

The AGR Graduate Recruitment Survey 2004

Summer Review



agr

Price - £200 (free to AGR members)

Survey produced for the AGR by:

High Fliers Research Limited

10a Belmont Street
Camden Town
London NW1 8HH

T: 020 7428 9000

F: 020 7428 9111

E: surveys@highfliers.co.uk

w: www.highfliers.co.uk

Association of Graduate Recruiters

The Innovation Centre
Warwick Technology Park
Gallows Hill
Warwick CV34 6UW

T: 01926 623236

F: 01926 623237

E: info@agr.org.uk

W: www.arg.org.uk

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

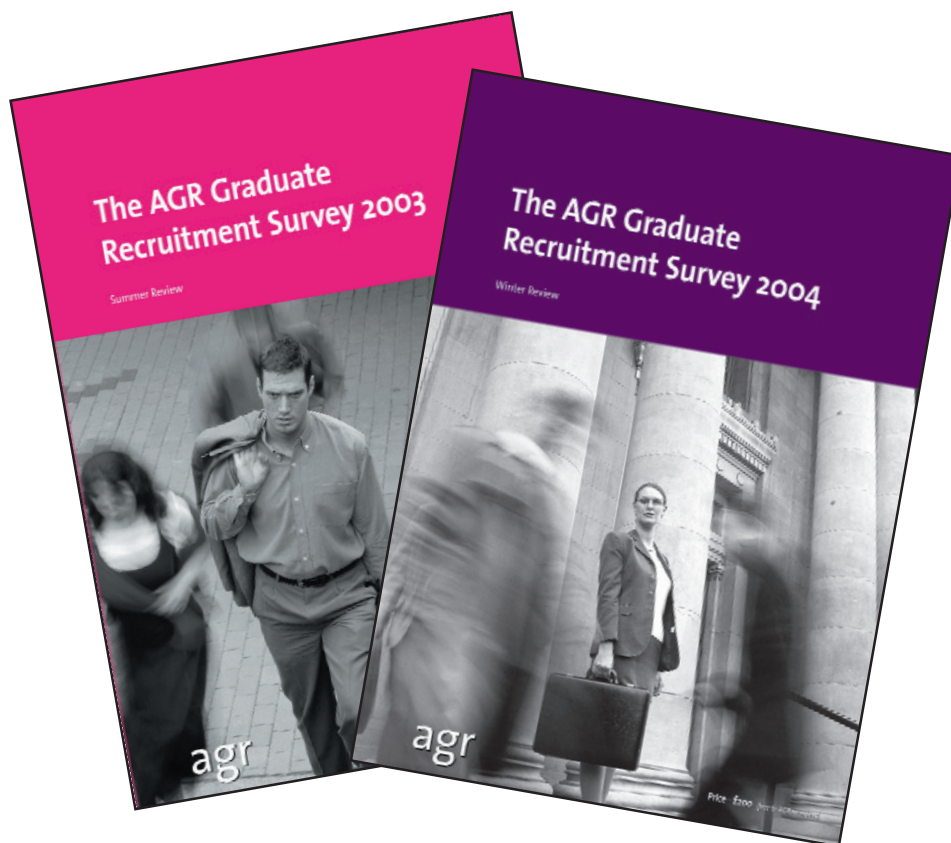
© High Fliers Research Limited and the Association of Graduate Recruiters 2004.

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

Contents

	<i>Page</i>
Executive Summary	5
1 Introduction	7
Researching the Graduate Market	
Survey Methodology	
Participating Employers	
2 Graduate Vacancies	9
Comparing Graduate Vacancies in 2004 & 2003	
Profiling Graduate Vacancies in 2004	
Changes in Graduate Vacancies in 2004	
Outlook for 2005	
3. Graduate Starting Salaries	17
Comparing Graduate Salaries in 2004 & 2003	
Profiling Graduate Salaries in 2004	
Changes in Graduate Salaries in 2004	
Outlook for 2005	
4. Applications, Selection & Assessment	25
Applications to Graduate Employers	
Selection & Assessment in 2003-2004	
Recruitment Shortfalls and the Quality of Applicants	
5. Graduate Retention & Salary Progression	31
Graduate Retention 1999-2003	
Salary Progression 1999-2003	
Graduate Development Programmes	
6. Diversity in Graduate Recruitment	37
Recruitment Targets and Employers' Views on Diversity	

Make sure you get the *insider's* view on graduate recruitment.



The AGR Graduate Recruitment Survey

Published twice each year in January and July, based on research with AGR employers.*

agr

the collective voice of graduate recruiters

*Price - **£200** per report (*free to AGR members*)

Executive Summary

About the Survey

The *Summer Review* from *The AGR Graduate Recruitment Survey 2004* is based on research conducted for the AGR by High Fliers Research with 223 graduate employers during June 2004. The survey is produced to provide AGR employers with the very latest market information on:

- Salary levels for new graduates starting work in 2004
- Vacancy levels for graduates during the 2003-2004 recruitment season
- Application levels and selection & assessment processes used by recruiters in 2003-2004
- Retention rates & salary progression for graduates recruited between 1999 and 2003
- Employers' views on diversity in graduate recruitment

Graduate Vacancies

Following the predictions by AGR employers in the *Winter Review*, it can now be confirmed that there has been a significant increase in the number of vacancies for new graduates in 2004:

- Graduate vacancies increased by 15.5% in 2004, compared to the numbers recruited in 2003.
- The largest number of vacancies in 2004 were in accountancy or professional services firms, law firms, investment banks, and engineering or industrial companies.
- Over half of all graduate vacancies were in London or the south east of England. Just 8% of positions could be found in Scotland, Wales and Northern Ireland.
- Analysed by business function or career area, the greatest number of vacancies for 2004 were for graduates working in chartered accountancy, general management, legal work, IT and retail.
- A convincing 82% of employers expected to maintain or increase their graduate vacancies in 2005.

Graduate Salaries

In addition to the sharp rises in graduate vacancies this year, AGR employers have also increased the starting salaries for new graduates beginning work in 2004, at a rate above the 'cost of living':

- Graduate starting salaries have increased 3.4% in 2004, compared to the salary rates paid in 2003. The median graduate starting salary for 2004 is £21,000, up from £20,300 in 2003.
- The highest starting salaries for 2004 are once again for graduate positions at investment banks, law firms, consulting firms, oil companies and fast-moving consumer goods companies.
- Across the UK, median salaries were highest in London (£25,000) and the south east of England (£21,500). The lowest rates were in Wales & Scotland (£18,500) and Northern Ireland (£18,000).
- By business function or career area, the highest starting salaries were for graduates starting work in investment banking (£35,000), consulting (£28,500), or legal work (£28,000).
- Two-thirds of AGR employers predict graduate starting salaries will increase again in 2005.

Applications, Selection & Assessment

AGR employers have received slightly fewer applications per vacancy this season and continue to use a range of different methodologies to select and assess graduates for their organisations:

- The average number of applications per vacancy has decreased from 42.1 during the 2002-2003 recruitment season, to 37.6 in 2003-2004, with individual recruiters attracting between 50 and 15,000 applications each for their graduate positions in 2004.
- 23% of employers reported recruitment shortfalls, due to late changes in their organisations' requirements for graduates or a lack of applicants with suitable skills or qualifications.
- Most organisations used the 'application, first interview, final assessment centre' model for their requirement in 2004, although 27% of recruiters used telephone pre-screening.
- More employers now recruit year-round or in phases, than use a single application deadline.
- Three-quarters of AGR employers used minimum degree results as part of their entry criteria, and a further 35% insisted that candidates held certain numbers of UCAS points.

Graduate Retention & Salary Progression

AGR employers reported impressive graduate retention rates for their organisations and strong salary progression for those recruited during the past five years:

- The average retention rates at AGR employers are 99% for graduates recruited one year ago, 80% for graduates who began work three years ago, and 65% for those hired five years ago.
- The highest retention rates are recorded by the public sector, commercial or retail banks, IT companies, engineering or industrial companies, and chemical or pharmaceutical companies.
- Retailers recorded the lowest retention rates, losing on average 60% of graduates over 5 years.
- The median salaries currently paid by AGR employers are £22,000 for graduates recruited one year ago, £27,800 for graduates who began work three years ago and £32,000 for those hired five years ago.
- The most generous salary progression was for graduate working in law firms, consulting firms, accountancy or professional services firms, public sector employers and FMCG companies.

Diversity in Graduate Recruitment

Although many AGR employers are concerned about the issues surrounding diversity in graduate recruitment, few organisations have actual recruiting targets for different types of graduates:

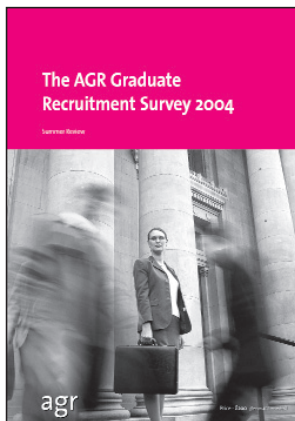
- Just 14% of AGR employers reported having formal diversity targets for the number of male, female, ethnic minority, disabled or mature graduates that their organisations recruited.
- Those recruiters who did operate recruitment targets were most likely to do so for female graduates or those from ethnic minorities.
- Nearly half of all AGR employers believed their organisations failed to attract enough female applicants; a third felt they should receive more applications from ethnic minority graduates; and at least two-thirds thought that too few disabled students applied
- Employers expressed similar concerns about the actual graduate hires their organisations made, although it was evident that recruiters felt that proportionally fewer ethnic minority graduates were successful during selection, whilst female graduates often fared better.

Chapter 1

Introduction

Researching in the Graduate Market

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



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

This *Summer Review* examines the applications made to AGR employers during 2003-2004 and the selection & assessment processes used by recruiters. It also explores the number of graduates retained by employers over the last five years of recruitment and their salary progression. The research concludes with a review of employers' targets for recruiting a balanced workforce and their views on diversity in graduate recruitment.

The next *Winter Review*, to be conducted in December 2004, will examine the graduate recruitment marketing used by employers during the new 2004-2005 recruitment season, along with a full digest of all the latest graduate vacancy and salary information.

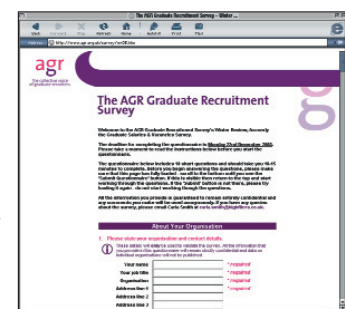
The AGR Graduate Recruitment Survey is carried out on behalf of the AGR by the specialist student & graduate research company, **High Fliers Research**. The company also produces *The UK Graduate Careers Survey*, the largest annual survey of final year students at the UK's leading universities. Now in its tenth year, this extensive research programme examines students' career expectations, measures the impact of graduate recruitment activities & promotions across the UK, and explores students' views on many of the country's leading employers.

Survey Methodology

Research for the *Summer Review* for *The AGR Graduate Recruitment Survey 2004* took place during June 2004 using an online questionnaire accessed via the AGR website.

The questionnaire contained twenty questions about employers' graduate recruitment activities during the 2003/2004 recruitment seasons, focusing on graduate vacancies & salaries, applications, assessment & selection, graduate retention & salary progression, and diversity in recruitment.

Questions were specifically designed so that the survey results can 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

The researchers contacted 303 AGR employers to participate in *The AGR Graduate Recruitment Survey 2004*. The online questionnaire was live for a fortnight during June 2004 and the deadline was extended for two further weeks to encourage the maximum number of employers to participate in the research.

A total of **223 employers** either completed the questionnaire or confirmed that they had not recruited in graduates in 2004 and 2003, giving the survey a response rate of **74%**. The AGR members who took part in the survey include:

<i>3M United Kingdom Plc</i>	<i>Coors</i>	<i>Local Government</i>	<i>Royal Bank of Scotland Group</i>
<i>ABB Ltd</i>	<i>Corus</i>	<i>LogicaCMG</i>	<i>Royal Sun Alliance Insurance</i>
<i>Abbey</i>	<i>Countryside Properties</i>	<i>Lovells</i>	<i>Saffery Champness</i>
<i>Accenture</i>	<i>Croda International Plc</i>	<i>Majestic Wine Warehouses Ltd</i>	<i>Samworth Brothers</i>
<i>Addleshaw Goddard</i>	<i>Danone</i>	<i>Marks & Spencer plc</i>	<i>Schlumberger</i>
<i>Air Products plc</i>	<i>Data Connection Ltd</i>	<i>Marsh UK Ltd</i>	<i>Scottish Power</i>
<i>Airbus UK</i>	<i>Davis Langdon LLP</i>	<i>Masons</i>	<i>Severn Trent Water Ltd</i>
<i>Aker Kvaerner E&C</i>	<i>Deloitte</i>	<i>Masterfoods</i>	<i>Shell</i>
<i>Alexander Mann Solutions</i>	<i>Demag Delaval Ind Turbo Machinery</i>	<i>Mayer, Brown, Rowe & Maw LLP</i>	<i>Siemens plc</i>
<i>Allen And Overy</i>	<i>DLA LLP</i>	<i>Mazars</i>	<i>Simmons & Simmons</i>
<i>Alliance & Leicester</i>	<i>DML</i>	<i>MBDA UK Ltd</i>	<i>SJ Berwin</i>
<i>Allianz Cornhill Insurance</i>	<i>Edge</i>	<i>McCain Foods GB Ltd</i>	<i>Skanska</i>
<i>Alvis Vickers</i>	<i>Enterprise Rent-A-Car</i>	<i>McDonalds Restaurants Ltd</i>	<i>Slaughter and May</i>
<i>AMEC</i>	<i>Ernst & Young</i>	<i>McKinsey & Company</i>	<i>Smith & Williamson</i>
<i>American Express</i>	<i>Euro RSCG Riley</i>	<i>Mercer HR Consulting</i>	<i>Smiths Aerospace Systems</i>
<i>Aon Ltd</i>	<i>ExxonMobil</i>	<i>Merrill Lynch Europe plc</i>	<i>Sodexo</i>
<i>Arcadia Group Plc</i>	<i>Fidelity Investments</i>	<i>MI5</i>	<i>Somerfield Stores Ltd</i>
<i>Arnold Clark Autos</i>	<i>FKI</i>	<i>Mills & Reeve</i>	<i>Stamp, Jackson & Procter</i>
<i>Arup</i>	<i>Freshfields Bruckhaus Deringer</i>	<i>Moore Stephens</i>	<i>Standard Chartered Bank</i>
<i>ASDA Stores</i>	<i>FSA</i>	<i>Morgan Stanley</i>	<i>Standard Life Assurance Company</i>
<i>Associated British Ports</i>	<i>GCHQ</i>	<i>Mott MacDonald Limited</i>	<i>Stephenson Harwood</i>
<i>AstraZeneca</i>	<i>General Electric</i>	<i>MW Kellogg Limited</i>	<i>Surface Specialties PLC</i>
<i>Audit Commission</i>	<i>Gifford & Partners Ltd</i>	<i>Nabarro Nathanson</i>	<i>Syntegra</i>
<i>AXA Investment Managers</i>	<i>GKN PLC</i>	<i>National Audit Office</i>	<i>T-Mobile UK</i>
<i>BAA</i>	<i>GlaxoSmithKline</i>	<i>National Australia Group Europe Ltd</i>	<i>Tate & Lyle Europe</i>
<i>Babtie Group</i>	<i>Grant Thornton</i>	<i>National Grid Transco</i>	<i>Taylor Wessing</i>
<i>Baillie Gifford & Co</i>	<i>Greggs plc</i>	<i>Network Rail</i>	<i>Tesco Stores Ltd</i>
<i>Baker & McKenzie</i>	<i>H M Prison Service</i>	<i>Next plc</i>	<i>Thales</i>
<i>Baker Tilly</i>	<i>HAT Group of Accountants</i>	<i>NHS Leadership Centre</i>	<i>Thames Water</i>
<i>Balfour Beatty Rail Ltd</i>	<i>HBG Construction Ltd</i>	<i>Nortel Networks</i>	<i>The BOC Group</i>
<i>Bank of England</i>	<i>HBOS</i>	<i>Northern Foods Plc</i>	<i>The Co-operative Group</i>
<i>Barclays Bank Plc</i>	<i>Herbert Smith</i>	<i>Northern Ireland Civil Service</i>	<i>The Patent Office</i>
<i>Barclays Global Investors</i>	<i>Hewlett Packard</i>	<i>Norton Rose</i>	<i>The Tetley Group</i>
<i>BDO Stoy Hayward</i>	<i>Highways Agency</i>	<i>Norwich Union</i>	<i>TLT Solicitors</i>
<i>BNP Paribas</i>	<i>HM Customs & Excise</i>	<i>Novar plc</i>	<i>TNS</i>
<i>Bombardier</i>	<i>HSBC</i>	<i>NPower</i>	<i>Towers Perrin</i>
<i>BP International Ltd</i>	<i>HW Fisher & Co</i>	<i>Olswang</i>	<i>Transport for London</i>
<i>British Energy Group</i>	<i>IBM UK Ltd</i>	<i>Oracle Corporation U K Ltd</i>	<i>Travel Inn</i>
<i>British Nuclear Group</i>	<i>ICI Plc</i>	<i>Orange P C S Ltd</i>	<i>UBS</i>
<i>BT</i>	<i>ifgraduates</i>	<i>Outokumpu Stainless Ltd</i>	<i>UKAEA</i>
<i>BUPA</i>	<i>Inland Revenue</i>	<i>PA Consulting Group</i>	<i>Unilever UK</i>
<i>Cadbury Schweppes Plc</i>	<i>Intel</i>	<i>Pfizer Central Research</i>	<i>United Utilities</i>
<i>Capgemini</i>	<i>J Sainsbury Plc</i>	<i>Phones4U Ltd</i>	<i>Vodafone UK Ltd</i>
<i>Carillion</i>	<i>Jaguar and Land Rover</i>	<i>Pilkington United Kingdom Ltd</i>	<i>Waitrose Ltd</i>
<i>Caterpillar</i>	<i>John Lewis</i>	<i>Police High Potential</i>	<i>Warburtons</i>
<i>CB Richard Ellis</i>	<i>Johnson Matthey Plc</i>	<i>Development Scheme</i>	<i>Wates Group Limited</i>
<i>CBFM, The Royal Bank of Scotland</i>	<i>Jones Day</i>	<i>PricewaterhouseCoopers</i>	<i>Watson, Farley & Williams</i>
<i>Cedar Software Ltd</i>	<i>JP Morgan</i>	<i>Procter & Gamble UK</i>	<i>Watson Wyatt Partners</i>
<i>Centre for Health Leadership Wales</i>	<i>Kerry Foods Ltd</i>	<i>PSA Peugeot Citroen</i>	<i>Westbury Homes Ltd</i>
<i>Centrica</i>	<i>KPMG</i>	<i>QinetiQ</i>	<i>Wincanton plc</i>
<i>CIBC World Markets plc</i>	<i>L'Oreal</i>	<i>Reckitt Benckiser</i>	<i>Woolworths plc</i>
<i>Citigroup</i>	<i>Legal Services Commission</i>	<i>Renault UK</i>	<i>Yorkshire Water Services Ltd</i>
<i>Clifford Chance</i>	<i>Lehman Brothers</i>	<i>Research Machines plc</i>	<i>Zurich</i>
<i>Clyde & Co</i>	<i>Linklaters</i>	<i>Reuters Ltd</i>	
<i>Computacenter (UK) Ltd</i>	<i>Lloyds TSB Plc</i>	<i>Richards Butler</i>	

Chapter 2

Graduate Vacancies

Introduction

The *Summer Review for The AGR Graduate Recruitment Survey 2004* begins by examining the graduate vacancies that employers have recruited for during the current recruitment year, compared with the previous year. Employers were asked to give the number of vacancies for graduates on offer at their organisations during the 2003-2004 recruitment season (typically to start work in the autumn of 2004), along with numbers of graduates who were *actually* hired last year (during the 2002-2003 recruitment season) and started work in autumn 2003.

