The AGR Graduate Recruitment Survey 2005

Winter Review

agr

Price - £200 *(free to AGR members)*

Survey produced for the AGR by:

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About the Survey

The *Winter Review* from *The AGR Graduate Recruitment Survey 2005*, is based on research conducted for the AGR by **High Fliers Research** with **226 graduate employers** during **December 2004**.

The survey is produced to provide AGR employers with the very latest market information on:

- **Graduate salary levels for the 2004-2005 and 2003-2004 recruiting seasons**
- **Vacancy levels for graduates starting work in 2005 and 2004**
- **Graduate recruitment marketing used by AGR employers during the 2004-2005 and 2003-2004 recruitment rounds**

Graduate Vacancies

For the second year running, AGR employers predict a significant increase in graduate vacancies for 2005:

- **Vacancies for graduates at AGR employers are expected to rise by 14.5% in 2005, compared to the numbers actually recruited by employers in 2004**
- **The largest number of vacancies in 2005 are likely to be in accountancy or professional services firms, investment banks, consulting firms, law firms or in the public sector.**
- **Over half of graduate vacancies for 2005 are expected to be in London or south east England.**
- **Analysed by business function or career areas within organisations, the most graduate jobs in 2005 are in chartered accountancy, general management, legal work, IT and investment banking. Together, these five areas account for more than half of all graduate vacancies.**

Graduate Salaries

Starting salaries for new graduates are set to rise again in 2005 , with many AGR employers expecting to pay increases above the 'cost-of-living' for graduates starting work later this year:

- **Graduate starting salaries are expected to increase by 4.8% in 2005, compared to the salary rates actually paid in 2004. The predicted median graduate starting salary for 2005 is £22,000.**
- **Investment banks, consulting firms, law firms, oil companies and the Armed Forces are offering the highest starting salaries in 2005.**
- **Regionally, median salaries are expected to be highest in London and the south east of England, with the lowest rates paid in Yorkshire and Northern Ireland.**
- **By business functions or career areas within organisations, the highest starting salaries in 2005 are likely to be for graduate positions in investment banking, consulting, legal work, and actuarial work. The lowest are for positions in retail management and purchasing.**
- **A third of employers plan to offer new graduates a 'starting-work' bonus this year.**

Graduate Salaries

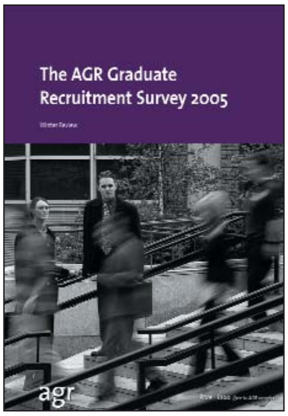
AGR employers' spending on graduate recruitment marketing activities has been profiled for the 2004-2005 and 2003-2004 recruitment seasons:

- **AGR employers spent a median amount of £14,900 in 2005 on their individual graduate recruitment brochures, with a further £13,800 for their graduate recruitment website.**
- **Spending on graduate recruitment advertising in careers publications and other paper-based titles amounted to £23,800 in 2005. A median of £11,300 was spent on online promotions such as commercial recruitment websites and email services.**
- **Graduate recruiters who attended careers fairs and on-campus presentations spent medians of £11,800 and £14,000 respectively.**
- **Employers' total spend on graduate recruitment marketing in 2004 was a median of £53,300, up 11.0% on budgets in 2004.**
- **The median 'marketing spend per graduate vacancy' was £1,600 in 2004.**

Chapter 1

Introduction

Researching the Graduate Market



Welcome to the *Winter Review* from *The AGR Graduate Recruitment Survey 2004*, the definitive study of AGR employers and their graduate recruitment, conducted for AGR members.

The AGR Graduate Recruitment Survey is the main source of information in the UK about graduate starting salaries & vacancy levels. It provides AGR employers with twice-yearly, up-to-the-minute insights into the latest graduate market conditions, along with regular benchmarking of recruitment practices.

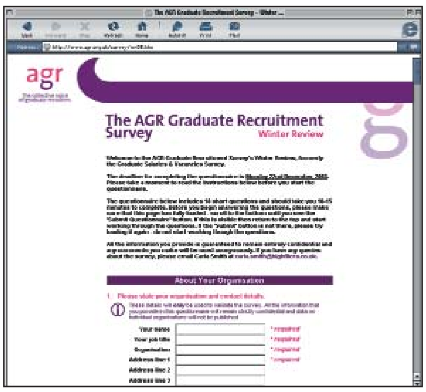
This *Winter Review* examines how employers have been marketing their graduate opportunities during the 2004-2005 and 2003-2004 recruitment seasons, along with a full digest of all the latest graduate vacancy and salary information.

The next *Summer Review*, to be conducted in June 2005, will examine the selection & assessment processes used by recruiters, retention rates for graduates, and salary progression.

The AGR Graduate Recruitment Survey is carried out on behalf of the AGR by the specialist student & graduate research company, **High Fliers Research**. The company has more than ten year's experience of researching the graduate market and already produces *The UK Graduate Careers Survey* which annually examines final year university students' career aspirations and expectations, and their views on individual employers.

Survey Methodology

Research for the *Winter Review* for *The AGR Graduate Recruitment Survey 2005* took place during early December 2004 using a specially-designed online questionnaire accessed via the AGR website.



The questionnaire contained eighteen questions about employers' graduate recruitment activities during the 2004-2005 and 2003-2004 recruitment seasons, focusing on graduate vacancies, graduate salaries & other remuneration, and their graduate recruitment marketing.

All of the questions were specially designed so that the survey results could be analysed by employers' industries or business sectors, by the location of their graduate vacancies, and by the career area or business function into which their graduates are recruited.

Participating Employers

High Fliers Research contacted 312 AGR employers to participate in *The AGR Graduate Recruitment Survey 2005*. The online questionnaire was live for a fortnight during December 2004 and the deadline was extended for two further weeks to ensure the maximum number of employers could participate in the research.

By the end of the research, **226 employers** had either completed the questionnaire or responded that they had not recruited in graduates in 2004 and had no recruitment plans for 2005, giving the survey a response rate of **72%**. The list of AGR members who took part in the survey includes:

3M United Kingdom plc
ABB Ltd
Abbey
Accenture
Addleshaw Goddard
AIA
Air Products plc
Airbus UK
Allen and Overy LLP
Alliance & Leicester
Allianz Cornhill Insurance
American Express
Arcadia Group plc
Arup
ASDA Stores
Associated British Ports
AstraZeneca
Audit Commission
BAE Systems (Land Systems)
Baillie Gifford & Co
Baker & McKenzie
Baker Tilly
Bank of England
Barclays Bank plc
BDO Stoy Hayward LLP
Benfield Greig Group plc
BG Group
Black & Decker
BNP Paribas
Bond Pearce
BP International Ltd
British Energy Group plc
British Nuclear Group
British Sky Broadcasting Ltd
British Standards Institution
British Sugar plc
BT
Cabinet Office
Cadbury Schweppes plc
Capgemini UK plc
Capital One
Carillion
Caterpillar
CB Richard Ellis
Cedar Software Ltd
Centrica
CIBC World Markets plc
Citigroup
Clyde & Co
CMS Cameron McKenna
Coors
Corus
Countryside Properties
Croda International plc
Data Connection Ltd
Davis Langdon LLP
Debenhams Retail plc
Deloitte
Denton Wilde Sapte
Diageo
Discovery Recruitment
Dixon Wilson
DLA LLP
DML
Dresdner Kleinwort Wasserstein
E.ON UK
EC Harris
Edge
EDF Energy
EDS
Endsleigh Insurance
Ernst & Young
Euro RSCG Riley
Eversheds
ExxonMobil
FaberMaunsell
Fidelity Investments
Filtrona International
Financial Services Authority
FKI
Ford Motor Company
Freshfields Bruckhaus Deringer
Fujitsu
GCHQ
General Dynamics UK
General Electric
Gifford & Partners Ltd
Gist
GKN plc
GlaxoSmithKline
Government Economic Service
Grant Thornton UK LLP
Halcrow Group Ltd
HAT Group of Accountants
HBOS
Herbert Smith
Highways Agency
Hilton International
HM Prison Service
HSBC
IBM UK Ltd
ICI plc
IMI plc
Inland Revenue
Institute of Chartered Accountants Scotland
Intel
J Sainsbury plc
Jacobs Babtie
Jaguar & Land Rover
John Lewis
Johnson Matthey plc
Jones Day
JPMorgan
Kerry Foods Ltd
KPMG
L'Oreal
Lazard
Lehman Brothers
Linklaters
Lloyds Pharmacy
Local Government
Logica CMG
Lovells
Lloyds TSB
M&G Investments
Marks & Spencer plc
Marsh UK Ltd
Masterfoods
Mayer, Brown, Rowe & Maw LLP
Mazars
McCain Foods GB Ltd
McDonalds Restaurants Ltd
McKinsey & Company
Mercer HR Consulting
Merrill Lynch Europe plc
MI5
Microsoft
Mills & Reeve
Mitchells and Butlers
Moore Stephens
Morgan Stanley
MORI
Mott MacDonald Limited
MW Kellogg Limited
Nabarro Nathanson
National Audit Office
National Grid Transco
Nationwide Building Society
Network Rail
Next plc
NHS Leadership Centre
NHS Scotland
Nortel Networks
Northern Foods plc
Northern Ireland Civil Service
Norton Rose
Novar plc
Oracle Corporation U K Ltd
Orange P C S Ltd
PA Consulting Group
Pfizer Central Research
Pilkington United Kingdom Ltd
Police High Potential Development Scheme
PricewaterhouseCoopers
PSA Peugeot Citroen
QinetiQ
RBS CBFM
Rexam plc
Reynolds Porter Chamberlain
Richards Butler
Rolls-Royce plc
Royal Bank of Scotland Group
Royal Sun Alliance Insurance
RSM Robson Rhodes
Saffery Champness
Samworth Brothers
Severn Trent Water Ltd
Shell International Ltd
Siemens Industrial
Turbomachinery Ltd
Siemens plc
Simmons & Simmons
SJ Berwin
Skanska
Slaughter and May
Smith & Williamson
Smiths Aerospace
Société Générale
Sodexho
Somerfield Stores Ltd
Stagecoach UK Bus
Stamp, Jackson & Procter
Standard Life Assurance Company
Stephenson Harwood
Tarmac
Tate & Lyle Europe
Taylor Wessing
Tesco Stores Ltd
Thames Water Utilities
The Army
The BOC Group
The Cauldwell Group
The Co-operative Group
The Patent Office
TLT Solicitors
TNS
Towers Perrin
Transport for London
Travel Inn
UBS
Unilever UK
United Utilities
Warburtons
Wates Group Limited
Watson, Farley & Williams
Westbury Homes Ltd
WestLB
Wincanton plc
Woolworths plc
Yorkshire Water Services Ltd
Zurich

Chapter 2

Graduate Vacancies

Introduction

The first major part of *The AGR Graduate Recruitment Survey 2005* examines the graduate vacancies that employers are recruiting for during the current recruitment year, compared with the previous year. Employers were asked to give the actual numbers of graduates who were recruited into their organisations during the 2003-2004 recruitment season (typically to start work in the autumn of 2004), along with their predicted numbers of graduates to be recruited during the current 2004-2005 recruitment year.

The survey asked employers to provide not only their total vacancy levels but also a basic breakdown of where these vacancies occurred in their organisations. This is so that graduate vacancies can be analysed by geographical region, by the business function or career area that the vacancies occur within, and by employers' industries or sectors.

This analysis is particularly useful for employers who recruit many of their graduates for selected regions of the UK or beyond and want to measure how this regional job market is faring. Equally, many major employers recruit graduates for a wide range of business functions, irrespective of their organisation's main purpose. For example, retailers often hire graduates for head office functions such as financial management, marketing or IT in addition to their retail management positions. Similarly, manufacturing or other industrial employers often take graduates in a range of commercial functions alongside their engineering or technical graduate recruitment.

Throughout this section of the survey, the results refer to actual vacancies in 2004 (ie graduates recruited during the 2003-2004 recruitment season who started work in autumn 2004), versus likely vacancies in 2005 (ie graduates recruited during the 2004-2005 round, to start work in autumn 2005).

Key Findings

For the second year running, AGR employers predict a significant increase in graduate vacancies for 2005:

- **Vacancies for graduates at AGR employers are expected to rise by 14.5% in 2005, compared to the numbers actually recruited by employers in 2004**
- **The largest number of vacancies in 2005 are likely to be in accountancy or professional services firms, investment banks, consulting firms, law firms or in the public sector.**
- **Over half of graduate vacancies for 2005 are expected to be in London or south east England.**
- **Analysed by business function or career areas within organisations, the most graduate jobs in 2005 are in chartered accountancy, general management, legal work, IT and investment banking. Together, these five areas account for more than half of all graduate vacancies.**
- **The smallest number of vacancies in 2005 are for graduate positions in marketing, actuarial work and human resources..**

Comparing Graduate Vacancies in 2005 & 2004

The main finding of this year's survey is that graduate employers are expecting to recruit many more graduates in 2005 than they did in 2004. The total number of expected vacancies for 2005 at the 226 AGR employers who took part in the survey is 16,575, a rise of 14.5% on the 14,480 graduates who were actually recruited in 2004.

This substantial increase in vacancy levels confirms the strengthening graduate employment market that was reported in *The AGR Graduate Recruitment Survey 2004*. This is now the second consecutive year that AGR employers have increased their graduate numbers significantly, a marked contrast to the 2003 and 2002 recruitment seasons, when employers cut their recruitment by 6.5% and 3.5% respectively (see *Chart 2.1*).

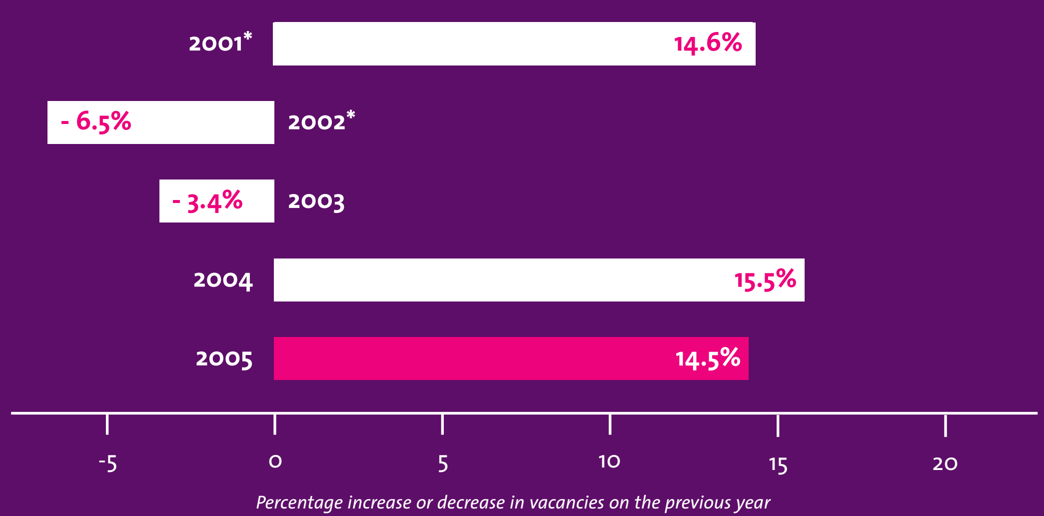
Although the predicted growth in vacancies for 2005 is a little lower than the 15.5% recorded in 2004, it is important to remember that in last year's *Winter Review*, AGR employers only anticipated an annual increase in graduate vacancies of 11.9%. By comparison, this year's expected growth of 14.5% can be seen as an even more optimistic outlook.

Across the survey, a total of 57% of employers expect to hire more graduates in 2005 than they recruited last year and a further fifth of recruiters plan to maintain their 2004 graduate numbers (see *Chart 2.3*). Nearly a quarter of employers plan to cut their graduate recruitment in 2005 but mostly by 10 vacancies or less.

