



The AGR Graduate Recruitment Survey 2006

Summer Review



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Executive Summary

About the Survey

The AGR Graduate Recruitment Survey 2006 is based on research conducted for the AGR by Hobsons' Planning and Research Division. The Summer Review is based on the responses given by 235 graduate employers during May 2006.

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

- Graduate vacancy levels during the 2005–2006 recruitment season
- Salary levels for new graduates starting work in 2006
- Application levels and the selection and assessment processes used by recruiters during 2005–2006
- Retention rates of graduates recruited between 2001 and 2005.

Graduate Vacancies

- For the third year running, the number of graduate vacancies has risen sharply. There were 16.7% more graduate vacancies in 2006 than in 2005
- The majority of graduates were recruited for positions in London or the South East
- Analysed by business function or career area, the greatest number of vacancies for 2006 were for graduates working in accountancy, general management or investment banking
- The majority of industries and business sectors have experienced growth in recruitment during the 2006 recruitment season
- More than half of the respondents stated that they expect their recruitment levels to remain unchanged in 2007.

Graduate Salaries

- Starting salaries for new graduates have risen yet again. In 2006, median starting salary levels have grown by 2.9% to £23,136
- The highest starting salaries are once again for graduate positions at investment banks
- Median salaries are highest in London and the South East
- Investment banking, legal work, consulting, actuarial work, IT and financial management are the business functions in which the highest starting salaries are on offer
- Two thirds of respondents anticipate no change to starting salaries in 2007, or a change matching the increase in the cost of living.

Applications, Assessment and Selection

- AGR employers continue to use a range of selection and assessment methods
- On average, recruiters received 28 applications per graduate vacancy in 2006, a slightly lower level than in 2005
- FMCG companies received the most applications for each graduate position, followed by companies in the oil industry
- There appear to be two schools of thought regarding the imposition or not of application deadlines. Most of the respondents have no such deadline in place and accept applications all year round, have more than one phase of applications during the year or accept applications on a job-by-job basis. A second group impose a single application deadline.
- One third of AGR employers use some form of online self-assessment exercise. The most commonly used are numeric reasoning tests, followed by verbal reasoning tests
- More than one quarter of respondents stated that the applicants were of a higher quality in 2006 than in 2005
- Commitment and drive, and motivation and enthusiasm are viewed as the most important qualities in applicants
- AGR employers reported that project management, risk taking/enterprise, leadership and commercial awareness are the most difficult skills to find
- Almost half of the AGR employers have a single start date in autumn. One third have two or more dates and one fifth have rolling start dates or work on a job-by-job basis
- More than two thirds of graduate recruiters state that over 80% of the job offers they make to graduates are accepted.

Graduate Retention

- AGR employers reported reassuring graduate retention rates. Few expressed concern about the retention of graduate recruits in their organisation
- The retention rate for graduates recruited in 2005 is a healthy 91%, although this is lower than recorded last year. Of graduates recruited during the 2002–2003 recruitment season, 75% are still working for the same organisation. Of those recruited during the 2000–2001 recruitment season, 60% are still working for the organisation into which they were recruited
- AGR employers were asked about the structure of their graduate development programmes. Almost all offer some form of specialist or general programme, or a combination of both.



1

Chapter Introduction

Introduction



Researching the Graduate Market

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

The Summer Review examines the calibre and quantity of applications made to AGR employers during the 2005–2006 recruitment campaign (referred to as ‘2006’ throughout) and the methods employed during the recruitment process. The Summer Review details the number of applications received by employers, application deadlines, academic prerequisites and the starting dates for new recruits. The report also analyses the proportion of graduate recruits retained by employers over the past five years.

The AGR Graduate Recruitment Survey is conducted on behalf of the AGR by Hobsons’ Planning and Research Division. Hobsons is the single largest provider of global education and recruitment information services and research, and as such is the market leader in helping organisations around the world practise excellence in student recruitment planning, development and delivery. Hobsons annually researches the opinions of 40,000 European students from 14 countries, over 26,000 domestic students and young professionals, and 13,000 UK school-leavers. Hobsons also produces numerous bespoke surveys and projects for corporate clients.

Methodology

The data presented in *The AGR Graduate Recruitment Survey* was obtained during a two-and-a-half-week field period in May 2006. AGR employers were invited to participate in the survey

by e-mail. These messages contained a web-link and personal password with which each employer could access the online survey. The employers also had the option of filling in the survey in hard-copy format or calling the Survey Manager at Hobsons and completing the survey over the phone.

The questionnaire contained a range of questions relating to graduate recruitment practices during the 2004–2005 (referred to as ‘2005’ throughout) and 2005–2006 (referred to as ‘2006’ throughout) recruitment seasons. There was a particular emphasis on graduate vacancies, remuneration and the recruitment process.

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

Participation

Hobsons invited 348 AGR employers to participate in *The AGR Graduate Recruitment Survey 2006*. By the end of the field period 235 employers had completed the questionnaire, a completion rate of 68%.



The AGR members who took part in the survey are:

3M UK plc

A

ABB Ltd
 ABN AMRO
 Accenture
 Addleshaw Goddard
 AIA
 AIB
 Air Products plc
 Airbus
 Alexander Mann
 Allianz Cornhill Insurance plc
 Allen & Overy LLP
 American Express
 Anglia Regional Co-operative Society
 Aon UK
 Arcadia Group Limited
 The Army
 Arriva plc
 Arup
 ASDA
 Associated British Ports
 AstraZeneca
 Atomic Weapons Establishment plc
 Atos Origin IT Services
 Audit Commission
 AXA

B

Badenoch & Clark
 BAE Systems
 Baillie Gifford
 Baker & McKenzie
 Baker Tilly
 Bank of England
 Barclays
 Barclays Capital
 Barratt Homes
 BDO Stoy Hayward LLP
 Bechtel Ltd
 Berwin Leighton Paisner
 BG Group
 BNP Paribas
 BOC
 Bond Pearce
 BP plc
 British Nuclear Group
 BT Group plc

C

Cabinet Office
 Cadbury Schweppes plc
 Capgemini
 Capital One
 Carillion
 Caterpillar

Centrica
 Citigroup
 Clyde & Co
 CMS Cameron McKenna
 The Co-operative Group
 Corus
 Credit Suisse
 Croda International plc

D

Danone
 Data Connection Limited
 Davies Arnold Cooper
 Deloitte
 Denton Wilde Sapte
 Deutsche Bank
 DHL Exel Supply Chain
 Discovery Recruitment and Training
 Dixon Wilson
 DLA Piper Rudnick Gray Cary UK LLP
 DML
 Dresdner Kleinwort Wasserstein

E

EC Harris
 ECA International
 EDF Energy
 Endsleigh
 Enterprise Rent-A-Car
 Ernst & Young
 Eversheds LLP
 Expedia.com
 Explore Learning
 ExxonMobil

F

Faber Maunsell
 Fidelity International
 Filtrona plc
 FKI plc
 Freshfields Bruckhaus Deringer
 FSA

G

Gardiner & Theobald
 Genesis Housing Group
 Gist
 GKN plc
 GlaxoSmithKline
 Google
 Government Economic Service
 Grant Thornton UK LLP

H

HAT Group of Accountants
 Haymarket Publishing
 HBG UK Ltd
 HBOS plc
 Herbert Smith
 Highways Agency
 HM Prison Service

HM Revenue and Customs
 Home Office
 Horwath Clark Whitehill
 HSBC

I

IBM UK Limited
 ICI
 The Institute of Chartered Accountants in England & Wales (ICAEW)
 The Institute of Chartered Accountants of Scotland (ICAS)
 Interfleet Technology Ltd
 Irwin Mitchell

J

John Lewis
 Johnson Matthey
 Jones Day
 JPMorgan
 JPMorgan Cazenove

K

Kerry Foods Ltd
 Kier Group
 Kimberly-Clark Europe
 KPMG

L

Lazard
 Lehman Brothers
 Linklaters
 Lloyds TSB
 LogicaCMG
 Lovells

M

Macdonald Hotels & Resorts
 Macfarlanes
 Macquarie Bank Limited
 Majestic Wine Warehouses Ltd
 Marks and Spencer plc
 Mars/Masterfoods
 Mayer, Brown, Rowe & Maw LLP
 MBDA UK
 McDonald's Restaurants Ltd
 McKinsey & Company
 Mercer Human Resource Consulting
 Metropolitan Police Service
 MI5
 Michael Page International
 Mills & Reeve
 Ministry of Defence
 Mitchells and Butlers plc
 Mitsubishi Electric Europe
 Motability Operations
 Mourant

N

Nabarro Nathanson
 National Audit Office
 National Australia Group



National Express Group
National Graduate Development Programme
National Grid
National Leadership & Innovation Agency for Healthcare
Nationwide Building Society
Nestlé UK Ltd
Network Rail
Next
NG Bailey
NHS (England)
Nortel
Northern Ireland Audit Office
Norton Rose
Norwich Union

O
Ofgem
Oracle Corporation UK Ltd
Orange PCS Ltd
Osborne Clarke
Outokumpu Stainless Ltd

P
PA Consulting Group
Pilkington plc
PricewaterhouseCoopers LLP
PSA Peugeot Citroën