Employers were asked to provide total graduate vacancy levels along with also a basic analysis of where these vacancies occurred within their organisations. This allows vacancy numbers to be analysed by geographical region and the business function or career area for which graduate recruitment takes place. Analysis of this kind is particularly useful for employers who recruit many of their graduates for particular regions of the UK or beyond and want to understand trends in this regional job market.

This analysis is also helpful for the large number of AGR employers who recruit graduates for a wide range of business functions, irrespective of their organisation's main purpose. For example, IT companies often hire graduates for commercial functions such as marketing, sales or financial management as well as computer programmers and other technical positions. Similarly, fast-moving goods companies, who are often synonymous with marketing and sales positions, also offer considerable numbers of vacancies in IT, financial management and human resources.

Throughout this section of the survey, the results refer to vacancies in 2004 (ie graduates recruited during the 2003-2004 recruitment season who are due to start work in autumn 2004), versus actual recruitment in 2003 (ie graduates recruited during the 2002-2003, who started work in autumn 2003).

Key Findings

Following the predictions by AGR employers in the *Winter Review*, it can now be confirmed that there has been a significant increase in the number of vacancies for new graduates in 2004:

- Graduate vacancies increased by 15.5% in 2004, compared to the numbers recruited in 2003.
- The largest number of vacancies in 2004 were in accountancy or professional services firms, law firms, investment banks, and engineering or industrial companies.
- Over half of all graduate vacancies were in London or the south east of England. Just 8% of all positions could be found in Scotland, Wales and Northern Ireland.
- Analysed by business function or career area, the greatest number of vacancies for 2004 were for graduates working in chartered accountancy, general management, legal work, IT and retail management.
- A convincing 82% of employers expected to maintain or increase their graduate vacancies for 2005, with just 9% warning that they were likely to reduce their recruitment next year.

Comparing Graduate Vacancies in 2004 & 2003

The survey shows that there has been a significant rise in the number of graduate vacancies on offer during the 2003-2004 recruitment season, compared with recruitment levels in 2003 (see *Chart 2.1*). The total number of graduate vacancies for 2004 at the 223 AGR employers who took part in the survey was 13,924, a 15.5% increase on the 12,057 graduates who were recruited by the same organisations in 2003.

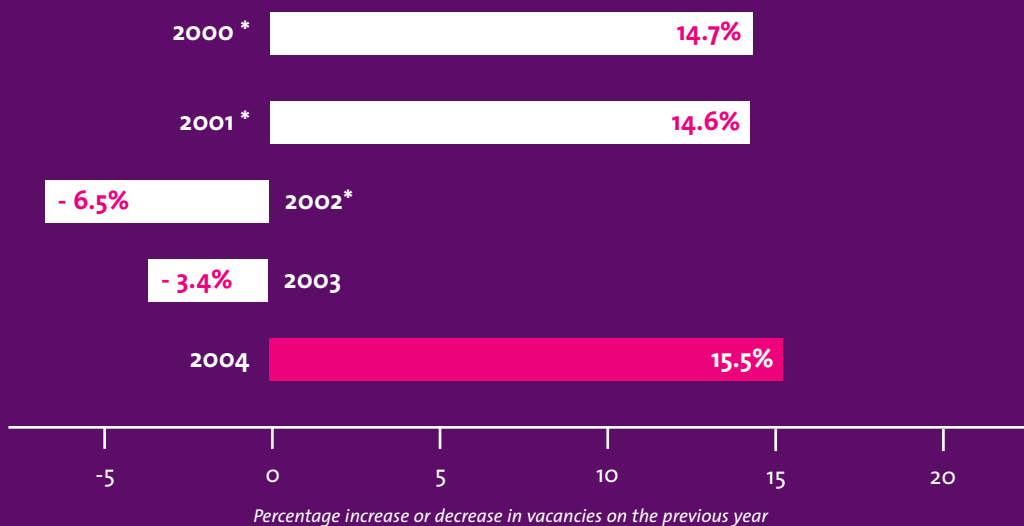
This result is a welcome confirmation of the upbeat assessment of AGR employers when questioned about graduate vacancy levels earlier in the year. The *Winter Review*, published in January 2004, showed that recruiters were predicting an increase in vacancies of nearly 12% for the 2003-2004 recruitment round. This means that not only have employers increased their total requirements for graduates this year, but a number of organisations have actually stepped up their graduate vacancies in the final six months of the 2003-2004 recruitment season.

In all, 55% of employers reported that their vacancies in 2004 had increased from 2003 levels, with almost a third of these recruiting at least 25 extra graduates for their annual intake (see *Chart 2.3*). The biggest growth in vacancies was recorded by three of the 'Big Four' accounting & professional services firms, three public sector recruiters, and five major investment banks and consulting firms – all of which increased their vacancies by 50 graduates or more. Not every employer expanded their recruitment during 2003-2004, though, as vacancy levels were unchanged for approximately a sixth of employers and up to a third of organisations offered fewer graduate positions than in 2003, most reducing their numbers by 10 vacancies or less.

Despite these differences amongst AGR employers, the overall 15.5% increase in graduate positions is very encouraging and marks the first growth in the graduate recruitment market for three years. Indeed, it is a stronger rise in vacancies than was recorded in 2000 and 2001, when graduate numbers swelled by at least 14% each year.

The final vacancy numbers for 2004 show once again that there is a wide variation in the scale of recruitment undertaken by AGR employers (see *Chart 2.2*). Nearly half had vacancies for 25 or fewer graduates and a further fifth offered places for no more than 50 recruits. By contrast, ten organisations reported that they were hiring 250 or more graduates in 2004. The median vacancy level for AGR members in 2004 was 30 graduate positions.

Chart 2.1 How graduate vacancies at AGR employers have changed 2000-2004



Source - High Fliers Research *Institute of Employment Studies

Chart 2.2 Graduate vacancies at AGR employers in 2004

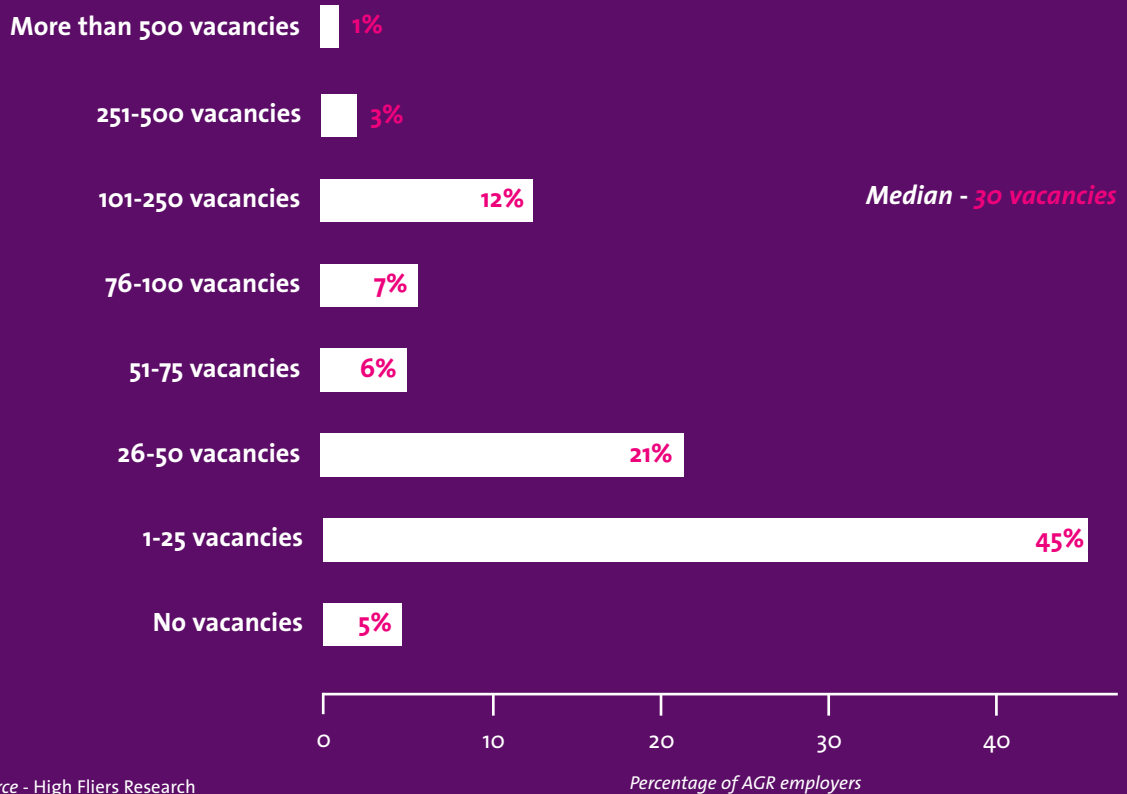
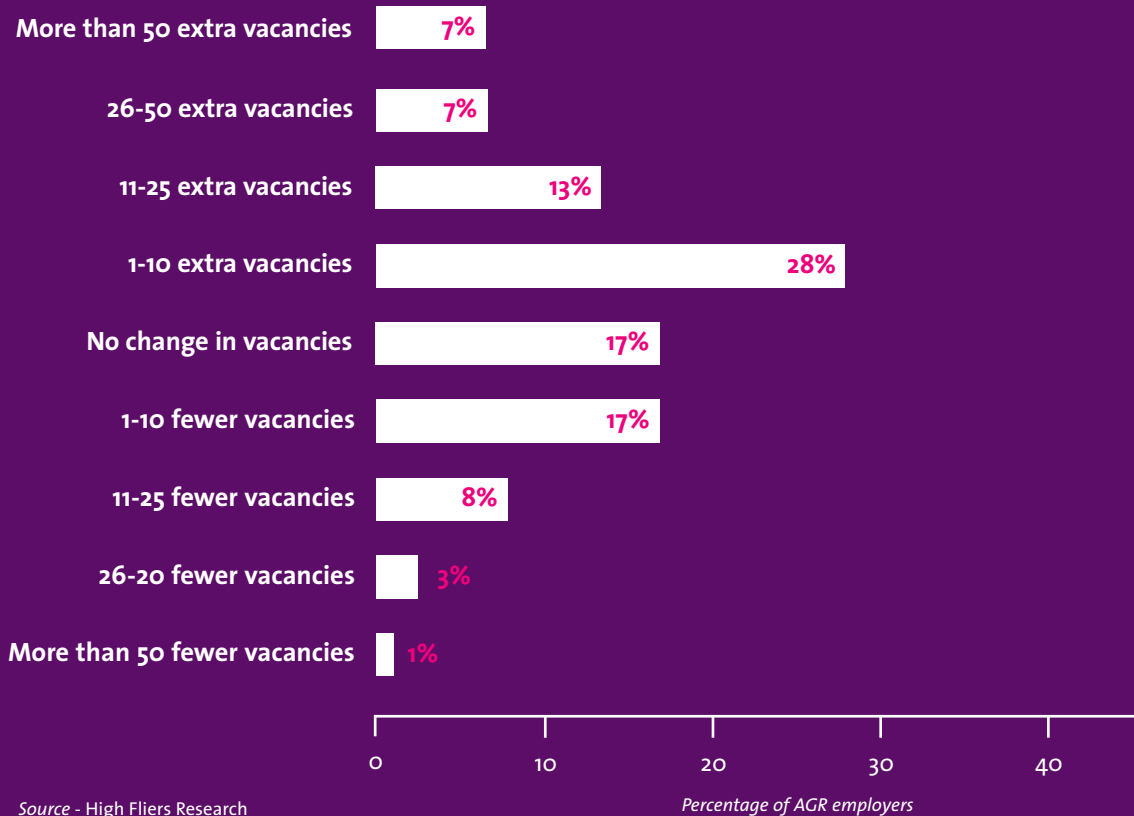


Chart 2.3 How AGR employers' graduate vacancy levels in 2004 have changed since 2003



Profiling Graduate Vacancies in 2004

AGR employers' graduate vacancies are 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.

For 2004, over a fifth of all vacancies amongst AGR employers were at accountancy or professional services firms (see *Table 2.4*) whilst up to a tenth of vacancies were at law firms, investment banks or fund managers, engineering or industrial companies, or retailers. Together, these five employment areas accounted for more than half of graduate vacancies recorded in the survey. Other organisations who were major graduate recruiters include consulting firms, public sector employers, and commercial or retail banks. The lowest numbers of positions were at insurance companies, media companies, and motor manufacturers.

More than half the vacancies for graduates at AGR employers were in London or the south east of England in 2004, which meant that the number of graduate positions available elsewhere in the UK or beyond was low (see *Table 2.5*). The next largest recruiting regions were the Midlands (8.5%) and the south west of England (7.3%). Graduate recruitment in Scotland, Wales and Northern Ireland remained modest, amounting to just 8% of the total graduate vacancies this year.

Graduate recruitment by business function or career area in 2004 was dominated by positions in chartered accountancy – more than a fifth of all AGR employers' vacancies (see *Chart 2.6*). Other leading functions include general management, legal work, IT, retail management and investment banking. Engineering remains a major recruiting area and the combined vacancies in mechanical engineering, electrical/electronic engineering, civil engineering and manufacturing are 8.8% of this year's total.