Although these results are clearly excellent news for graduates in the 'Class of 2005' leaving university this summer, the overall increase in vacancy levels has undoubtedly made the competition between recruiters much more intense. A number of AGR employers commented that so far they have not received as many high quality applications as they need to meet their increased recruitment targets. Others felt that news of the improving graduate job market in 2004 had not reached campus and that many students were still not aware of the increasing number of vacancies for new graduates.

Looking at the number of graduates hired by individual organisations in 2004, it is clear that there is considerable variation in the amount of recruitment conducted by AGR employers (see Chart 2.2). Almost half had 25 or fewer vacancies and a further fifth offered places for no more than 50 recruits. Just nine organisations reported that they were planning to hire 250 or more graduates in 2005. The median vacancy level for AGR members in 2004 was 27 graduate positions.

Chart 2.1 How graduate vacancies at AGR employers have changed 2001-2005



Source - High Fliers Research, *Institute of Employment Studies

Chart 2.2 Graduate vacancies at AGR employers in 2004

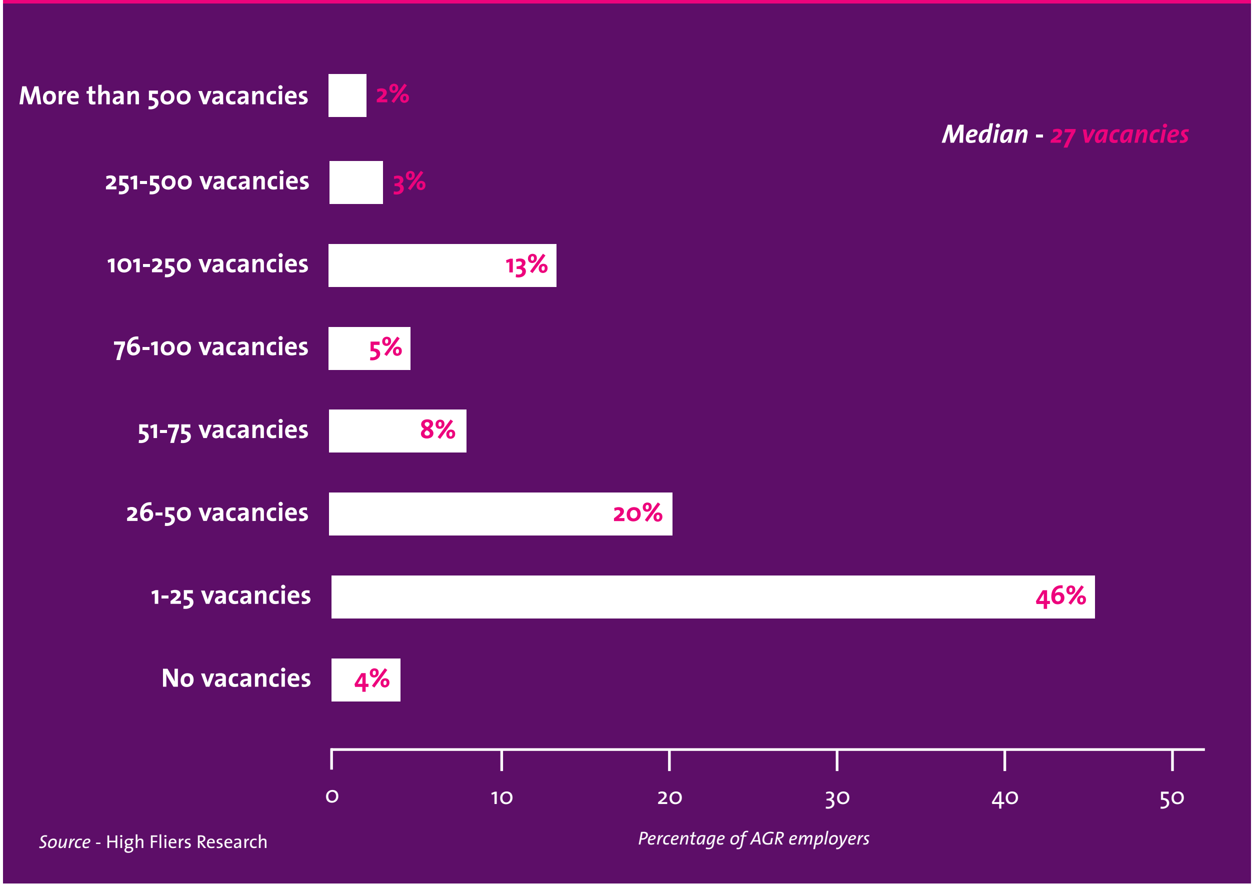
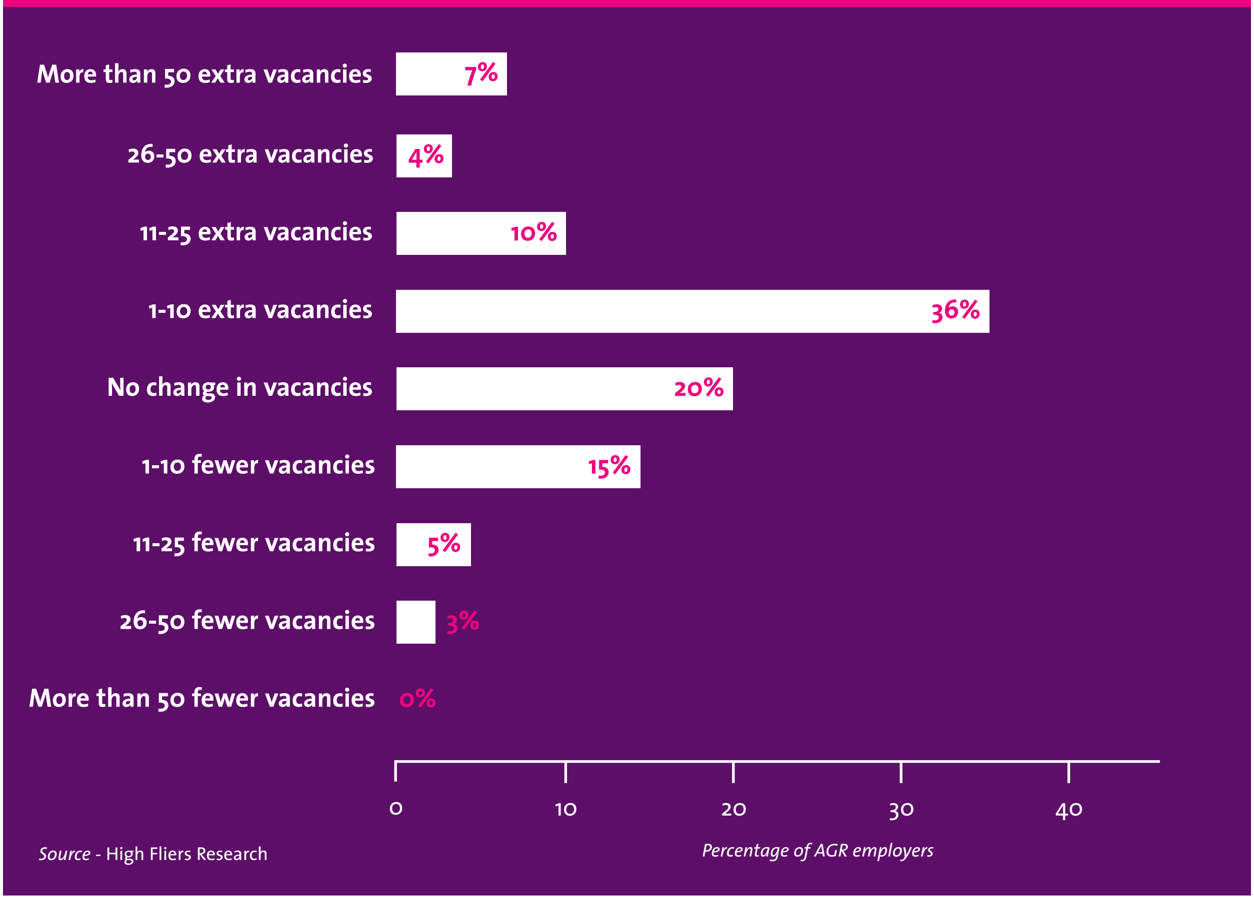


Chart 2.3 How AGR employers' expect their graduate vacancy levels to change in 2005



Profiling Graduate Vacancies in 2004

Graduate vacancies within AGR employers can be measured in three different ways – by the employer's industry or business sector, the geographical location of the vacancies, or the business function or career area of the vacancies.

In 2004, more than one in five vacancies amongst AGR employers were at accountancy or professional services firms (see *Table 2.4*). Other organisations who were major recruiters include the public sector, investment banks or fund managers, law firms, and engineering or industrial companies. The smallest volume of vacancies for graduates were at motor manufacturers, transport of logistics companies, and insurance companies.

More graduate jobs were to be found in London or the south east than any other part of the UK or beyond in 2004 (see *Table 2.5*). Over half of all new graduate positions were in or near the capital, with smaller numbers recruited for the Midlands, the south west, and the north west of England. The combined graduate intake in Scotland, Wales and Northern Ireland amounted to less than 7% of total vacancies, although this is partly due to the small number of AGR members based there. Internationally, employers recruited just 3% of their graduates for positions in Europe, the USA, Asia or elsewhere.

In terms of the business functions or careers areas that graduates were recruited into, chartered accountancy was the largest, followed by general management, legal work, IT and investment banking. Engineering was also a major recruiting area and the combined vacancies in civil, mechanical, electrical/ electronic and manufacturing engineering accounted for almost one in ten graduate positions. Two of the smallest areas in 2004 were human resources and marketing, both of which remain firm favourites with students & graduates, despite the scarcity of jobs.

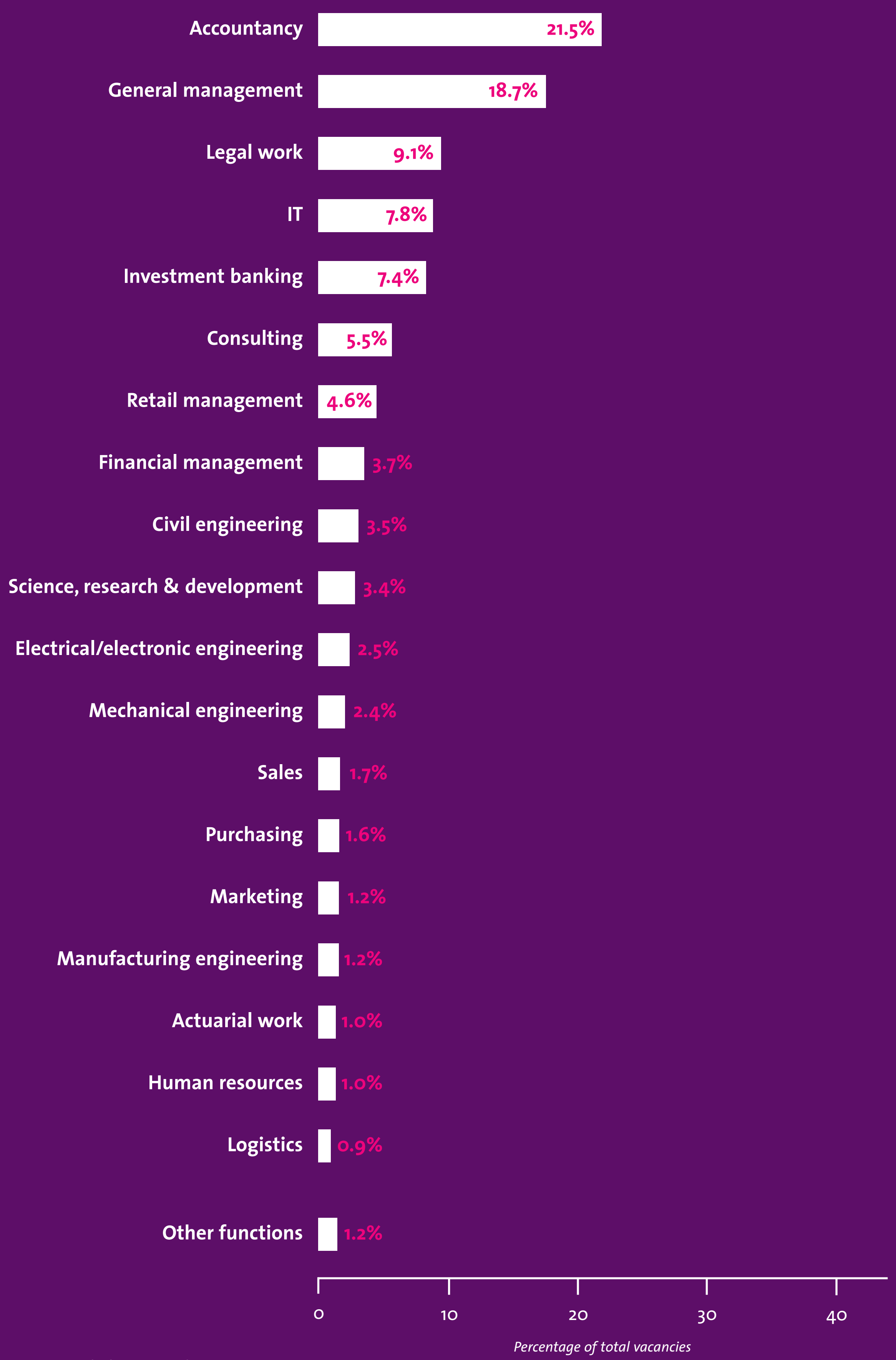
Table 2.4 Vacancies at AGR employers by type of organisation in 2004

	% of total vacancies
Accountancy or professional services firm	22.5
Public sector	9.0
Investment bank or fund managers	8.7
Law firm	8.6
Engineering or industrial company	7.3
Retail	6.8
Consulting or business services firm	6.7
Armed forces	6.5
Banking or financial services	5.1
Construction company or consultancy	4.2
IT hardware or software company	3.5
Oil company	1.8
Telecommunications company	1.8
FMCG company	1.6
Energy, water or utility company	1.3
Chemical or pharmaceutical company	1.2
Insurance company	1.2
Transport or logistics company	0.8
Motor manufacturer	0.4
Other	0.9

Table 2.5 Vacancies at AGR employers by location of vacancies in 2004

	% of total vacancies
London	42.1
South East	9.6
The Midlands	8.2
South West	7.5
North West	4.8
Scotland	3.5
Yorkshire	3.2
North East	2.5
East Anglia	2.1
Wales	1.8
Northern Ireland	1.0
Ireland	0.1
Europe	1.7
USA	0.3
Asia	0.3
Rest of the World	0.4
Unknown	10.8

Chart 2.6 Graduate Vacancies at AGR employers by business function or career area in 2004



Source - High Fliers Research

Changes in Graduate Vacancies in 2005

The overall increase in vacancies between 2004 and 2005 in the graduate market is confirmed by the results from most individual business areas or industries, regions of the country, and job functions.

By industry, the biggest growth in graduate recruitment for 2005 is at investment banks or fund managers, consulting or business services firms, accounting or professional services firms, and in banking or financial services (see *Table 2.7*). Graduate numbers are expected to increase by between a quarter and a third in each of these business sectors. This is all the more significant given that several of these areas were amongst the largest recruiters of graduates in 2004.

Other growth industries include IT companies, energy water or utility companies, engineering or industrial companies, and construction companies or consultancies. Just five sectors are predicting lower graduate intakes in 2005, including the Armed Forces, oil companies, public sector organisations, and chemical or pharmaceutical companies.

Regionally, AGR members are reporting up to a third more vacancies in the north west, south east, north east of England, Scotland and the Midlands for 2005 (see *Table 2.8*). Graduate vacancies are also up in East Anglia and London, with modest increases expected in Wales, the south west of England and Yorkshire. Survey coverage in Northern Ireland, Ireland and overseas are currently too low to accurately predict year-on-year changes.

By job function, there are up to 50% more graduate vacancies for 2005 in logistics and consulting (see *Chart 2.9*), with strong growth also recorded in accountancy, engineering, investment banking and IT. The only job functions where vacancies are likely to drop are legal work, sales, general management, and science, research & development.