Q
QinetiQ

R
Rank Group Gaming Division
RBC Capital Markets
Renishaw plc
Rexam plc
Richards Butler
Rolls-Royce plc
The Royal Bank of Scotland
Royal & SunAlliance
Royal Mail
RSM Robson Rhodes
RWE Thames Water

S
Saffery Champness Chartered Accountants
Sainsbury's
Saint-Gobain Building Distribution
Samworth Brothers
Scottish & Newcastle
SELEX Sensors and Airborne Systems Limited
SembCorp UK Limited
Severn Trent Water Limited
Shell
Shoosmiths
Siemens
Simmons & Simmons
SJ Berwin
Slaughter and May
Smith & Williamson

Sovereign Housing Group
Standard Chartered Bank
Standard Life
Stephenson Harwood
SThree
Swiss Re

T
Taylor Wessing
Teach First
Tesco Stores Ltd
Thales
TK Maxx
TNS
TOTAL UK
Towers Perrin
Transport for London

U
UBS
Unilever
Unite Group plc
United Utilities

V
VT Group plc

W
Waitrose
Wates Group Ltd
Watson Farley & Williams
Watson Wyatt
Westland Helicopter Ltd
WestLB AG
Wincanton plc
Wolseley plc
Wragge & Co

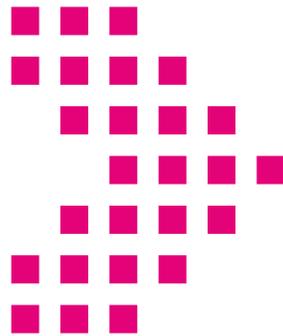
Y
Yorkshire Water

Z
Zurich



2

Chapter



**Graduate
Vacancies**

Graduate Vacancies



Introduction

This first section of *The AGR Graduate Recruitment Survey 2006 – Summer Review* presents an analysis of graduate vacancies in 2006, compared with actual recruitment in 2005. Employers were asked to give the number of graduates that were recruited into their organisation during the 2005 recruitment season (typically to start work in autumn 2005), and the number of graduate vacancies in 2006 (typically to start work in autumn 2006).

In addition to stating their total recruitment levels, participants were required to give detailed information about recruitment on a location and business function level. This allowed the data to be analysed according to location, business function and industry sector. The benefit of this approach is that employers who limit their recruitment to certain areas within the UK or to specific business functions or industry sectors can analyse how a specific market is behaving. For example, organisations that recruit solely within London can gain insight into this distinct recruitment market, regardless of the industry in which they operate. Similarly, organisations that recruit graduates into clearly defined career areas, such as law, can get information specifically relating to that sector. This type of powerful analysis is capable of answering those questions that are particular to each graduate employer.

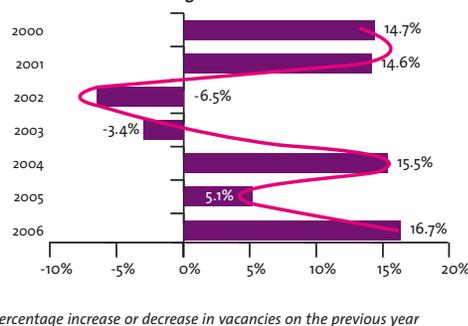
NOTE: The comparisons of graduate vacancy levels in 2005 and 2006 are based on the responses of employers who completed both the Winter and Summer reviews of *The AGR Graduate Recruitment Survey 2006*.

Graduate Vacancies in 2005 and 2006

A key finding of the Winter Review was that graduate employers anticipated a very healthy 14.6% increase in total recruitment in 2006, compared to 2005. The responses to the Summer Review show that growth has exceeded expectations. The total number of graduate level jobs on offer in 2006 by the 235 AGR employers who took part in the survey was 21,157. The same organisations recruited 18,127 graduates in 2005, so this represents a 16.7% increase in vacancies (see Chart 2.1).

Consequently, 2006 is the third successive year in which the number of graduate level vacancies has increased on the previous year, confirmation of the buoyant outlook of most AGR employers.

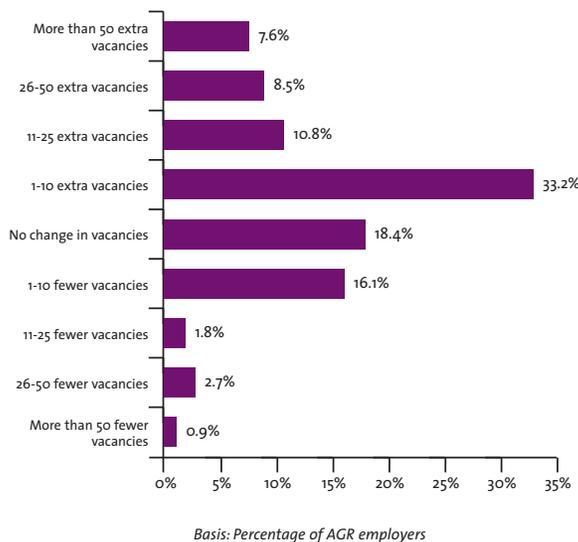
Chart 2.1 How graduate vacancies at AGR employers have changed 2000-2006



Source: Hobsons' Planning and Research Division

More than half (60%) of employers plan to offer jobs to more graduates in 2006 than they did in 2005, while 18% plan to offer the same number. Just 22% plan to recruit fewer graduates than in 2005 (see chart 2.2).

Chart 2.2 How AGR employers have changed their graduate vacancy levels in 2006



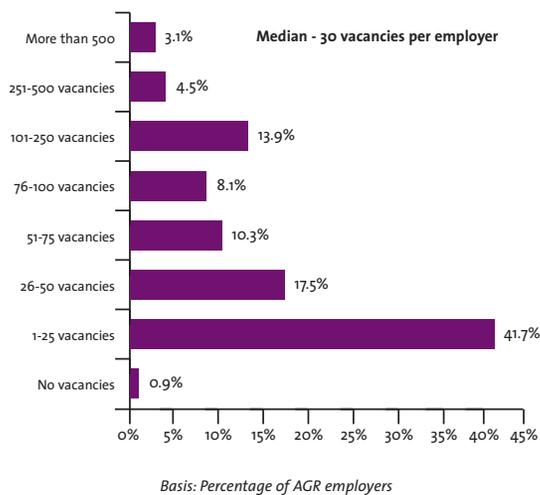
Source: Hobsons' Planning and Research Division

The median number of vacancies in 2006 was 30, two more than in 2005. More than four out of five of the employers had between one and 25 vacancies although there was a significant number of employers with more than 100 vacancies (see Chart 2.3). Of the 223 AGR employers that answered this particular question, nine have recruited more



than 500 graduates in 2006 and four have recruited more than 1,000 graduates. Only two stated that they are not recruiting any graduates in 2006.

Chart 2.3 Graduate vacancies at AGR employers in 2006



Source: Hobsons' Planning and Research Division

Profiling Graduate Vacancies in 2006

By assessing the differences that are present between certain sub-groups, it is possible to refine this investigation further. As stated previously, the survey was designed to enable the data to be analysed according to factors such as location or business sector.

Vacancies by Business Sector

Table 2.4 - Vacancies at AGR employers by business sector in 2006

	% of total vacancies
Accountancy or professional services firms	22.5 %
Investment banks or fund managers	18.6 %
Engineering or industrial companies	8.4 %
Law firms	7.2 %
Transport or logistics companies	6.5 %
Public sector	6.1 %
Retail	5.5 %
Consulting or business services firms	5.4 %
Banking or financial services	4.2 %
Energy, water or utility companies	2.7 %
Telecommunications companies	1.9 %
Construction companies or consultancies	1.4 %
IT hardware or software companies	1.1 %
Chemical or pharmaceutical companies	0.7 %
Insurance companies	0.7 %
FMCG companies	0.6 %
Oil companies	0.4 %

- Professional services firms provided almost one quarter (22.5%) of graduate vacancies in 2006 (see Table 2.4), a slightly smaller proportion than last year
- In contrast, the proportion of total vacancies provided by investment banks has increased to 18.6%
- The sectors that provided the next greatest numbers of vacancies were engineering and law
- Transport and logistics companies, which in 2005 provided the lowest proportion of vacancies, provided the fifth greatest number of vacancies this year
- Industries that provided only a small proportion of vacancies included motor manufacturers, the armed forces and oil companies.

Vacancies by Geographical Location

- Almost half (45.9%) of the graduate vacancies in 2006 were in London and a further tenth (11.6%) were in the South East (see Table 2.5)
- The Midlands accounted for around one tenth of all vacancies (9.9%)
- The South West and North West also contributed significant numbers of vacancies, but the remaining regions of the UK, as well as Ireland, were not as well represented
- The geographical distribution of vacancies has changed very little compared to 2005.