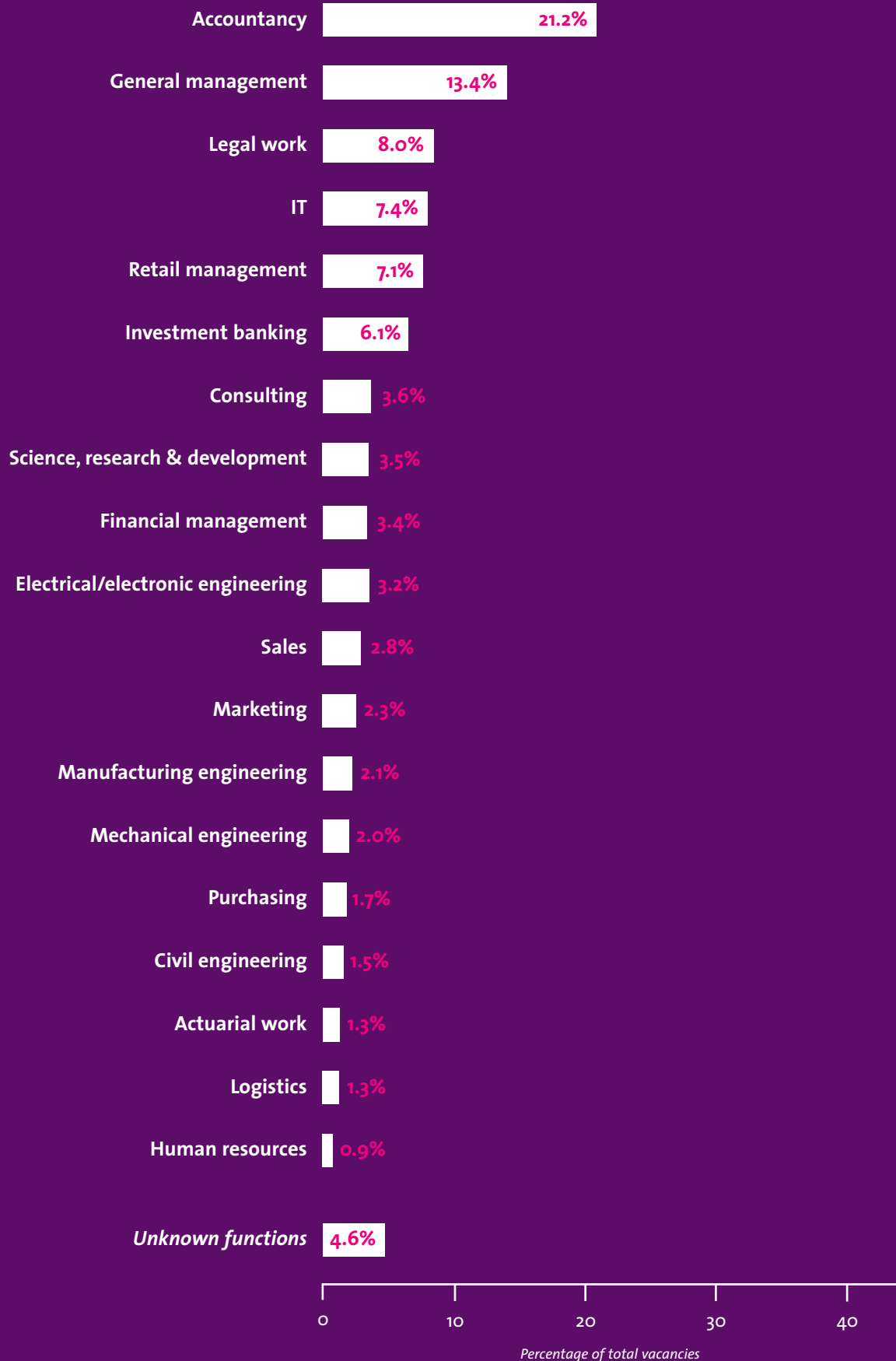
Table 2.4 Vacancies at AGR employers by type of organisation in 2004

	<i>% of total vacancies</i>
Accountancy or professional services firm	22.2
Law firm	8.9
Investment bank or fund manager	8.5
Engineering or industrial company	7.9
Retailer	7.9
Consulting firm	7.5
Public sector	7.2
Commercial or retail bank	5.3
Transport or logistics company	4.3
Telecommunications company	3.1
FMCG company or food manufacturer	2.1
Energy, water or utility company	2.0
Chemical or pharmaceutical company	1.9
IT hardware or software company	1.8
Construction company	1.7
Oil company	1.5
Insurance company	1.1
Media company	0.9
Motor manufacturer	0.2
<i>Other</i>	<i>4.0</i>

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

	<i>% of total vacancies</i>
London	39.7
South East	11.3
The Midlands	8.5
South West	7.3
North West	6.5
Scotland	4.5
Yorkshire	3.8
East Anglia	3.2
North East	2.6
Wales	1.9
Northern Ireland	1.6
Ireland	0.8
Europe	2.2
Asia	1.2
Rest of the World	0.9
USA	0.4
<i>Unknown</i>	<i>3.4</i>

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 2004

The substantial rise in total graduate vacancies between 2003 and 2004 means that vacancies have also increased in most individual business areas or industries (see *Table 2.7*). In all, sixteen different types of employer recorded increases in vacancy levels for 2004, including investment banks or fund managers, transport or logistics companies, consulting firms and public sector employers – each of which recruited at least a quarter more graduates.

Just three types of employer reported fewer vacancies during the 2003-2004 recruitment season – motor manufacturers, construction companies, and insurance companies – where numbers dropped by up to a third. The sharp percentage rise in vacancies at IT hardware or software companies, media companies and chemical or pharmaceutical companies, although encouraging, should be treated with some caution as the total number of graduate positions in each area remains relatively small.

Across the UK, the graduate recruitment picture was mixed (see *Table 2.8*). AGR employers recruited in larger numbers in the south west and north west of England, the Midlands, the north east of England, London, East Anglia and the south east of England – where in each case vacancies rose by at least 10%. Graduate numbers for Wales did increase slightly but recruitment was cut in Scotland and Northern Ireland.

Measured by individual job function, vacancies for graduates in science, research & development, consulting, and sales increased by up to three-quarters (see *Chart 2.9*), whilst recruitment numbers rose in a further ten career areas. Vacancies in chartered accountancy, the UK's largest recruiter of graduates, increased by 15.2%. Two areas, legal work and IT, recorded no change in vacancy levels, but the number of graduates hired for human resources, mechanical engineering, actuarial work and civil engineering declined in 2004.

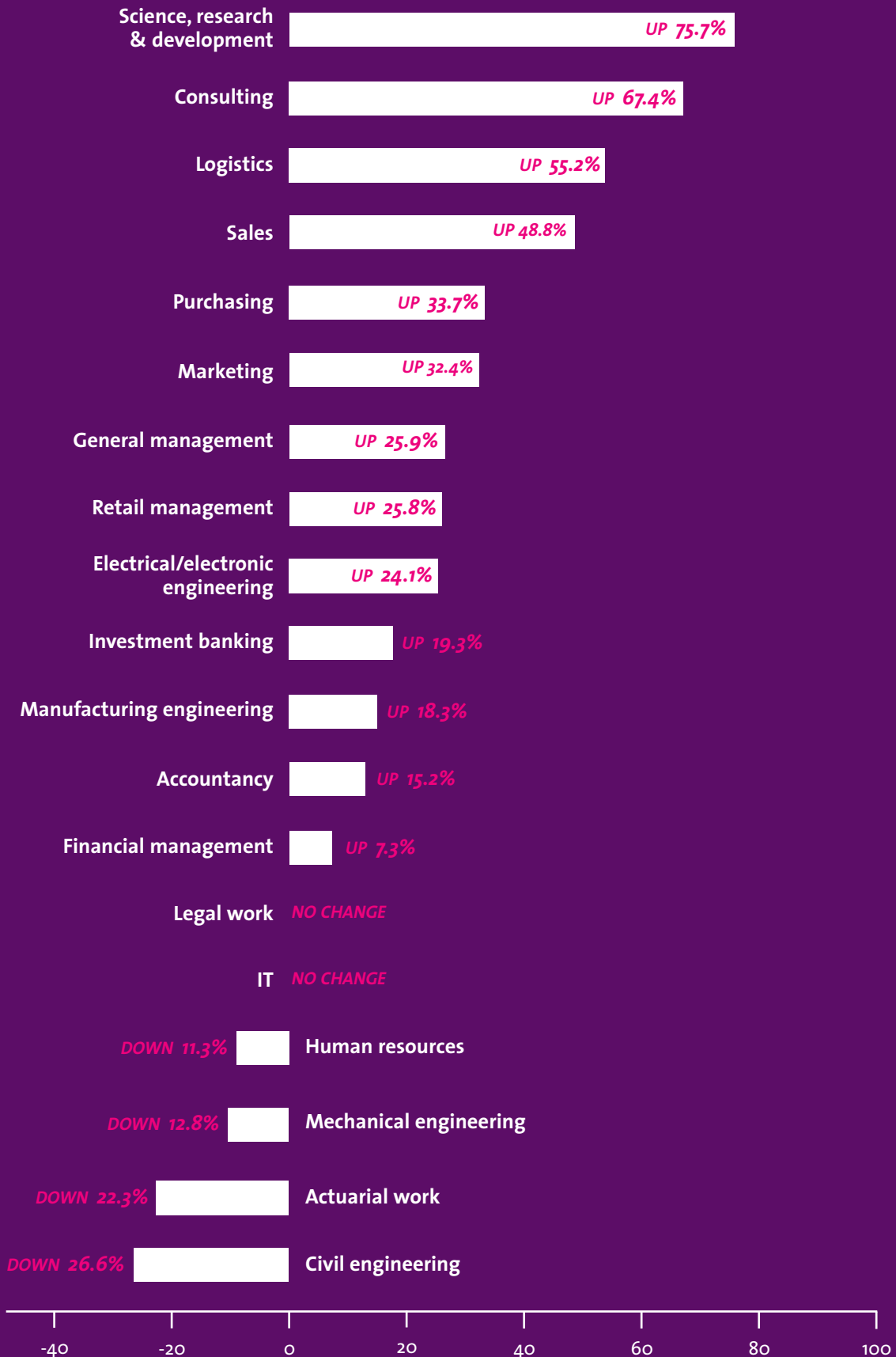
Table 2.7 How vacancies have changed in 2004, by type of organisation

	<i>% change in vacancies</i>
IT hardware or software company	UP 52.1%
Investment bank or fund manager	UP 50.9%
Media company	UP 45.9%
Chemical or pharmaceutical company	UP 43.2%
Transport or logistics company	UP 27.7%
Consulting firm	UP 24.3%
Public sector	UP 24.2%
Oil company	UP 17.9%
Energy, water or utility company	UP 16.5%
Accountancy firm	UP 15.5%
Retailer	UP 13.7%
FMCG company or food manufacturer	UP 8.7%
Commercial or retail bank	UP 5.9%
Engineering or industrial company	UP 5.2%
Telecommunications company	UP 4.9%
Law firm	UP 1.3%
Motor manufacturer	DOWN 3.8%
Construction company	DOWN 13.5%
Insurance company	DOWN 34.8%

Table 2.8 How vacancies have changed in 2004, by location of vacancies

	<i>% change in vacancies</i>
South West	UP 24.7%
North West	UP 23.0%
The Midlands	UP 22.9%
North East	UP 17.7%
London	UP 16.5%
East Anglia	UP 16.2%
South East	UP 13.2%
Ireland	UP 10.8%
Wales	UP 4.4%
Yorkshire	NO CHANGE
Scotland	DOWN 3.2%
Northern Ireland	DOWN 4.4%
Europe	UP 29.3%
USA	-
Asia	-
Rest of the World	-

Chart 2.9 How graduate vacancies have changed in 2004, by business function or career area



Percentage change in graduate vacancies between 2003 and 2004

Source - High Fliers Research

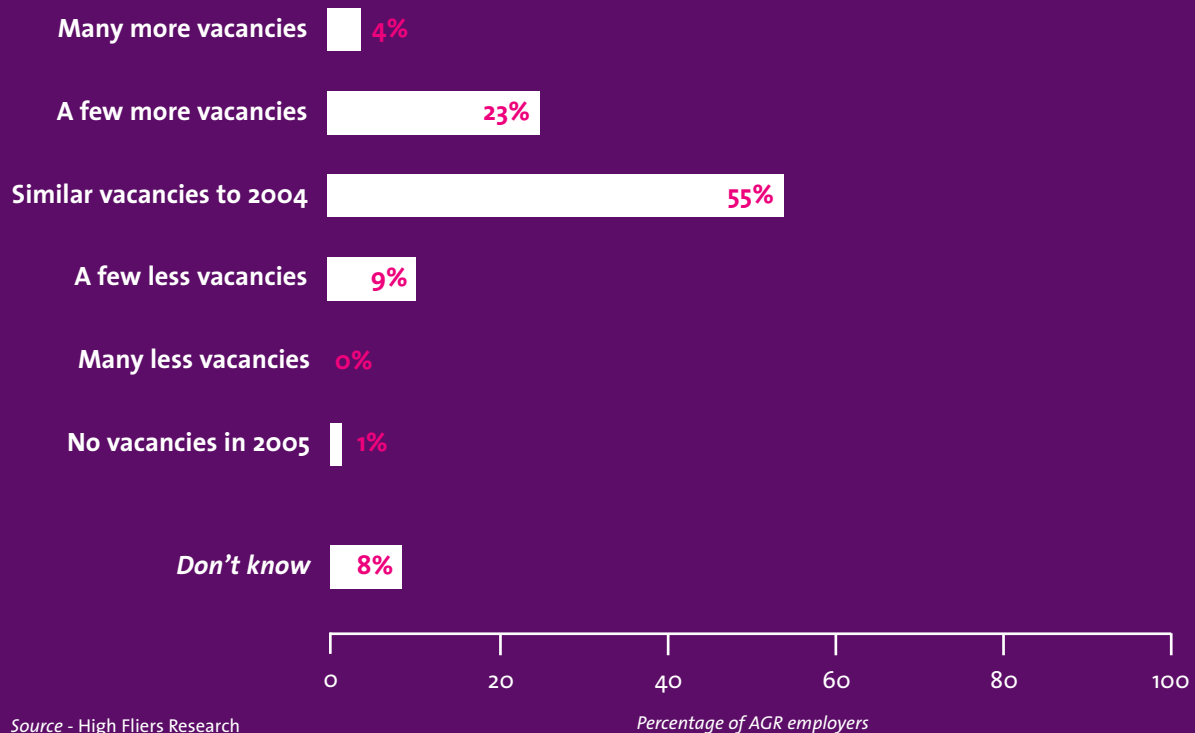
Outlook for 2005

Finally, AGR employers were asked about their views on the next graduate recruitment round in 2004-2005 and the vacancy levels that they expected to be recruiting for in 2005.

The results were very positive with over half of recruiters anticipating similar vacancy levels to this year and more than a quarter believing that they would be adding more vacancies to their graduate programmes. Less than one in ten recruiters thought their recruitment would be cut in 2005 and all of these employers felt it would only be by a few vacancies. Just 1% of employers confirmed that they were not planning to hire graduates at all next year.

Fewer than one in twelve AGR employers did not know the likely scale of their graduate programmes in the coming year, perhaps reflecting the greater confidence about recruitment that many employers are currently experiencing.

Chart 2.10 Changes to graduate vacancy levels that AGR employers expect in 2005



Chapter 3

Graduate Salaries

Introduction

The second part of the *Summer Review for The AGR Graduate Recruitment Survey 2004* looks at the starting salaries on offer to new graduates starting work later this year, compared with the rates for 2003. Employers were asked to give their starting salaries that will be paid to graduates recruited into their organisations during the 2003-2004 recruitment season (typically to start work in the autumn of 2004), along with the *actual* starting salaries paid to graduates recruited during the 2002-2003 recruitment year who started work in autumn 2003.

Employers were asked to provide their national graduate starting salary, along with details of any variation of this rate paid to graduates in different parts of their organisations. This information means that graduate starting salary data for AGR employers is 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 starting salaries that are to be paid in 2004 (ie for graduates recruited during the 2003-2004 recruitment season who are due to start work in autumn 2004), versus the actual salaries paid in 2003 (ie graduates recruited during the 2002-2003 round, who started work in autumn 2003).

Key Findings

In addition to the sharp rises in graduate vacancies this year, AGR employers have also increased the starting salaries for new graduates beginning work in 2004, at a rate above the 'cost of living':

- Graduate starting salaries have increased 3.4% in 2004, compared to the salary rates paid in 2003. The median graduate starting salary for 2004 is £21,000, up from £20,300 in 2003.
- The highest starting salaries for 2004 are once again for graduate positions at investment banks, law firms, consulting firms, oil companies and fast-moving consumer goods companies.
- Across the UK, median salaries were highest in London (£25,000) and the south east of England (£21,500). The lowest rates were in Wales & Scotland (£18,500) and Northern Ireland (£18,000).
- By business function or career area, the highest starting salaries were for graduates starting work in investment banking (£35,000), consulting (£28,500), or legal work (£28,000).
- Two-thirds of AGR employers predict graduate starting salaries will increase again in 2005, by at least the cost of living. A quarter of recruiters expect salaries to be frozen at 2004 levels.

Comparing Graduate Salaries in 2004 & 2003

The survey shows that starting salaries on offer to new graduates have continued to rise. Employers are offering a median salary of £21,000 to new graduates starting work in autumn 2004 – £700 more than the £20,300 median salary paid in 2003.

This is an increase of 3.4% year-on-year and although less than the 4.3% rise recorded in 2003, it is still higher than a ‘cost-of-living’ increase, which is currently considered to be around 2.5% (see *Chart 3.1*). This year’s rise is also higher than the increase reported in 2002. Overall, graduate salaries have risen by 16.7% over the last five years, by comparison to the estimated 10.4% increased cost of living over the same period.

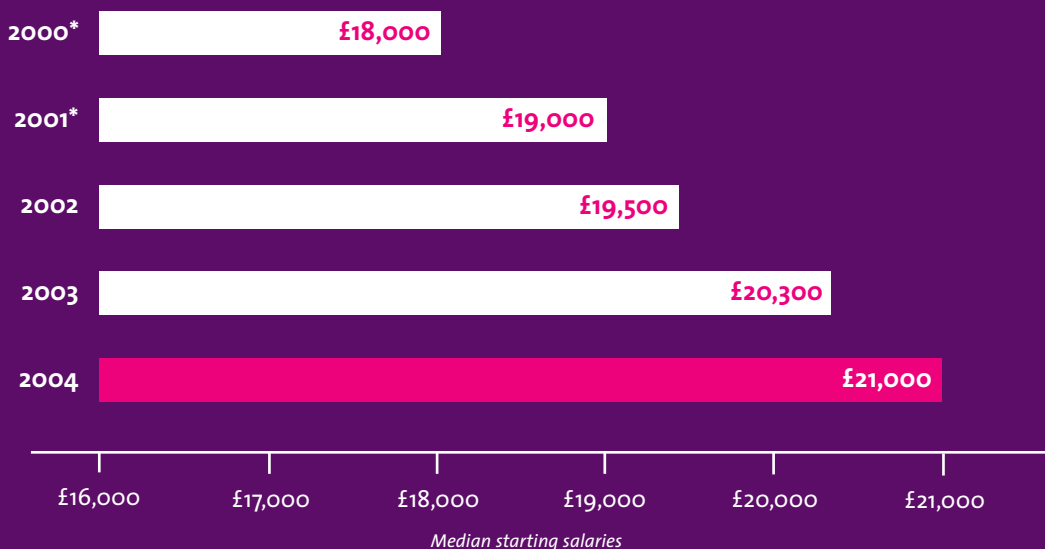
The starting salaries on offer from AGR employers in 2004 do vary considerably from organisation to organisation (see *Chart 3.2*). Just seven organisations declared they had offered new graduates £15,000 or less in 2004 and a further dozen paid up to £17,500. The majority of employers, some 59% of those surveyed, set their starting salaries between £17,500 and £22,500.