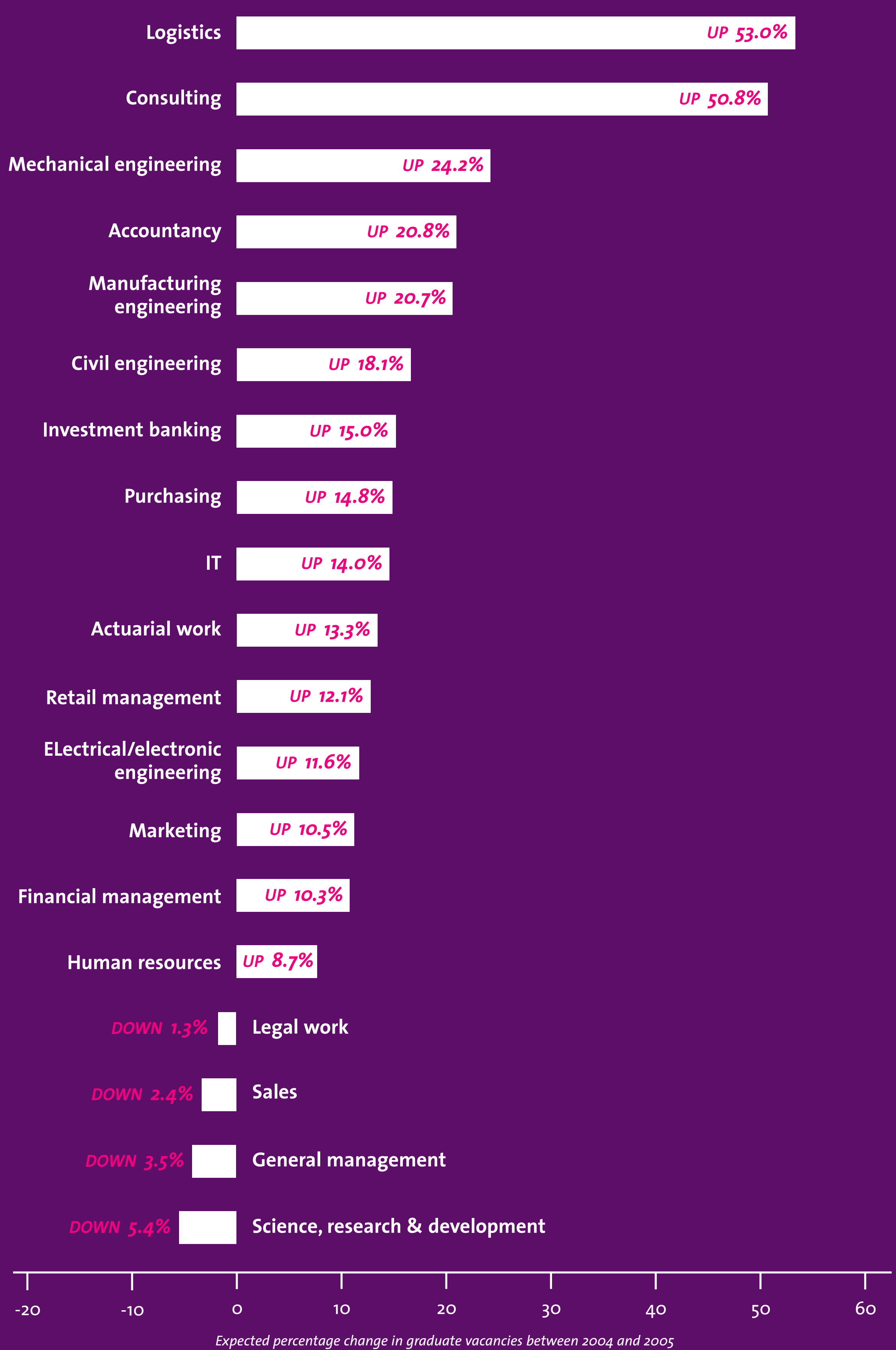
Table 2.7 Expected changes in vacancies in 2005, by type of organisation

		% change in vacancies
Investment bank	UP	33.3%
Consulting or business services firm	UP	26.8%
Accountancy or professional services firm	UP	26.4%
Banking or financial services	UP	26.2%
IT hardware or software company	UP	23.3%
Energy, water or utility company	UP	22.4%
Engineering or industrial company	UP	12.8%
Construction company or consultancy	UP	12.6%
Retailer	UP	9.8%
Telecommunications	UP	9.4%
FMCG company	UP	6.8%
Transport or logistics company	UP	5.0%
Insurance company	UP	3.4%
Law firm	DOWN	1.4%
Armed forces	DOWN	4.1%
Oil company	DOWN	7.5%
Public sector	DOWN	8.4%
Chemical or pharmaceutical company	DOWN	25.8%
Motor manufacturer		-

Table 2.8 Expected changes in vacancies in 2005, by location of vacancies

		% change in vacancies
North West	UP	34.7%
South East	UP	26.1%
North East	UP	22.8%
Scotland	UP	22.7%
The Midlands	UP	18.0%
East Anglia	UP	12.9%
London	UP	9.2%
Wales	UP	4.7%
South West	UP	4.3%
Yorkshire	UP	1.7%
Northern Ireland		-
Ireland		-
Europe	UP	2.0%
USA		-
Asia		-
Rest of the World		-

Chart 2.9 Expected changes in vacancies in 2005, by business function or career area



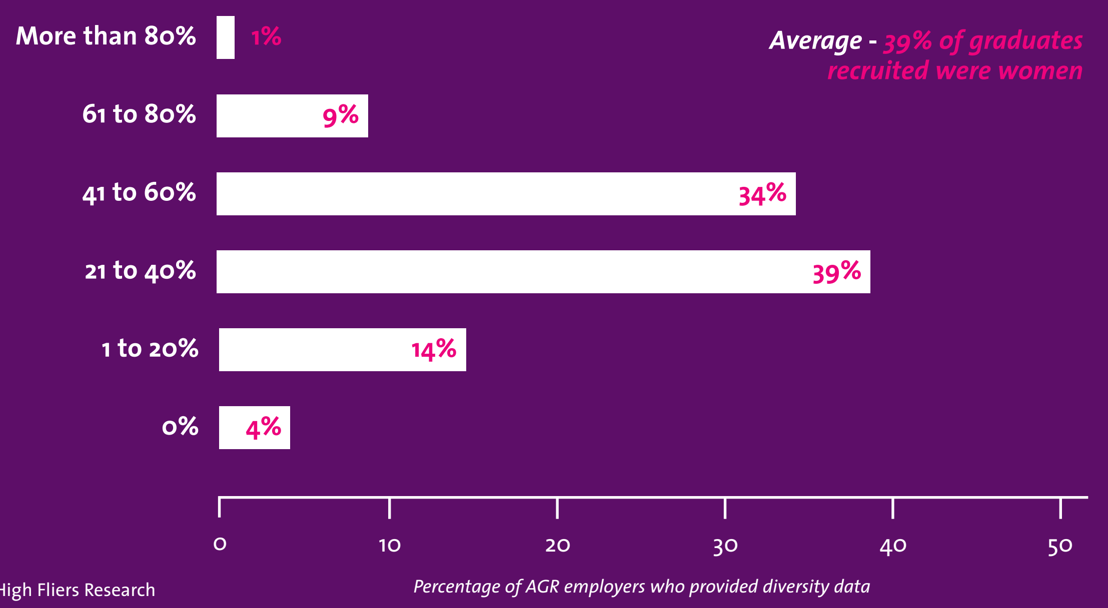
Source - High Fliers Research

Recruitment Shortfalls & Diversity of Graduates 2004

AGR employers were also asked about any recruitment shortfalls they had at the end of the 2003-2004 season and the diversity of their graduate intake. A total of 60 organisations, some 30% of employers questioned, confirmed that they were not able to find sufficient candidates for all their graduate vacancies last year, leaving around 600 positions unfilled. This is an increase on the 20% of organisations who reported a recruitment shortfall at the end of the 2002-2003 round.

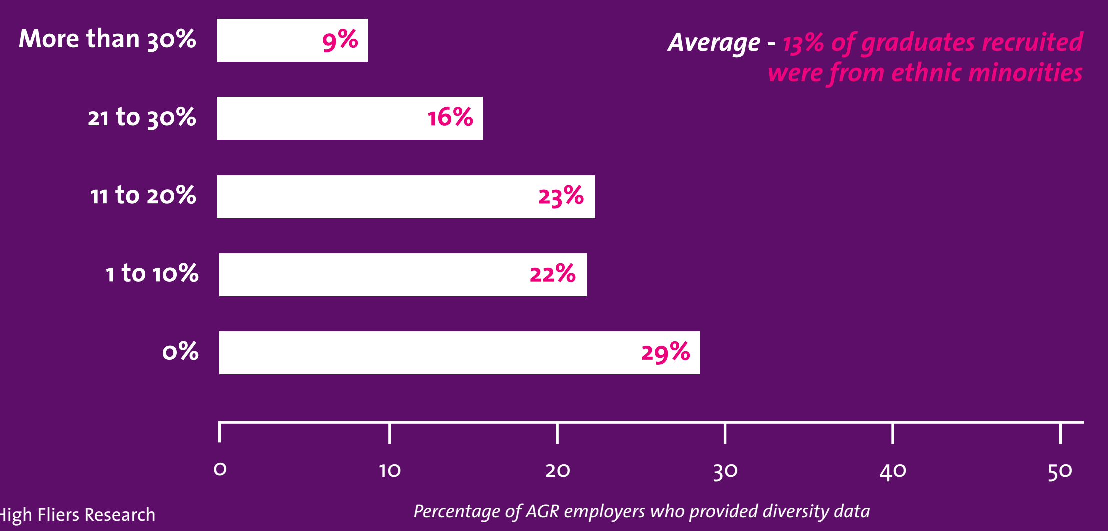
Fewer than two-thirds of employers participating in the survey were able to provide data on the gender or ethnicity of their graduate intake in 2004. For those that did, on average, 39% of graduates hired by employers were women (see *Chart 2.10*) whilst 13% were from ethnic minorities (see *Chart 2.11*).

Chart 2.10 Percentage of Graduates Recruited in 2004 who were Women



Source - High Fliers Research

Chart 2.11 Percentage of Graduates Recruited in 2004 who were from Ethnic Minorities



Source - High Fliers Research

Chapter 3

Graduate Salaries

Introduction

The second section of *The AGR Graduate Recruitment Survey 2005* investigates the salaries that employers are planning to pay new graduates starting work later this year, compared with the rates for 2004. Employers were asked to give their *actual* starting salaries paid to graduates recruited into their organisations during the 2003-2004 recruitment season (typically to start work in the autumn of 2004), along with their predicted starting salaries for graduates to be recruited during the current 2004-2005 recruitment year.

The survey asked employers to provide not only their national graduate starting salary, but also details of any variation of this rate paid to graduates in different parts of their organisations. This means that salary data can be analysed by geographical region and the business function or career area that the graduates are employed within, as well as employer's industry or business sector.

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' 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.

All the results shown in this section refer to actual starting salaries paid in 2004 (ie graduates recruited during the 2003-2004 recruitment season who started work in autumn 2004), versus likely salaries on offer in 2005 (ie graduates recruited during the 2004-2005 round, to start work in autumn 2005).

Key Findings

Starting salaries for new graduates are set to rise again in 2005 , with many AGR employers expecting to pay increases above the 'cost-of-living' for graduates starting work later this year:

- **Graduate starting salaries are expected to increase by 4.8% in 2005, compared to the salary rates actually paid in 2004. The predicted median graduate starting salary for 2005 is £22,000.**
- **Investment banks, consulting firms, law firms, oil companies and the Armed Forces are offering the highest starting salaries in 2005.**
- **Regionally, median salaries are expected to be highest in London and the south east of England, with the lowest rates paid in Yorkshire and Northern Ireland.**
- **By business functions or career areas within organisations, the highest starting salaries in 2005 are likely to be for graduate positions in investment banking, consulting, legal work, and actuarial work. The lowest are for positions in retail management and purchasing.**
- **A third of employers plan to offer new graduates a 'starting-work' bonus this year.**

Comparing Graduate Salaries in 2004 & 2005

The survey shows that graduate starting salaries are set to rise sharply this year. Employers are anticipating offering a median salary of £22,000 to new graduates in 2005, £1,000 higher than the £21,000 median salary paid in 2004. This represents an increase of 4.8% year-on-year, the highest annual rise recorded in the last five years (see *Chart 3.1*).

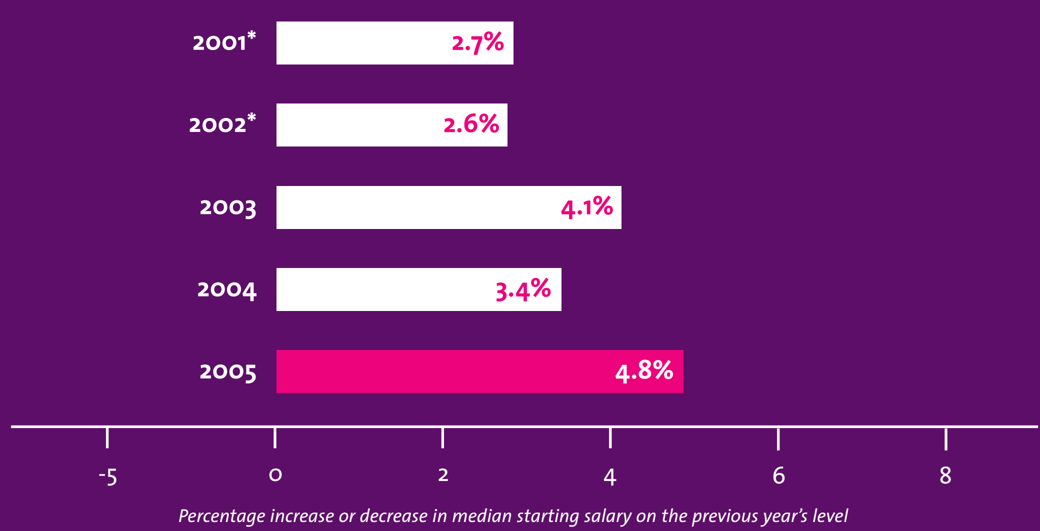
These latest salary levels mean that AGR employers have increased graduate starting salaries by well above the 'cost-of-living' (currently 2.5%) for three years running. There is no evidence that these rising salaries have anything to do with the record debt levels that graduates face as they leave university. It is clear that many employers have improved their remuneration packages purely to gain a competitive edge in the increasingly competitive recruitment market. Others are simply trying to keep pace with the salaries offered by rival recruiters.

There remains considerable variation in the salaries offered by individual employers, as the profile of starting rates paid in 2004 shows (see *Chart 3.2*). At the lower end, two employers reported paying their new graduates less than £15,000, whilst fourteen recruiters offered initial salaries of at least £30,000. Whilst it is important to recognise that these extremes only represent a small number of graduate vacancies – less than a tenth of the total vacancies in 2004 – it does show how graduates' choice of a first employer can have a very significant effect on their potential future earnings. The majority of employers though, who together accounted for 60% of vacancies in 2004, paid between £17,500 and £22,500 to new graduates.

AGR employers' views on how salaries are likely to change in 2005 are quite mixed. Nearly half of recruiters questioned for the survey believed their salaries would remain unchanged from 2004 levels, with a further 15% expecting to award no more than a 2.5% 'cost-of-living' increase this year (see *Chart 3.3*). A similar number of organisations plan to increase their starting salaries by twice this amount, but as many as one in eight recruiters anticipated paying increases of up to 10% or more. Only two employers believed their starting salaries for graduates would be cut this year.