Table 2.5 - Vacancies at AGR employers by geographical location in 2006

	% of total vacancies
London	45.9 %
South East	11.6 %
The Midlands	9.9 %
South West	5.7 %
North West	5.3 %
Scotland	4.6 %
Yorkshire	3.0 %
North East	2.8 %
East Anglia	2.0 %
Wales	1.6 %
Ireland	1.3 %
Northern Ireland	1.0 %
Europe	2.5 %
USA	1.2 %
Asia	1.4 %
Rest of the world	0.2 %



Vacancies by Business Function

- Graduate recruitment by business function or career area reflects the distribution of vacancies according to industry and business sector of the employers. Consequently, accountancy is the business function for which most vacancies exist, with almost one quarter (23.6%) of vacancies for this job type (see Table 2.6)
- General management is the business function with the second highest number of vacancies, followed by investment banking, IT, legal work and consulting
- Science, purchasing, and research and development are the career areas with the lowest levels of graduate vacancies in 2006

Table 2.6 - Vacancies at AGR employers by business function or career area in 2006

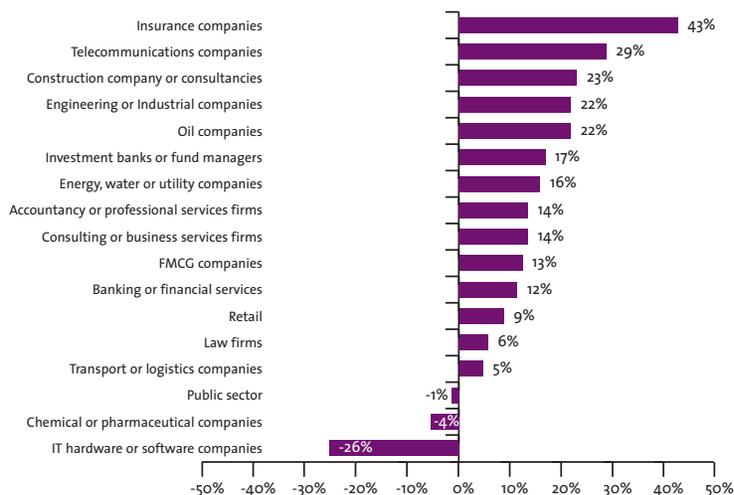
	% of total vacancies
Accountancy	23.6 %
General management	17.8 %
Investment banking	9.1 %
IT	7.3 %
Legal work	6.8 %
Consulting	6.4 %
Retail management	4.5 %
Electrical/electronic engineering	3.3 %
Sales	3.0 %
Mechanical engineering	2.9 %
Financial management	2.7 %
Civil engineering	2.0 %
Manufacturing engineering	2.0 %
Logistics	1.6 %
Actuarial work	1.4 %
Human resources	1.2 %
Marketing	1.1 %
Research and development	1.0 %
Purchasing	1.0 %
Science	0.7 %
Other functions	0.4 %

Changes in Vacancies by Business Sector

Most sectors have experienced growth in recruitment during the 2006 recruitment season. The industries showing the largest proportional increase in graduate vacancies in 2006 are insurance, telecommunications, construction companies and consultancies (see Chart 2.7). These industries have experienced at least a 20% increase in graduate vacancies in 2006. However, in some cases these values are distorted because they are derived from a comparatively small base. For example, insurance companies have experienced an increase of 43%, although this actually means an increase in absolute vacancies of only 59 (see Chart 2.8). Similarly, the large proportional decrease experienced by IT hardware or software companies actually reflects a decrease in absolute

terms of only 60 vacancies. In contrast, the more moderate 14% increase in vacancy levels reported by accountancy and professional services firms represents an absolute increase of 649 vacancies.

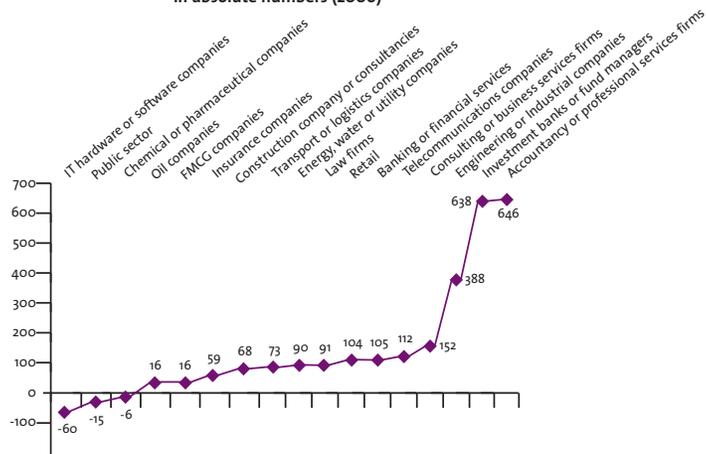
Chart 2.7 Changes in vacancies in 2006, by business sector



Please note: This percentage change cannot be used as an indicator of changes in absolute vacancy numbers. Eg. the 26% decrease in total vacancies in the IT sector corresponds to a change in absolute vacancies of just 60, whereas the 17% increase in vacancies in the Investment bank sector corresponds to an absolute increase of 638.

Source: Hobsons' Planning and Research Division

Chart 2.8 AGR employers' changes in vacancies in absolute numbers (2006)



Source: Hobsons' Planning and Research Division

Changes in Vacancies by Geographical Location

Calculating the changes in the number of graduate vacancies on a location basis required two provisos. Firstly, the employer had to have answered both parts of the question, ie entered values for 2005 and 2006. Secondly, at least ten employers had to have entered data for any individual location.



- Taking these provisos into account, the geographical location that has experienced the greatest proportional growth in graduate vacancies is the North East, with an increase of almost 29.5% (see Table 2.9)
- East Anglia, Scotland and the Midlands have also experienced growth in excess of 20% in 2006
- Northern Ireland was the only region to experience a measurable decrease (-9.7%) in vacancy levels in 2006
- Overall, vacancies in Europe increased markedly (33.7%), although this is mostly due to an increase in the number of employers given responsibility to recruit for positions in Europe, rather than an increase in actual vacancies.

	% of changes in vacancies
North East	▲ 29.5 %
East Anglia	▲ 26.6 %
Scotland	▲ 23.9 %
The Midlands	▲ 21.3 %
South East	▲ 17.7 %
Wales	▲ 16.8 %
London	▲ 16.0 %
South West	▲ 15.3 %
North West	▲ 5.4 %
Yorkshire	▲ 4.5 %
Northern Ireland	▼ -9.7 %
Europe	▲ 33.7 %

Please note: Locations with insufficient data have been omitted

	% change in vacancies
Civil engineering	56.8 %
Electrical/electronic engineering	54.5 %
Manufacturing engineering	49.5 %
Human resources	27.5 %
Sales	24.9 %
Mechanical engineering	22.2 %
IT	21.0 %
General management	20.5 %
Accountancy	19.4 %
Investment banking	18.6 %
Financial management	9.9 %
Actuarial work	7.9 %
Retail management	7.2 %
Science	7.1 %
Legal work	6.3 %
Logistics	3.1 %
Purchasing	1.3 %
Consulting	-7.1 %
Research and development	-7.9 %
Marketing	-11.0 %

Changes in Vacancies by Business Function

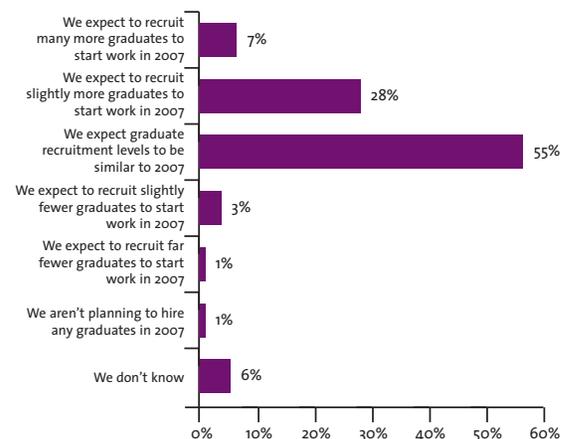
The above provisos were also in place when the changes in vacancy levels were considered on a business function and career area basis.

- The business function for which the number of vacancies has increased most is civil engineering (56.8%) (see Table 2.10). However, in some cases (including that of civil engineering) the large proportional change from year to year is distorted, because the results are derived from a comparatively small base
- Electrical/electronic engineering and manufacturing engineering each recorded increases of approximately 50%
- Human resources, sales, mechanical engineering, IT and general management all recorded increases in excess of 20%
- Graduate vacancies for consulting, research and development, and marketing have all experienced decreases.

The Outlook for Vacancies in 2007

More than half of the respondents stated that they expect their recruitment levels to remain unchanged in 2007. However, reflecting the continuing strength of the graduate recruitment market, more than one third (35%) stated that they expect to recruit slightly more or many more graduates to start work in the coming year. These results strongly reflect those recorded in *The AGR Graduate Recruitment Survey 2005 – Summer Review*, which is an indication that the recruitment market is confident of similar growth in the next year to that recorded during the current recruitment season (see chart 2.11).

Chart 2.11 Changes to graduate vacancy levels expected by AGR employers in 2007



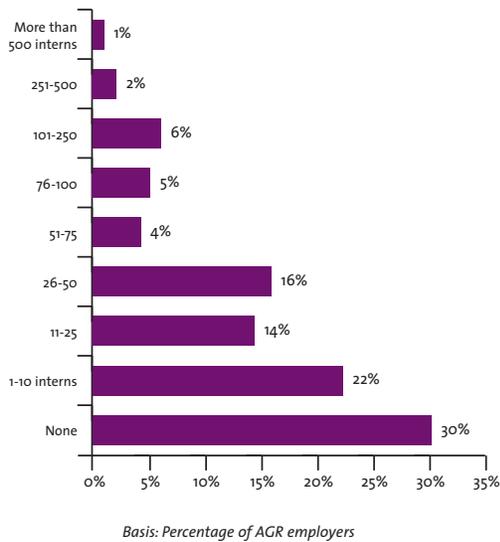
Source: Hobsons' Planning and Research Division



The Management of Placement Students

Employers were asked how they manage placement students. This included assessing how many paid and unpaid interns they have in their organisation, how much they pay, the type of placements they have and the proportion who go on to be recruited by the organisation.

