment Review, the European Student Barometer and the School-

leaver Recruitment Review of 10,000 16–18 year olds, which is produced in association with *The Times Higher Education Supplement*.

Methodology

AGR members were invited to participate in the survey by e-mail. These messages contained a Web-link and personal password with which each employer could access the online survey. Members also had the option of filling in the survey in hard-copy form or calling the Research team 'hotline' and completing the survey over the phone.

The questionnaire contained a range of questions relating to graduate recruitment practices during the 2004–2005 and 2005–2006 recruitment seasons. There was a particular emphasis on graduate vacancies, remuneration and graduate recruitment marketing.

The questionnaire was especially designed to enable the data to be analysed according to various organisational characteristics (e.g. industry or business sector, or location) or by the career area or business function into which the graduates are recruited.

Participation

Hobsons' Planning and Research Division invited 344 AGR members to participate in *The AGR Graduate Recruitment Survey 2006*. At the close of the field period, 222 employers had completed the questionnaire. This corresponds to a completion rate of 65%.

The AGR members who took part in the survey are:

3M United Kingdom plc

A

ABB Ltd
Accenture
Addleshaw Goddard
AIA
Airbus UK
Allen and Overy LLP
Allianz Cornhill Insurance
AMEC
American Express
Aon UK
Arcadia Group Ltd
Arriva plc
Arup
ASDA Stores
AstraZeneca
Atkins
Atos Origin
Audit Commission
AXA
AXA Investment Managers

B

Badenoch & Clark
BAE Systems
Baillie Gifford & Co
Baker & McKenzie
Baker Tilly
Balfour Beatty
Bank of England
Barclays Bank plc
Barclays Capital
BDO Stoy Hayward LLP
Berwin Leighton Paisner
BG Group
BHS Ltd
Black & Decker
BNP Paribas
BP International Ltd
British Medical Association
British Nuclear Group
British Standards Institution
BT plc

C

Cabinet Office
Cadbury Schweppes plc
Capgemini UK plc
Capital One
Carillion
Caterpillar
The Cauldwell Group

Cedar Software Ltd
Centrica
CHEP UK Ltd
Christian Salvesen
Citigroup
Clifford Chance
Clyde & Co
CMS Cameron McKenna
The Co-operative Group
Corus
Croda International plc

D

Danone
Data Connection Ltd
Davies Arnold Cooper
Deloitte
Denton Wilde Sapte
Deutsche Bank
Diageo
Discovery Recruitment
Dixon Wilson
DLA Piper Rudnick Gray Cary UK LLP
DML
Dunnhumby

E

E.ON UK
East Midlands Development Agency
EC Harris
ECA International
EDF Energy
Employers' Organisation for local government
Endsleigh Insurance
Enterprise Rent-A-Car
Ernst & Young
Euro RSCG Riley
Eversheds
Expedia.com Ltd
Explore Learning Ltd
ExxonMobil

F

FaberMaunsell
Fidelity Investments
Financial Services Authority
Financial Times Ltd
FKI
Freshfields Bruckhaus Deringer

G

Gardiner & Theobald
GCHQ
Gifford
Gist
GlaxoSmithKline
Goldman Sachs

Government Economic Service
Greggs plc

H

Halcrow Group Ltd
Halliwells LLP
HAT Group of Accountants
Haymarket Business Publications Ltd
HBOS
Herbert Smith
The Higham Group
Highways Agency
Hilton International
HM Prison Service
HM Treasury
Horwath Clark Whitehill
Hydro

I

ICI plc
ifgraduates
Inland Revenue
Insight UK Ltd
The Institute of Chartered Accountants of Scotland
Interfleet Technology Ltd
IQuentis Ltd
Irwin Mitchell

J

J Sainsbury plc
John Lewis
Johnson Matthey plc
Jones Day
JPMorgan
JPMorgan Cazenove

K

Kerry Foods Ltd
KPMG

L

L'Oréal
Lazard
Lehman Brothers
Linklaters
Lloyds TSB
LogicaCMG
Lovells

M

M&G Investments
Macdonald Hotels & Resorts
Mace Ltd
Macfarlanes
The Maersk Company Limited
Majestic Wine Warehouses
Marks & Spencer plc
Mars Inc

Marsh UK Ltd
Mayer, Brown, Rowe & Maw LLP
MBDA UK
McDonalds Restaurants Ltd
McKinsey & Company
Mercer HR Consulting
Merrill Lynch Europe plc
Microsoft
Mills & Reeve
Morgan Stanley
Motability Operations

N

Nabarro Nathanson
National Australia Group
National Express Group
National Grid
Nationwide Building Society
NCVO
Nestlé UK
Network Rail
NG Bailey
NHS Institute for Innovation and Improvement
NHS Scotland
Nortel
Northern Foods plc
Northern Ireland Audit Office
Norton Rose

O

Oracle Corporation UK Ltd
Orange PCS Ltd
Osborne Clarke

P

Pilkington United Kingdom Ltd
PricewaterhouseCoopers
PSA Peugeot Citröen

Q

QinetiQ

R

Rank Group Gaming Division
RBC Capital Markets
Renishaw plc
Reynolds Porter Chamberlain
Richards Butler
RM
Rolls-Royce plc
Royal Bank of Scotland Group
Royal Mail
RSM Robson Rhodes

S

Saffery Champness
Samworth Brothers
Schlumberger Oilfield UK
Scope

Scottish & Newcastle plc
Scottish Power
Shell International Ltd
Siemens plc
Simmons & Simmons
SJ Berwin
Slaughter and May
Smiths Aerospace
Stephenson Harwood
SThree
Swiss Re

T

Taylor Wessing
Teach First
Tesco Stores Ltd
Thales Group
Thames Water Utilities
TLT Solicitors
TNS
Total UK
Towers Perrin
Transport for London

U

UKAEA
Unilever UK

V

Vodafone UK

W

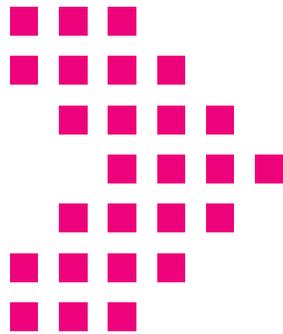
Waitrose
Wates Group Limited
Watson, Farley & Williams
WestLB AG
Wincanton plc
Wolseley plc
Wragge & Co

Y

Yorkshire Water Services Ltd

2

Chapter



**Graduate
Vacancies**

Graduate Vacancies



Introduction

This first section of *The AGR Graduate Recruitment Survey 2006* presents an analysis of the graduate vacancies that AGR members are seeking to fill in the 2006 recruitment season, compared with actual recruitment in 2005.

Employers were asked to give the actual numbers of graduates recruited into their organisation during the 2005 recruitment season (typically to start work in the autumn of 2005), along with the number of graduates they expect to recruit in the 2006 season.

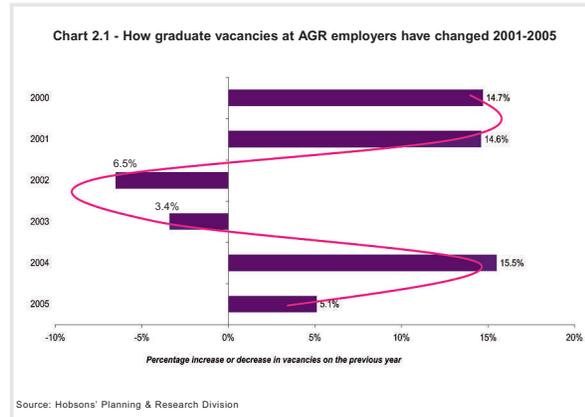
Each member was required to enter their total recruitment levels for both seasons, as well as a breakdown of recruitment in their organisation on a location and business function level. The benefit of this approach is that employers who focus their recruitment on certain geographic areas or to specific business functions or industry sectors are able to analyse how the market is behaving on such a level. Thus, organisations that recruit solely within London are able to gain an insight into this distinct recruitment market, regardless of the business sector or the industry in which they operate.

Similarly, organisations that recruit graduates seeking to enter clearly defined career areas, such as law firms, are able to extract information pertaining specifically to the legal industry and law graduates. This type of powerful analysis is capable of answering the questions that are specific to each graduate employer.