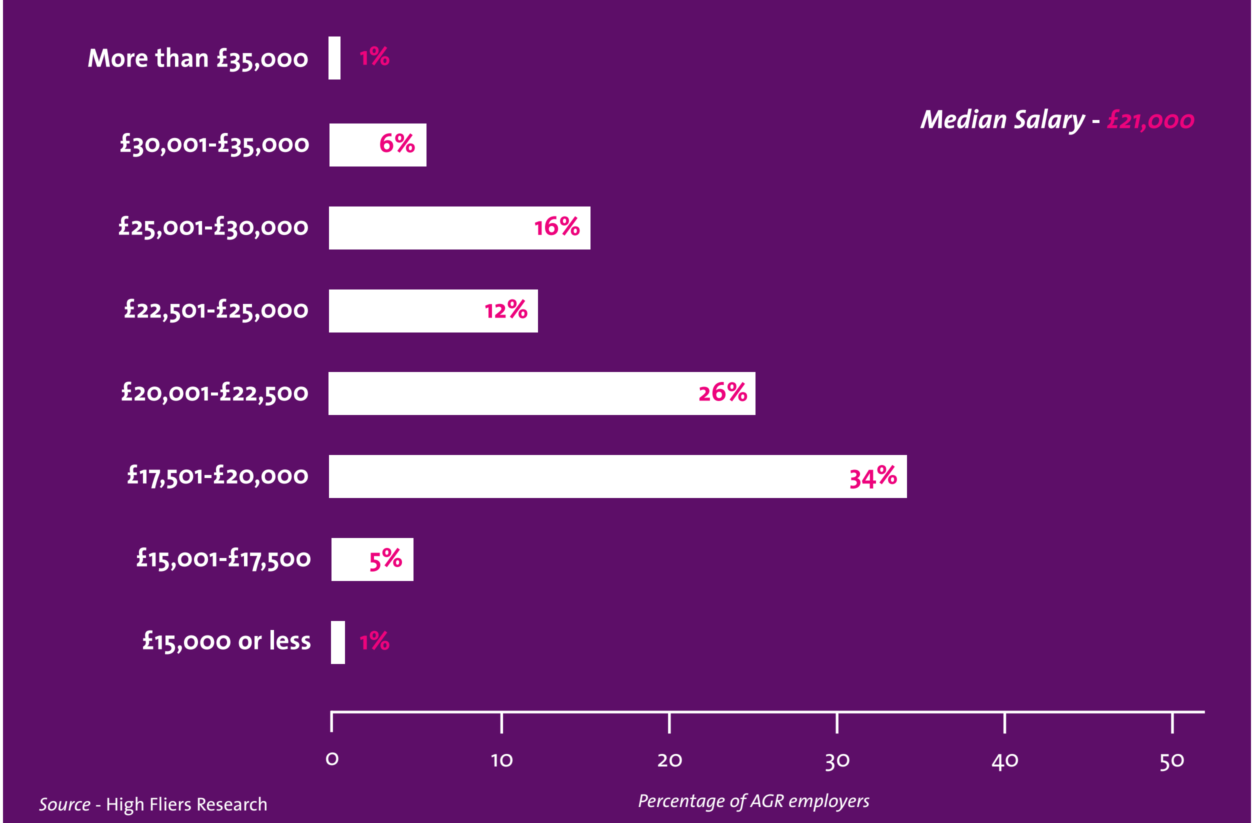
As a result of these changes and the increasing vacancy numbers for 2005, there are likely to be at least an extra 500 graduate jobs with AGR employers paying £30,000 or more to new recruits. At the very top of the market, three organisations are planning to raise their starting salaries above £35,000 for the first time.

Chart 3.1 How median graduate starting salaries at AGR employers have changed 2001-2005



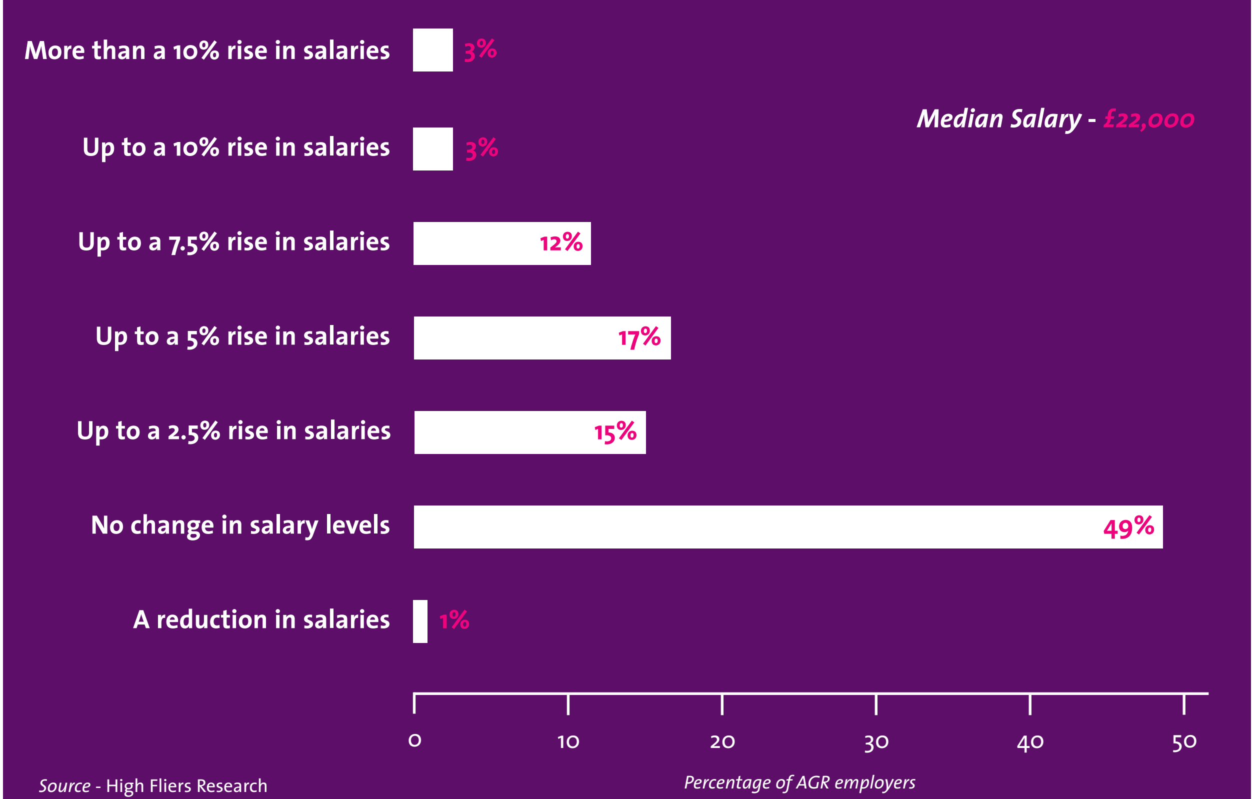
Source - High Fliers Research, *Institute of Employment Studies

Chart 3.2 Graduate starting salaries at AGR employers in 2004



Source - High Fliers Research

Chart 3.3 How AGR employers' expect their graduate salary levels to change in 2005



Source - High Fliers Research

Profiling Graduate Salaries in 2004

The starting salaries paid to graduates by AGR employers can be measured in three different ways – by the employer's industry or business sector, the geographical location of the vacancies, or the business function or career area of the vacancies.

In 2004, the highest-paying AGR employers were investment banks or fund managers, consulting or business services firms, law firms, and oil companies (see *Table 3.4*). The median starting salaries for these kinds of employers are between £25,000 and £35,000, levels which have now remained unchanged for three consecutive graduate recruitment seasons. Other organisations paying above-average starting salaries were the Armed Forces, fast-moving consumer goods companies, chemical or pharmaceutical companies, banking or financial services, motor manufacturers and telecommunications companies.

Across the UK, there were considerable regional variations in salary levels paid in 2004 (see *Table 3.5*). Graduates starting work in London were offered the highest rate, a median of £25,000, although it should be noted that this does include any London weighting or allowances that employers provided. The median salary for the south east of England was £21,000 but all other parts of the country were actually below the national median with positions in Northern Ireland and Yorkshire began on the lowest median salaries of £18,500. Graduate salaries in Europe were an impressive £27,000, but there were too few vacancies in the USA, Asia or elsewhere in the world to calculate meaningful median rates.

Within individual business functions and career areas (see *Chart 3.6*), the highest starting salaries in 2004 were for vacancies in investment banking, consulting, and legal work where the median rates were between a third and two-thirds higher than the median national starting salary. The lowest salaries reported were in logistics, retail management and purchasing.

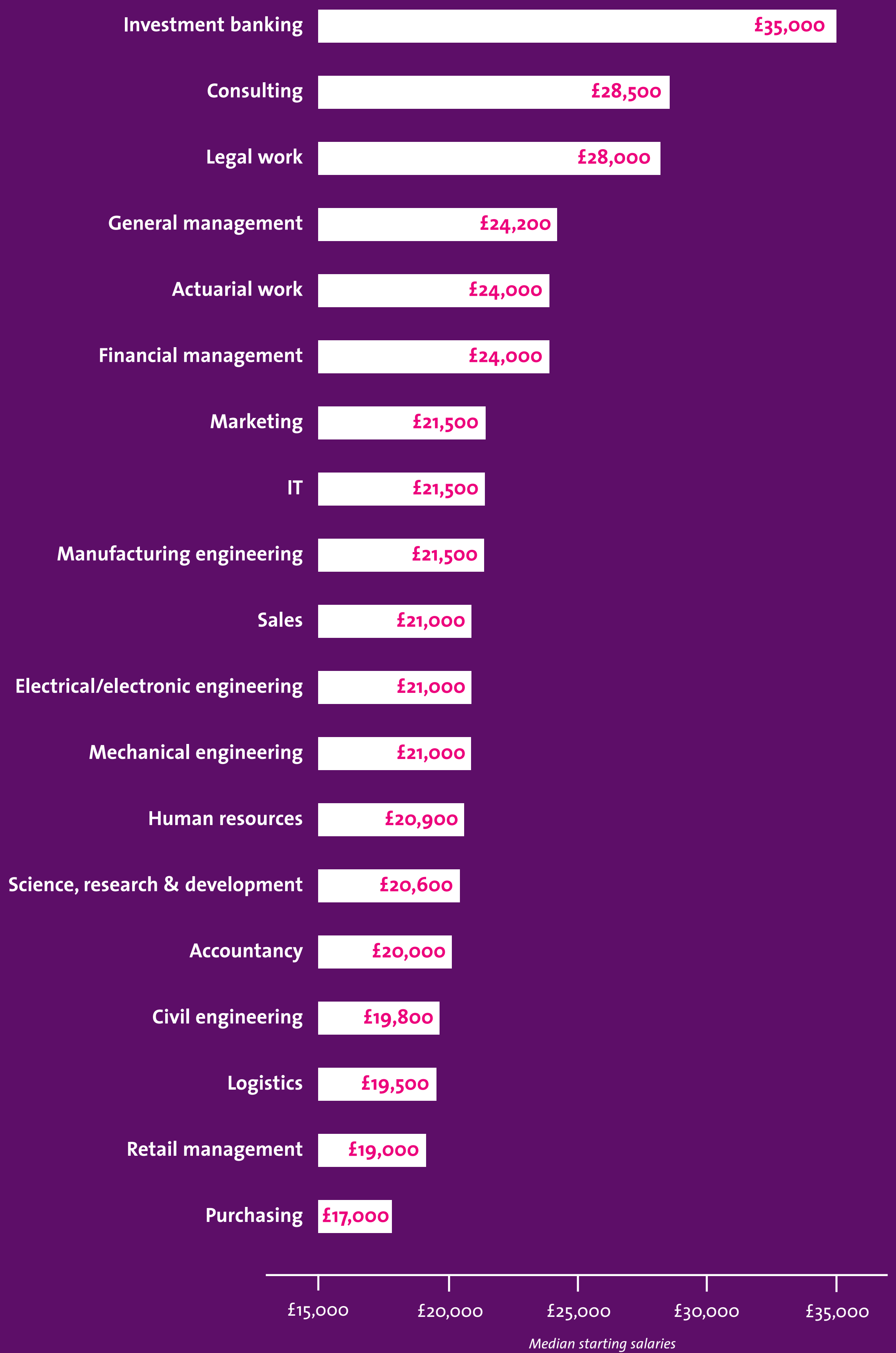
Table 3.4 Median starting salaries by type of organisation in 2004

	Median Graduate Starting Salaries
Investment bank	£35,000
Consulting or business services firm	£28,500
Law firm	£28,500
Oil company	£25,300
Armed forces	£25,000
FMCG company	£24,000
Chemical or pharmaceutical company	£23,000
Banking or financial services	£23,000
Motor manufacturer	£23,000
Telecommunications company	£21,500
IT hardware or software company	£21,000
Energy, water or utility company	£20,700
Accountancy or professional services firm	£20,000
Construction company or consultancy	£20,000
Engineering or industrial company	£20,000
Public sector	£19,500
Transport or logistics company	£19,500
Retailer	£19,000
Insurance company	£13,700

Table 3.5 Median starting salaries by by location of vacancies in 2004

	Median Graduate Starting Salaries
London	£25,000
South East	£21,000
East Anglia	£20,000
South West	£19,700
North West	£19,500
The Midlands	£19,100
Wales	£19,000
Scotland	£19,000
North East	£19,000
Yorkshire	£18,500
Northern Ireland	£18,500
Ireland	-
Europe	£27,000
USA	-
Asia	-
Rest of the World	-

Chart 3.6 Median graduate starting salaries by business function or career area in 2004



Source - High Fliers Research

Expected Changes in Graduate Salaries in 2005

Salaries in ten different industries or business sectors are expected to rise year-on-year with the biggest increases of 10% predicted at accountancy or professional services firms (see *Table 3.7*). This is a very significant result given that these firms are by far the largest recruiters of graduates amongst AGR employers . It means that much of the overall salary increase of 4.8% predicted for 2005 is due to the rising starting salaries on offer from the accountancy and professional services firms.

Increases of more than 7% are expected for public sector vacancies but two of the lowest-paying business sectors in 2004, retailers and insurance companies, were only planning to increase graduate salaries by the cost-of-living. Eight business sectors or industries anticipate no change in their salary levels, including most of the areas with the most generous remuneration in 2004 – consulting firms, law firms, and investment banks or fund managers. It is interesting that if salaries in each of these areas remain unchanged in 2005, they will have been held at the same rates for four years running.

Measured by location, salaries for new graduates are set to rise in all parts of the UK in 2005 except the north west of England (see *Table 3.8*). The strongest salary growth is likely to be in the south west of England, Scotland and the south east of England where levels are expected to rise by around 5% or more. Although the 2% rise in London may seem modest, this does equate to median starting salaries for the capital of £25,500 for 2005.

For graduates starting work this year in different job functions, there are some changes in salary levels predicted (see *Chart 3.9*). Employers recruiting for vacancies in purchasing, chartered accountancy, financial management and general management are planning to pay up to 6% more than in 2004, but for most other areas the anticipated growth is around 2.5%. There is no expected change in median starting salaries for seven of the functions profiled.