By contrast, at the upper end of the market, one in five employers were offering at £25,000 to the 3,300 or so new graduates that they hired in 2004. Approximately 1,200 of these graduates (almost a tenth of the total number recruited by AGR members this year) can look forward to initial salaries of £30,000 or more for their first job. These very noticeable differences between the top rates of pay and the lowest starting salaries for new recruits are a powerful reminder of how graduates’ choices of first employment can have a very significant impact on their future earning power.

Examining how starting salaries have changed since 2003, it is evident that almost every AGR employer has either maintained or increased their starting salaries in 2004 – just 2% of organisations reported that they had reduced their salaries this year (see *Chart 3.3*). Two fifths of recruiters did not change their initial graduate salaries this year and a further sixth elected to offer a rise of 2.5%, equating to the ‘cost-of-living’.

The remaining 42% of employers have increased their starting salaries by between 5% and 12% year-on-year – well above the accepted inflation or ‘cost of living’ rates. It is clear that several of these employers were offering below-average salaries in 2003, which means that the rises are largely ‘catching up’ the prevailing market rates.

Chart 3.1 How median graduate starting salaries at AGR employers have changed 2000-2004



Source - High Fliers Research *Institute of Employment Studies

Chart 3.2 Graduate starting salaries at AGR employers in 2004

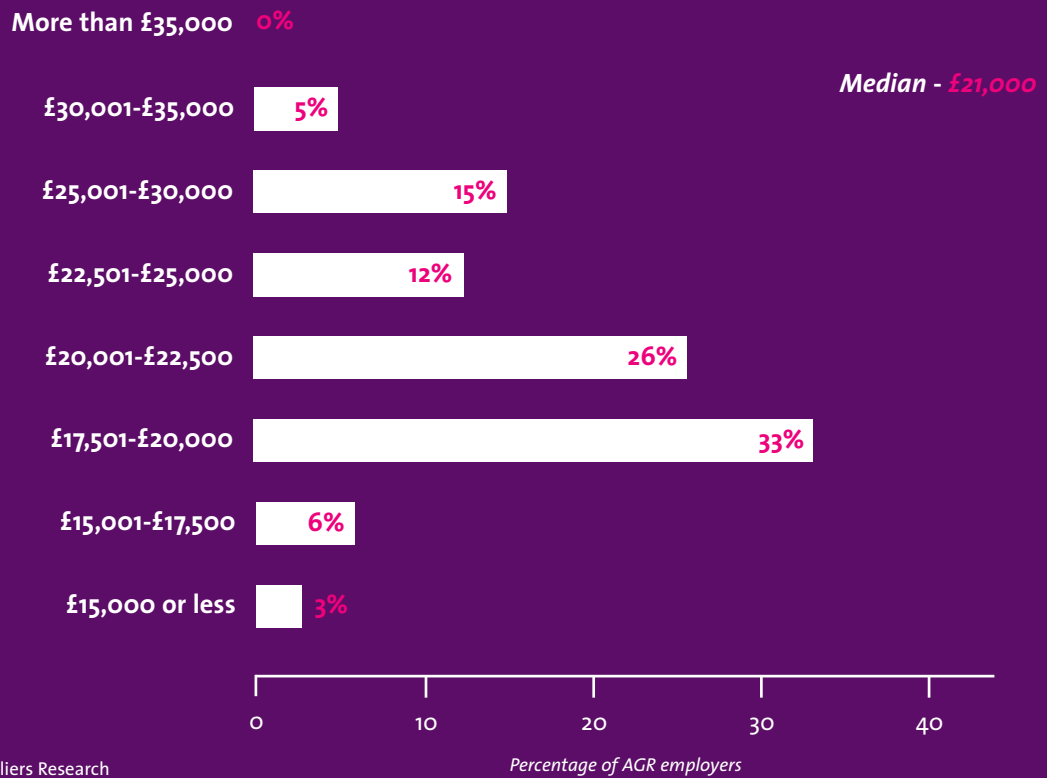
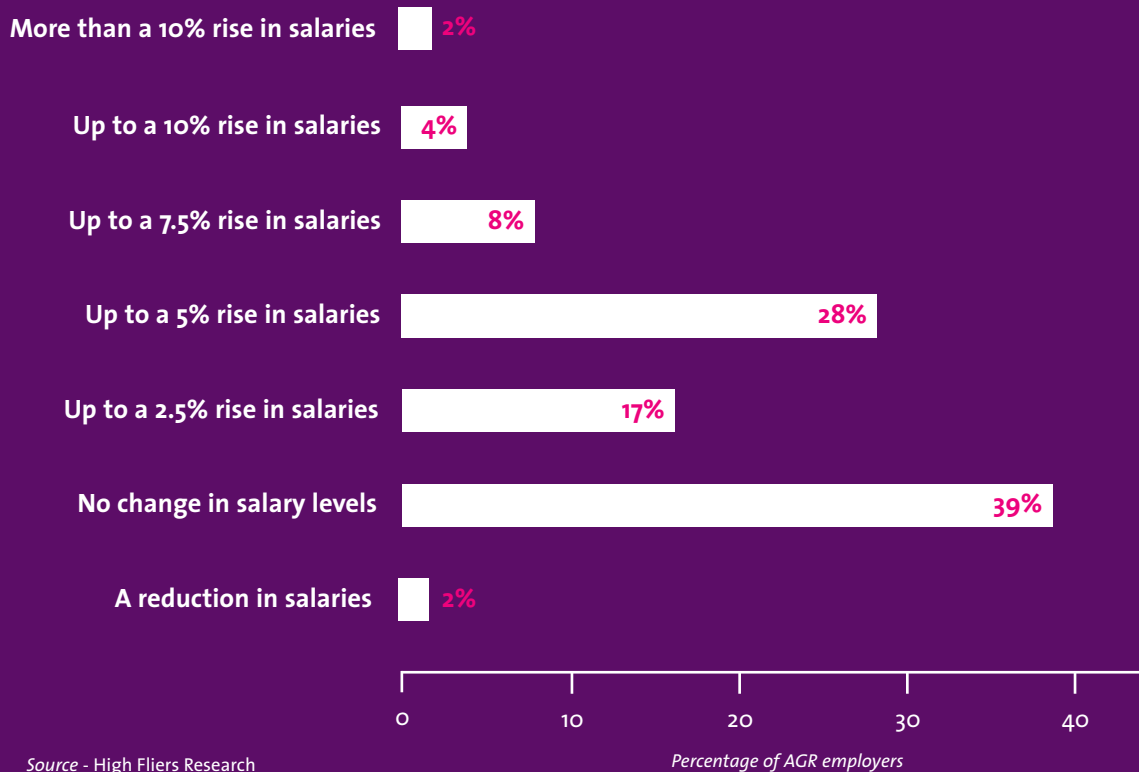


Chart 3.3 How AGR employers' graduate salary levels in 2004 have changed since 2003



Profiling Graduate Salaries in 2004

Graduate starting salaries paid by AGR employers are 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.

At the top end of the salary range, the highest-paying AGR employers in 2004 were the investment banks or fund managers, law firms, consulting firms, and oil companies (see *Table 3.4*). Each of these types of recruiters also paid the highest starting salaries in 2003 and this year offered new graduates remuneration in the range of £25,000 to £35,000. Several other industries and sectors offered above-average starting salaries including fast-moving consumer goods companies, motor manufacturers, commercial or retail banks, chemical or pharmaceutical companies, media companies and energy, water or utility companies. The lowest salaries were for those starting work at transport or logistics companies, construction companies, accountancy or professional services firms, and retailers.

By region, there were very substantial differences in the rates of pay for new graduates in 2004 (see *Table 3.5*). Graduates employed in London are set to earn the highest rate – a median of £25,000, although this does include any London weighting or allowances that employers provided. The lowest salary rates were for those starting work in Northern Ireland, Scotland and Wales. Salaries in Europe were a median of £24,000 but with only very limited vacancies in Ireland, USA, Asia and elsewhere in the world, it is not possible to calculate the median salaries for other overseas positions.

Analysed by business function or area, the highest graduate starting salaries in 2004 were for positions in investment banking, consulting, legal work, and actuarial work (see *Chart 3.6*). The lowest rates were for graduate positions in purchasing, logistics, retail management, general management and civil engineering, where the median salaries were £20,000 or less in 2004.

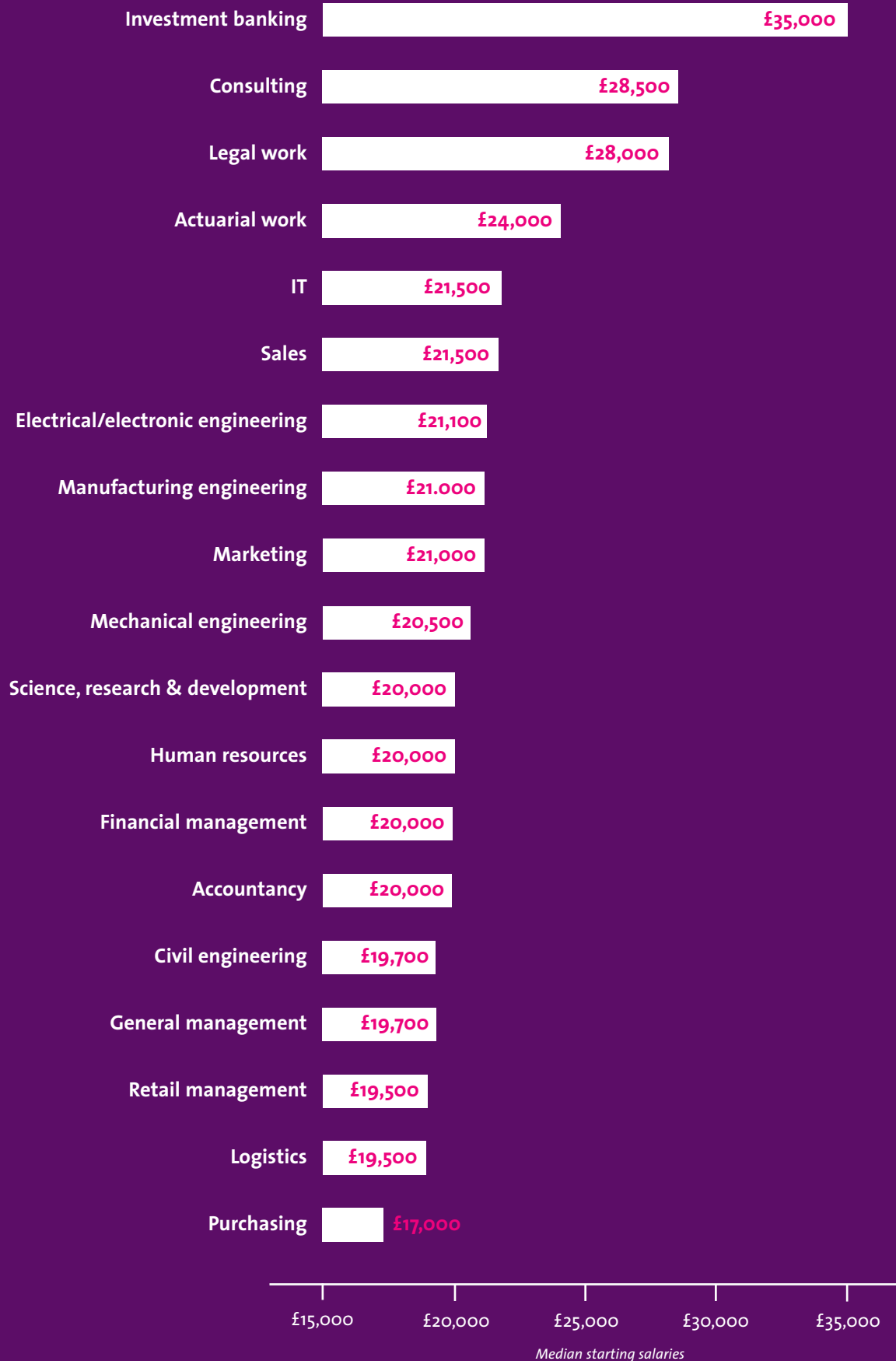
Table 3.4 Median starting salaries by type of organisation in 2004

	<i>Median Graduate Starting Salaries</i>
Investment bank or fund manager	£35,000
Consulting firm	£28,500
Law firm	£28,000
Oil company	£26,500
FMCG company or food manufacturer	£25,000
Motor manufacturer	£23,000
Commercial or retail bank	£22,500
Chemical or pharmaceutical company	£22,400
Media company	£22,000
Energy, water or utility company	£22,000
Telecommunications company	£21,500
Insurance company	£21,000
IT hardware or software company	£20,000
Engineering or industrial company	£20,000
Public sector	£19,700
Retailer	£19,500
Accountancy or professional services firm	£19,300
Construction company	£19,000
Transport or logistics company	£15,500

Table 3.5 Median starting salaries by location of vacancies in 2004

	<i>Median Graduate Starting Salaries</i>
London	£25,000
South East	£21,500
The Midlands	£20,000
East Anglia	£20,000
South West	£19,700
North West	£19,500
North East	£19,000
Yorkshire	£19,000
Wales	£18,500
Scotland	£18,500
Northern Ireland	£18,000
Ireland	-
Europe	£24,000
USA	-
Asia	-
Elsewhere in the world	-

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



Source - High Fliers Research

Changes in Graduate Salaries in 2004

This year's overall rise in the median graduate starting salaries from 2003 rates is reflected by higher salary levels in twelve different industries and business sectors (see *Table 3.7*). Salaries in nine of these sectors have risen by more than 2.5%, the so-called 'cost-of-living' increase, the most generous increases being at the energy, water or utility companies who reported a 10.0% jump in starting rates. Transport or logistics companies, commercial or retail banks and the fast-moving consumer goods companies have also increase their initial graduate salaries by up to 5% this year.

Salaries in the largest recruiting area, accountancy or professional services firms, rose by less than the cost of living in 2004 and rates were frozen for the three highest paid business sectors – law firms, consulting firms, investment banks. It is interesting that median salaries in these key employment areas have remained unchanged for three consecutive recruitment seasons.

Around the UK, salaries in all parts of England and Scotland did increase, with the strongest growth recorded in the Midlands and the north west of England (see *Table 3.8*). Rates increased by 4.2% in London, the largest recruiting region in the UK, although the south east of England recorded rises much closer to the cost of living. Starting salary rates in Wales and Northern Ireland were unchanged this year but positions in Europe were paid, on average, 9.2% higher.

By business function or career area, salaries rose most quickly for graduates starting work in science, research & development, an area that has traditionally paid below-average graduate rates (see *Chart 3.9*). Each of the engineering disciplines provided salary increases around or above the cost of living, as did retail management, general management and logistics positions. More modest rises applied to accountancy, marketing, sales and purchasing jobs, whilst salaries for the remaining seven careers areas remained unchanged year-on-year.