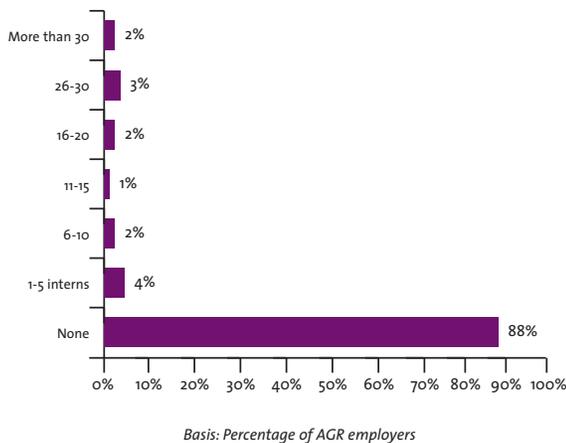
Chart 2.12 Number of paid interns



Source: Hobsons' Planning and Research Division

More than two thirds (70%) of respondents employ and pay placement students, with the largest proportion employing between one and ten students (see Chart 2.12). Significant proportions, however, employ more than 50 interns and one large consulting company employs over 500 interns. Far fewer (12%) of the AGR employers have unpaid interns (see Chart 2.13).

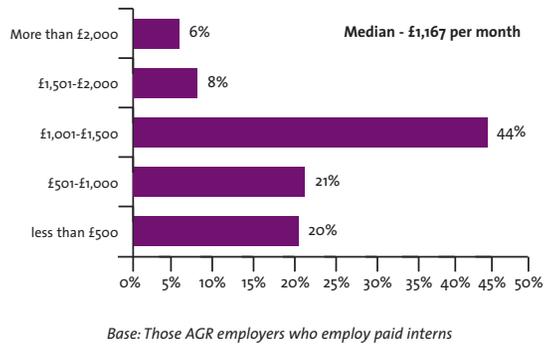
Chart 2.13 Number of unpaid interns



Source: Hobsons' Planning and Research Division

The median salary paid to interns is £1,167 per month. Almost half the AGR respondents who employ paid interns state that their intern remuneration is between £1,001 and £1,500 per month, although one fifth pay either less than £500 or between £501 and £1,000. Twelve employers (6%) pay their interns more than £2,000 per month (see chart 2.14).

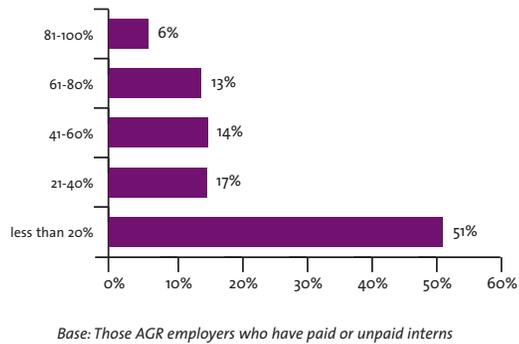
Chart 2.14 Intern pay



Source: Hobsons' Planning and Research Division

The proportion of interns who become permanent recruits at the same organisation is rather low. The majority of AGR employers (51%) state that less than 20% of their interns are later employed by them (see Chart 2.15).

Chart 2.15 Conversion of interns to graduate recruits

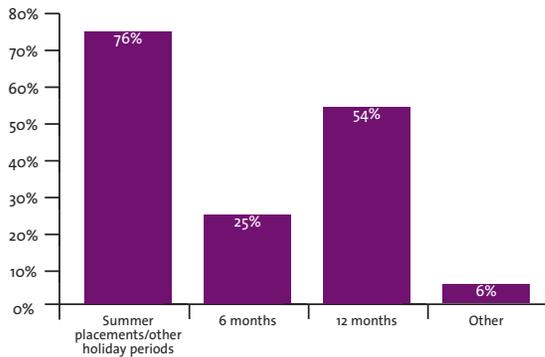


Source: Hobsons' Planning and Research Division

Summer or holiday placements are the most common form of placement type, although it is also common for interns to be given 12-month placements (see Chart 2.16).



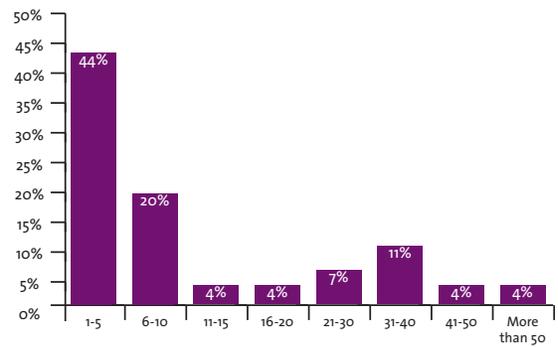
Chart 2.16 Placement types



Base: Those AGR employers who have paid or unpaid interns

Source: Hobsons' Planning and Research Division

Chart 2.18 Numbers of unfilled vacancies



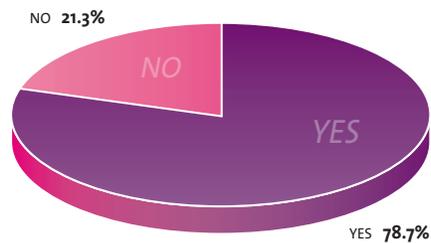
Base: Those AGR employers who will experience shortfalls in the 2006 recruitment season

Source: Hobsons' Planning and Research Division

Recruitment Shortfalls and Challenges in 2006

In *The AGR Graduate Recruitment Survey 2006 – Winter Review*, slightly fewer than half the AGR employers stated that they expected to experience challenges in the 2006 recruitment season. The results from the Summer Review show that almost four fifths (78.7%) of AGR employers anticipate that they will be able to fill all vacancies for 2006 (see Chart 2.17). Of those who fear they will not be able to fill all vacancies, more than two fifths anticipate a shortfall of between one and five vacancies. One fifth anticipate a shortfall of more than 30 vacancies (see Chart 2.18). For the 45 AGR employers who anticipate a recruitment shortfall in 2006, the total number of vacancies that will be left unfilled is 740.

Chart 2.17 Proportion of AGR employers who anticipate filling all vacancies for 2006

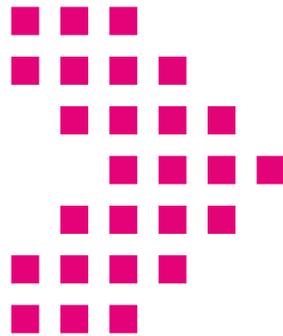


Source: Hobsons' Planning and Research Division



3

Chapter



**Graduate
Salaries**

Graduate Salaries



Introduction

This section of the Summer Review investigates the salaries that employers are offering new graduate recruits when they start in 2006, as well as the salaries they paid in 2005. Respondents were asked to give the actual salaries paid to graduates who joined in the 2005 recruitment season (typically to start work in the autumn of 2005), along with the salaries they have offered in 2006.

Respondents were asked to enter their organisation's graduate starting salary as a national average, as well as on a location and business function basis. This made it possible to determine whether there were differences in graduate salary levels between geographical regions or business functions.

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

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

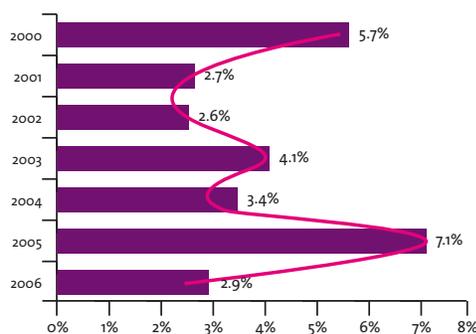
All the results in this section refer to the actual starting salaries paid in 2005, compared with the starting salaries on offer in 2006.

NOTE: The comparisons of salary levels between 2005 and 2006 are based on the responses of employers who completed both the Winter and Summer reviews of *The AGR Graduate Recruitment Survey 2006*.

Graduate Salaries in 2005 and 2006

In the Winter Review, AGR employers predicted that the median starting salary would rise by 2.3%. The Summer Review shows that salary growth was slightly underestimated, as the median starting salary has actually increased by 2.9% in 2006 (see Chart 3.1).

Chart 3.1 How median graduate starting salaries at AGR employers have changed 2000-2006

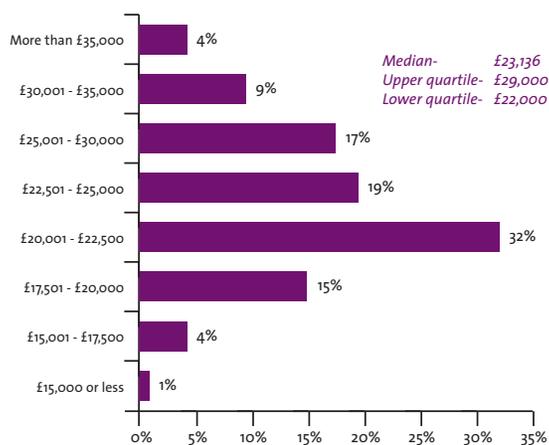


Basis: Percentage increase in median starting salary on the previous years level

Source: Hobsons' Planning and Research Division

The median salary paid by employers in 2005 was £22,494. In 2006, this increased to £23,136. One third of AGR employers pay between £20,001 and £22,500, however almost a majority (49%) pay more than £22,500 and 4% pay more than £35,000 (see Chart 3.2).