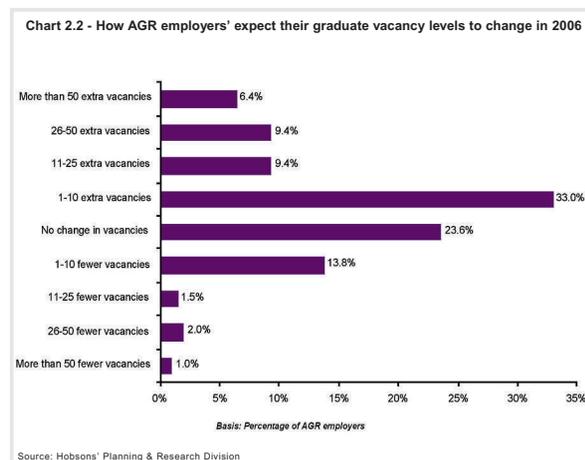
Graduate Vacancies in 2005 and 2006

A key finding of last year's survey was that graduate employers were anticipating a very healthy 14.5% increase in total recruitment in 2005, compared with the preceding recruitment season. An interesting result of this year's survey is that this growth in 2005 actually turned out to be weaker than predicted, at just 5.1% (see Chart 2.1).

- This growth trend is expected to continue into the next recruiting season at a higher rate. The predicted total recruitment in 2006 by AGR members is 19,496, which represents a 14.6% increase on the 17,019 actual vacancies provided by those same employers in 2005



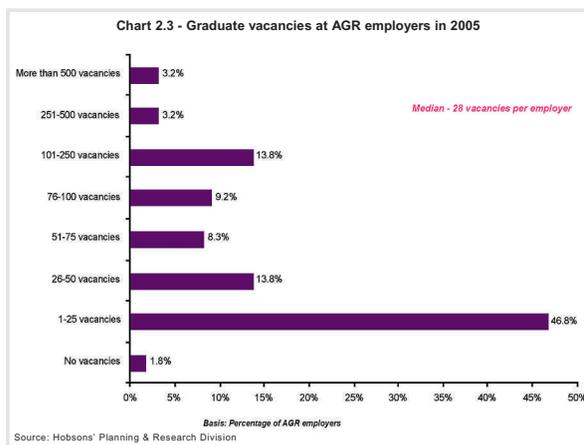
- More than half of these employers (58%) expect to hire more graduates in 2006 than they did in 2005, while 24% state that they expect to hire the same number. Just 18% expect to hire fewer than in 2005
- One third of employers expect their vacancies to increase by one to 10, whereas 13.8% expect the vacancies to decrease by this amount
- More than one quarter of employers expect their vacancies to increase by more than 10 (see Chart 2.2)



If the prediction holds true, 2006 will be the third consecutive year of growth in the graduate recruitment market. This means that competition among employers for high-calibre graduates will be fierce and that some

organisations could experience difficulties in fulfilling their recruitment objectives. These themes are further addressed later in this chapter.

The median value of vacancies among AGR members in 2005 was 28, one more than in 2004. Almost half of the employers had between one and 25 vacancies although there were significant numbers of employers with more than 100 vacancies (see Chart 2.3).



Profiling Graduate Vacancies in 2005

The strength of the graduate recruitment market can be further investigated by assessing the differences that are present between certain sub-groups: the industry or business sector of the employer; the geographical location of the vacancies and the business function or career area of the vacancies.

Vacancies by Business Sector 2005

- In 2005, accountancy or professional services firms provided almost one quarter (24.6%) of graduate vacancies (see Table 2.4), an even greater proportion than in the 2004 season
- The business sectors that provided the next greatest number of vacancies in 2005 were investment banks or fund managers, law firms, and engineering or industrial companies
- The public sector, which in 2004 provided the second highest number of vacancies, provided the fifth greatest number of vacancies in 2005
- Industries providing only a small proportion of vacancies included insurance companies, and transport and logistics companies

	% of total vacancies
Accountancy or professional services firm	24.6%
Investment bank or fund managers	10.2%
Law firm	8.5%
Engineering or industrial company	8.4%
Public sector	8.3%
Banking or financial services	7.7%
Retail	5.6%
Consulting or business services firm	4.4%
Telecommunications company	3.6%
Energy, water or utility company	2.1%
IT hardware or software company	1.9%
Construction company or consultancy	1.5%
Oil company	1.3%
FMCG company	1.1%
Chemical or pharmaceutical company	0.7%
Transport or logistics company	0.7%
Insurance company	0.3%

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

Vacancies by Geographical Location

There has been very little change to the geographical distribution of vacancies, compared to last year's results.

- More than half of the vacancies in 2005 were in London or the South East (see Table 2.5)

	% of total vacancies
London	43.1%
South East	10.5%
The Midlands	9.1%
South West	8.3%
North West	6.0%
Scotland	4.2%
Yorkshire	3.1%
North East	2.2%
East Anglia	2.0%
Wales	1.6%
Northern Ireland	0.7%
Ireland	0.5%
Europe	2.3%
USA	3.8%
Asia	1.1%
Rest of the world	1.6%

- The Midlands, the South West and North West also contributed significant numbers of vacancies but the remaining regions of the UK, as well as Ireland, contributed rather low numbers. There is a marked increase in recruiting for positions in Europe, the USA, Asia or elsewhere
- In 2004 just 3% of vacancies were international compared to almost 9% in 2005. This seems mainly due to an increase in vacancies in the USA, although the other international regions report significantly more vacancies

Vacancies by Business Function

- Accountancy was the business function for which most vacancies existed in 2005, with more than one quarter of vacancies (see Table 2.6)

Table 2.6 - Vacancies at AGR employers by business function or career area of vacancies in 2005	
	% of total vacancies
Accountancy	26.1%
General management	12.1%
Investment banking	10.2%
Legal work	9.6%
IT	8.0%
Consulting	6.2%
Retail management	4.2%
Financial management	3.3%
Civil engineering	2.6%
Electrical/electronic engineering	2.4%
Sales	2.3%
Mechanical engineering	2.1%
Science	1.4%
Marketing	1.4%
Purchasing	1.3%
Logistics	1.2%
Manufacturing engineering	1.2%
Human resources	1.1%
Research and development	0.8%
Actuarial work	0.8%
Other functions	1.8%

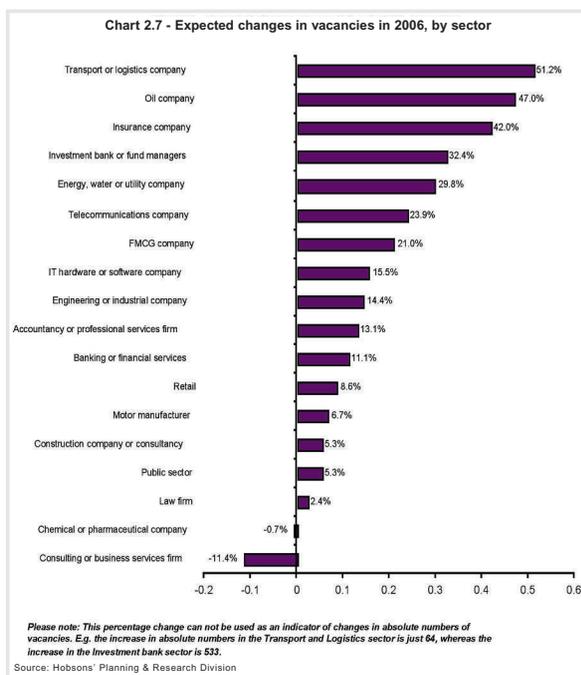
- General management, although having far fewer vacancies than in 2004, was still the business function that had the second highest number of vacancies

- Investment banking, legal work, IT and consulting were also active recruitment sectors
- A significant number of graduates (8.3%) were recruited into engineering roles; including civil engineering, electrical/electronic engineering, mechanical engineering and manufacturing engineering

Changes in Graduate Vacancies in 2006

Vacancies by Business Sector

The majority of industries and business sectors expect to experience a growth in recruitment in the 2006 recruitment season. The industries exhibiting the largest predicted proportional increase in graduate vacancies in 2006 are transport or logistics companies,



oil companies, and insurance companies (see Chart 2.7). These industries are expecting a minimum of a 40% increase in graduate vacancies in 2006. However, these values are distorted because they are derived from a comparatively small base. For example, insurance companies expect an increase of 42%, although this actually only means an increase in absolute vacancies from 50 to 71 (see Graph 2.8 next page).

The numbers of vacancies in the pharmaceutical sector are not expected to change significantly in 2006. In Consultancy, however, AGR members predict a

significant decrease of 94 vacancies (from a total of 826 vacancies in 2005 to a total of 732 in 2006).