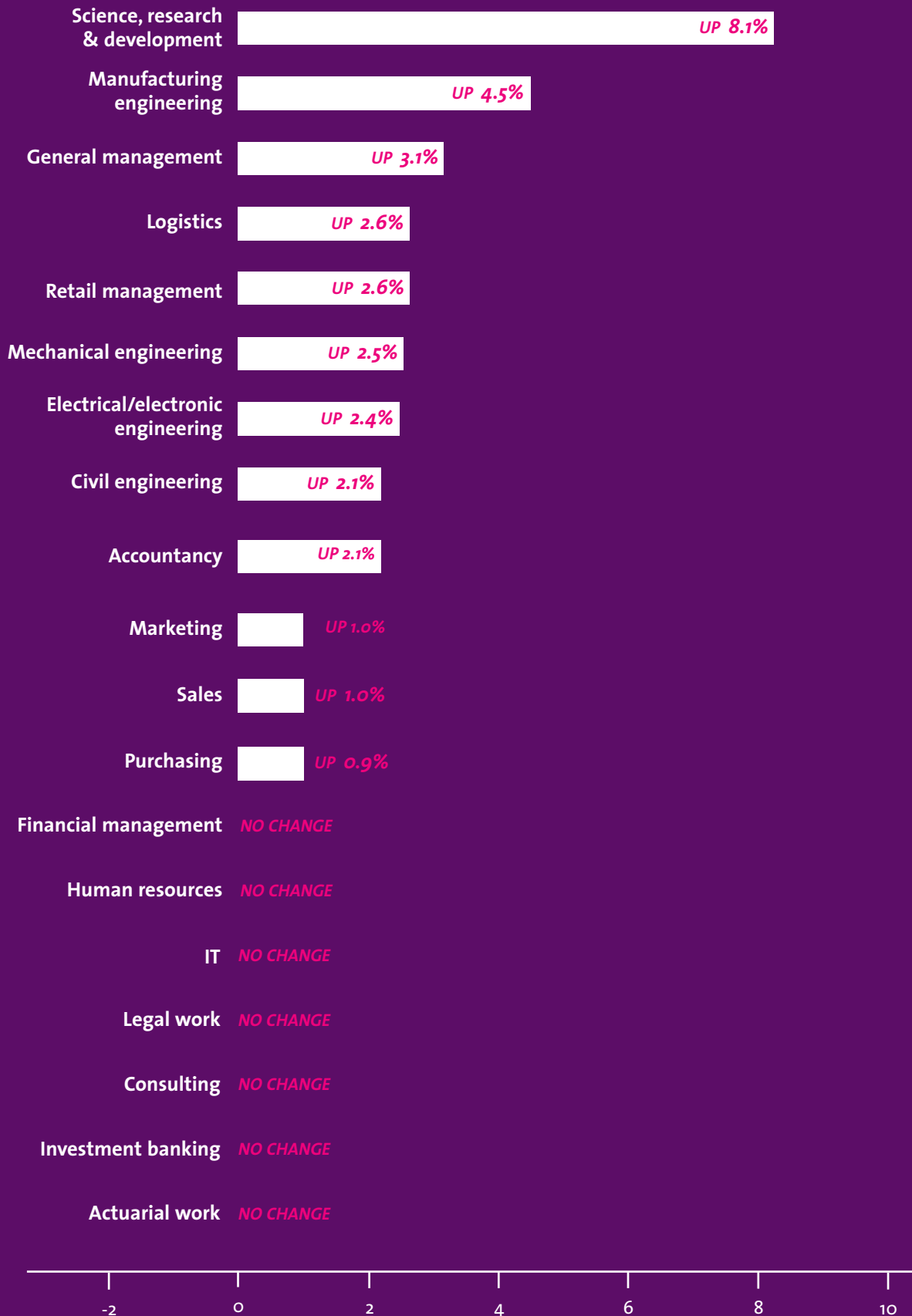
Table 3.7 How salaries have changed in 2004, by type of organisation

	% change in median starting salaries
Energy, water or utility company	UP 10.0%
Transport or logistics company	UP 4.7%
Commercial or retail bank	UP 4.7%
FMCG company	UP 4.2%
Public sector	UP 3.1%
Engineering or industrial company	UP 3.1%
Motor manufacturer	UP 3.1%
Oil company	UP 3.1%
Retailer	UP 2.6%
Insurance company	UP 2.4%
Chemical or pharmaceutical company	UP 1.8%
Accountancy or professional services firm	UP 1.6%
Construction company	NO CHANGE
IT hardware or software company	NO CHANGE
Telecommunications company	NO CHANGE
Law firm	NO CHANGE
Consulting firm	NO CHANGE
Investment bank or fund manager	NO CHANGE
Media company	-

Table 3.8 How salaries have changed in 2004, by location of vacancies

	% change in median starting salaries
The Midlands	UP 8.7%
North West	UP 5.4%
London	UP 4.2%
South West	UP 3.1%
Scotland	UP 2.8%
Yorkshire	UP 2.7%
North East	UP 2.7%
East Anglia	UP 2.6%
South East	UP 2.4%
Northern Ireland	NO CHANGE
Wales	NO CHANGE
Ireland	-
Europe	UP 9.1%
USA	-
Asia	-
Rest of the World	-

Chart 3.9 How median salaries have changed in 2003, by business function or career area



Percentage change in median graduate starting salaries between 2003 and 2004

Source - High Fliers Research

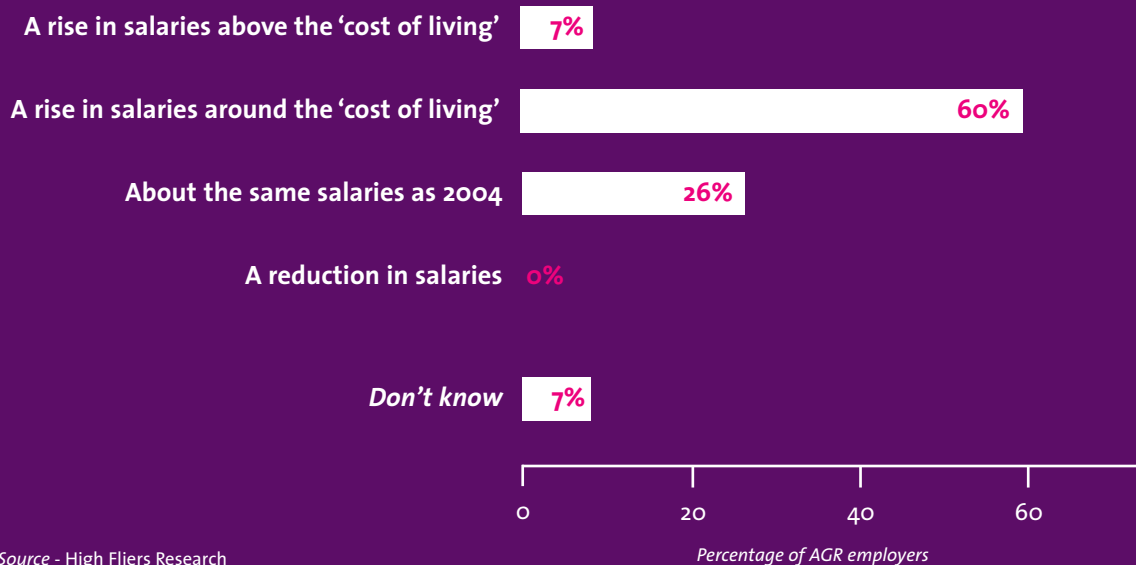
Outlook for 2005

AGR employers were also asked about their views on the next graduate recruitment round in 2004-2005 and how they thought salary levels would change for graduates starting work at their organisations in 2005.

The results show that the majority of employers, some two third of recruiters questioned, believed that 2005 salary levels would be likely to increase by the cost of living or more. This is a more buoyant outlook than was recorded 12 months ago when *The AGR Graduate Recruitment Survey 2003* reported that little more than half of employers expected to raise their salaries in the year ahead.

No employers believed their organisation would reduce its starting salary in 2005, but 7% of recruiters did not know what changes, if any, to expect.

Chart 3.10 Changes to graduate salary levels that AGR employers expect in 2005



Chapter 4

Applications, Selection & Assessment

Introduction

Each year *The AGR Graduate Recruitment Survey* explores the techniques and processes used by employers during their annual campaigns to recruit graduates. The *Winter Review*, published every January, researches the different promotions and publicity AGR employers have undertaken to market their graduate opportunities to potential candidates. This also includes an analysis of the budgets allocated by employers to different resources such as their graduate brochures & websites, or advertising in careers publications.

For the *Summer Review*, the survey examines the applications received by AGR employers and the way in which graduates are assessed during the selection process. During the 2004 survey, recruiters were asked to provide details of the number of applications they had received from candidates for their graduate vacancies during the current 2003-2004 recruitment season, compared with the last recruitment round in 2002-2003.

Success rates were also recorded, including the number of candidates who were shortlisted for a first-round interview, those who reached final-round selection events or assessment centres, and any shortfall that employers had experienced fill their current vacancies.

The second part of the analysis focuses on the methodology that AGR employers used during selection – the timing of applications and whether they were accepted online or via paper applications, the selection criteria that candidates were assessed against, the location of first-round interviews, usage of online testing, and assessment centres.

Employers were also asked about any recruitment shortfalls they had experienced during the 2003-2004 recruitment round and their views on the quality of applications received.

Key Findings

AGR employers have received slightly fewer applications per vacancy this season and continue to use a range of different methodologies to select and assess graduates for their organisations:

- The average number of applications per vacancy has decreased from 42.1 during the 2002-2003 recruitment season, to 37.6 in 2003-2004, with individual recruiters attracting between 50 and 15,000 applications each for their graduate positions in 2004.
- 23% of employers reported recruitment shortfalls, due to late changes in their organisations' requirements for graduates or a lack of applicants with suitable skills or qualifications.
- Most organisations used the 'application, first interview, final assessment centre' model for their requirement in 2004, although 27% of recruiters used telephone pre-screening.
- More employers now recruit year-round or in phases, than use a single application deadline.
- Three-quarters of AGR employers used minimum degree results as part of their entry criteria, and a further 35% insisted that candidates held certain numbers of UCAS points.

Applications to Graduate Employers

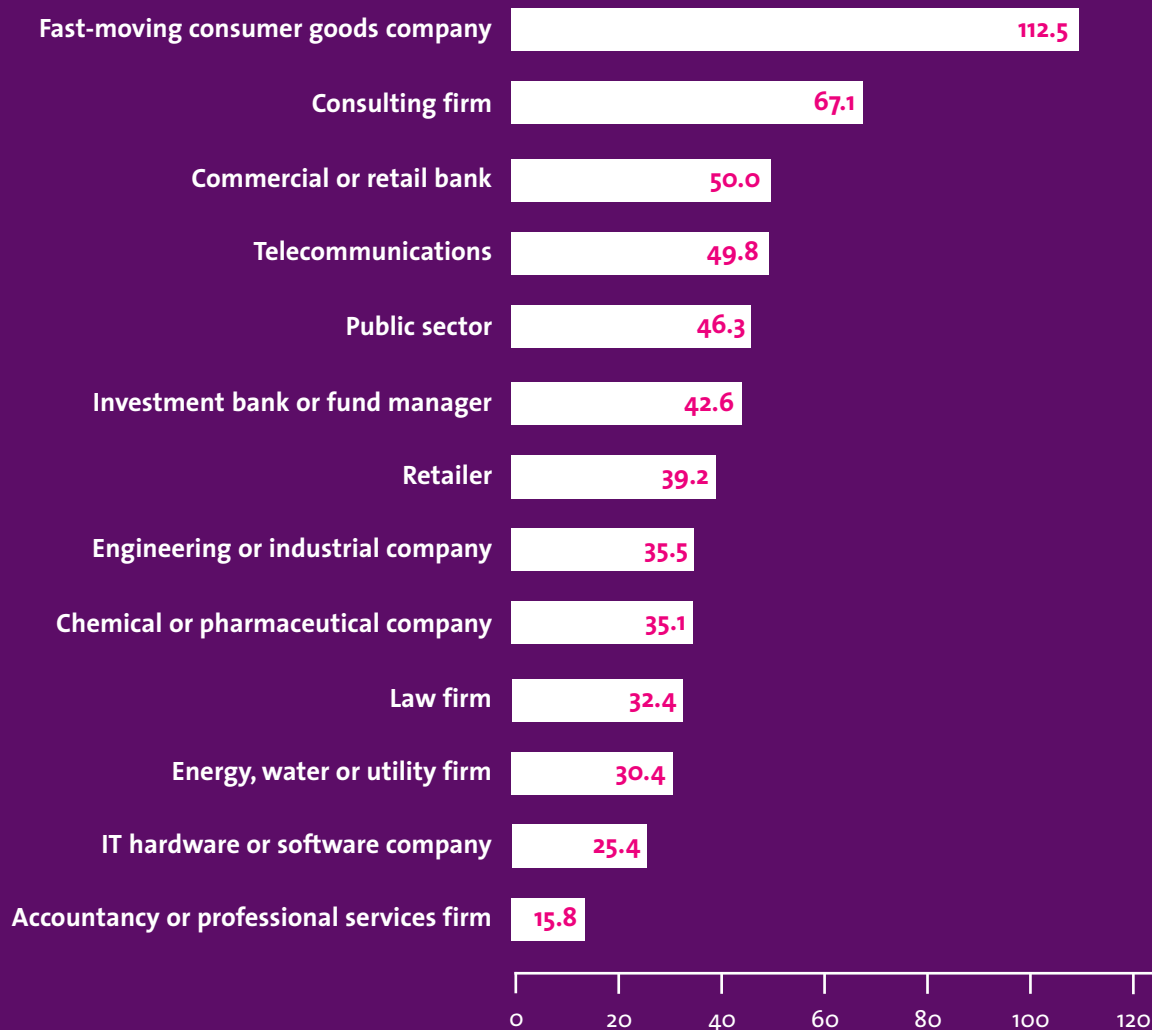
The survey shows that application levels for graduate jobs remained high this year, albeit a little lower than those received by employers in 2002-2003. Recruiters received an average of 37.6 applications per vacancy during 2003-2004, compared with 42.1 applications per vacancy in 2002-2003 (see *Chart 4.3*).

AGR employers reported great variations in the volume of applications that recruiters attracted for their graduate vacancies (see *Chart 4.2*). A fifth of organisations received fewer than 500 applications for their recruitment campaign in 2003-2004, and yet three individual recruiters had had more than 10,000 candidates apply during the year. Nearly half of all employers received between 1,000 and 5,000 applications, the average for the recruitment season being 2,430 applicants.

Application levels are inevitably linked to the number of vacancies that employers have been promoting, yet analysis of the number of applications per vacancy also shows widely differing results. A quarter of employers received no more than 25 applications per vacancy, but 1 in 6 recruiters attracted ten times this level of interest, with up to 250 applications or more per place. The majority of employers received between 25 and 100 applicants for each graduate position.

The reason for such widely differing application levels can generally be attributed to the industry or business sector that employers are recruiting for (see *Chart 4.1*). This year fast-moving consumer goods companies attracted the highest average number of applications – well over 100 applicants per vacancy.

Chart 4.1 Applications per graduate vacancy to AGR employers in 2004, by industry



Source - High Fliers Research

Average applications per graduate vacancy by AGR employers in 2004

Other popular employers included consulting firms, commercial or retail banks, telecommunications and the public sector, each of which attracted an average of between 45 and 70 applications per job.

The survey also confirmed the success rates for candidates applying for graduate positions in 2003-2004. Of the average 37.6 candidates who applied for each vacancy, 6.4 were invited to a first-round interview, and 2.8 candidates went on to final assessment centres. Each of these figures is slightly lower than the equivalent results from 2002-2003, reflecting in part the higher number of vacancies that recruiters were hiring for in 2003-2004.

Chart 4.2 Total applications for graduate vacancies received by AGR employers in 2004

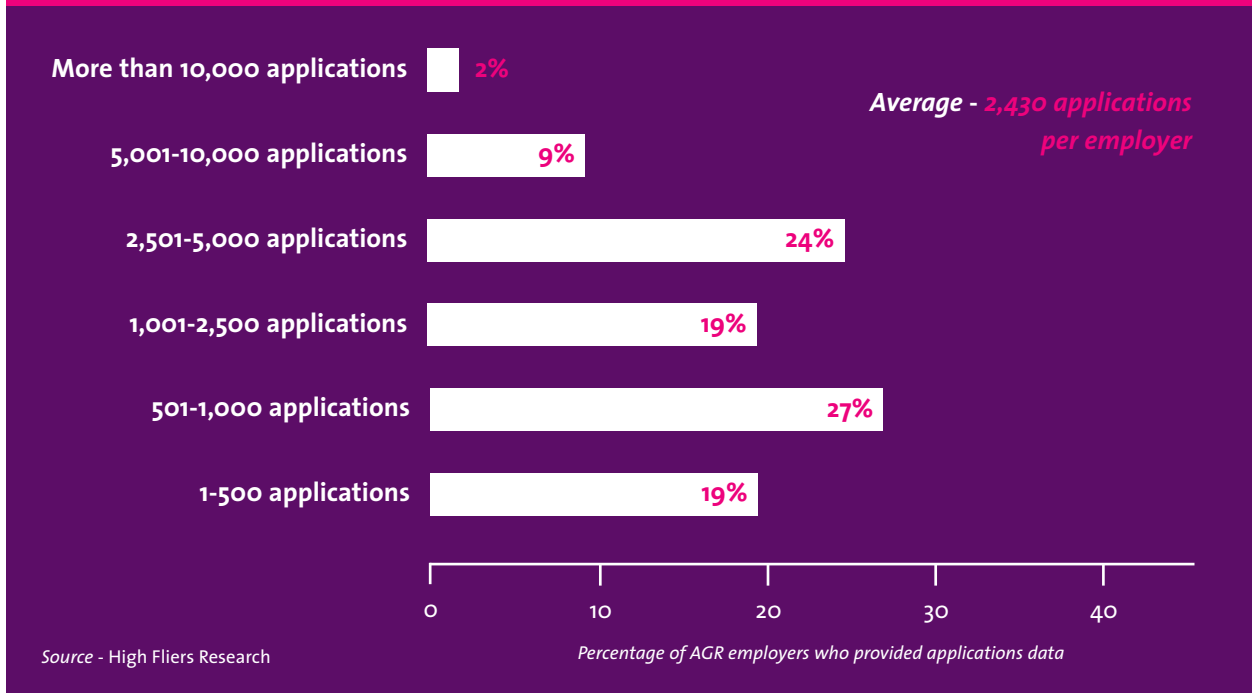
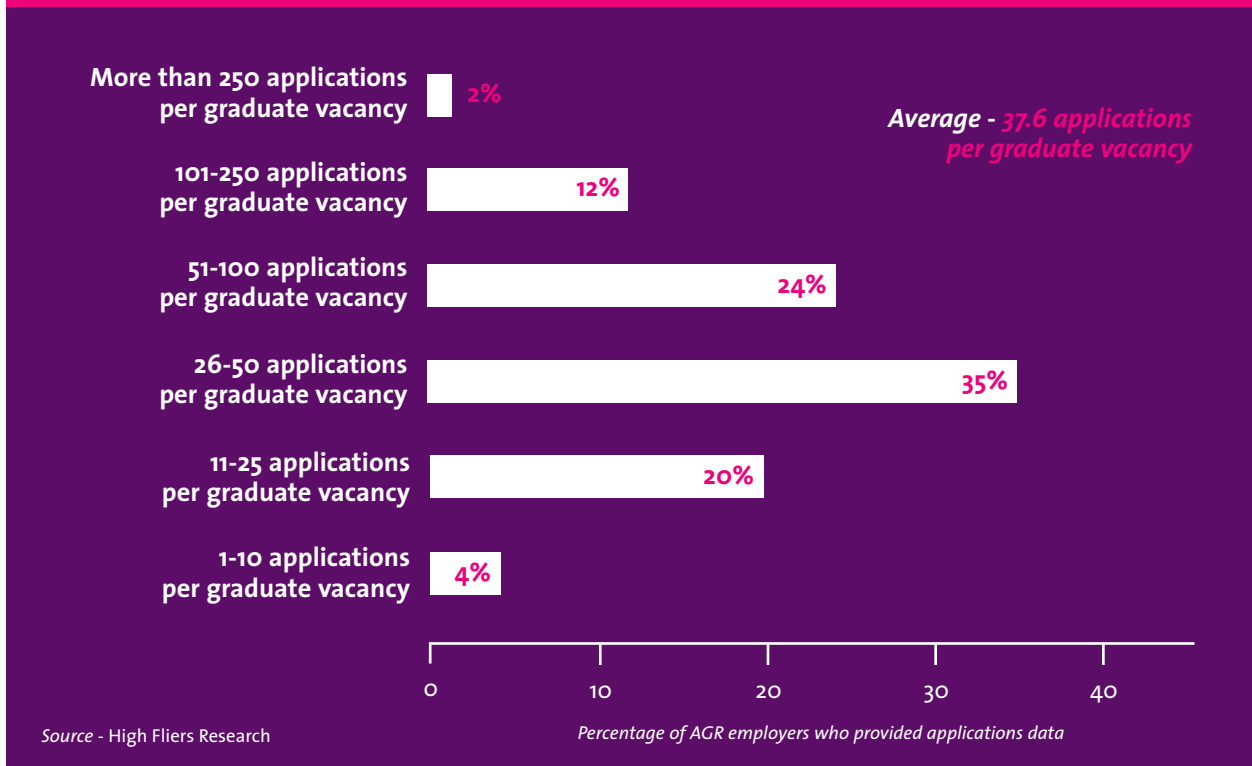