Chart 3.2 Graduate starting salaries at AGR employers in 2006



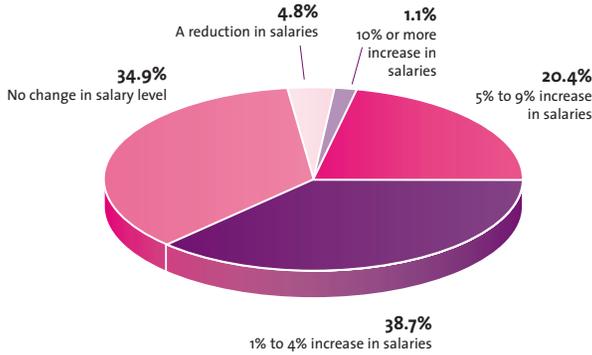
Basis: Percentage of AGR employers

Source: Hobsons' Planning and Research Division

One third (34.9%) of the AGR employers have not altered their graduate starting salaries since 2005 (see chart 3.3). Only 4.8% have reduced their starting salary. One third have increased the starting salary by up to 4% and one fifth have increased it by between 5% and 9%.



Chart 3.3 How graduate salaries have changed in 2006



Basis: Percentage of AGR employers

Source: Hobsons' Planning and Research Division

Profiling Graduate Salaries in 2006 Salaries by Business Sector

Graduate starting salaries vary markedly between different industries. The highest paying AGR employers in 2006 were investment banks or fund managers who paid a very impressive median starting salary of £36,000 (see Chart 3.4). The next most generous employers were law firms, consulting or business services firms, and energy, water or utility companies. These are the industries that have also paid high starting salaries in the past; most of these employers have been offering over £25,000 for several years.

Companies in the transport and logistics industry offered the lowest median starting salary in 2006.

Salaries by Geographical Location

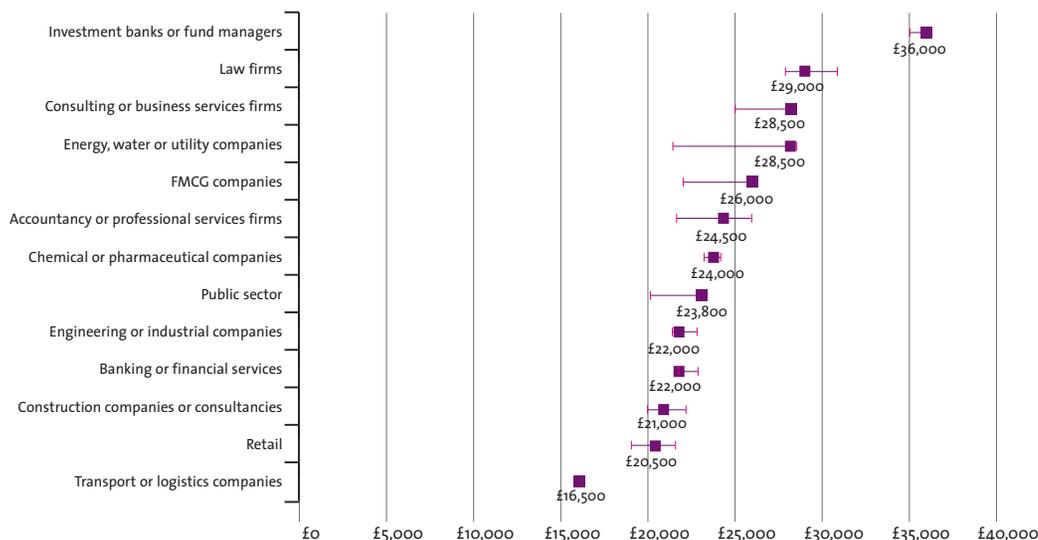
The median starting salary in London is the highest at £26,880 (see Table 3.5). This is much higher than in all other regions, including the South East (£23,000), South West (£21,500), and the Midlands (£20,500), which are the regions with the next highest median starting salaries. The region with the lowest median starting salary is Northern Ireland (£17,000).

Table 3.5 - Median starting salary by geographical location

	Median graduate starting salary	Lower quartile	Upper quartile
London	£26,880	£25,000	£31,400
South East	£23,000	£21,750	£25,000
South West	£21,500	£19,500	£22,000
The Midlands	£20,500	£17,000	£22,000
North West	£20,000	£18,500	£21,500
Scotland	£20,000	£19,000	£23,000
Yorkshire	£20,000	£19,000	£21,500
East Anglia	£20,000	£15,500	£21,500
North East	£19,625	£19,000	£21,500
Wales	£19,500	£18,500	£20,500
Northern Ireland	£17,000	£12,000	£19,900
Europe	£32,500	£24,500	£35,000

Please note: Locations with insufficient data have been omitted

Chart 3.4 Median starting salary by type of organisation in 2005



Salaries by Business Function

Investment banking, legal work, consulting, actuarial work, IT and financial management are the business functions receiving the highest starting salaries. Median starting salaries for these job types are all well above the overall median salary (see Table 3.6). Investment banking vacancies have exceptionally high median starting salaries of £36,000. The remaining business functions, excluding logistics, sales and general management, have median salaries in excess of £20,000.

Table 3.6 - Median starting salary by career area or business function 2006

	Median graduate starting salary	Upper quartile	Lower quartile
Investment banking	£36,000	£35,000	£36,000
Legal work	£29,000	£28,000	£31,000
Consulting	£28,500	£27,000	£32,000
Actuarial work	£25,750	£24,000	£26,000
IT	£25,000	£21,750	£28,000
Financial management	£25,000	£20,000	£27,000
Manufacturing engineering	£24,000	£22,000	£29,000
Science	£23,000	£22,500	£23,500
Research and development	£23,000	£22,500	£24,500
Electrical/electronic engineering	£23,000	£21,500	£23,000
Accountancy	£22,500	£21,200	£26,000
Marketing	£22,500	£20,800	£24,000
Civil engineering	£22,000	£20,500	£22,000
Mechanical engineering	£22,000	£21,000	£23,500
Purchasing	£21,500	£17,000	£22,990
Human resources	£21,500	£19,962	£23,000
Retail management	£20,000	£18,500	£21,500
Logistics	£19,500	£17,000	£21,500
Sales	£17,000	£16,000	£23,000
General management	£16,500	£16,500	£22,500

Changes in Graduate Salaries in 2006

Salary Changes by Business Sector

Employers in the FMCG industry have increased their starting salaries by the largest degree (13%) (see Table 3.7). Banking and financial services companies are the only other organisations that have increased starting salaries in 2006 by more than 10%. All other sectors have kept their starting salary constant or increased it by less than 10%. The exception is the chemical or pharmaceutical industry, in which starting salaries have decreased by 2%.

Table 3.7 - Expected changes in salaries in 2006, by business sector

	% change in median starting salaries
FMCG companies	▲ 13.0 %
Banking or financial services	▲ 10.0 %
Retail	▲ 7.9 %
Oil companies	▲ 7.7 %
Telecommunications companies	▲ 5.6 %
Transport or logistics companies	▲ 5.1 %
Engineering or industrial companies	▲ 4.8 %
Energy, water or utility companies	▲ 3.6 %
Public sector	▲ 3.5 %
IT hardware or software companies	▲ 2.5 %
Insurance companies	▲ 2.3 %
Accountancy or professional services firms	▲ 2.1 %
Construction companies or consultancies	▲ 1.6 %
Investment bank or fund managers	NO CHANGE
Law firms	NO CHANGE
Consulting or business services firms	NO CHANGE
Chemical or pharmaceutical companies	▼ -2 %

Salary Changes by Geographical Location

When considered on a location basis, starting salaries have not increased greatly (see Table 3.8). Salaries in the North West have increased by the largest degree (5.3%), followed by the South East (4.5%) and the Midlands (4.0%). Only in the North East have starting salaries decreased (-1.7%). The median starting salaries in Northern Ireland, the Republic of Ireland and the other international regions could not be calculated due to insufficient data.

Table 3.8 - Expected changes in salaries in 2006, by geographical location

	% change in median starting salaries
North West	▲ 5.3 %
South East	▲ 4.5 %
Wales	▲ 4.0 %
The Midlands	▲ 2.5 %
East Anglia	▲ 2.4 %
South West	▲ 1.7 %
London	▲ 1.4 %
Scotland	NO CHANGE
Yorkshire	NO CHANGE
North East	▼ -1.7 % xx

Please note: Locations with insufficient data have been omitted



Salary Changes by Business Function

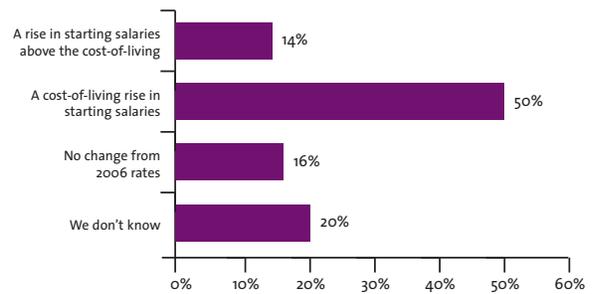
Two business functions that have recorded salary increases in excess of 10% are purchasing and manufacturing engineering (see Table 3.9). Almost all business functions have experienced increases in starting salaries, if only by a few percent. The median starting salary for civil engineers could not be calculated due to insufficient data.