Vacancies by Geographical Location

Calculation of the changes in the number of graduate vacancies on a geographical basis required two provisos. Firstly, the employer had to have answered both parts of the question, i.e. entered values for 2005 and 2006. The second proviso was that at least ten employers had to have entered data for any individual location.

- The greatest proportional growth in graduate recruitment vacancies is the North East with an increase of almost 50% (see Table 2.9)
- East Anglia, Scotland, Wales and Yorkshire are also predicted to experience strong growth in excess of 15%, whereas London and the South East are predicted to experience growth of 10% and 12% respectively

Geographical Location	% change in vacancies
London	10.0%
South East	12.0%
The Midlands	9.8%
South West	-5.6%
North West	2.7%
Scotland	24.3%
Yorkshire	16.2%
North East	49.6%
East Anglia	28.9%
Wales	16.2%
Europe	34.8%

Please note: Locations with insufficient data have been omitted.

- The South West is the only region expected to experience a contraction in graduate vacancies (-6%)
- Overall, vacancies in Europe are predicted to increase markedly (34.8%), although this is mostly due to an increase in the number of employers assigned responsibility to recruit for positions in Europe rather than an increase in actual vacancies.

Vacancies by Business Function

The same provisos were also in place when the changes in vacancy levels were considered on a business function and career area basis. This resulted in civil engineering and electrical/electronic engineering being excluded from the analysis, as the number of AGR members who had entered confirmed data for 2006 was insufficient for these areas (see Table 2.10).

Business Function	% change in vacancies
Manufacturing engineering	38.4%
Sales	35.0%
Research and development	29.8%
Investment banking	25.4%
IT	23.9%
Financial management	16.2%
Accountancy	15.3%
General management	15.0%
Retail management	14.6%
Marketing	13.2%
Human resources	9.2%
Legal work	4.9%
Logistics	1.7%
Mechanical engineering	0.0%
Actuarial work	-0.9%
Science	-8.3%
Purchasing	-11.5%
Consulting	-16.6%

Please note: Business functions with insufficient data have been omitted. These results differ from the results shown in chart 2.7, because they show the "tasks" that the vacancy stands for, whereas chart 2.7 reflects the company sector.

- The business function for which the number of vacancies is predicted to increase most is manufacturing engineering (38.4%)
- Increases in excess of 20% are predicted in sales, research and development, investment banking and IT
- Graduate vacancies in financial management,

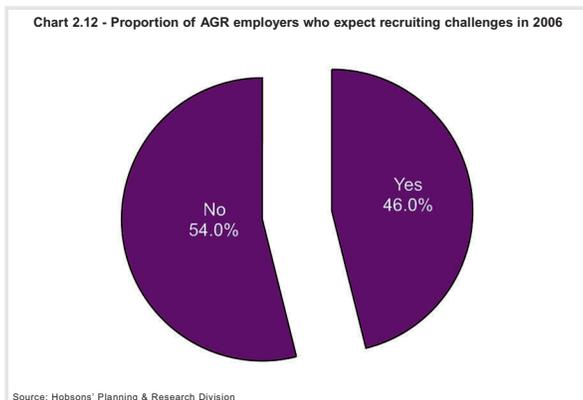
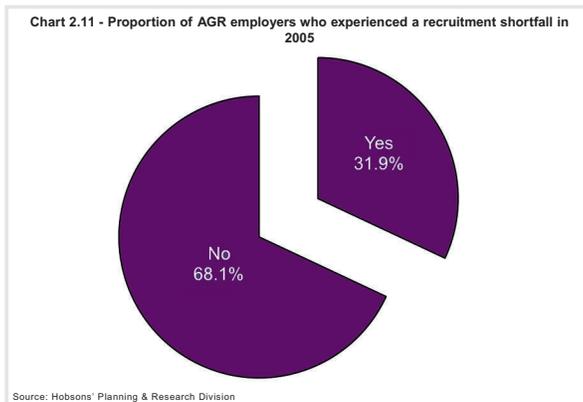
accountancy, general management, retail management and marketing are also predicted to increase considerably (by more than 10%)

- Consulting, purchasing, science and actuarial work vacancies are predicted to decrease

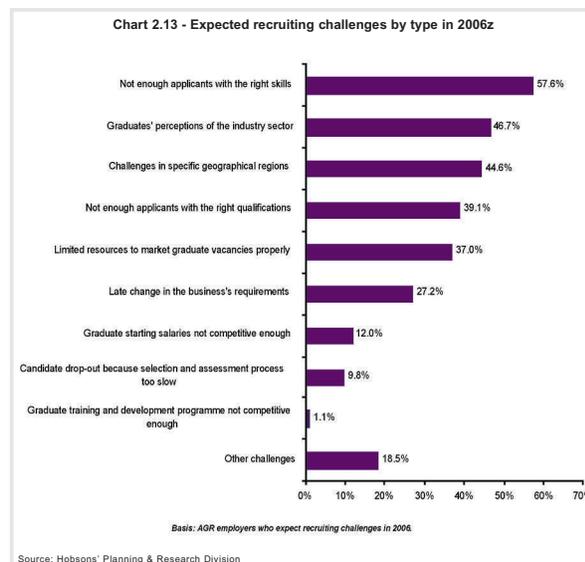
Recruitment Shortfalls in 2005 and Challenges for 2006

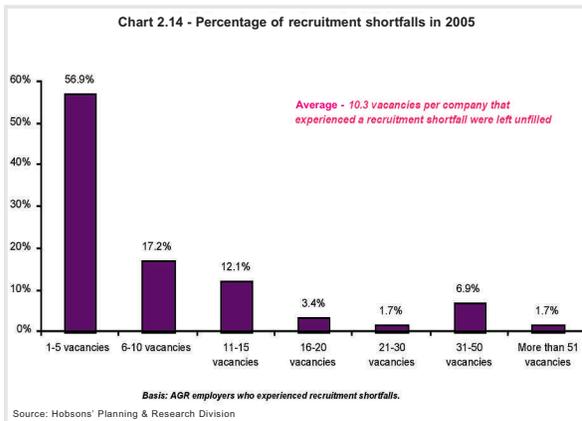
As reported previously, the growth in vacancies over the past few years implies that competition for high-quality graduates is very strong and employers may therefore have faced difficulties in fulfilling their recruitment objectives.

To assess this, employers were asked to specify whether they had experienced a shortfall in recruitment and also what they perceived to be the most prevalent challenges facing them in respect to fulfilling their recruitment objectives. 31.9% of the employers confirmed that they were unable to find sufficient candidates for all their graduate vacancies in 2005, leaving 598 positions unfilled (see Chart 2.11). These values are similar to those recorded in last year's survey.



- In 2006, 46% of those who answered the question, expect to face difficulties in fulfilling their recruitment objectives (see Chart 2.12). Of these, almost three out of five (57.6%) do not expect to receive sufficient applications from graduates with the correct skills (see Chart 2.13)
- Other commonly quoted challenges that employers expect to face relate to graduates' perceptions of the industry sector (46.7%), geographical issues (44.6%), insufficient applicants with the correct qualifications (39.1%), limited graduate recruitment marketing resources (37.0%), and late changes in the recruitment requirements of the company (27.2%)
- Only one in 10 considered an uncompetitive starting salary or candidate drop-outs due to a long application process to be challenges
- Other challenges mentioned by employers included a lack of female applicants for technical positions, recognition of the company as an employer brand and increased competition from US firms for law students
- Of those employers who experienced recruitment shortfalls in 2005, the majority (56.9%) had between one and five unfilled vacancies (see Chart 2.14). However, the average was a shortfall of 10.3 vacancies