Chart 4.3 Applications per graduate vacancy received by AGR employers in 2004



Selection & Assessment in 2003-2004

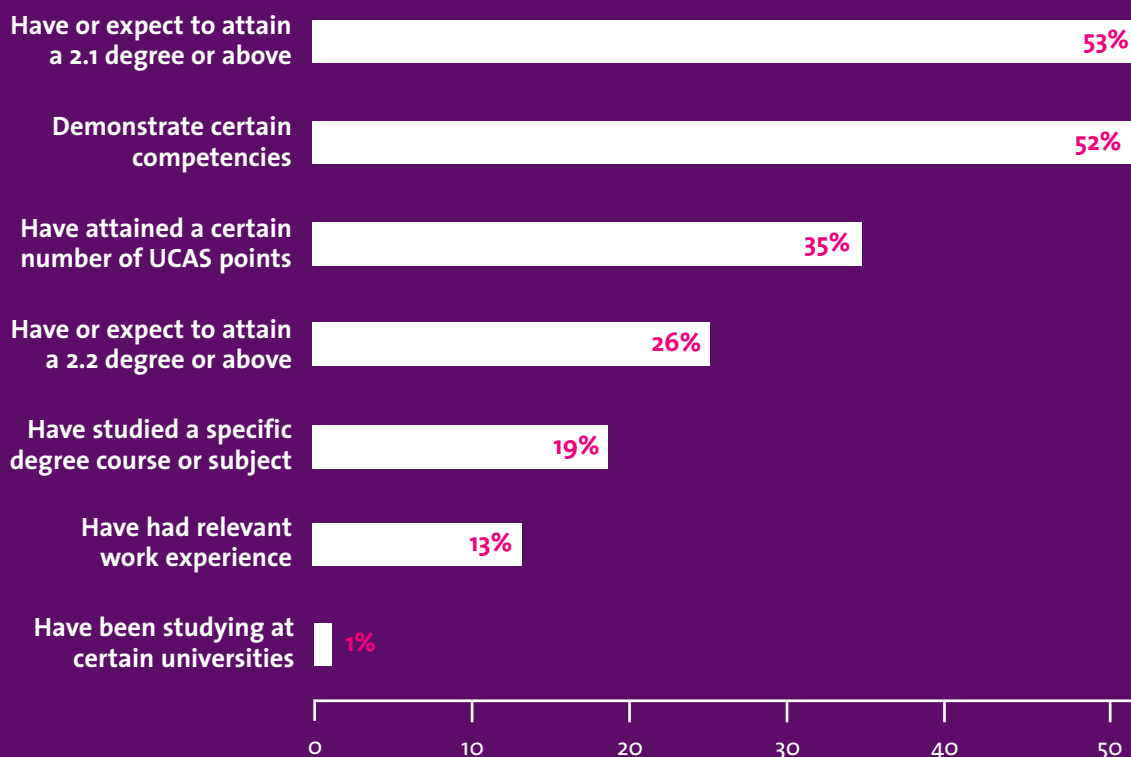
Graduate recruiters used a number of different selection criteria to assess applicants for their graduate vacancies during 2003-2004. The most commonly-stipulated ‘minimum criteria’ for applicants were specific academic results (see *Chart 4.4*). Half of all recruiters insisted on 2.1 degrees or above and a further quarter wanted their applicants to attain at least a 2.2 degree. ‘A’ level UCAS points (or the new tariff) were another popular indicator and, in all, 35% of employers had specified the minimum number of points that they required applicants to hold. The most common requirement was for 24 points/300 tariff/’BBB’ at ‘A’ level or more, and this was the minimum requirement used by two-thirds of recruiters who specified UCAS points/tariff as an entry criteria.

AGR employers were divided about the timetable for graduate applications. More than 40% had used a single deadline for their applications during 2003-2004, most often in either December or January, but a third of recruiters opted for round-the-year recruitment and smaller number chose to accept applications in phases or on a job-by-job basis. An impressive 88% of recruiters accepted applications via their website during 2003-2004, although half of all employers do still accept paper-based applications or CVs with a covering letter.

The majority of AGR employers used the ‘application, first interview, assessment centre’ model for their graduate recruitment in 2003-2004, although there were plenty of variations to this formula. Those who conducted face-to-face interviews for their first round used three main locations – half saw candidates at their head office or national recruitment centre and a third opted for regional centres such as a local office or hotel. Just one in ten employers held first interviews on campus during the year. Over a quarter of recruiters used preliminary telephone screening and a similar number used additional rounds of interviews during their assessment process.

Up to a third of recruiters had conducted online psychometric, numeracy or verbal reasoning tests this year and a number of other employers stated they were intending to adopt this next season.

Chart 4.4 Minimum criteria that AGR employers required for graduate applicants in 2004



Source - High Fliers Research

Percentage of AGR employers

Chart 4.5 Application process and methodology used by AGR employers in 2003-2004

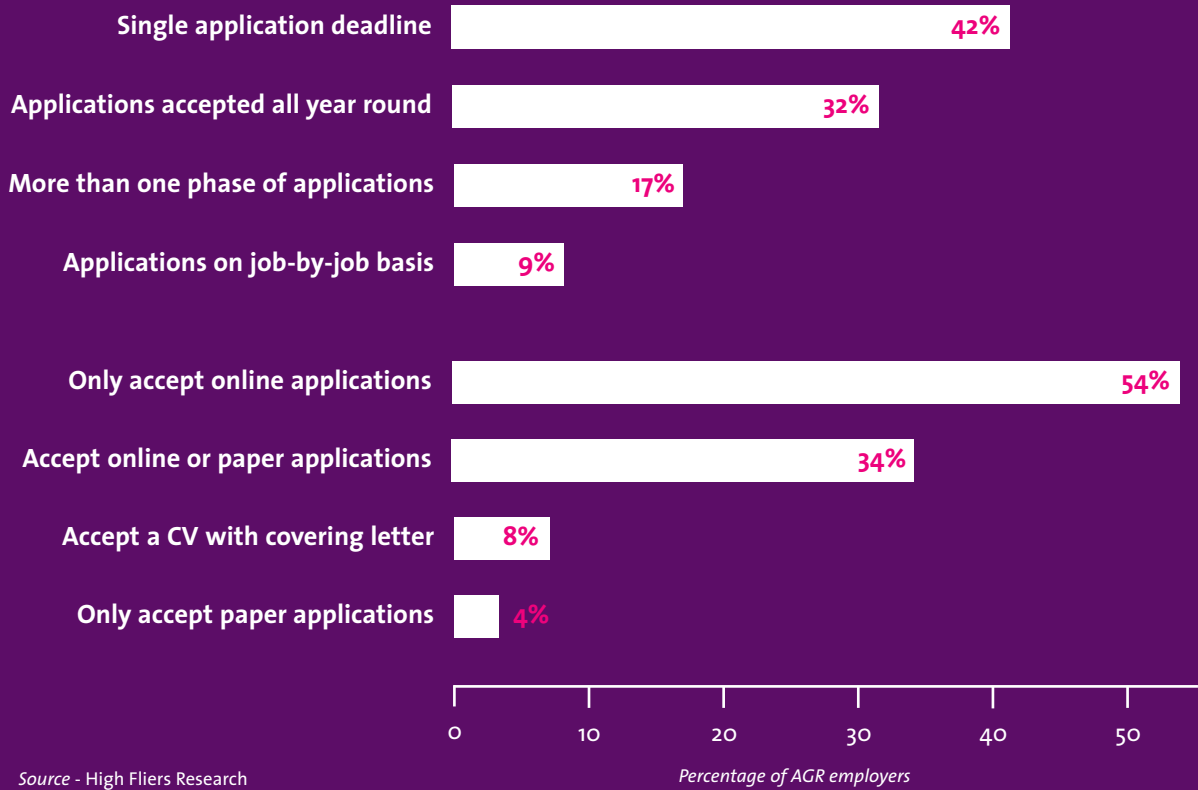
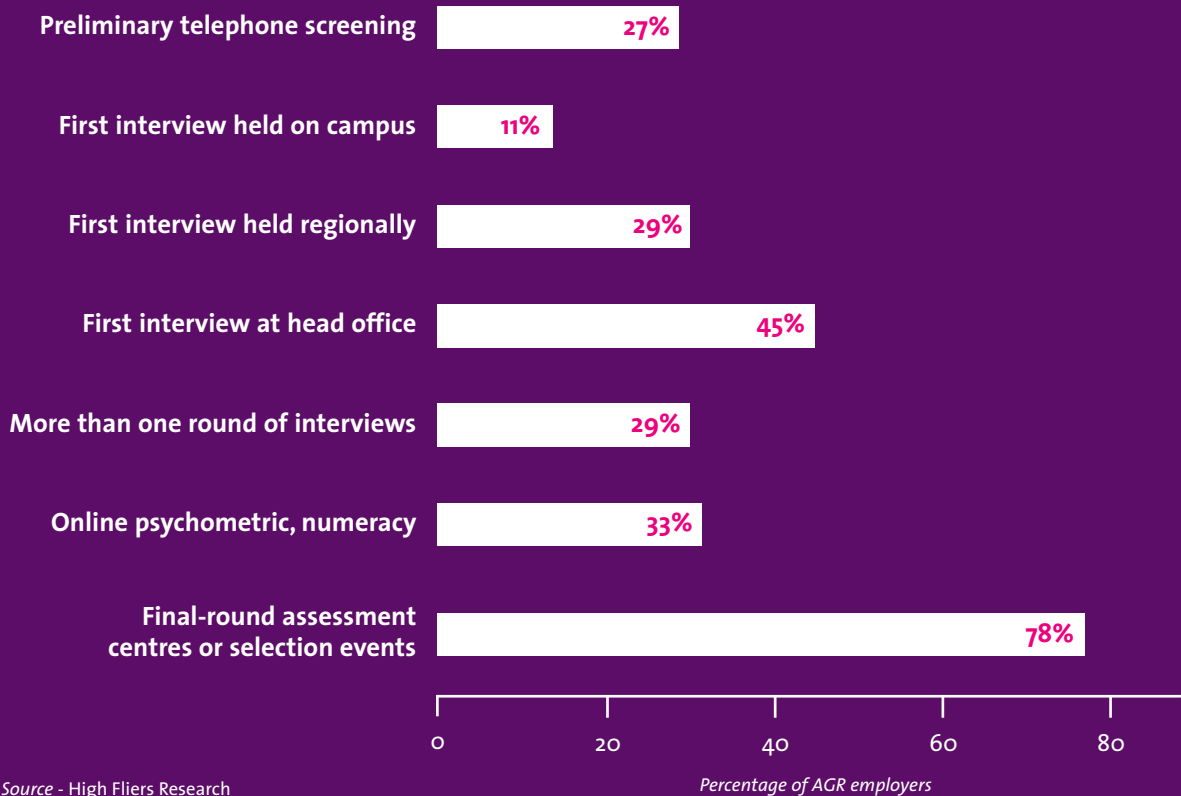


Chart 4.6 Selection & assessment techniques used by AGR employers in 2003-2004

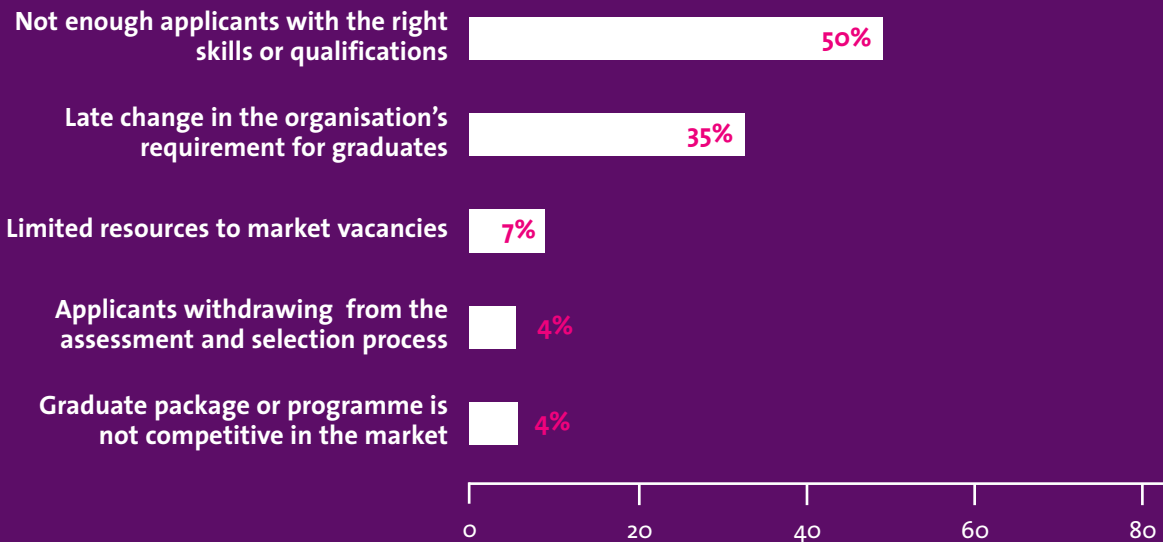


Recruitment Shortfalls and the Quality of Applicants

When asked about possible recruitment shortfalls for their 2004 graduate intake, 23% of AGR employers reported that they faced difficulties filling their places this year. The majority of these recruiters cited a lack of applicants with suitable skills or qualifications, in particular technical or business skills (see *Chart 4.7*). More than a third of employers facing a shortfall explained that their organisation had increased its graduate requirements at short notice, late in the recruiting season. Few employers were prepared to admit that the shortage of applicants was due to lack of marketing, uncompetitive graduate packages, or slow recruitment processes.

In terms of the quality of applicants, up to a quarter of all recruiters believed that candidates were of a higher calibre in 2004 (see *Chart 4.8*), despite the reduced overall number of applications that many had received. Two-thirds thought that applicants were of a similar standard with just 10% reporting lower standards than in 2003.

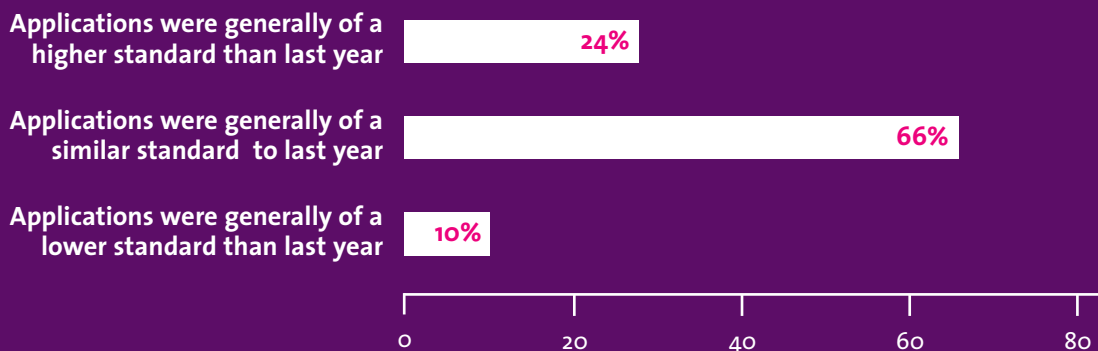
Chart 4.7 Main Reasons for Graduate Recruitment Shortfalls in 2004



Source - High Fliers Research

Percentage of AGR employers who expected a recruitment shortfall in 2004

Chart 4.8 Employers' Perceptions of the Quality of Applicants in 2004



Source - High Fliers Research

Percentage of AGR employers

Chapter 5

Graduate Retention & Salary Progression

Introduction

The penultimate section of the *Summer Review for The AGR Graduate Recruitment Survey 2004* investigates the retention rates and salary progression for graduates employed by AGR employers. This part of the survey is conducted annually to provide a benchmark of how graduates fare in their first five years of employment.