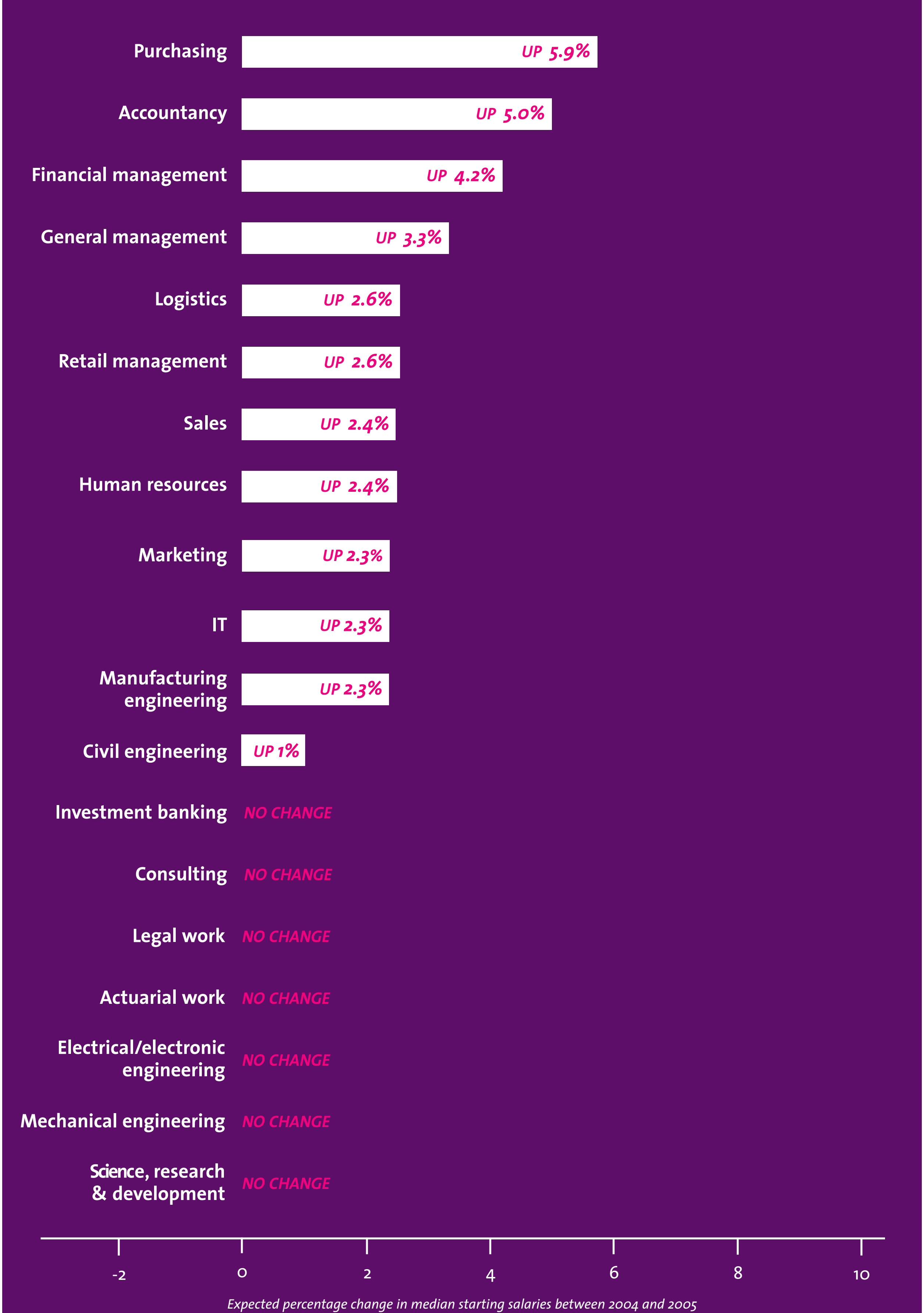
Table 3.7 Expected changes to salaries in 2005, by type of organisation

	% change in median starting salaries
Accountancy or professional services firm	UP 10.0%
Public sector	UP 7.7%
Transport or logistics company	UP 7.7%
Oil company	UP 6.7%
IT hardware or software company	UP 4.8%
Chemical or pharmaceutical company	UP 4.3%
Retailer	UP 2.6%
Engineering or industrial company	UP 2.5%
Insurance company	UP 2.2%
Energy, water or utility company	UP 1.4%
Investment bank	NO CHANGE
Consulting or business services firm	NO CHANGE
Law firm	NO CHANGE
Armed forces	NO CHANGE
FMCG company or food manufacturer	NO CHANGE
Banking or financial services	NO CHANGE
Telecommunications	NO CHANGE
Construction company or consultancy	NO CHANGE
Motor manufacturer	-

Table 3.8 Expected changes to salaries in 2005, by location of vacancies

	% change in median starting salaries
South West	UP 7.3%
Scotland	UP 5.3%
South East	UP 4.8%
Yorkshire	UP 3.7%
North East	UP 3.7%
East Anglia	UP 3.0%
The Midlands	UP 2.6%
London	UP 2.0%
Wales	UP 1.6%
North West	NO CHANGE
Northern Ireland	-
Ireland	-
Europe	UP 3.7%
USA	-
Asia	-
Rest of the World	-

Chart 3.9 Expected changes to median salaries in 2005, by business function or career area



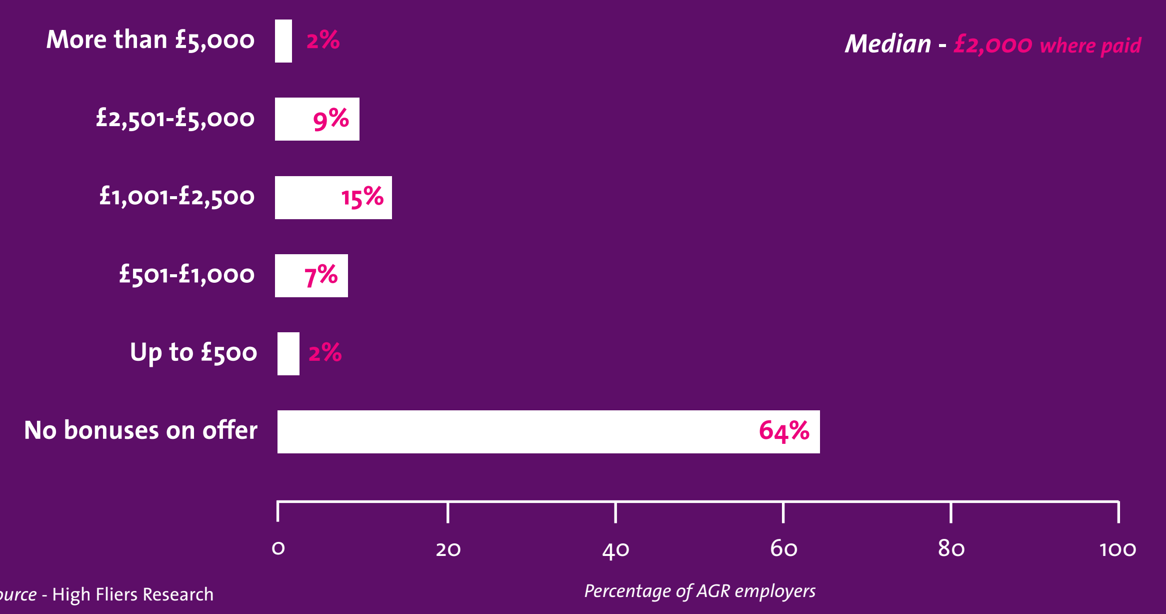
Source - High Fliers Research

Initial Bonuses for Graduates in 2005

Despite the noticeable rises in starting salaries for new graduates in 2005, relatively small numbers of AGR employers are planning to pay initial bonuses to recruits. The survey found that 36% of organisations are offering bonuses this year, a modest increase on the 25% who made payments in 2004 (see *Chart 3.10*). The median amount for bonuses remains at £2,000 in 2005.

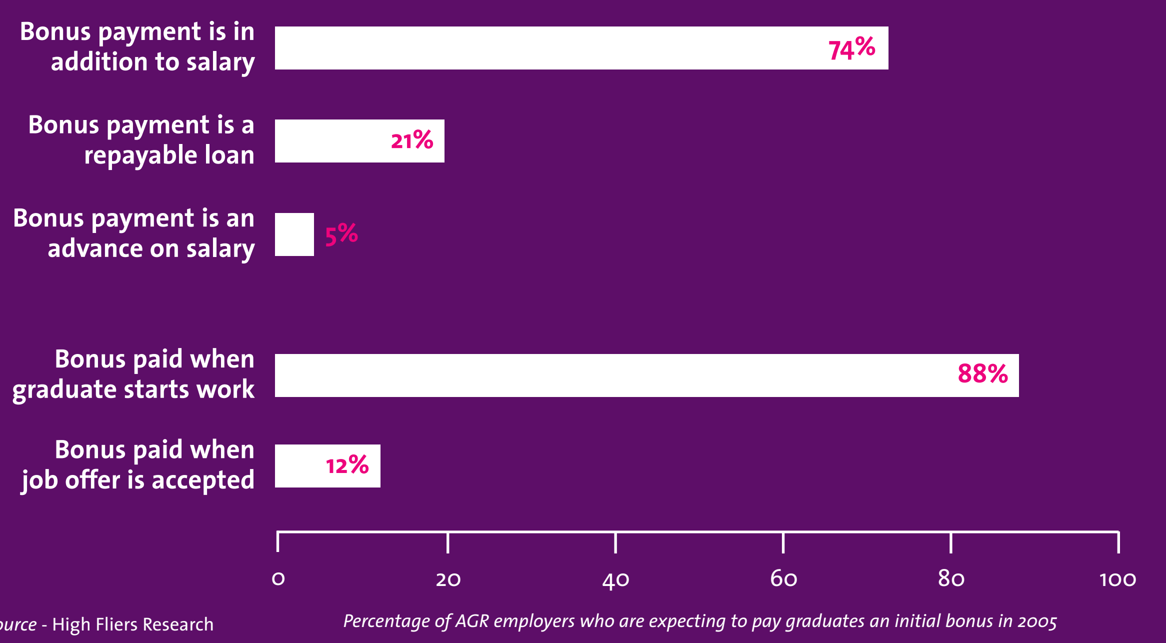
The vast majority of employers who are offering bonuses this year are planning to pay the bonus in addition to the basic salary, rather than as a loan or an advance (see *Chart 3.11*). Nearly all employers were expecting to pay their bonuses when graduates actually started work, rather than when they accepted the job offer.

Chart 3.10 Initial bonuses that AGR employers expect to offer new graduates in 2005



Source - High Fliers Research

Chart 3.11 How & when initial bonuses for graduates will be paid by AGR employers in 2005



Source - High Fliers Research

Education Premiums & Other Remuneration for Graduates in 2005

Most employers offer their new recruits a range of other incentives in their graduate packages such as 'education premiums' for additional qualifications or better exam results, or non-financial benefits such as study leave or use of company sports facilities.

The survey found that fewer than one in fifteen AGR employers are planning to pay higher salaries this year for a candidate holding a postgraduate qualification with those who did offering a premium of £1,000 extra for a Masters degree or £2,000 extra for a PhD, (see *Chart 3.12*). Just six recruiters stated that they would make additional payments for graduates who achieved a first-class degree.

Pensions were the most widely-offered other incentives for new graduates (see *Chart 3.13*) followed by training for professional qualifications, subsidised sports facilities and private healthcare. Five AGR employers offered all seven benefits but most others included four from the list (see *Chart 3.14* overleaf).

Chart 3.12 Education premiums that AGR employers expect to pay new graduates in 2005

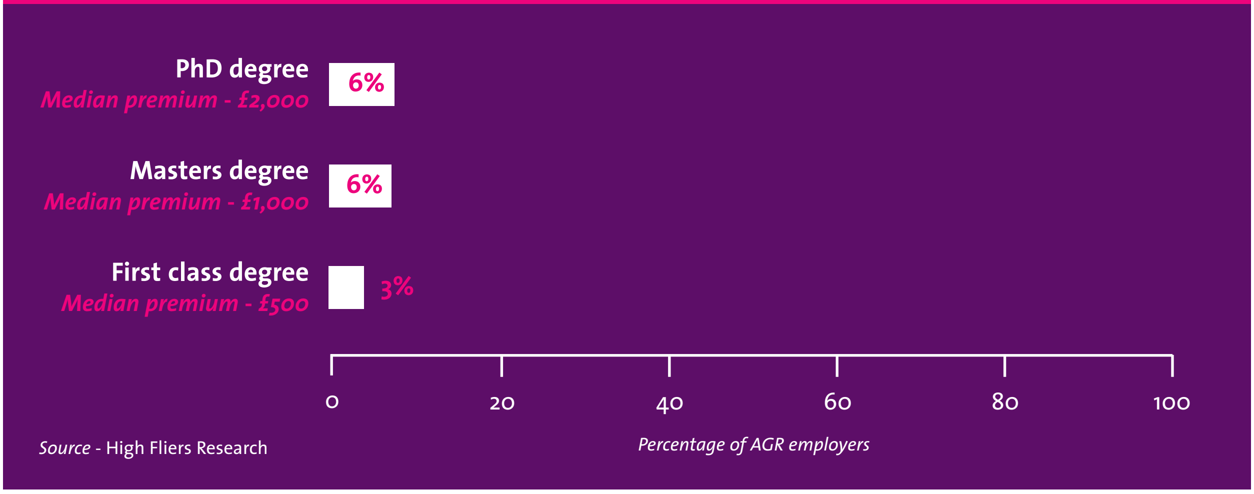


Chart 3.13 Other benefits that AGR employers expect to offer new graduates in 2005

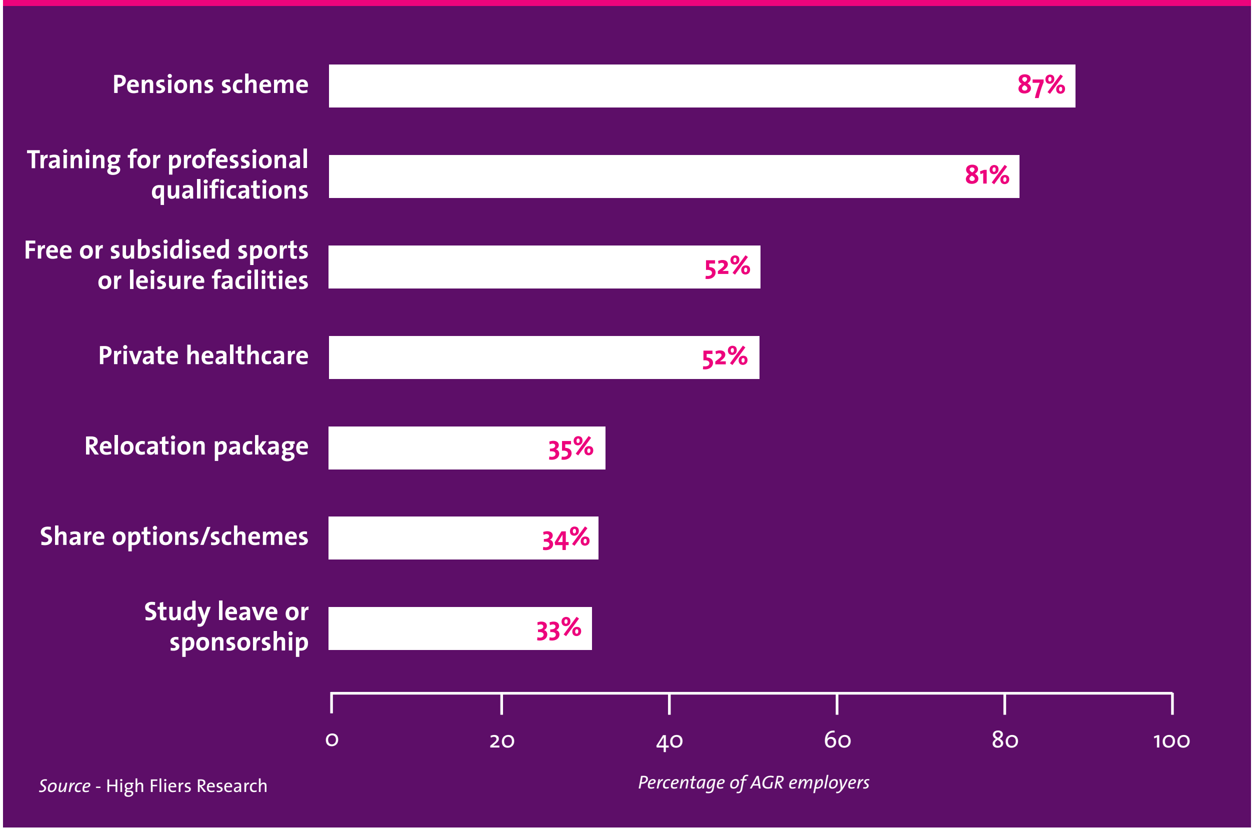
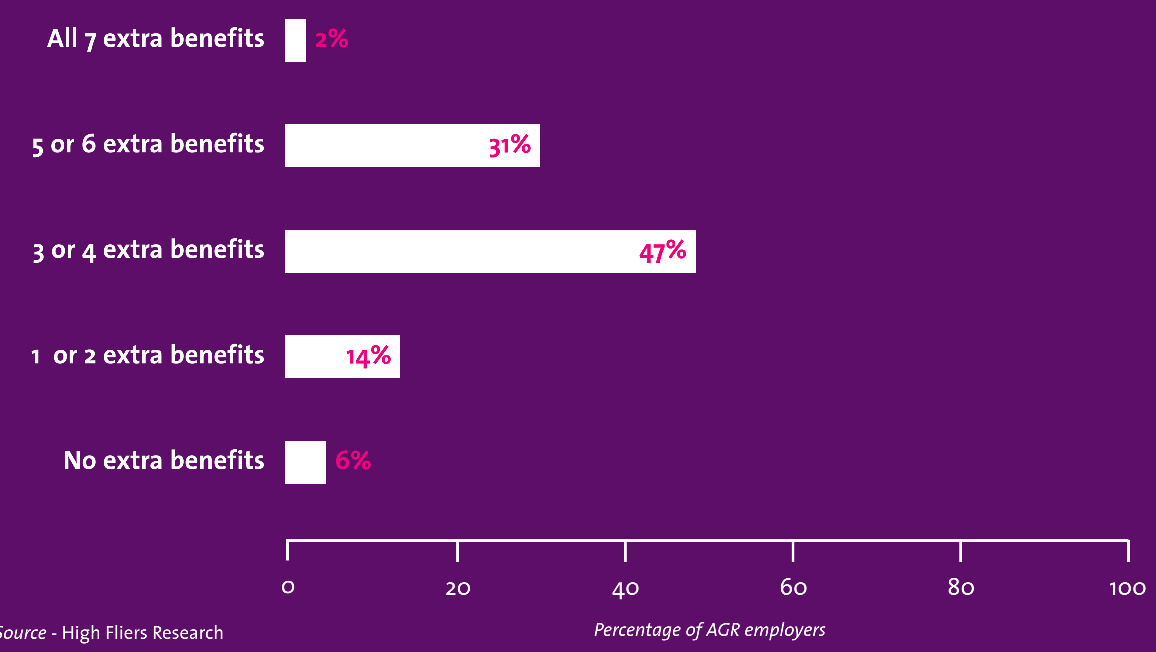


Chart 3.14 Number of extra benefits that AGR employers expect to offer in 2005



Source - High Fliers Research

Chapter 4

Graduate Recruitment Marketing

Introduction

The final part of *The AGR Graduate Recruitment Survey 2005* examines how AGR employers use their marketing budgets to promote their graduate vacancies and encourage applications from final year students and recent graduates.