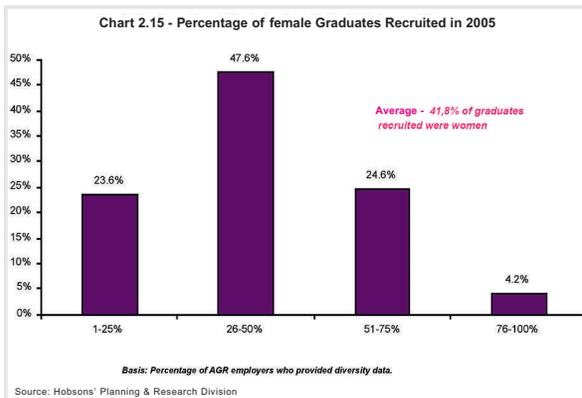




Diversity and Age of Graduates in 2005

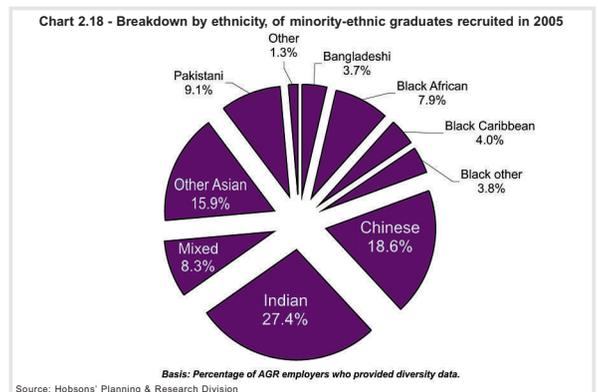
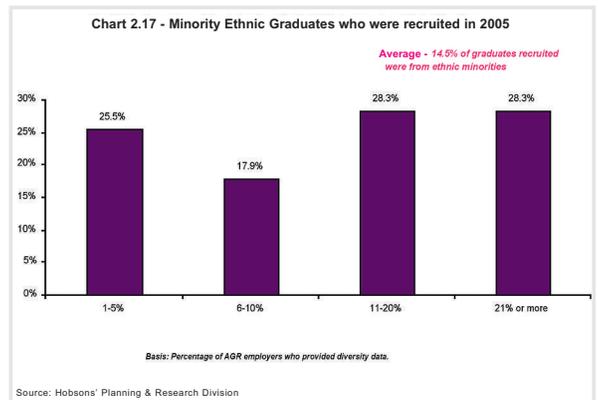
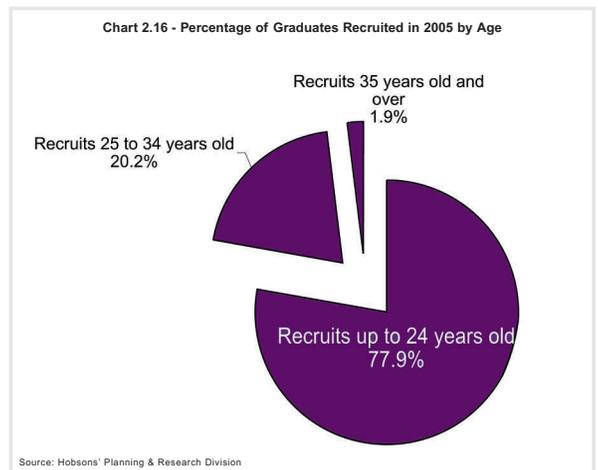
Diversity in the workplace is a serious and topical issue for all employers. To assess how diversity in the workforce is being addressed in the recruitment market, employers were asked to specify the gender, age and ethnic make-up of their recruits in the 2005 recruitment season.

- On average, 41.8% of graduate recruits in 2005 were women (see Chart 2.15). This is a very slight increase on the results of last year. Seven out of 10 (71.2%) AGR members recruited male majorities



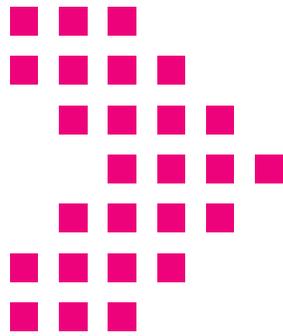
- More than three quarters of all recruits in 2005 were 24 years old or younger. A further fifth were between 25 and 34 years old but only 2% were 35 years old or older (see Chart 2.16)
- The proportion of graduates who come from minority-ethnic backgrounds has also risen on last year, with the total proportion of minority-ethnic recruits in 2005 increasing to 14.5% (see Chart 2.17 and Chart 2.18)

- Of those recruits from minority-ethnic backgrounds in 2005, the largest proportion was Indian (27%). Chinese recruits were the next best-represented minority-ethnic group (19%)
- One fifth of AGR members (20.6%) stated that in 2005 they had recruited at least one graduate with a disability. However, on average only 0.6% of all recruits had a disability



3

Chapter



**Graduate
Salaries**

Graduate Salaries



Introduction

This section of *The AGR Graduate Recruitment Survey 2006* investigates the salaries that employers are planning to pay new graduate recruits when they start in 2006, along with the salaries they paid in 2005.

The respondents were asked to enter graduate starting salaries in terms of a national average as well as on a location and business function basis. This was done to determine whether any differences exist in graduate salary levels between geographical regions or business functions.

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

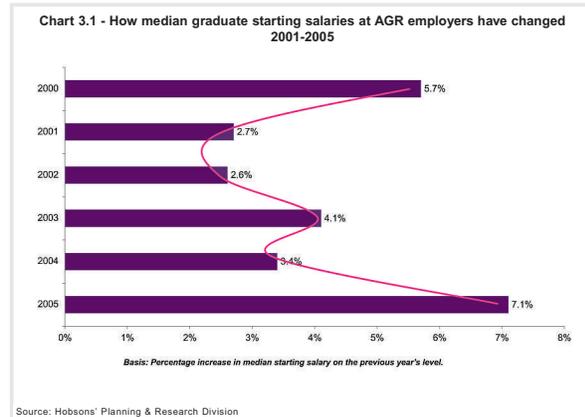
For example, to determine the median salary for five different employers who are offering 25 vacancies between them, the median salary is calculated to be the 13th highest salary (the mid-point) of the 25 individual vacancies, not the 3rd highest salary from the five employers. The upper and lower quartiles are also occasionally presented. The median is the 50th percentile, the Upper Quartile is the 75th percentile and the Lower Quartile is the 25th percentile.

All the results shown in this section refer to the actual starting salaries paid in 2005, versus likely predicted starting salaries for 2006.

Graduate Salaries in 2005 and 2006

In last year's survey, AGR employers predicted that the median starting salary would rise by 4.8%. However, results show that salary growth was underestimated and that the median starting salary has actually increased by 7.1% in 2005 (see Chart 3.1).

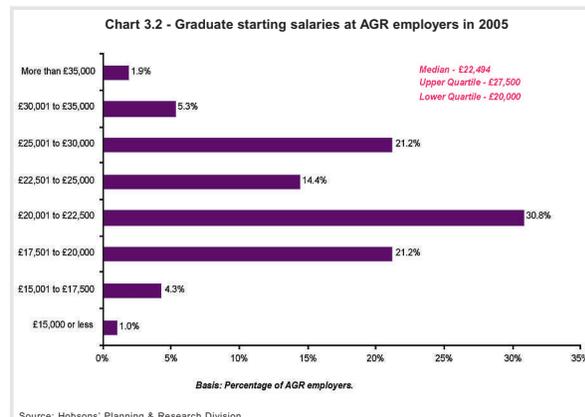
Despite employers predicting a 14.6% increase in the number of vacancies in 2006, overall median starting salaries are predicted to increase by just 2.3% (to £ 23,011).



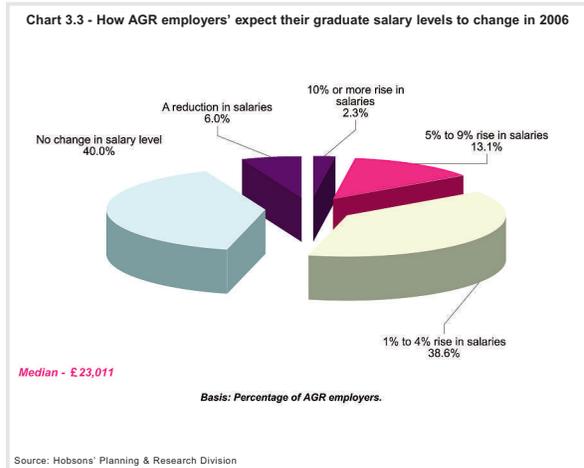
In previous years the median starting salary growth has been quite strong and well above the rate of inflation. In contrast, in 2006 there does not appear to be any intention by employers to do much more than match the rate of inflation (inflation is expected to be less than 2% in 2006), which could be due to employers not considering starting salary to be the source of any forthcoming recruiting challenges (see Chart 2.13).

Actual starting salaries paid in 2005 were around £500 more than employers predicted (up from £22,000 to £22,494). Moreover, compared to last year's actual starting salary distribution there are far more starting salaries in the £25,001 to £30,000 category in 2006.

In 2005 almost one third (30.8%) of AGR members offered salaries in the higher salary bracket while only one fifth (21.2%) offered salaries in the lower level (see Chart 3.2).



Almost half (46%) of AGR members predict either a reduction or no change in salaries in 2006. There are fewer expectations this year of salary increases in excess of 5%.