Table 3.9 - Expected changes in salaries in 2006, by business function or career area	
	% change in median starting salaries
Purchasing	▲ 26.5 %
Manufacturing engineering	▲ 13.6 %
Science	▲ 9.5 %
IT	▲ 8.7 %
Electrical/electronic engineering	▲ 8.0 %
Mechanical engineering	▲ 4.8 %
Financial management	▲ 4.2 %
Actuarial work	▲ 4.0 %
General management	▲ 3.1 %
Retail management	▲ 2.6 %
Human resources	▲ 2.4 %
Accountancy	▲ 2.3 %
Research and development	▲ 2.2 %
Marketing	▲ 2.2 %
Legal work	NO CHANGE
Investment banking	NO CHANGE
Consulting	NO CHANGE
Sales	NO CHANGE
Logistics	NO CHANGE

The Outlook for Salaries in 2007

AGR employers were also asked how they thought salary levels might change for graduate recruits in 2007. Two thirds of respondents anticipate no change to starting salaries or a change matching the increase in the cost of living in 2007 (see Chart 3.10). However, a significant proportion (14%) anticipate an increase in excess of the rise in the cost of living and one fifth are, as yet, unsure how salary levels will develop in the coming year.

Chart 3.10 Expected changes to Graduate starting salaries at AGR employers in 2007



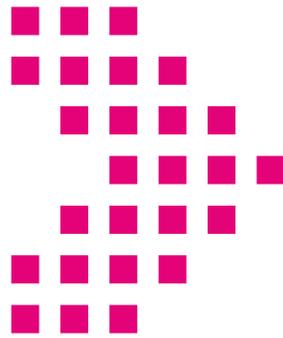
Base: Percentage of AGR employers

Source: Hobsons' Planning and Research Division



4

Chapter



**Applications,
Selection
and
Assessment**

Applications, Selection and Assessment

Introduction

One of the objectives of *The AGR Graduate Recruitment Survey 2006* is to assess the techniques used by AGR members to attract and recruit graduates. In line with this objective, the final two chapters of the Winter Review presented information about how AGR employers attract graduates. In particular, it covered marketing budgets and how they go about spending these funds.

In the Summer Review, the questionnaire asked AGR members for details of the number of applications received for graduate vacancies during the 2005-2006 recruitment season. They were also asked questions about the nature of their selection process, such as the methodology used for accepting and screening applications and the time taken to process applications. Further questions were introduced to assess what recruiters look for in their ideal candidate.

Applications to Graduate Employers

Application levels were again high in 2006, but down slightly on the previous year. On average, employers received 28.4 applications per graduate vacancy in 2006. In 2005, 32.9 applications were received per vacancy. This makes 2006 the fourth consecutive year that the number of applications for each vacancy has decreased (see Chart 4.1). One third of the respondents received between 26 and 50 applications for every graduate vacancy.

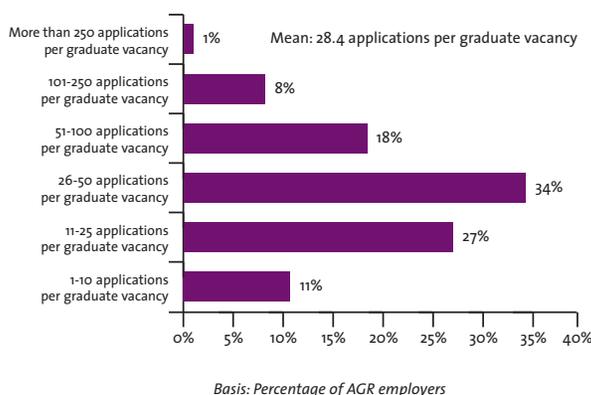
The ratio varies greatly between different industry sectors, with FMCG companies receiving the most applications for each graduate position (92.8). Companies in the oil industry received the second highest number of applications (65.9) per vacancy (see Chart 4.2).

In terms of total applications received, three quarters of the respondents received less than 2,500 applications, although 14% received more than 5,000 (see Chart 4.3). The average number of applications received in 2006 was 2,714.

Candidates applying to positions in telecommunications companies have the best chance of making it through to a first interview, with 38.2% of applicants being offered an interview (see Table 4.4). The most difficult industry in which to get an interview is investment banking (11.1%). The least difficult industry in which to secure a final interview is the

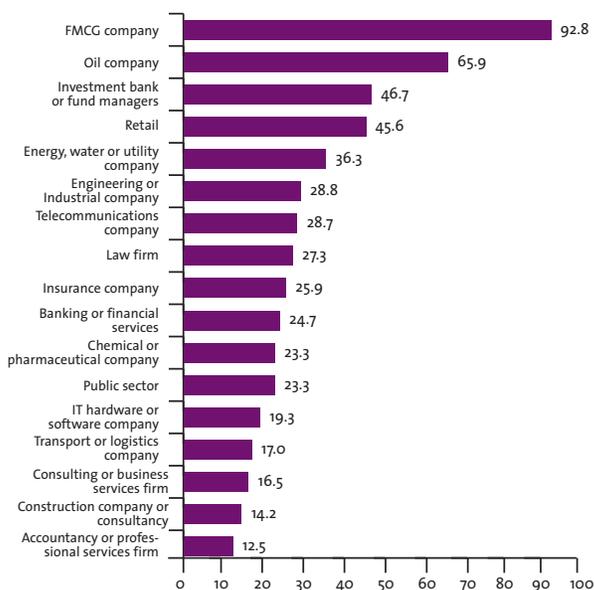
public sector, in which 14.2% of applicants receive such an invitation. The most difficult industry is the motor manufacturing industry, although this industry is poorly represented in the data.

Chart 4.1 Applications per graduate vacancy received by AGR employers in 2006



Source: Hobsons' Planning and Research Division

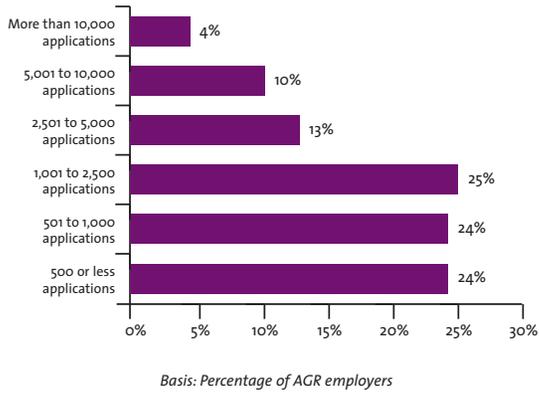
Chart 4.2 Applications per graduate vacancy to AGR employers in 2006, by industry



Source: Hobsons' Planning and Research Division



Chart 4.3 Total applications received by AGR employers in 2006



Source: Hobsons' Planning and Research Division

Table 4.4 - Applicant success rates by business sector, in 2006

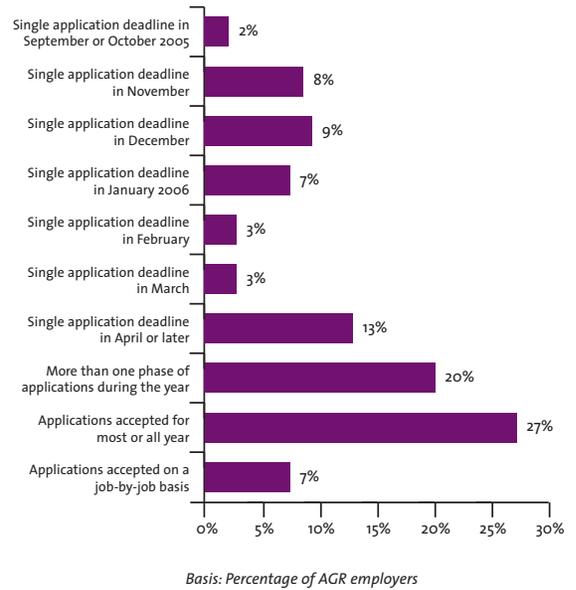
% of applicants invited to:	1st interview	final interview
Accountancy or professional services firms	27.4 %	11.4 %
Public sector	17.3 %	14.2 %
Investment banks or fund managers	11.1 %	5.2 %
Law firms	18.1 %	13.3 %
Engineering or industrial companies	20.5 %	9.8 %
Retail	20.6 %	7.1 %
Consulting or business services firms	24.6 %	9.0 %
Banking or financial services	20.6 %	7.8 %
Construction companies or consultancies	26.7 %	10.6 %
IT hardware or software companies	23.5 %	13.3 %
Oil companies	15.8 %	5.0 %
Telecommunications companies	38.2 %	6.9 %
FMCG companies	13.5 %	4.6 %
Energy, water or utility companies	22.2 %	9.6 %
Chemical or pharmaceutical companies	16.2 %	8.4 %
Insurance companies	18.6 %	9.7 %
Transport or logistics companies	23.9 %	11.4 %
Motor manufacturers	14.9 %	3.4 %

Selection and Assessment in 2006

Recruiters employ a variety of selection and assessment methods when processing applications.