Employers were asked about their spending on six key graduate recruitment promotions during the current 2004-5 recruitment season (referred to as '2005'), compared with spending in the previous year 2003-4 (described as '2004' throughout). The six areas were employers' own graduate recruitment brochures, their own graduate recruitment websites, graduate recruitment advertising, online graduate recruitment promotions, attending graduate careers fairs, and on-campus presentations. The survey also checked which individual activities within each of these promotions recruiters had invested in during their promotional campaigns.

Even though 142 AGR employers' did provide detailed responses to these questions, the remaining recruiters were either unable to provide data about their marketing activities or were not prepared to share information about their organisations. Despite these limitations, the results do provide a full account of the marketing spend that AGR employers declared for each activity, a notional 'total spend' per recruiter in 2005 and 2004, and an estimate of the median 'cost per graduate vacancy' for graduate recruitment marketing. It also provides a basic analysis of how the combined spending of the combined AGR membership is used on different marketing activities.

The survey uses the 'median' value to compare different spending levels and throughout this section 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 spending is calculated to be the 8th highest spend (the mid-point) of the 15 individual budgets.

Key Findings

AGR employers' spending on graduate recruitment marketing activities has been profiled for 2004-2005 and 2003-2004 recruitment seasons:

- **AGR employers spent a median amount of £14,900 in 2005 on their individual graduate recruitment brochures, with a further £13,800 for their graduate recruitment website.**
- **Spending on graduate recruitment advertising in careers publications and other paper-based titles amounted to £23,800 in 2005. A median of £11,300 was spent on online promotions such as commercial recruitment websites and email services.**
- **Graduate recruiters who attended careers fairs and on-campus presentations spent medians of £11,800 and £14,000 respectively.**
- **Employers' total spend on graduate recruitment marketing in 2004 was a median of £53,300, up 11.0% on budgets in 2004.**
- **The median 'marketing spend per graduate vacancy' was £1,600 in 2004.**

Spending on Brochures & Websites

The results show that having a recruitment brochure that is still a very major expense for many graduate recruiters. The median spend on brochures in 2005 is £14,900, down £300 from 2004, but there was a wide range of different budgets for producing graduate literature (see *Chart 4.1*). Six AGR employers recorded spending at least £50,000 on their brochures in 2004, and yet more than a third of recruiters questioned managed to publish their organisation's material with budgets of £5,000 or less.

For employers' individual websites, a similar pattern emerges. The median spending by recruiters on websites is £13,800, down £500 from 2004 spending levels, but again there were very major differences between individual organisations (see *Chart 4.2*). Over 60% of all AGR recruiters spent less than £10,000 on their individual website, but four employers invested £75,000 or more on their site during the year.

This year's survey shows the continuing trend that fewer employers reported spending the very highest amounts on their brochures and websites than did so two or three years ago, although this has had little effect on the median values recorded.

Spending on Advertising & Online Promotions

Conventional advertising clearly still plays an important part in graduate recruitment marketing as the median sum spent by employers on adverts in 2005 is £23,800, the highest amount of any the six promotions categories examined (see *Chart 4.3* overleaf). This is £1,200 higher than the median spend recorded in 2004. It is also evident that virtually all the AGR employers who provided details of their marketing activities had advertised in one or more media during their campaigns.

The advertising was spread between careers directories (such as *Hobsons Directory*, *Prospects Directory*, *The Times Top 100 Graduate Employers* etc), careers sector guides (such as the GTI *Target* and *Inside Careers* series), careers periodicals (such as *Real World* magazine), trade journals, national newspapers and local publications (such as student newspapers, careers service guides etc).

AGR employers' spending on online promotions has increased again in 2005, with the median budget now £11,200, up £1,800 on 2004 levels and nearly a third higher than the amounts spent by employers in 2002 (see *Chart 4.4* overleaf). These promotions include email services (such as *Milkround Online* and *TargetedGrad*), university websites, and commercial websites (such as *DoctorJob, Monster*, *Prospects* and *Workthing* etc).

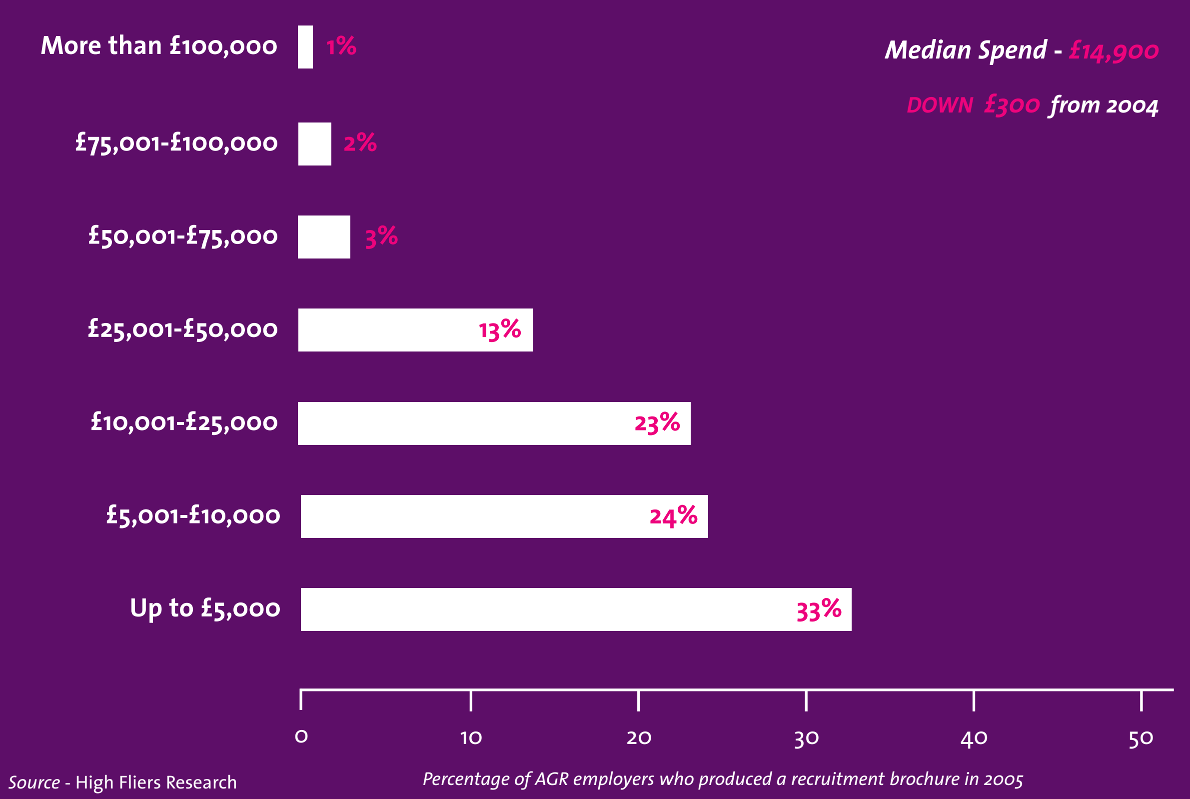
Spending on Careers Fairs & On-Campus Presentations

Noticeably fewer AGR employers took part in campus events such as careers fairs, employer presentations, skills training evenings or business games, but those who did run a programme of campus events often invested significant proportions of their marketing budgets on these 'student-facing' activities (see *Charts 4.5 & 4.6* overleaf). The median spend for careers fairs in 2005 is £11,800 (almost unchanged on 2004 levels) and presentations was £14,000 (up £1,000 on 2004).

Much of the fluctuation in spending between different recruiters is down to the number of universities they included in their campus campaigns and the style of event they chose to participate in. For example, the cost of attending single university careers fair is generally just a few hundred pounds, whilst a stand at a regional or national fair can run to several thousand pounds.

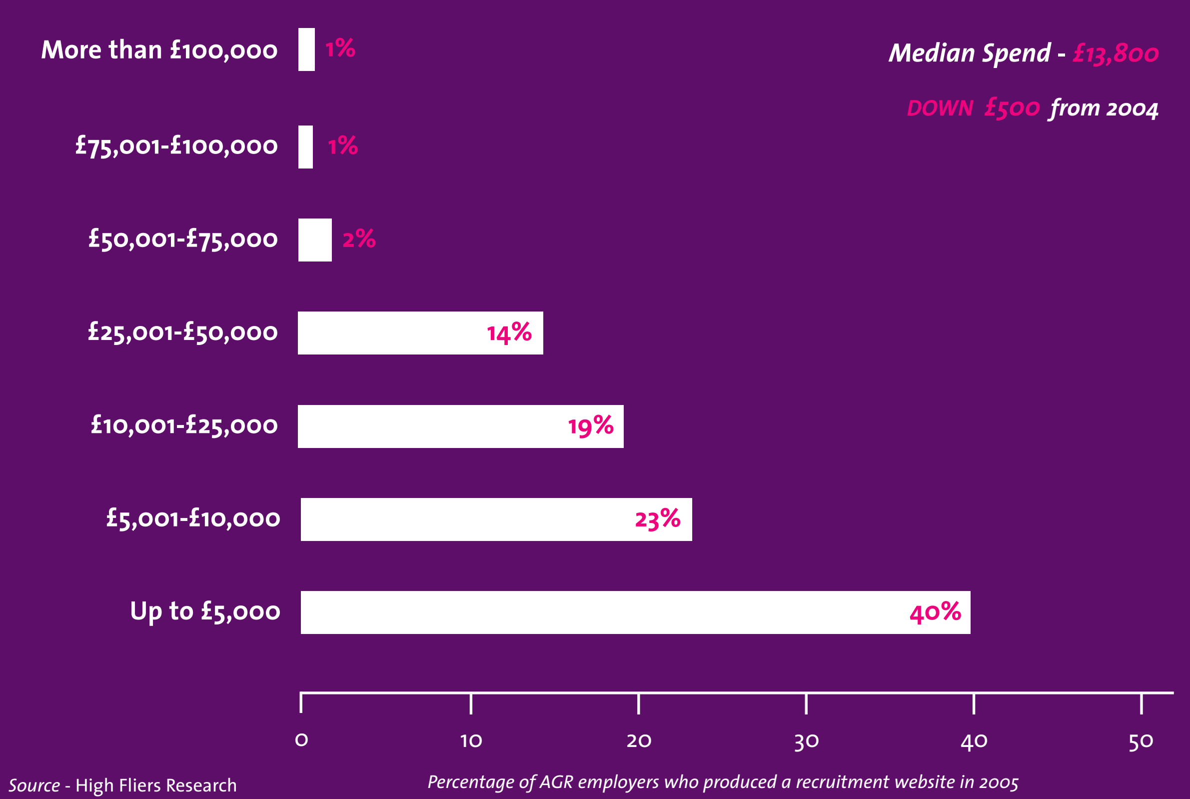
Similarly, a graduate recruiter can hold an informal departmental presentation or post-lecture talk for little or no cost, or instead choose to hire a major city-centre hotel with all its associated hospitality expenses. The budgets, therefore, for university presentations ranged from just £25 per event to an eye-watering £16,000 per presentation spent by one employer. The median spend per presentation recorded by AGR employers for 2005 was £450.

Chart 4.1 AGR employers' spending on their graduate recruitment brochures in 2005