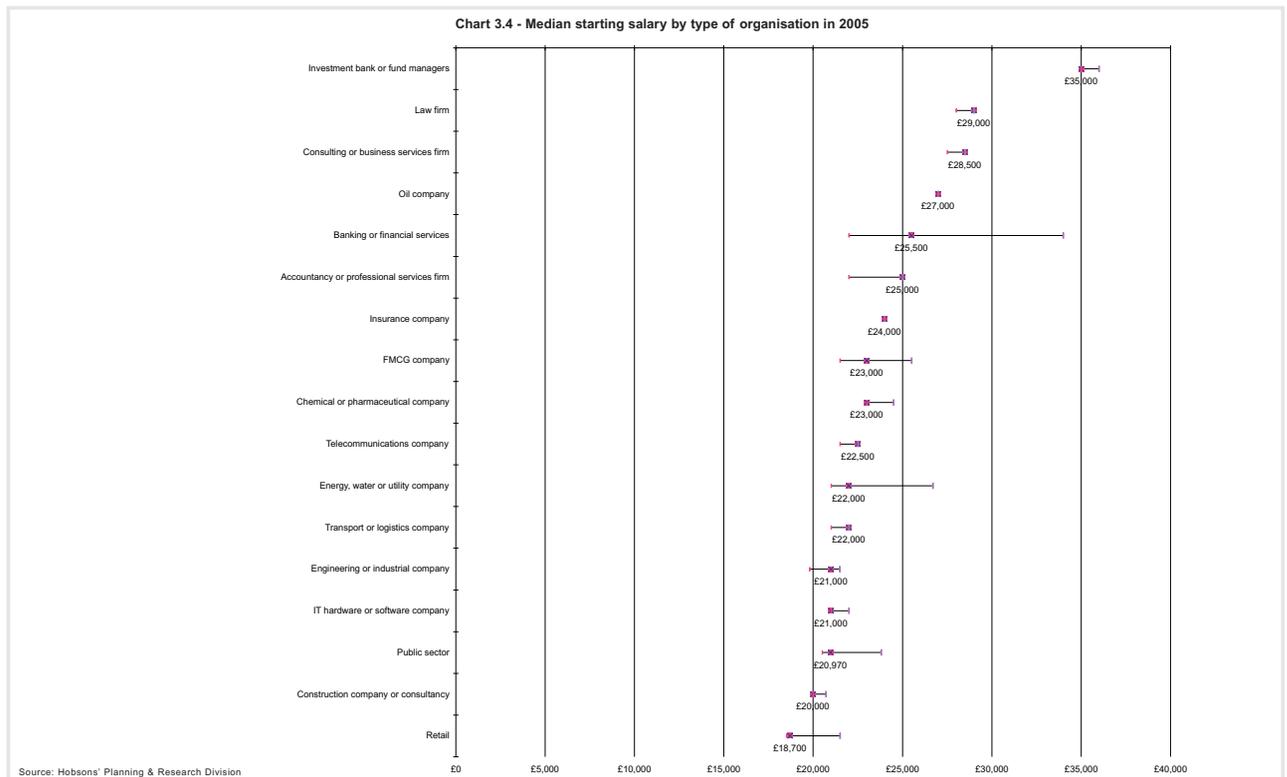
- median starting salaries of £35,000 (see Chart 3.4)
- Law firms, consulting or business services firms, and oil companies have offered starting salaries in excess of £25,000 for three years
- Banking or financial services and accountancy or professional services firms have for the first time this year offered median starting salaries of £25,000 or more
- Other organisation types offering salaries equal to or in excess of the median level include insurance companies, FMCG companies, chemical or pharmaceutical companies and telecommunication companies
- The retail industry offers the lowest median starting salary

Profiling Graduate Salaries in 2005

Profile by Business Sector

- In 2005, the highest paying AGR employers were investment banks or fund managers, paying

Please note: This graph shows the median (50th percentile), the Lower Quartile (25th percentile) and the Upper Quartile (75th percentile). There is a broad spread of starting salaries within the banking and financial services sector, whereas starting salaries paid in the insurance sector are very close. Organisation types with insufficient data have been omitted.



Profile by Geographical Location

Median starting salaries in London were highest at £25,500 (see Chart 3.5). This is much higher than all other regions including the South East (£22,200), East Anglia (£20,666), the South West (£20,500) and the Midlands (£20,000). The region that had the lowest median starting salary level is Wales (£18,700). The median starting salary level in Northern Ireland, Eire and the other international regions could not be calculated due to insufficient data.

	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
London	£25,500	£29,000	£25,000
South East	£22,200	£24,000	£21,500
The Midlands	£20,000	£21,000	£18,600
South West	£20,500	£20,500	£16,500
North West	£19,000	£20,500	£18,180
Scotland	£18,600	£22,000	£17,466
Yorkshire	£19,500	£20,000	£18,500
North East	£19,700	£21,700	£18,500
East Anglia	£20,666	£21,500	£15,500
Wales	£18,700	£20,000	£17,500

Please note: Locations with insufficient data have been omitted.

Profile by Business Function

- Investment banking, legal work, consulting, actuarial work and financial management are the business functions with the highest starting salaries. Median starting salaries for these job types are all above the overall median salary of £22,500 (see Table 3.6)

	Median Graduate Starting Salaries	Upper Quartile	Lower Quartile
Investment banking	£35,000	£36,000	£35,000
Legal work	£29,000	£29,000	£28,000
Consulting	£28,500	£31,000	£28,500
Actuarial work	£25,000	£26,000	£24,000
Accountancy	£25,000	£25,000	£19,802
Financial management	£24,000	£26,500	£21,000
IT	£22,000	£27,000	£21,000
Mechanical engineering	£22,000	£22,000	£21,000
Marketing	£22,000	£24,500	£21,500
Manufacturing engineering	£22,000	£26,700	£21,115
Human resources	£21,115	£25,000	£19,962
Civil engineering	£21,000	£21,000	£20,000
Science	£21,000	£23,000	£21,000
Research and development	£21,000	£21,500	£19,000
Electrical/electronic engineering	£21,000	£22,500	£20,500
Retail management	£20,000	£21,500	£15,000
Purchasing	£20,000	£22,000	£16,800
Logistics	£20,000	£21,500	£16,800
General management	£19,962	£22,000	£16,000
Sales	£17,500	£23,000	£15,500

- Investment banking starting salaries remain highest at £35,000 but have not increased for the last two years
- All the remaining business functions, excluding sales, have median salaries between £20,000 and £22,000
- Sales vacancies have the lowest median starting salaries of £17,500, although this business function exhibits the largest inter-quartile salary range (£15,500 to £23,000)

Expected Changes in Graduate Salaries in 2006

Employers in the public sector are predicting that median starting salaries will rise by almost one tenth (9.5%) in 2006 (see Table 3.7).

Most other industries or business sectors predict that salaries will remain constant or increase only slightly (0%-3.7%).

		% change in median starting salaries
Public sector	↑	9.5%
Telecommunications company	↑	4.7%
Construction company or consultancy	↑	3.9%
Oil company	↑	3.7%
Accountancy or professional services firm	↑	2.6%
Engineering or industrial company	↑	2.4%
Energy, water or utility company	↑	2.3%
Transport or logistics company	↑	2.3%
FMCG company	↑	2.2%
Retail	↑	1.6%
Investment bank or fund managers		NO CHANGE
Law firm		NO CHANGE
Consulting or business services firm		NO CHANGE
Insurance company		NO CHANGE
Chemical or pharmaceutical company		NO CHANGE
IT hardware or software company		NO CHANGE
Banking or financial services		NO CHANGE

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

The South West is predicted to experience the greatest increase (6.8%) in median salary levels in 2006 (see Table 3.8). Median salary levels in Scotland are also predicted to increase substantially (4.9%), whereas

salaries in the South East (3.4%), North West (2.5%) and the Midlands (1.4%) are predicted to increase very slightly. In London, Yorkshire and the North East, median starting salaries are expected to remain constant at 2005 levels.