Employers were asked to record the percentage of graduates remaining with their organisation who were recruited one, three and five years ago. These were graduates hired during the 2002-2003, 2000-2001 and 1998-1999 recruitment seasons, who started work in 2003, 2001 and 1999 respectively. For many organisations this data can be difficult to collect, particularly for organisations which recruit graduates into multiple operating businesses, but recruiters were asked to provide as much detail as was available.

Similarly, employers were asked to provide details of the salary progression of graduates who had joined their organisations one, three and five years ago. Recruiters were asked to estimate the typical current salary paid in 2004, for graduates hired during the 2002-2003, 2000-2001 and 1998-1999 recruitment seasons, who started work in 2003, 2001 and 1999 respectively. Again for a number of employers this data is not straightforward to obtain as graduates often make very different progress during their early years of employment, so recruiters were asked to provide details of how an 'average' graduate's salary might have progressed over time. The results are therefore an indication of salary levels, rather than a comprehensive guide to graduate remuneration in employment.

As many employers were unable to provide a complete set of data for this section of the survey, the results in this chapter are based on the 125 AGR employers who did provide full comparative data for their graduate retention and salary progression information.

Key Findings

AGR employers reported impressive graduate retention rates for their organisations and strong salary progression for those recruited during the past five years:

- The average retention rates at AGR employers are 99% for graduates recruited one year ago, 80% for graduates who began work three years ago, and 65% for those hired five years ago.
- The highest retention rates are recorded by the public sector, commercial or retail banks, IT companies, engineering or industrial companies, and chemical or pharmaceutical companies.
- Retailers recorded the lowest retention rates, losing 60% of their graduates over 5 years.
- The median salaries currently paid by AGR employers are £22,000 for graduates recruited one year ago, £27,800 for graduates who began work three years ago and £32,000 for those hired five years ago.
- The most generous salary progression was for graduate working in law firms, consulting firms, accountancy or professional services firms, public sector employers and FMCG companies.

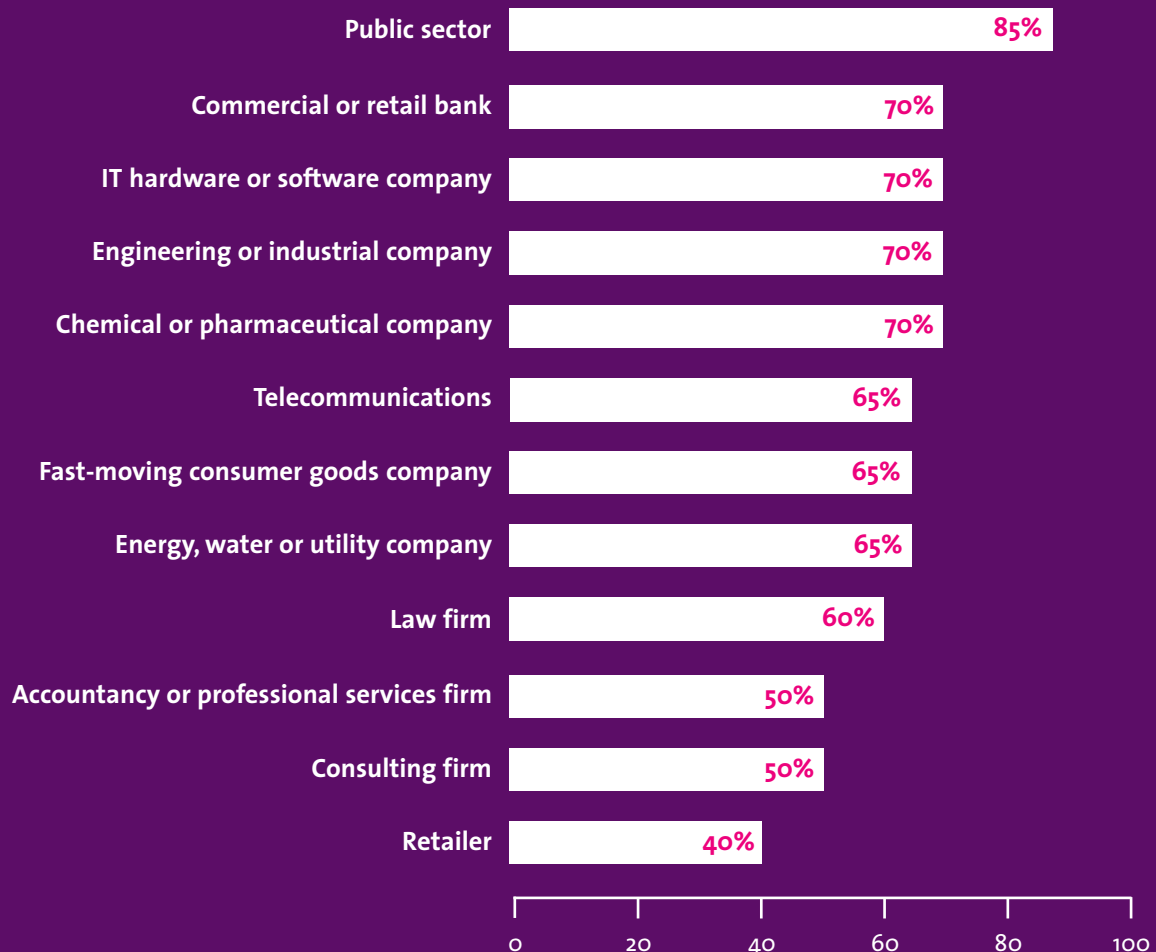
Graduate Retention Rates

AGR employers reported a considerable range of retention rates for graduates recruited during the five years since 1999. An impressive 99% of graduates who were hired during the 2002-2003 recruitment season and started work one year ago were still working for the organisation. On average, 80% of graduates recruited during 2000-2001, who started work in 2001, remained with their first employer; and 65% of graduates from the 1998-1999 recruitment round who began work in 1998 had been retained (see *Charts 5.2-5.4*).

Despite these very positive average rates, two recruiters reported that they had already lost 50% of their graduate intake from 2003 and seven employers had retained just a quarter of their graduate recruits from 1999, including two major retailers. By contrast, 85 individual employers claimed that they had retained a full 100% of their graduate intake from 2003, and six believed that all of their 2001 graduates were still employed by their organisations. None, however, reported retaining 100% of those recruited five years ago.

The analysis of AGR employers by industry shows the different graduate retention rates for recruits who started work in 1999 (see *Chart 5.1*). The public sector had the highest rate, although commercial or retail banks, IT hardware or software companies, engineering or industrial companies, and chemical or pharmaceutical companies each retained an average of 70% of graduates over the 5 year period. The lowest retention rates were reported by accountancy or professional services firms, consulting firms, and retailers. Insufficient data prevents analysis of the other business areas not listed.

Chart 5.1 Retention rates for graduates recruited by AGR members five years ago, by industry



Source - High Fliers Research

Average percentage of graduates retained by AGR employers from those recruited in 1999

Chart 5.2 Retention rates for graduates recruited by AGR members one year ago, in 2003

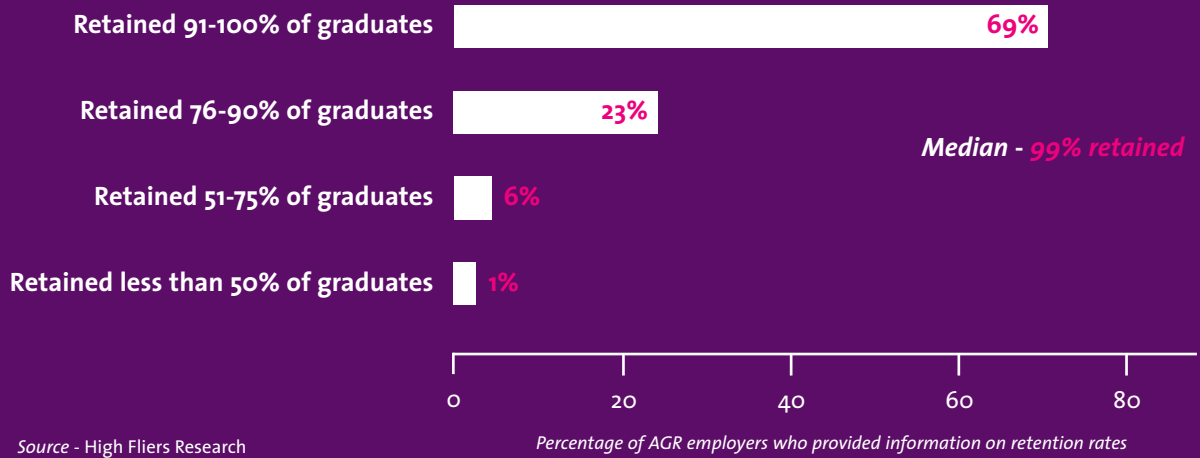


Chart 5.3 Retention rates for graduates recruited by AGR members three years ago, in 2001

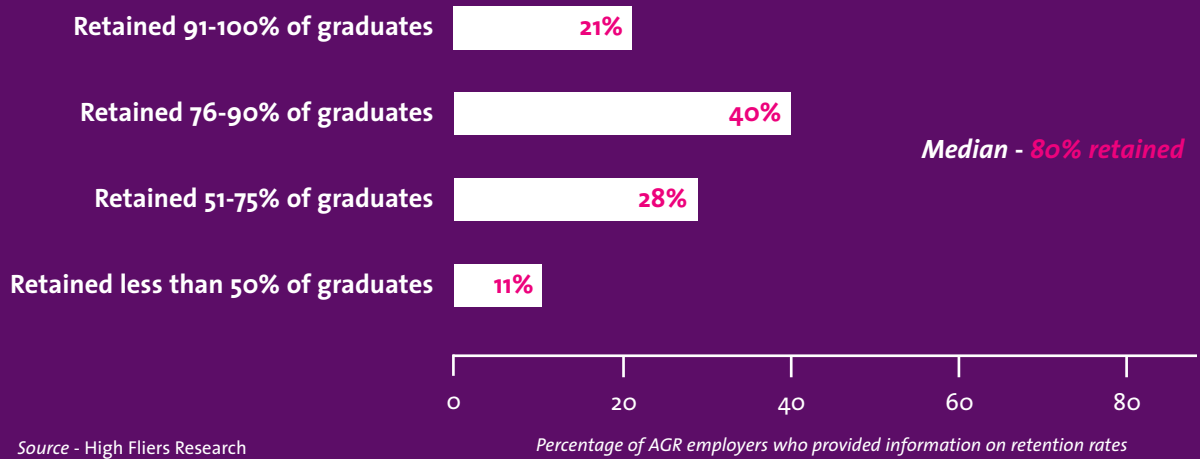
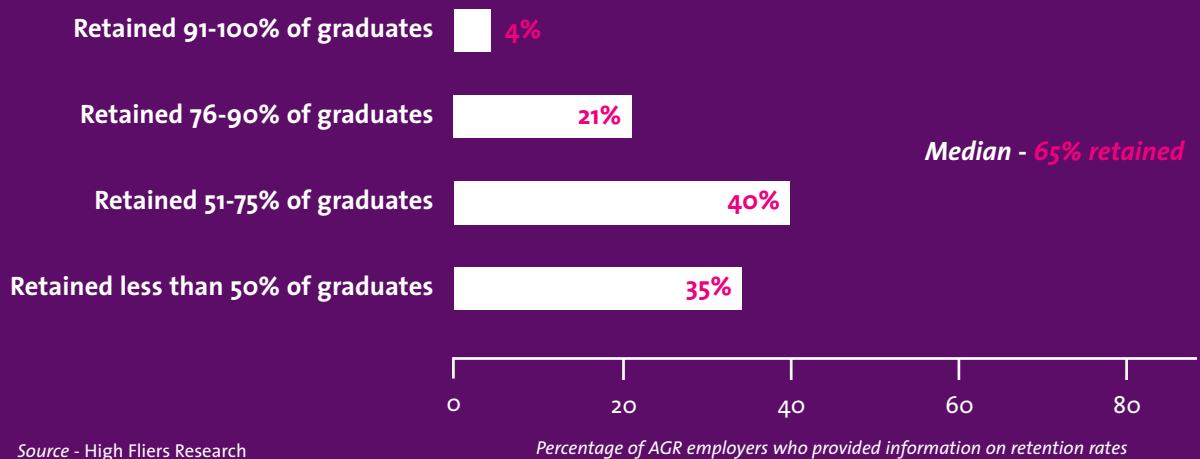


Chart 5.4 Retention rates for graduates recruited by AGR members five years ago, in 1999



Graduate Salary Progression

Salary figures for graduates who began work with AGR employers over the last five years show that many have enjoyed rapid pay progression. Those who started work in 2003 are currently being paid median salaries of £22,000 – some 8.4% higher than the starting salaries they began work with a year ago. Graduates from the ‘Class of 2001’ who remain with their first employer are currently being paid a median salary of £27,800 – some 32.8% higher than this year’s graduate starting salaries. Those who were recruited five years ago have median salaries of £32,000 – 52.3% more than today’s graduate pay rates (see *Charts 5.6-5.8*).

Each of these results suggest that many graduates who choose to remain with their first employer are being well-rewarded by their organisations. However, the analysis of salary progression within individual industries and business areas for graduates hired in 1999 does reveal some major differences (see *Chart 5.5*). Law firms reported the very highest median salaries – an impressive £56,000 for graduates with five years service. Consulting firms, accountancy or professional services firms and public sector employers were also amongst the most-generous organisations, paying up to £45,000 per annum to graduates recruited five years ago. The lowest 5-year median salaries were for engineering or industrial companies, energy, water or utility companies.

Overall, 15 AGR employers stated that they were paying ‘Class of 1999’ graduates £50,000 or more, with £90,000 the highest average salaries recorded. It is interesting that 10 of these organisations were law firms and all but one of the remainder were investment banks or consulting firms. Again, incomplete data means it is not possible to provide 5-year salary medians for the other business areas not listed.

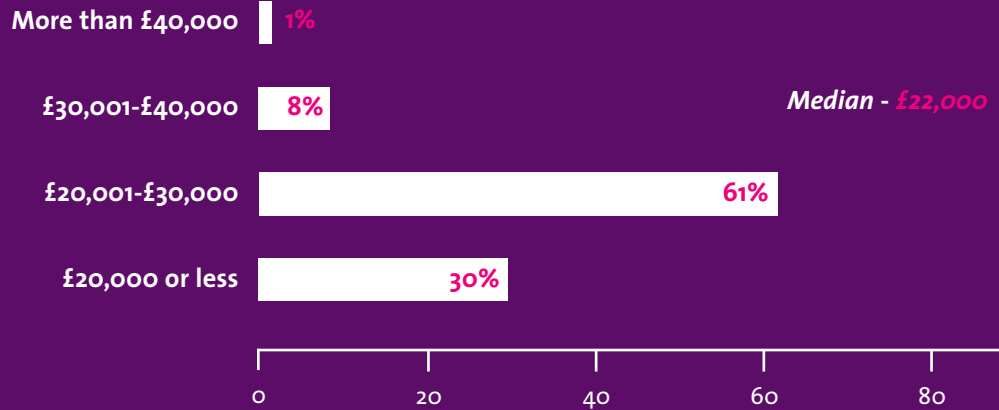
Chart 5.5 Current salaries paid to graduates recruited by AGR members five years ago, by industry



Source - High Fliers Research

Average salaries being paid to graduates at AGR employers recruited in 1999

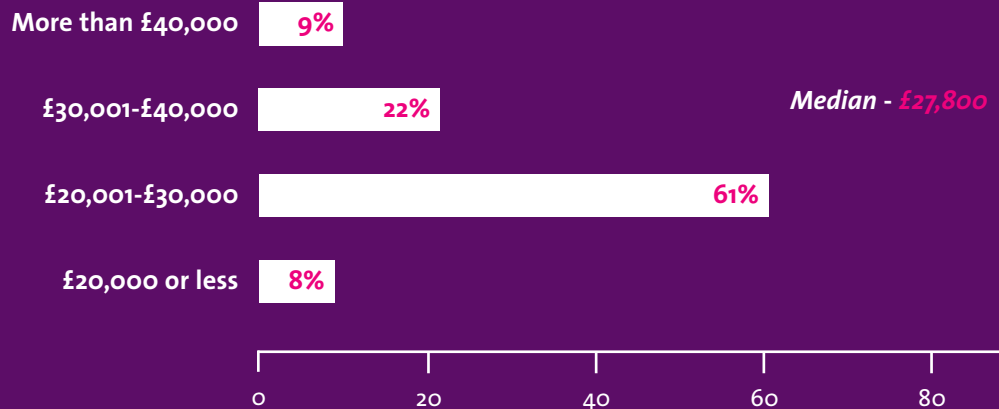
Chart 5.6 Salaries paid now to graduates recruited by AGR members one year ago, in 2002