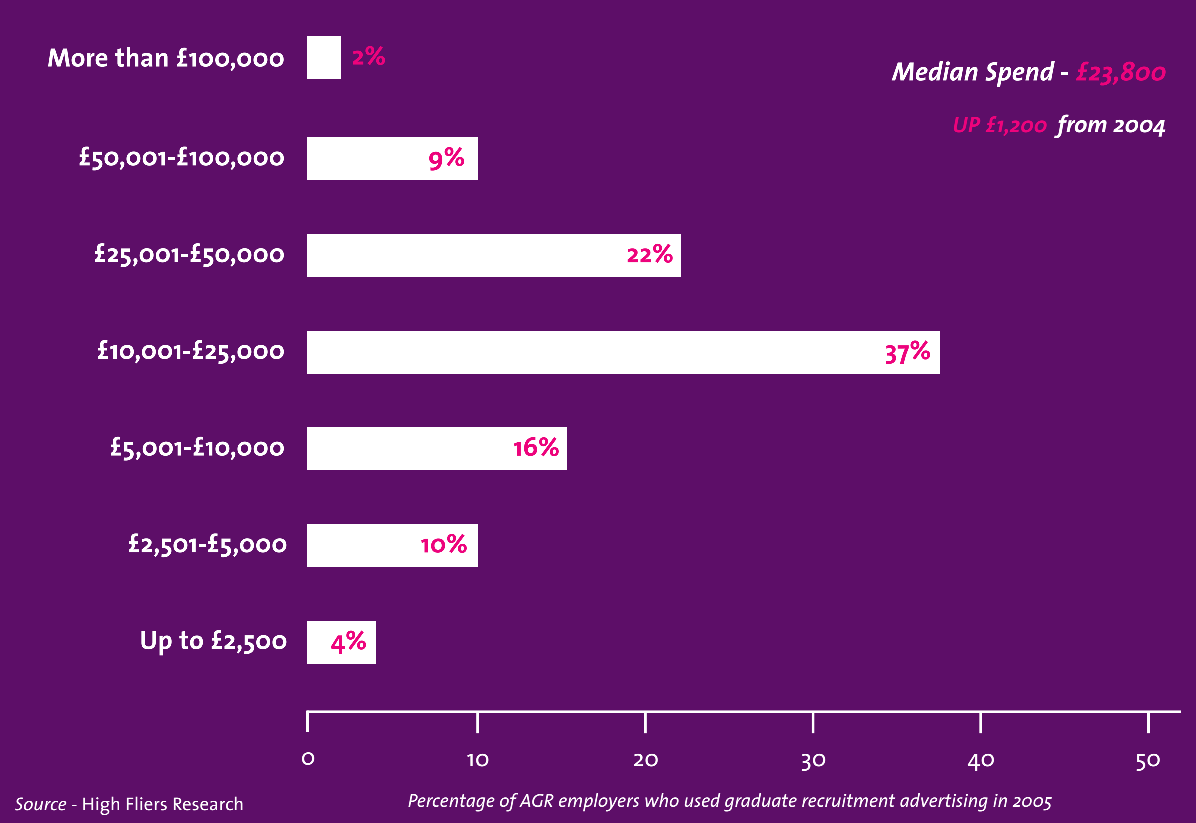
Source - High Fliers Research

Chart 4.2 AGR employers' spending on their graduate recruitment websites in 2005



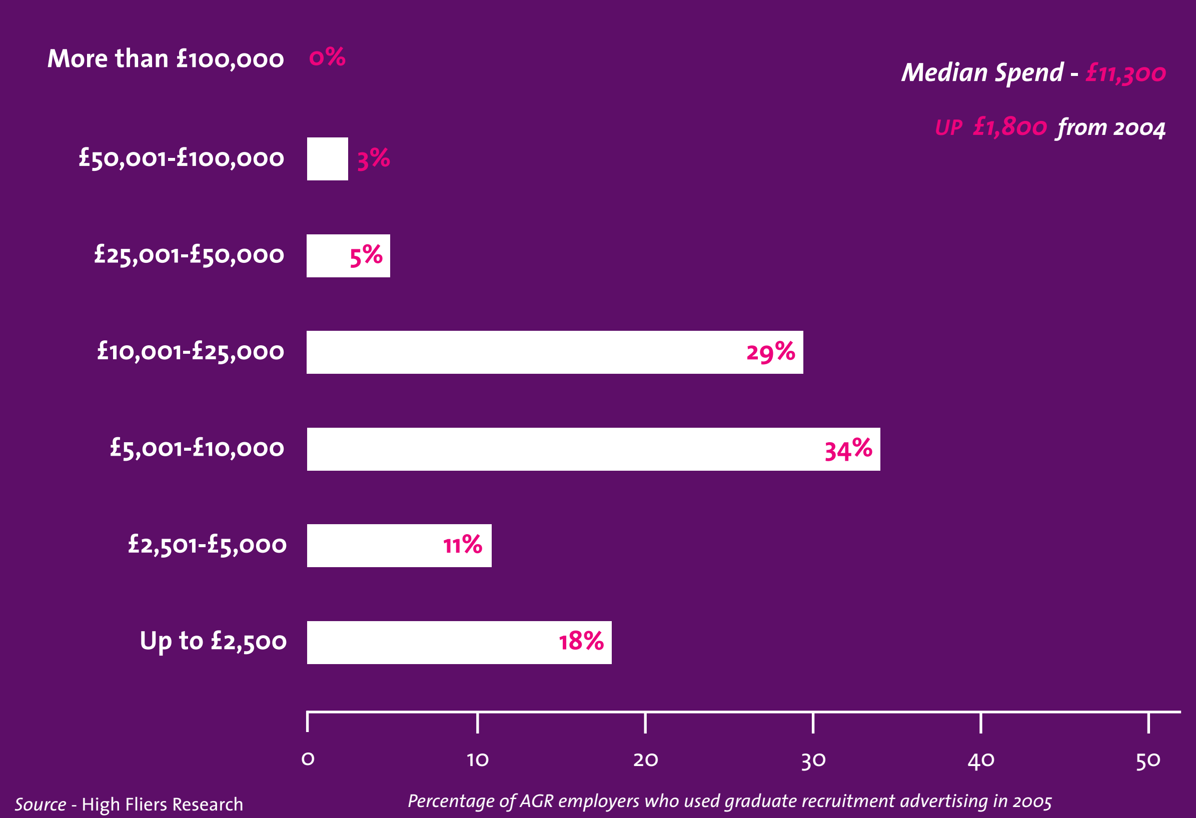
Source - High Fliers Research

Chart 4.3 AGR employers' spending on graduate recruitment advertising in 2005



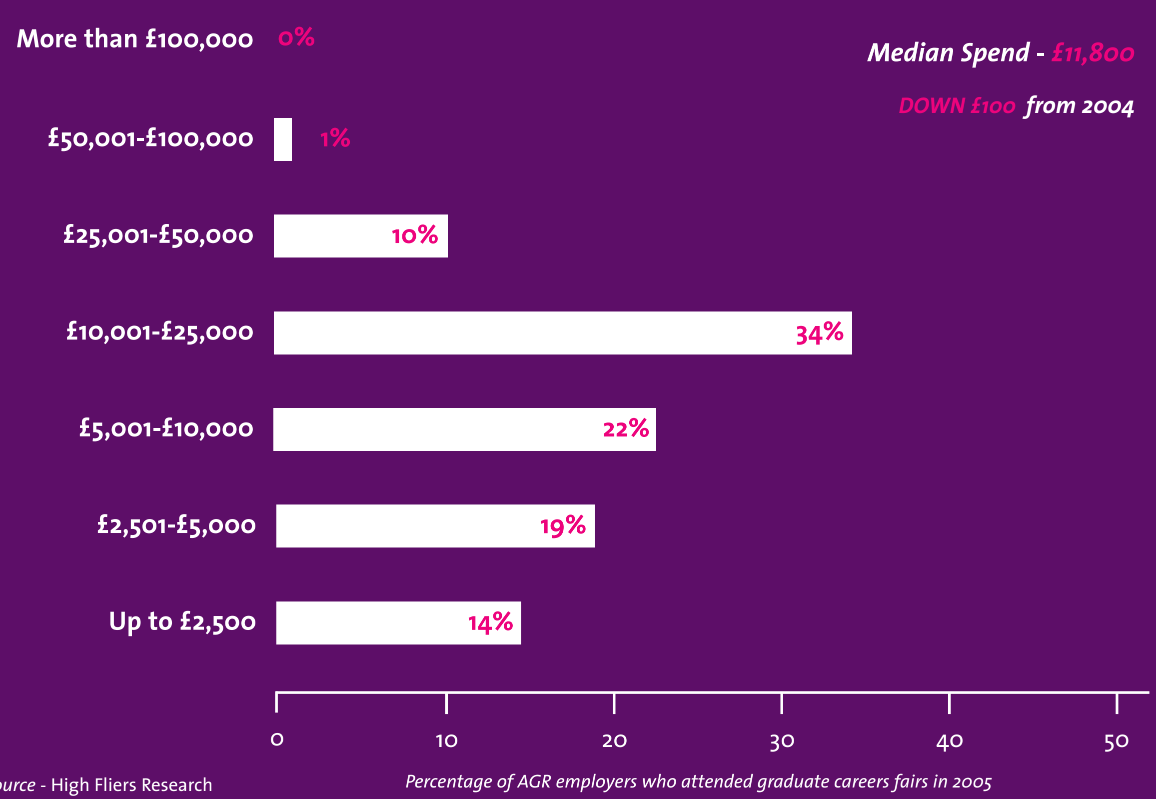
Source - High Fliers Research

Chart 4.4 AGR employers' spending on graduate recruitment promotions online in 2005



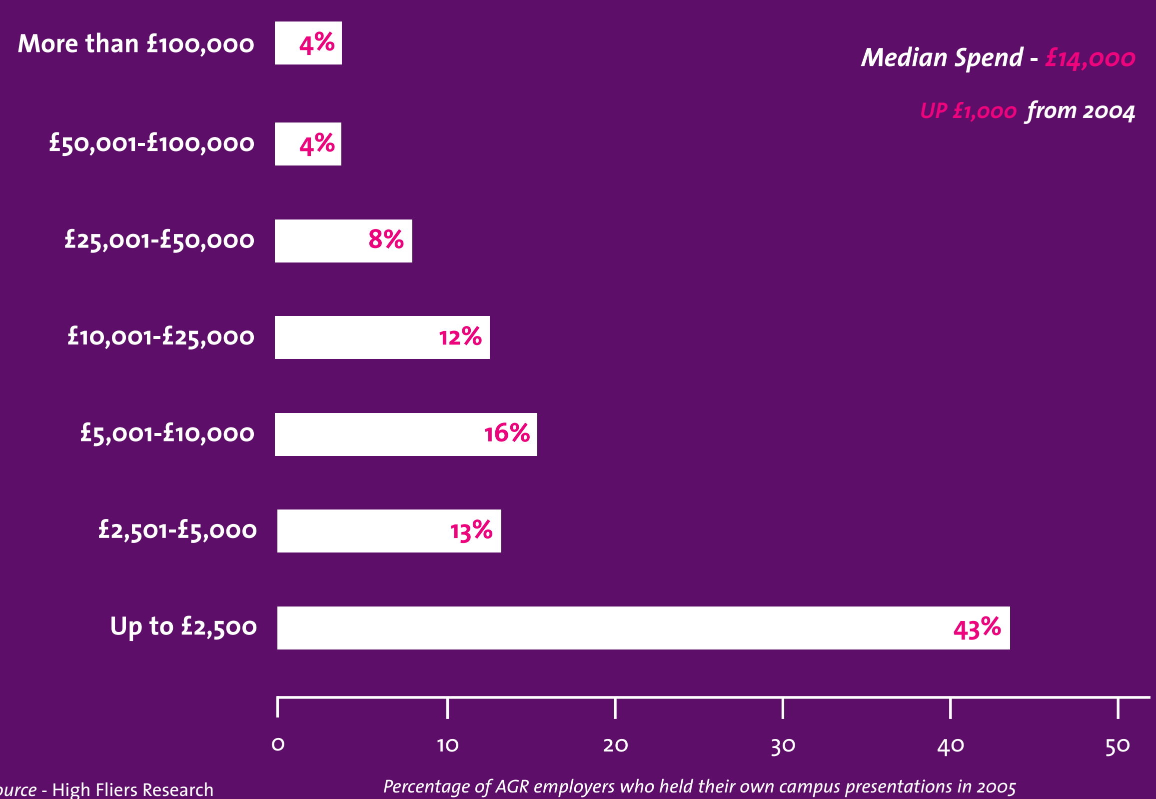
Source - High Fliers Research

Chart 4.5 AGR employers' spending on attending graduate careers fairs in 2005



Source - High Fliers Research

Chart 4.6 AGR employers' spending on holding their own campus presentations in 2005



Source - High Fliers Research

Combined Spending on Different Promotions

A total of 142 AGR employers supplied data for the survey about their graduate recruitment marketing spending in 2004 and 2005. Totalling up the individual amounts that these organisations spent enables a detailed breakdown of the cost and significance of the many different promotions used during the graduate recruitment round (see *Chart 4.8*).

Collectively, these AGR employers spent £13.0 million on their recruitment marketing in 2005. Within this figure, £3.8m was spent on employers' own websites and their recruitment brochures, a further £4.3m went on advertising, £1.4m for online promotions and £3.1m was allocated to careers fairs and presentations. The national careers directories (such as *Prospects* directory, the *Hobsons Directory 2005* etc) and career sector guides (such as the GTI *Target* series etc) took the largest portion of employers' spending on advertising. Recruiters together spent twice as much on campus presentations than they did on university careers fairs in 2004, but invested just 2.9% of their collective funds in skills training events & business games.

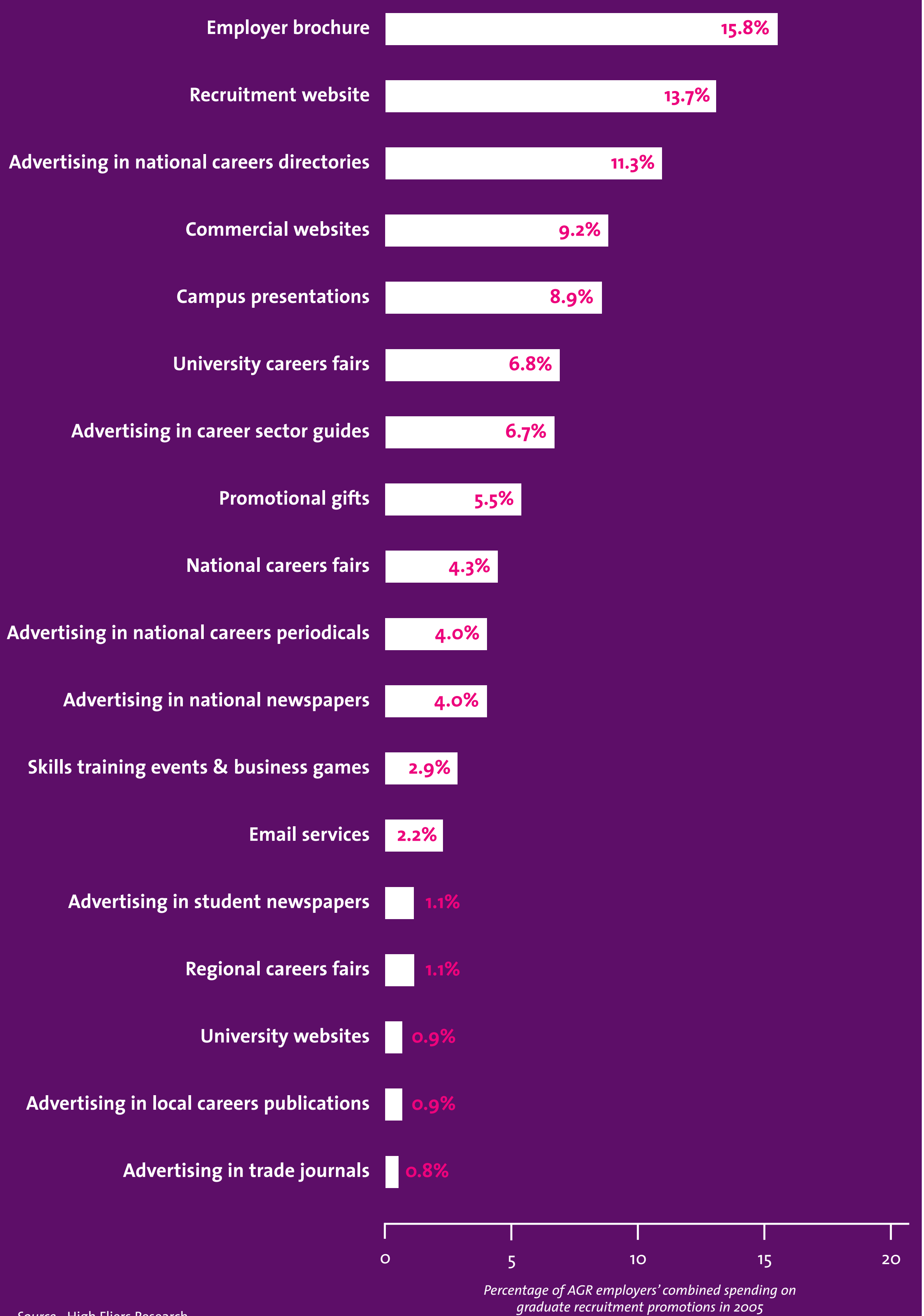
Overall, this combined spending is higher than in 2004, when the same employers together reported costs of £11.3 million for their graduate promotions. The main changes in spending have been that budgets for online promotions, campus events and graduate recruitment advertising have increased whilst the combined amount spent on recruitment brochures and employers' own websites has declined a little (see *Chart 4.7*).

This noticeable drop in the combined spending on employers' websites and recruitment brochures, amounts to a collective saving for recruiters of around £500,000. As far as events go, spending has increased by a third on university careers fairs and regional fairs, but dropped by around 10% on national careers fairs. This helps explains another annual increase in the amount spent on promotional gifts, the various 'freebies' which are given away to students & graduates at fairs and presentations. AGR employers' combined spending on these items rose from £580,000 in 2004 to an nearly £700,000 in 2005.

Chart 4.7 How AGR employers' combined spending on different promotions changed in 2005

Source - High Fliers Research

Chart 4.8 Proportion of AGR employers' combined spending on different promotions in 2004



Source - High Fliers Research

Total Marketing Spending in 2005

To complete the analysis of AGR employers' spending on graduate recruitment marketing, the survey calculated each recruiter's overall budget for promotional activities. With considerable variations in the level of graduate recruitment between organisations, it is unrealistic to attempt to provide an absolute 'benchmark' figure for total spending on marketing. It is, however, possible to show the range of spending by AGR employers for their graduate marketing campaigns during 2005, and the comparative data from 2004.