Location	Change	% change in median starting salaries
London	NO CHANGE	0.0%
South East	↑	3.4%
The Midlands	↑	1.4%
South West	↑	6.8%
North West	↑	2.5%
Scotland	↑	4.9%
Yorkshire	NO CHANGE	0.0%
North East	NO CHANGE	0.0%
East Anglia	NO CHANGE	0.0%
Wales	↑	2.9%

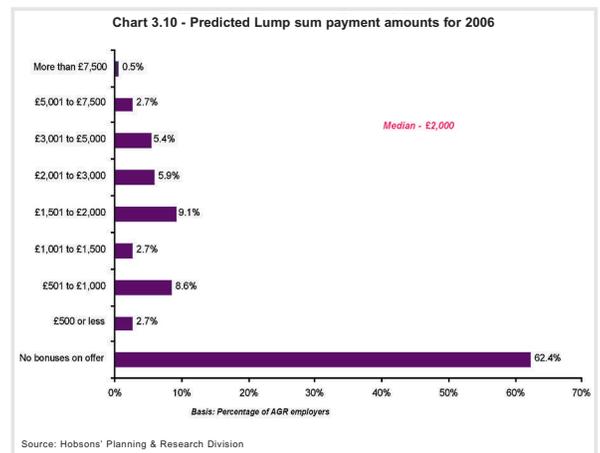
Science is the business function predicted to experience the largest increase in median starting salary (9.5%) in 2006 (see Table 3.9). This is followed by IT (9.1%), marketing (6.0%), mechanical engineering (4.8%), research and development (4.8%) and electrical/electronic engineering (4.7%). Several other business functions are expecting increases of up to 3.1%. There are also business functions for which median starting salaries are predicted to remain unchanged.

Business Function	Change	% change in median starting salaries
Science	↑	9.5%
IT	↑	9.1%
Marketing	↑	6.0%
Mechanical engineering	↑	4.8%
Research and development	↑	4.8%
Electrical/electronic engineering	↑	4.7%
General management	↑	3.1%
Sales	↑	2.9%
Investment banking	↑	2.8%
Accountancy	↑	2.0%
Human resources	↑	1.3%
Purchasing	↑	1.2%
Legal work	NO CHANGE	
Consulting	NO CHANGE	
Actuarial work	NO CHANGE	
Manufacturing engineering	NO CHANGE	
Civil engineering	NO CHANGE	
Logistics	NO CHANGE	
Financial management	NO CHANGE	
Retail management	NO CHANGE	

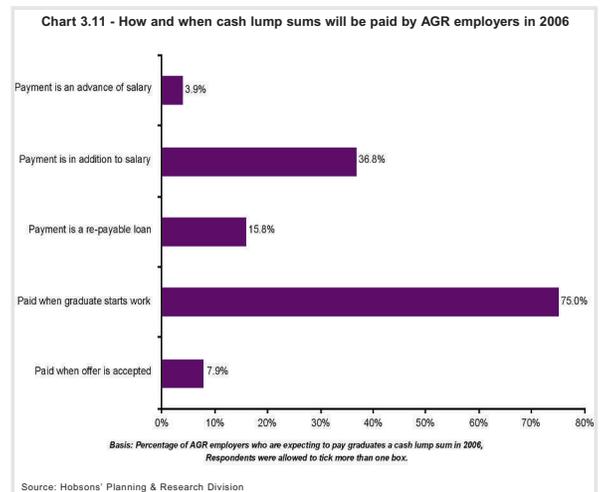
These include legal work, consulting, actuarial work, manufacturing engineering, civil engineering and logistics.

Lump Sum Payments to Graduates in 2006

In line with the predicted increase in salaries, in 2005 the number of employers predicting that they would pay a lump sum signing-on payment increased from 25% to 36%. For 2006, this is predicted to remain relatively constant (increasing only fractionally to 37.6%). Furthermore, the median amount paid is also predicted to remain unchanged at £2,000 (see Chart 3.10).



Of those employers intending to pay a cash lump sum in 2006, 36.8% stated that this payment would be in addition to the salary, 15.8% stated it would be as a repayable loan and 3.9% stated it would be as an advance of salary (see Chart 3.11).

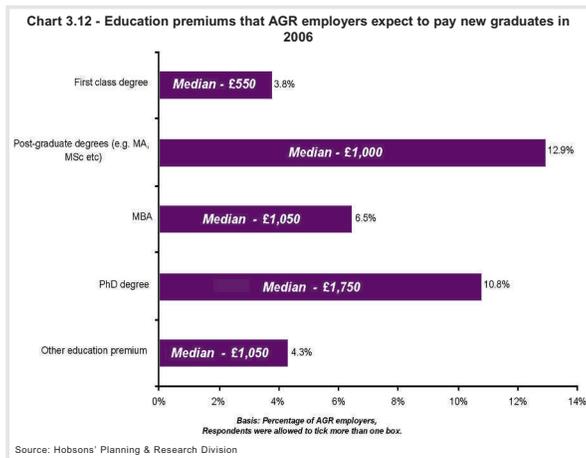


About one in four stated that the payment would be made when the graduate started work and only a small fraction stated that it would be made when the job offer was accepted.

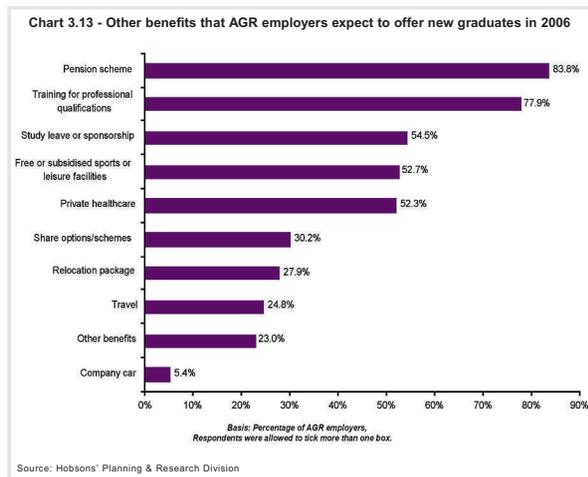
Education Premiums and Other Remuneration for Graduates in 2006

Most employers offer their new recruits incentives in their graduate packages, such as educational premiums for additional qualifications or academic achievement, or non-monetary benefits such as training opportunities or study leave.

The results show that the proportion of employers willing to offer educational premiums has increased during the last year. This is particularly the case when graduates have a PhD (increased from 6% to 10.8%) or non-MBA Masters qualification (6%-12.9%). The amount paid to each graduate has not changed significantly except in the case of PhD premiums where the median payment has dropped from £2,000 to £1,750 (see Chart 3.12).



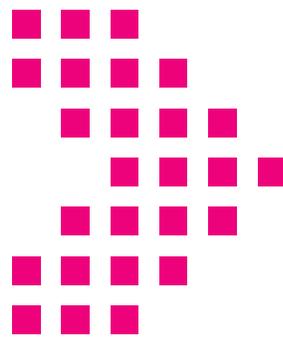
AGR members appear to have changed focus with respect to the other benefits they include in the graduate package (see Chart 3.13). Pension schemes are still the most common benefit offered (83.8% of employers), although the proportion of employers offering this as a benefit, along with other largely financial benefits such as share schemes and relocation packages, has decreased.



In contrast, the proportion of employers offering study leave or further professional qualifications sponsorship has increased dramatically from 33% in 2005 to 54.5% in 2006.

4

Chapter



**Graduate
Recruitment
Marketing**

Graduate Recruitment Marketing

Introduction

The final section of *The AGR Graduate Recruitment Survey 2006* assesses the size of the AGR members' graduate recruitment marketing budgets, as well as how they spend these funds.

Employers were asked to specify their spending in 2005 and 2006 on five key marketing activities. The five marketing areas were employers' own graduate recruitment brochures, their own graduate recruitment websites, graduate recruitment advertising, online graduate recruitment promotions, and attending graduate careers fairs and on-campus presentations. The survey also asked employers to specify further how their spending was distributed within each of these general areas.

Not all employers retained such details in their records or were willing to share the information. However, data was provided by 143 employers, which is sufficient for us to develop an understanding of the spending patterns related to recruitment marketing including calculation of total spend per employer and cost per graduate vacancy.

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

Total Marketing Spend in 2005 and 2006

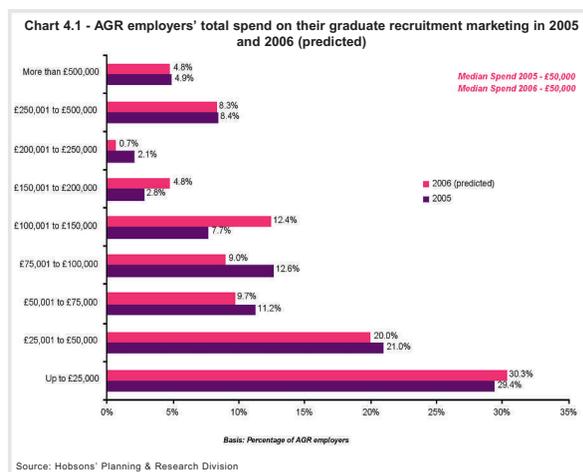
It is an interesting exercise to examine the overall budgets for promotional activities among AGR members. Given the diverse sizes of the organisations under consideration, in terms of number of employers as well as overall revenue, it is not possible to compare

budgets and contemplate a benchmark value for graduate recruitment marketing. It is, however, possible and interesting to present the range of recruitment marketing budgets declared by AGR employers as well as compare the data from year to year.