In terms of the overall structure and nature of the application process, there are two schools of thought about application deadlines (see Chart 4.5). Most of the respondents have no such deadline in place and accept applications all year round, have more than one phase of applications during the year, or accept application on a job-by-job basis. A second group of respondents impose a single application deadline, typically at some point during the winter months.

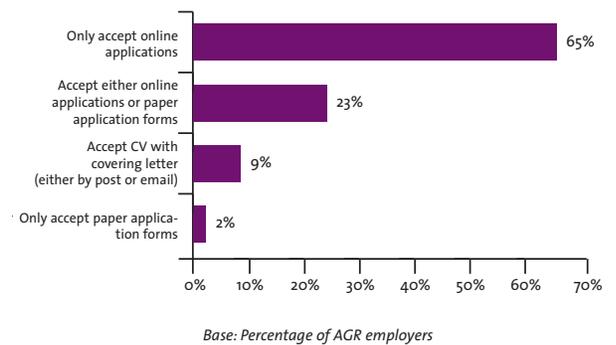
Chart 4.5 The application process at AGR employers in 2006



Source: Hobsons' Planning and Research Division

Almost two thirds of respondents accept only online applications, and a further 23% accept either online or paper applications. This implies that almost nine out of ten AGR employers accept online applications. Only 2% accept only paper application forms (see Chart 4.6).

Chart 4.6 The application methods at AGR employers in 2006

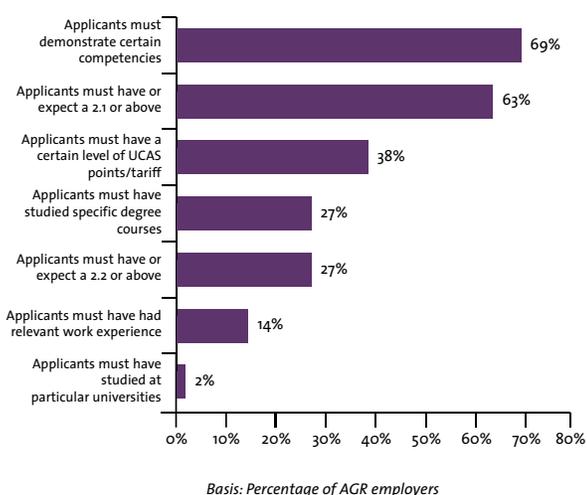


Source: Hobsons' Planning and Research Division



When applying selection criteria, about two thirds of the AGR employers insist that the applicant must demonstrate certain competencies (see Chart 4.7). The next most commonly used selection criterion is that the applicant must have or expect a 2.1 or better. Only 2% of employers state that the applicant must have studied at particular universities. More than one third of AGR employers state that the candidate must have a certain level of UCAS points, and one quarter of those set this level at 300 (see Table 4.8).

Chart 4.7 Academic requirements of AGR employers in 2006



Source: Hobsons' Planning and Research Division

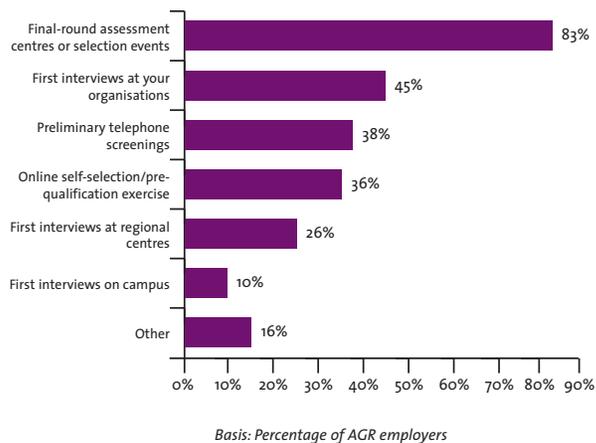
Table 4.8 - UCAS points/tariff cut-off levels

UCAS points/tariff	% of AGR employers
300	26.4 %
280	11.1 %
320	9.7 %
340	6.9 %
240	5.6 %

Basis: Percentage of AGR employers who have a minimum UCAS point/tariff requirement

As the application procedure progresses, employers use different assessment and selection methods. Four out of five AGR employers use final-round assessment centres or selection events, but before the applicant reaches this stage they undergo initial selection procedures (see Chart 4.9). More than one third of employers use an online self-selection/pre-qualification exercise to screen their candidates and one third conduct telephone screenings. Almost half conduct first interviews at the organisation's headquarters, compared with one quarter who conduct first interviews at regional centres and only 10% who interview on campus.

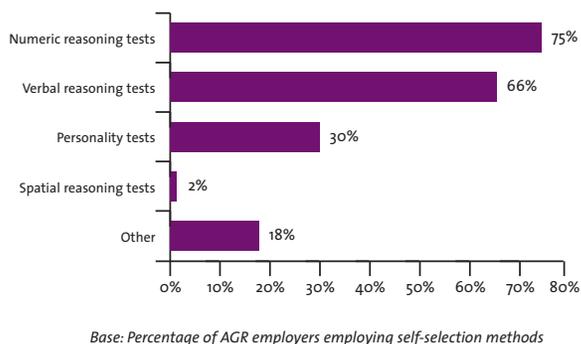
Chart 4.9 Selection methods used by AGR employers in 2006



Source: Hobsons' Planning and Research Division

Of the one third of AGR employers who use some form of self-selection exercise, the most commonly used are numeric reasoning tests followed by verbal reasoning tests (see Chart 4.10). Personality tests and spatial reasoning tests are used by significantly smaller proportions.

Chart 4.10 Self-selection methods used by AGR employers in 2006

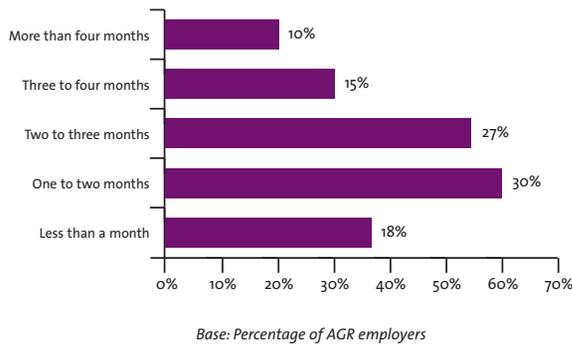


Source: Hobsons' Planning and Research Division

Almost half of the AGR employers stated that it takes less than two months after receiving an application to make a job offer (see Chart 4.11) and a further third stated that it takes between two and three months. One in ten employers stated that it takes more than four months to process an application.



Chart 4.11 Time taken to process an application



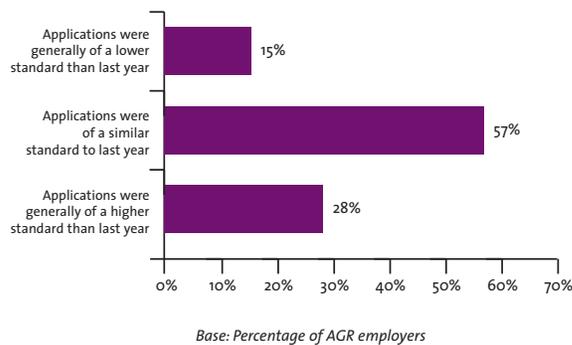
Source: Hobsons' Planning and Research Division

Quality of Applications

Employers were asked how they felt about the overall quality of applicants in 2006 compared to 2005. They were also asked what skills they considered most important, and how difficult it was to find applicants with these skills.

Most of the AGR members were relatively positive when asked to compare the quality of the applications they have received in 2006 with those from the previous year, with only 15% stating that the quality of the applications had decreased (see Chart 4.12). More than one quarter stated that the applicants were of a higher quality in 2006 than in 2005.

Chart 4.12 Quality of applications in 2006 compared to 2005



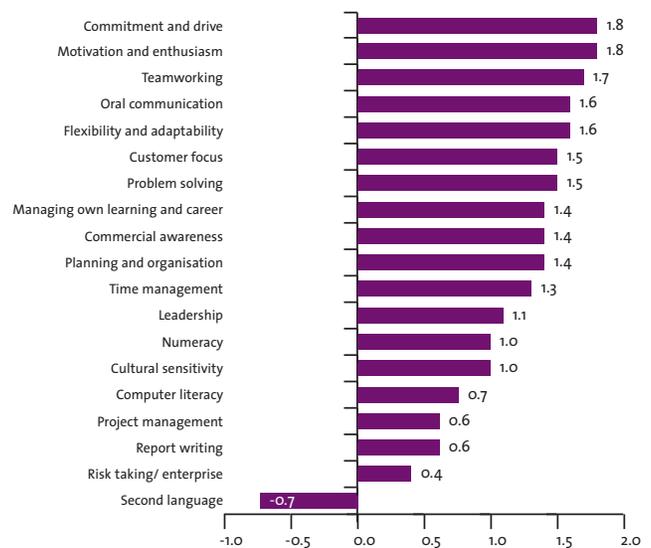
Source: Hobsons' Planning and Research Division

Candidate Skills

Commitment and drive, and motivation and enthusiasm are top of the list of qualities employers consider most important (see Chart 4.13). Sought-after skills include teamworking, oral communication, flexibility and adaptability, customer focus and problem solving. Lower down the list came project management, report writing and risk taking/enterprise. Perhaps surprisingly, given the emphasis on the global marketplace, ability in a second language was the only quality deemed unimportant.