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

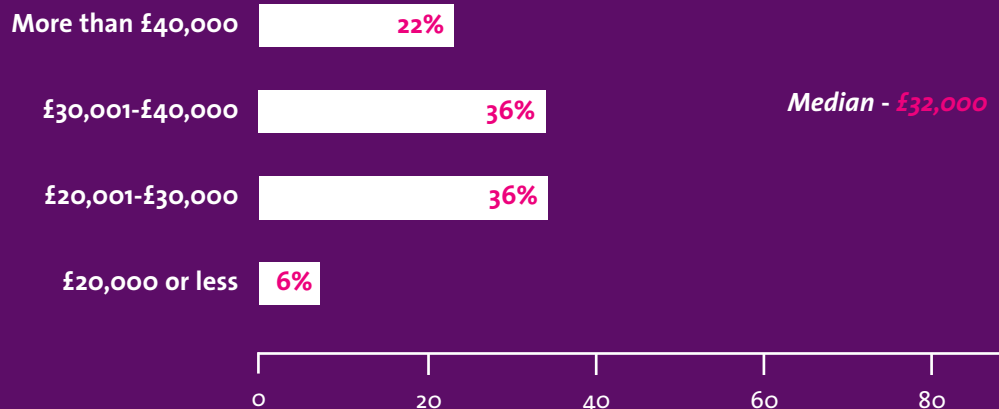
Chart 5.7 Salaries paid now to graduates recruited by AGR members three years ago, in 2000



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

Chart 5.8 Salaries paid now to graduates recruited by AGR members five years ago, in 1999



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

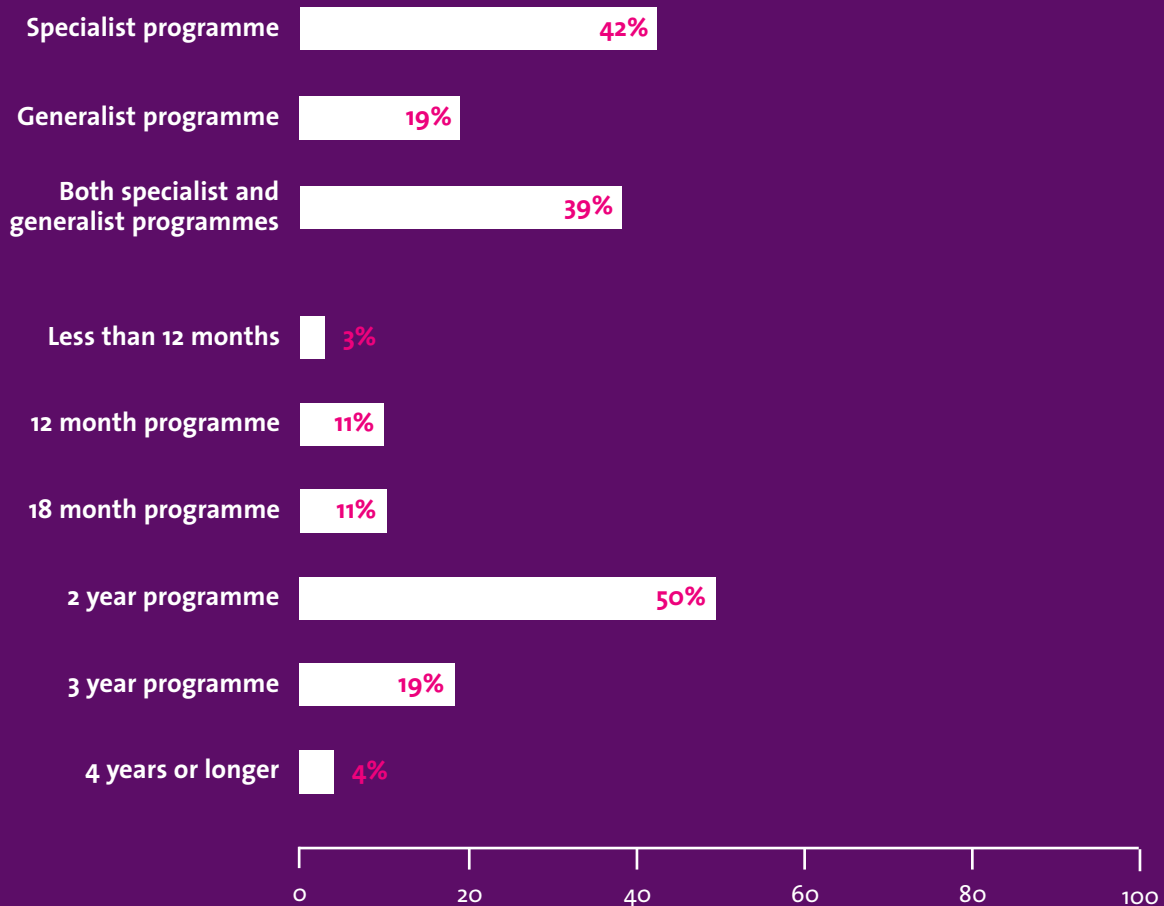
Graduate Development Programmes

Finally, AGR employers were asked about the type and length of their graduate development programmes. Almost half of organisations offered ‘specialist programmes’ only, where graduates joined an individual business function or career area upon starting work (see *Chart 5.9*). Fewer than a fifth of recruiters just hired graduates for a ‘generalist programme’, typically providing a range of experiences in different departments or business areas during the initial training period. 39% of employers offered both specialist and generalist programmes.

In terms of the length of programmes, the majority of AGR employers – a total of 69% of recruiters – offered 2 or 3 years of graduate development, 25% provided 18 months or less, and just thirteen organisations ran programmes lasting 4 years or longer. The very shortest programmes appear to have been those at investment banks, IT hardware or software companies, and major retailers.

When asked how the length of their graduate development programmes has changed over the last three years, 84% stated that their programmes had not changed, 9% were shortened, and 7% had been lengthened.

Chart 5.9 Type & Length of Employers’ Graduate Development Programmes



Source - High Fliers Research

Percentage of AGR employers who provided information on their graduate development programmes

Chapter 6

Diversity in Graduate Recruitment

Introduction

The final part of the *Summer Review* for *The AGR Graduate Recruitment Survey 2004* explored the issues of diversity in graduate recruitment by AGR employers, a topic that has been of increasing interest to many employers in recent years.

Firstly, employers were asked whether their organisations had recruitment targets to help them achieve a balanced intake of new graduates, as measured by gender, ethnic background, disability or age. Recruiters were questioned about the recruitment targets they used in 2003-2004 for men, women, ethnic minorities, disabled or mature graduates, either as actual numbers of individuals or a percentage of the total intake.

Recruiters were also asked about their perceptions of how successfully (or otherwise) they considered their organisations were in attracting a diverse graduate workforce. Employers face two key challenges here – encouraging a broad range of applicants for their graduate vacancies and then the balance of candidates who are successful during the selection & assessment process and are made job offers.

It is for this reason that employers were questioned about their views on whether their organisation attracted ‘too many’, ‘about right’ and ‘too few’ applications from men, women, ethnic minority graduates, disabled graduates, and mature graduates. They were also asked whether they felt their organisations made sufficient job offers to each of these types of graduates. Whilst this style of question inevitably leads to very subjective responses, it nevertheless helps highlight the priorities for recruiters in their drive to recruit a diverse graduate workforce.

In all, 163 AGR employers provided data on their recruitment targets and opinions on the diversity of the application levels & graduate hires at their organisation.

Key Findings

Although many AGR employers are concerned about the issues surrounding diversity in graduate recruitment, few organisations have actual recruiting targets for different types of graduates:

- **Just 14% of AGR employers reported having formal diversity targets for the number of male, female, ethnic minority, disabled or mature graduates that their organisations recruited.**
- **Those recruiters who did operate recruitment targets were most likely to do so for female graduates or those from ethnic minorities.**
- **Nearly half of all AGR employers believed their organisations failed to attract enough female applicants; a third felt they should receive more applications from ethnic minority graduates; and more than two-thirds thought that too few disabled students applied**
- **Employers expressed similar concerns about the actual graduate hires their organisations made, although it was evident that recruiters felt that proportionally fewer ethnic minority graduates were successful during selection, whilst female graduates often fared better.**

Recruitment Targets and Employers' Views on Diversity

The survey results show that just 14% of all AGR employers used any diversity targets at all during the 2003-2004 recruitment season. For those that did, the most likely targets were for ethnic minority or women graduates (see *Chart 6.1*) and 10% of recruiters had specific goals for the number of these graduates that they should aim to hire. 5% of employers reported having targets for disabled graduates, 2% for male graduates, and little more than 1% for mature graduates.

It is interesting to note that there seems to be little pattern to the type of employers which operated diversity targets in 2003-2004. Indeed almost all the major industries and business areas are represented amongst the thirty recruiters who confirmed they used targets this year – including retailers, public sector employers, investment banks, consulting firms, engineering or industrial companies, IT firms and accountancy or professional services firms.

When asked about their views on the balance of applications received by their organisations and the diversity of graduates hired, recruiters seemed to express considerable concerns. In terms of their graduate applications, nearly half of employers felt that they did not attract enough female applicants (see *Chart 6.2*), over a third believed they received too few ethnic minority applicants, and more than two-thirds reported inadequate numbers of applications from disabled graduates. A quarter of recruiters believed that they should attract more mature candidates for their graduate positions. Conversely, 14% of employers thought they had had too many applications from male graduates and 6% said they'd received more women applicants than they wanted. These results mean that, at best, only half of recruiters were happy that they were attracting a good balance of applications from graduates of different types and backgrounds.

The results to the following question, asking recruiters about their views on the level of actual hires of types of graduates, shows a slightly different pattern. Collectively, employers again reported concerns that their organisations hired too few female graduates, ethnic minority graduates, and mature graduates – a similar result to the question about application levels (see *Chart 6.3* overleaf).

It is interesting, though, that many more recruiters expressed the view that not enough ethnic minority graduates were hired, whilst noticeably less felt that they recruited too few female graduates. This suggests that at the employers concerned about the balance of their graduate intake, a lower proportion of ethnic minority graduates were successful during the selection & assessment process, yet the number of female graduates who achieved job offers was proportionally higher.

Chart 6.1 Employers who have Recruitment Diversity Targets

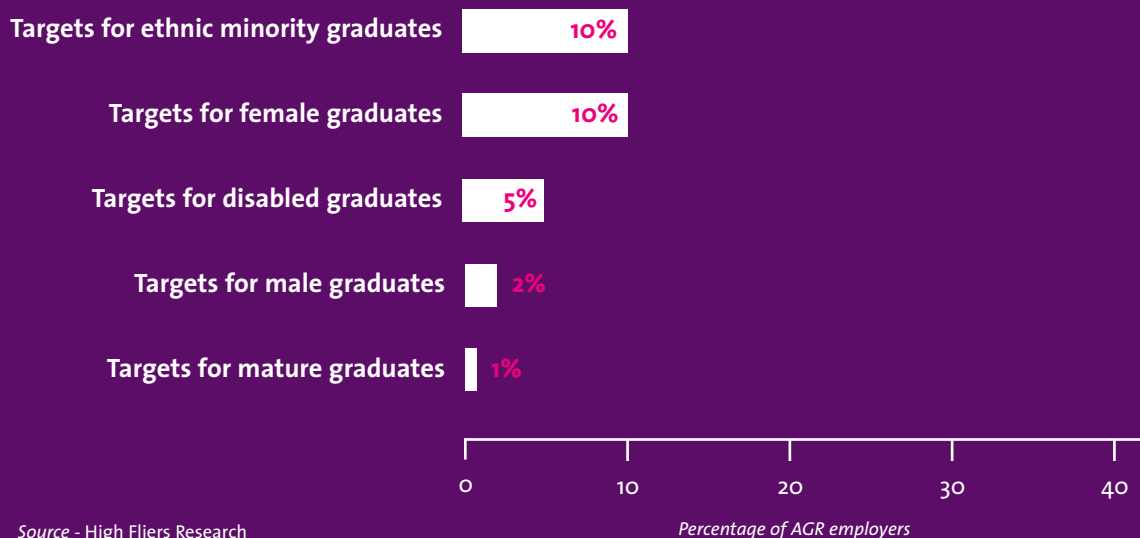


Chart 6.2 Employers' Views on their Level of Applications from Different Types of Graduates

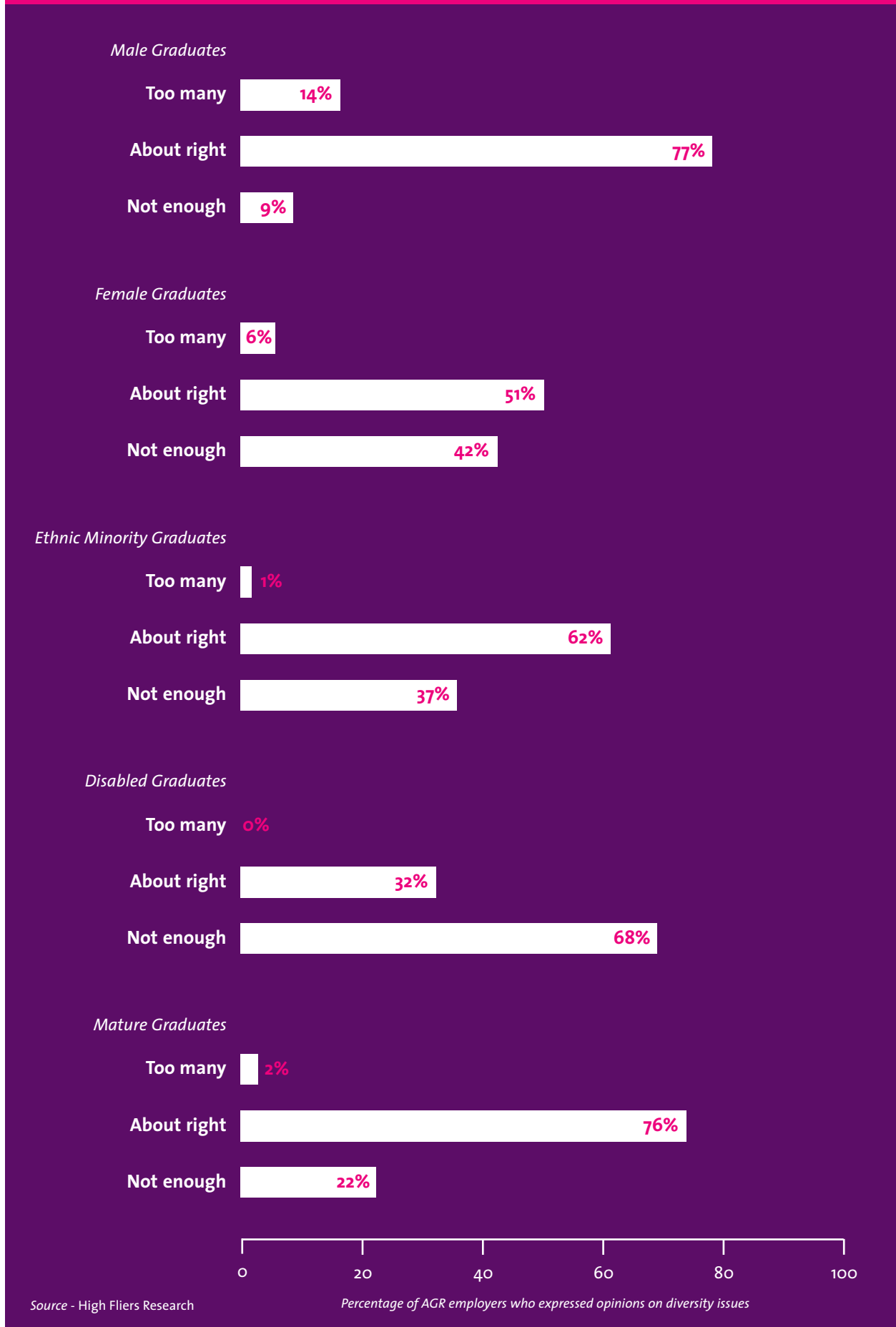
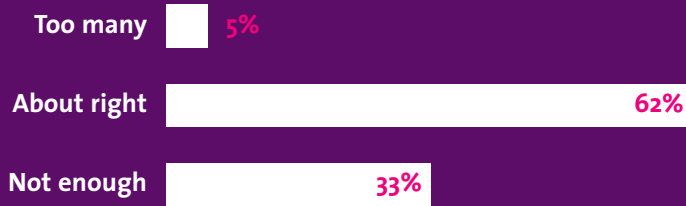


Chart 6.3 Employers' Views on their Level of Hires of Different Types of Graduates

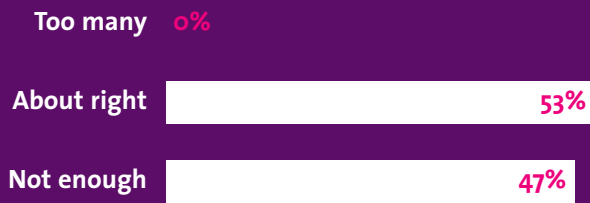
Male Graduates



Female Graduates



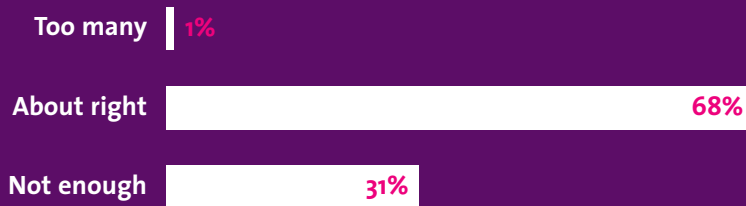
Ethnic Minority Graduates



Disabled Graduates



Mature Graduates



Source - High Fliers Research

Percentage of AGR employers who expressed opinions on diversity issues