In last year's survey, employers predicted that the median total marketing spend would increase by £5,300, to £53,300 in 2005. Results show, however, that while the median total marketing spend did indeed increase in 2005 it was only by £2,000, to £50,000 (see Chart 4.1).

Almost three out of 10 employers surveyed have total marketing budgets of £25,000 or less, and almost half (44.8%) have budgets between £25,001 and £100,000. 8.4% have budgets of £250,001 to £500,000 and 4.9% have budgets in excess of £500,000.

In 2006 the median total marketing spend is predicted to remain constant at 2005 levels. The distribution of budgets among AGR members is not predicted to change greatly although it is predicted that the proportion of employers with budgets between £100,001 and £150,000 will increase from 7.7% to 12.4%. Conversely, the proportion of companies with budgets of £75,001 to £100,000 is predicted to drop from 12.6% to 9.0%.



By considering these values in conjunction with the number of vacancies employers are recruiting for, it is possible to calculate the 'marketing spend per vacancy'. The overall median spend per vacancy in 2005 is £1,680,

which is £80 higher than what was predicted in last year's survey and £180 higher than overall median spend per vacancy in 2004. It should be noted that median spend per vacancy in 2005 varies considerably between employers with the upper quartile being £3,190 and the lower quartile £890.

The highest cost of recruitment is recorded by law firms, for which the median spend per vacancy in 2005 was £2,895. Next are investment banks or fund managers (£2,650) and FMCG companies (£2,500). Engineering or industrial companies have the lowest recruitment costs (£1,235).

Spend on Brochures and Websites

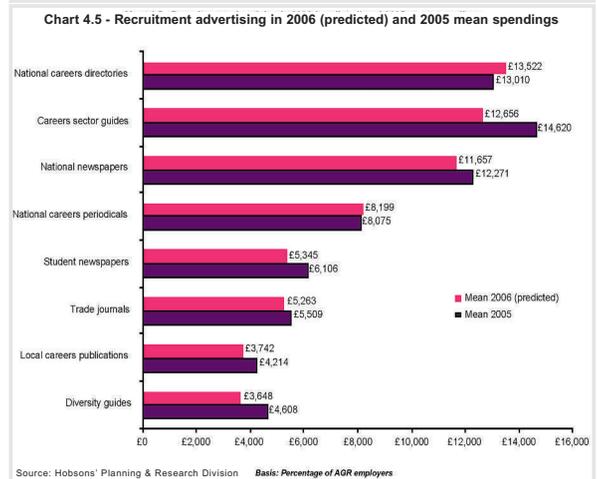
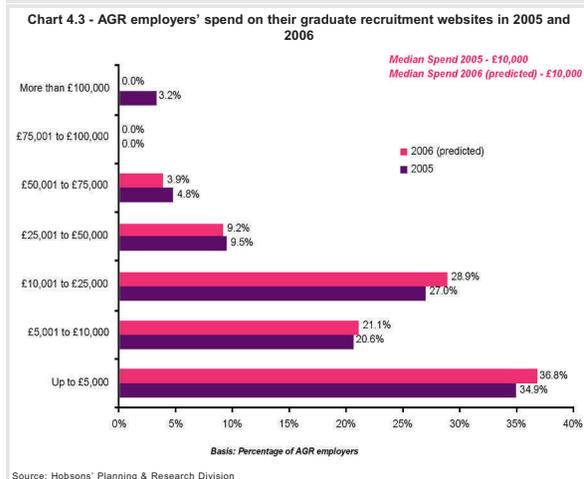
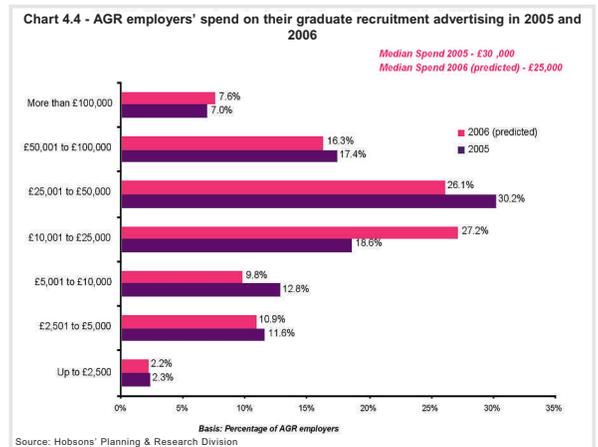
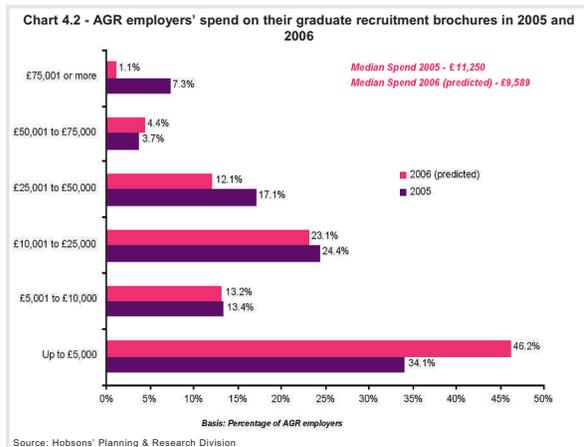
While recruitment brochures continue to constitute an important part of most employers' recruitment promotion activities, the amounts being spent on this media form are decreasing on a year on year basis. Last year it was predicted that the median spend on brochures would decrease by £300 to £14,900 in 2005. Results show that median spend on brochures actually dropped by a substantially greater amount to just

£11,250 (see Chart 4.2). Furthermore, median spend on brochures is forecast to drop even further in 2006 to just £9,589, with almost half of employers spending less than £5,000 on recruitment brochures.

A similar reduction in spend was predicted for websites. Again, this reduction was severely underestimated. Reduction in website spend was predicted to be just £500 to £13,800. Results show, however, that median spend on websites actually reduced in 2005 to £10,000 (see Chart 4.3). In contrast to recruitment brochures, spend on websites is not predicted to reduce further in 2006. The 2006 recruitment season will be the first for some years in which none of the surveyed organisations plan to spend more than £75,000 on their recruitment website.

Spend on Advertising and Online Promotions

AGR members' advertising spend in 2005 was a great deal higher than predicted in last year's survey. It was predicted that median advertising spend would increase