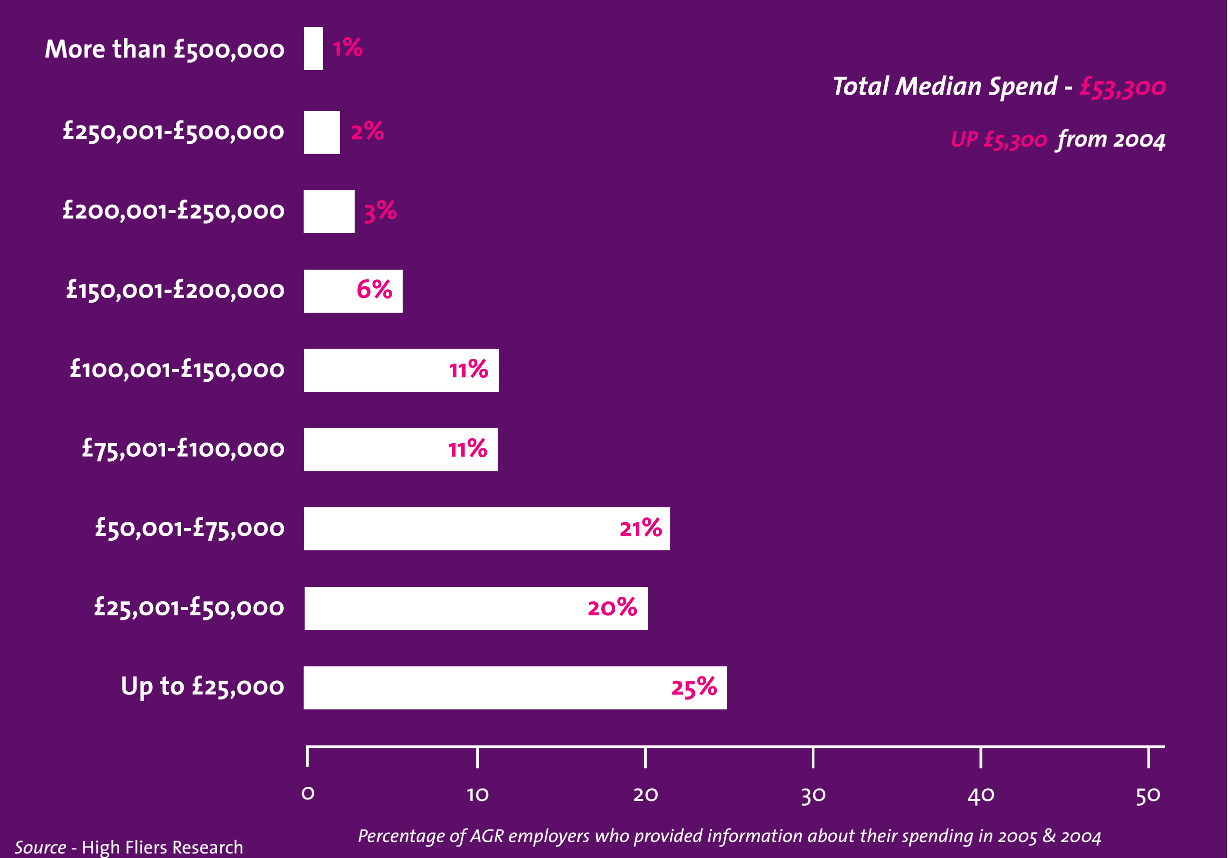
The total marketing spend is calculated from the declared spending on their graduate recruitment brochure, website, advertising, online promotions, careers fairs, presentations and any promotional gifts. It does not take account of any staff costs or departmental overheads. Nor does it include any other promotions that employers may have run during their recruitment round outside of the key areas listed.

The results show that the median total spending level for graduate recruitment marketing by AGR employers is £53,300 in 2005, up from £48,000 in 2004 (see *Chart 4.9*). This includes a quarter of recruiters who managed to conduct their entire graduate marketing with £25,000 or less and three employers who spent in excess of ten times this amount.

Finally, by taking account the number of vacancies that employers are recruiting for, it is possible to determine an indication of the 'marketing spend per vacancy' levels for each employer (see *Chart 4.10*). This shows a dramatic difference between recruiters, from just a few hundred pounds per graduate to well over £5,000 for each vacancy. The median spend for 2005 is £1,600, up £100 on 2004.

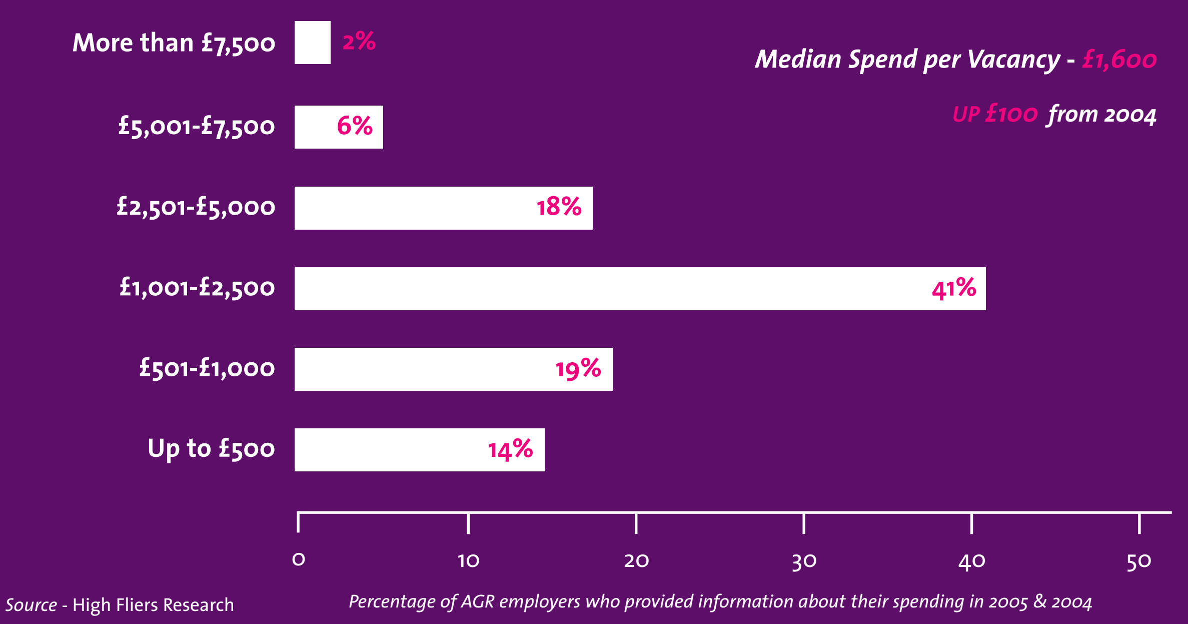
The highest costs reported are for FMCG companies, investment banks or fund managers, and law firms where the median spend is over £2,000 per graduate. The lowest 'spend per vacancy' is at the accountancy firms, where larger recruitment targets help reduce the median spend.

Chart 4.9 AGR employers' total spending on graduate recruitment marketing in 2005



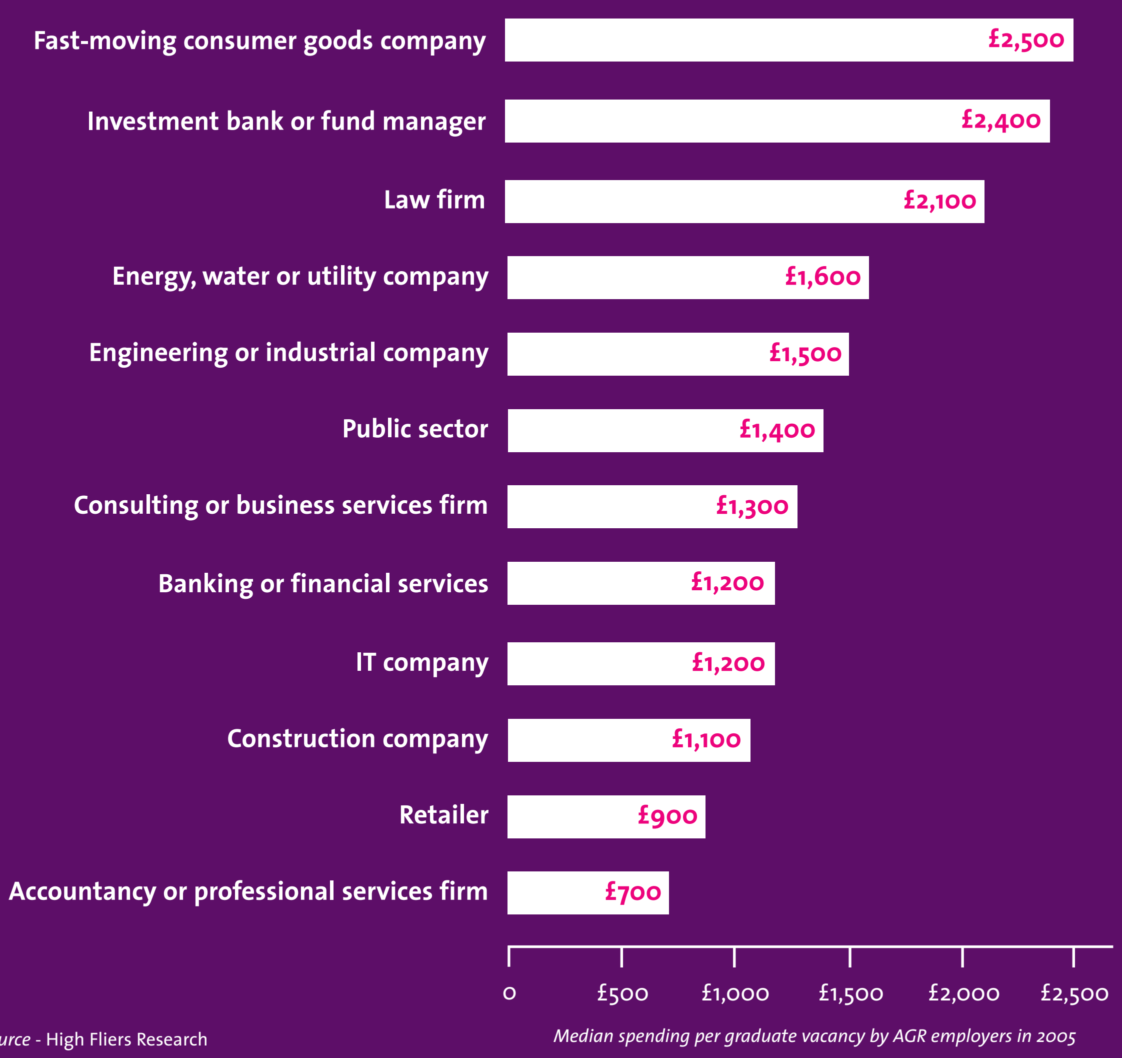
Source - High Fliers Research

Chart 4.10 AGR employers' spending per vacancy on graduate recruitment marketing in 2005



Source - High Fliers Research

Chart 4.11 Median spending per vacancy on graduate recruitment marketing in 2005, by industry



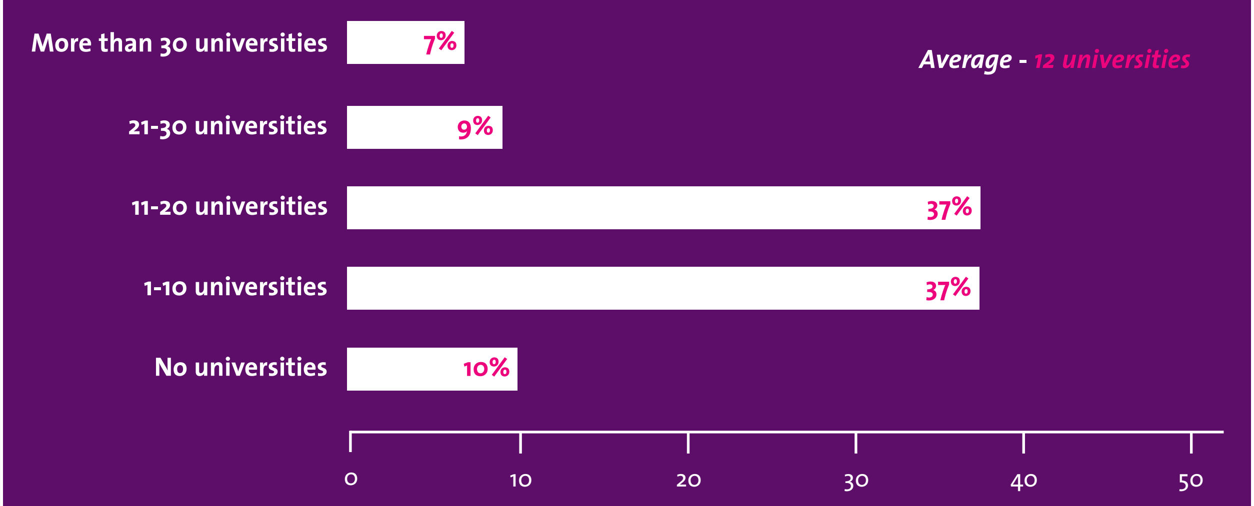
Source - High Fliers Research

Targeting Universities in 2005

A total of 164 AGR employers provided information about their approach to campus marketing during the 2004-2005 recruitment season (see *Chart 4.12*). The results show that the majority of recruiters opted to advertise or hold local events at up to twenty UK universities with just a sixth of employers conducting campus marketing at a larger number of institutions. Sixteen recruiters confirmed they had taken part in no local activities at all this season.

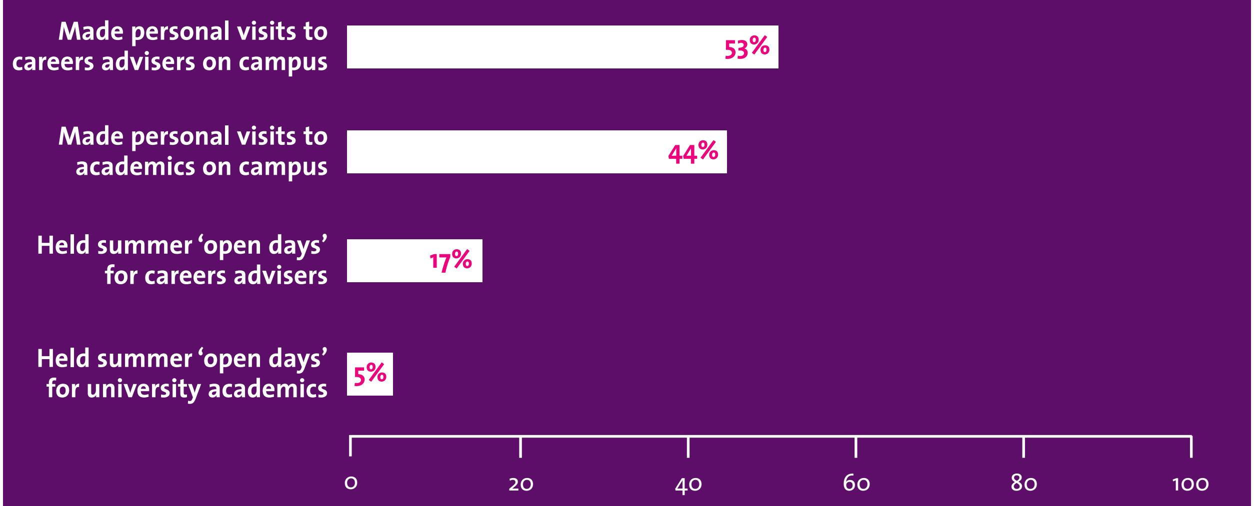
In terms of communicating with university staff, over half of AGR members questioned had made personal visits to university careers services during the recruitment season, with slightly fewer choosing to visit academics or departmental representatives (see *Chart 4.13*). Just one in six recruiters held summer open days at their offices or premises for careers services and fewer still had invited academic staff into their organisation.

Chart 4.12 Number of UK universities targeted for campus events or local advertising in 2005



Source - High Fliers Research

Chart 4.13 Number of UK universities targeted for campus events or local advertising in 2005



Source - High Fliers Research