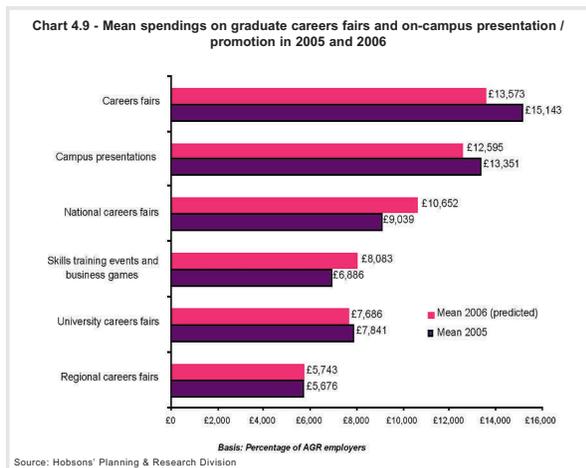
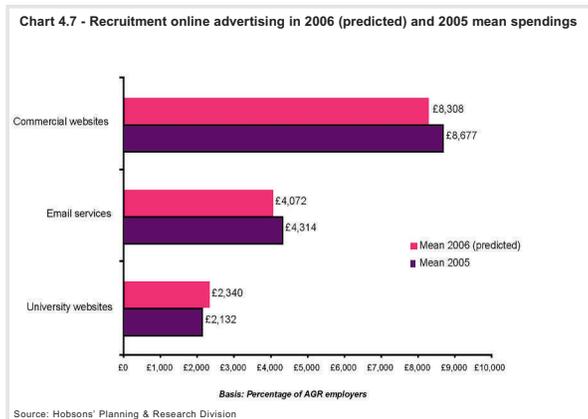
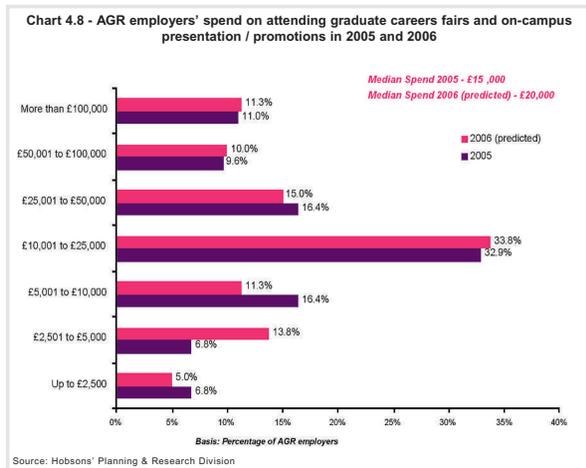
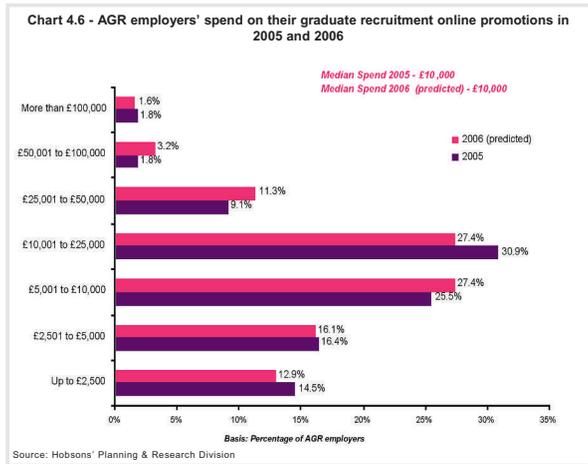


to £23,800, but it actually increased to £30,000 which represents an increase of £7,400 over the median advertising spend of one year ago (see Chart 4.4). This increase is not forecast to continue, as the median advertising spend is predicted to drop to £25,000 in 2006. About half of the employers surveyed have advertising budgets between £10,001 and £50,000. In 2005 the most common advertising budget expenses were associated with national careers directories, career sector guides and national newspapers. A similar pattern of spending is predicted for next year (see Chart 4.5).

Spend on graduate recruitment online promotions appears to have levelled off in the past few years. Last year's survey predicted that spend in 2005 would increase to £11,200 after increasing by nearly one third in the previous year. Results show that it has indeed increased but only to £10,000 (see Chart 4.6). Furthermore, it is predicted to remain constant in 2006. Most of this spend goes on commercial websites, followed by email services and university websites (see Chart 4.7). Too few organisations provided data on chatrooms and E-tests to allow reliable analysis.

Spend on Careers Fairs and On-Campus Presentations

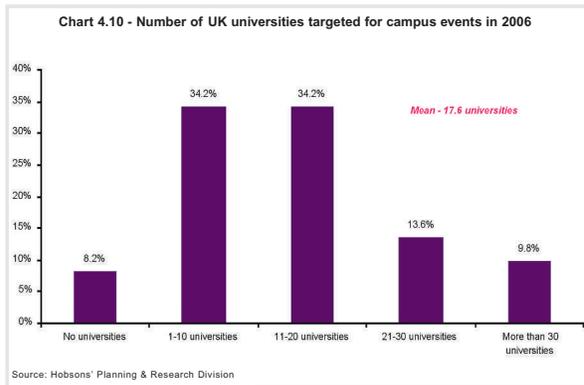
The median spend on attending graduate careers fairs and on-campus presentations/operations in 2005 was £15,000 (see Chart 4.8) with one third (32.9%) of employers spending between £10,001 and £25,000 on these activities. On average, employers spent £15,143 in 2005 attending careers fairs and the average spend on campus presentations was £13,351 (see Chart 4.9). These amounts are both predicted to decrease slightly in 2006. In contrast, the average spend on national careers fairs and skills training events and business games are forecast to increase significantly. Too few organisations provided data on campus brand managers and focus groups to allow reliable analysis.



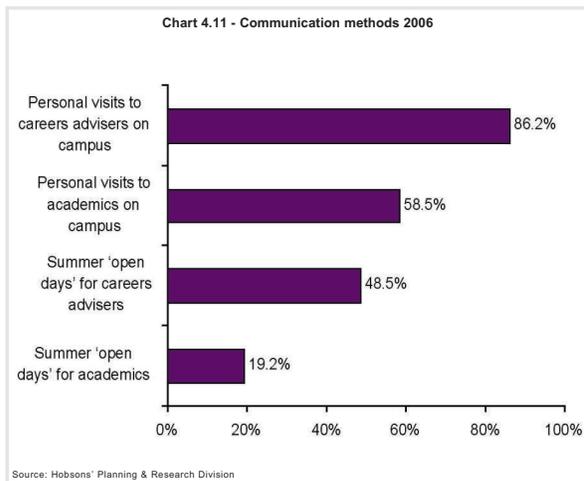
Targeting Universities in 2006

The mean number of universities targeted for campus events in 2006 is 17.6, which is a substantial increase on the number targeted in 2005 (see Chart 4.10). One third

of employers who answered the question will target either 1-10 universities or 11-20 universities, but there has been a strong increase in the number who will target more than 20. This could be an indication that the milk-round is making a comeback. The number who will not target any specific university has decreased slightly.

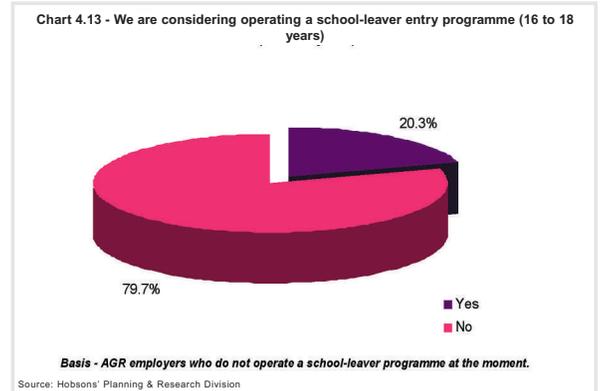
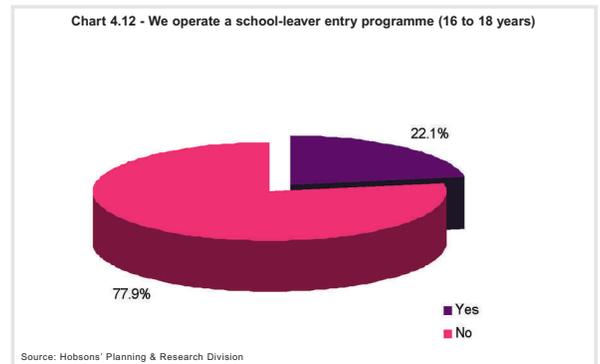


In terms of communicating with university staff, the proportion of employers who will conduct personal visits to career advisers on campus has increased dramatically, as have the proportions who personally visit academics on campus or provide summer 'open days' for career advisers (see Chart 4.11).



School-Leaver Entry Programmes

More than three quarters (77.9%) of the employers surveyed don't operate a school-leaver entry programme for 16 to 18 year olds (see Chart 4.12). Of those who do not currently offer such a programme 20.3% are considering doing so in the future (see Chart 4.13).



Hot Topics for 2006

Employers were asked for their opinions on a series of statements. They were asked to show their level of agreement on a scale of -2 to +2, where -2 means that they strongly disagree, and +2 means that they strongly agree with the statement. The associated chart (Chart 4.14) shows mean scores for agreement with the statements.

- Employers tend to agree quite strongly with the statement that competition will increase next year in their sectors for desirable candidates
- Most employers feel that their recruitment strategies are in line with the new Age Discrimination Act to be introduced in October 2006
- Employers tend to agree that today's graduates have too high expectations in terms of salaries and benefits and that grade inflation at university and school level makes it more difficult to select candidates
- There is no clear consensus regarding the statement that it is difficult to recruit a racially diverse workforce within their sector although, if anything, employers tend to slightly disagree

In the following two examples the averages are shown for some selected business areas.

Chart 4.15 shows that organisations in the Retail, Law, engineering and public sector, tend to agree more that it is difficult to recruit a racially diverse workforce

All business sectors agree more or less with the statement "Competition for the right candidates (in my sector) will increase next year". However, this is especially the case for accountancy, energy, water or utility companies.