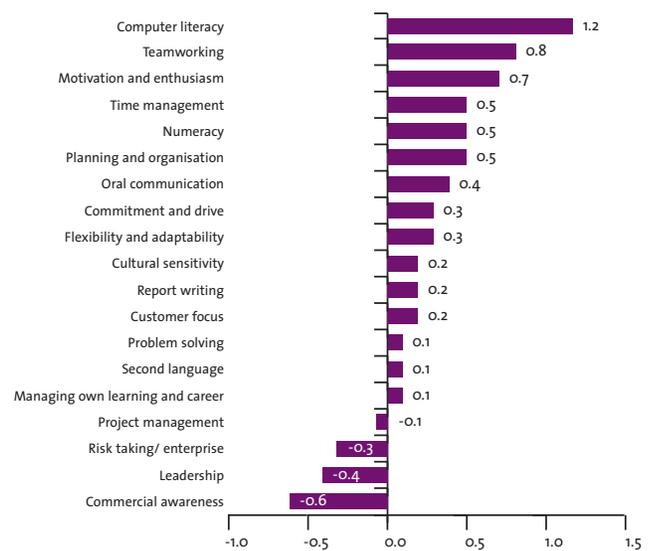
Employers stated that computer literacy was the most prevalent skill in 2006 (see Chart 4.14). Project management, risk taking/enterprise, leadership and commercial awareness were the most difficult skill criteria to fulfil. Considering the relative importance attributed to these four qualities, the most serious deficiency in applicants was a lack of commercial awareness.

Chart 4.13 Important Graduate skills



Base: Respondants were asked to indicate the degree of importance that they assign to each skill using a four point scale ranging from -2 'Very unimportant' to +2 'Very important'
Source: Hobsons' Planning and Research Division

Chart 4.14 Difficulty in finding graduates with certain skills



Base: Respondants were asked to indicate the degree of difficulty they experience in finding graduate recruits with the listed skills using a four point scale ranging from -2 'Very difficult to find' to +2 'Very easy to find'
Source: Hobsons' Planning and Research Division



5

Chapter



**Graduate
Development
and
Retention**

Graduate Development and Retention

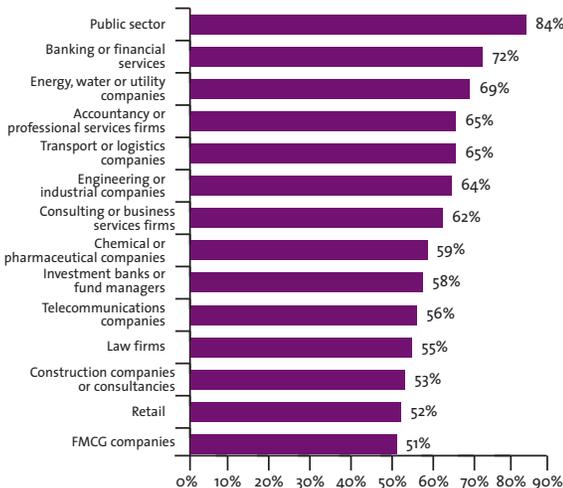
Introduction

The final chapter of *The AGR Graduate Recruitment Survey 2006 – Summer Review* investigates graduate retention rates. This part of the survey is conducted annually to benchmark how graduates develop and progress in their first five years of employment.

Employers were asked to state what percentage of graduates recruited in 2001, 2003 and 2005 remain working for the organisation. In addition, employers were asked to provide details about their intake process and graduate development programmes.

years previously. This pattern continues for those graduates who were recruited during the 2000–2001 recruitment season (to start work in 2001). Of those graduates, only 60% are still working for the organisations into which they were recruited, which is again lower than the five-year rate recorded in last year's Summer Review (see Charts 5.2 to 5.4).

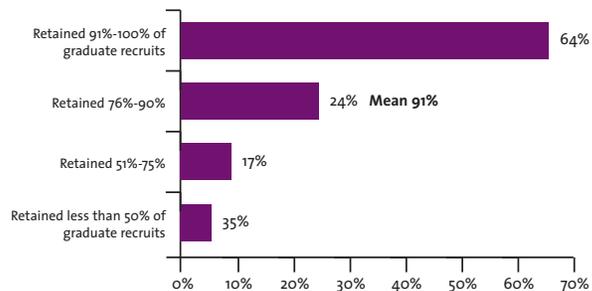
Chart 5.1 Retention rates for graduates recruited by AGR members five years ago, by industry



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

Source: Hobsons' Planning and Research Division

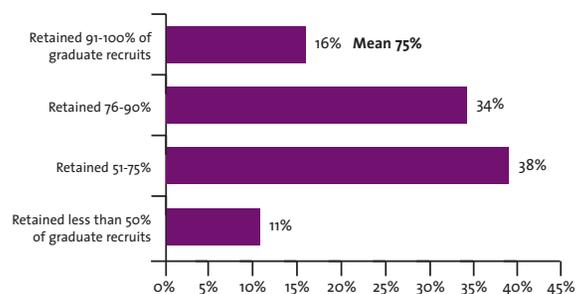
Chart 5.2 Retention rates for graduates recruited by AGR members one year ago, in 2005



Base: Average percentage of graduates retained by AGR employers from those recruited in 2005

Source: Hobsons' Planning and Research Division

Chart 5.3 Retention rates for graduates recruited by AGR members three years ago, in 2003



Base: Average percentage of graduates retained by AGR employers from those recruited in 2003

Source: Hobsons' Planning and Research Division

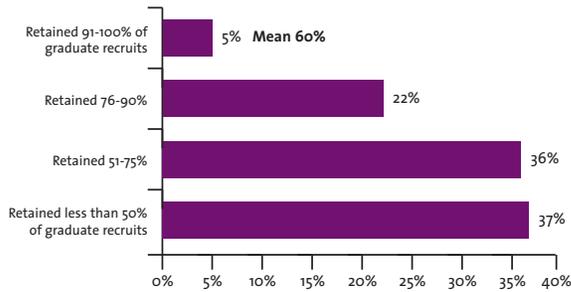
Graduate Retention Rates

Overall, the retention rate for graduates recruited in 2005 is a healthy 91%, although this is lower than the rate recorded last year of 98%. Of graduates who were recruited during the 2002–2003 recruitment season (to start work in 2003), 75% are still working for the same organisation. This is again lower than the rate recorded last year for graduates recruited three

The public sector has the best average retention rate over the past five years, having retained an impressive 84% of the graduates it recruited in 2001 (see Chart 5.1). The banking and financial services industry also shows strong retention rates (72%), as does the energy, water or utility industry (69%). The industries with the lowest retention rates are the FMCG (51%), retail (52%) and construction (53%) sectors.



Chart 5.4 Retention rates for graduates recruited by AGR members five years ago, in 2001



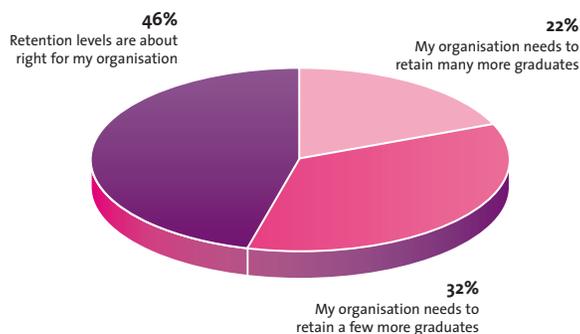
Base: Average percentage of graduates retained by AGR employers from those recruited in 2001

Source: Hobsons' Planning and Research Division

For graduates recruited more recently, retention rates are still very good. Out of the 169 employers who answered the question, 60 have retained 100% of those graduates who started working for them last year. However, five companies state that more than 50% of the graduates they recruited last year have since left their organisation. One company's retention rate is just 26%.

When asked about their concerns regarding retention rates, almost half (46%) of the respondents did not express any concern and thought that retention levels were about right for their organisation (see Chart 5.5). However, over 50% say their retention rate needs improving.

Chart 5.5 Graduate retention rates



Base: Percentage of AGR employers

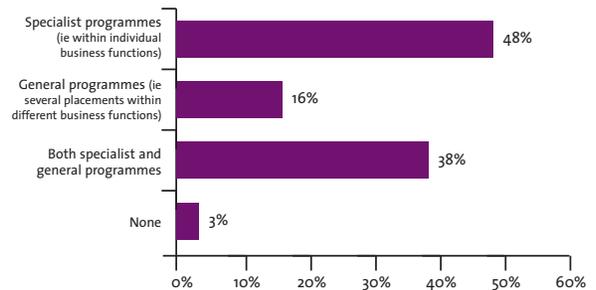
Source: Hobsons' Planning and Research Division

AGR employers were also asked about the reasons that graduate recruits leave their organisation. The most commonly stated reasons related to career development, salary concerns, lack of progression, or leaving for better jobs at larger organisations.

Graduate Development Programmes

Almost all AGR employers stated that they offer some form of specialist or general graduate development programme, or a combination of both. Specialist programmes (48%) are the most common (see Chart 5.6).

Chart 5.6 Graduate programmes

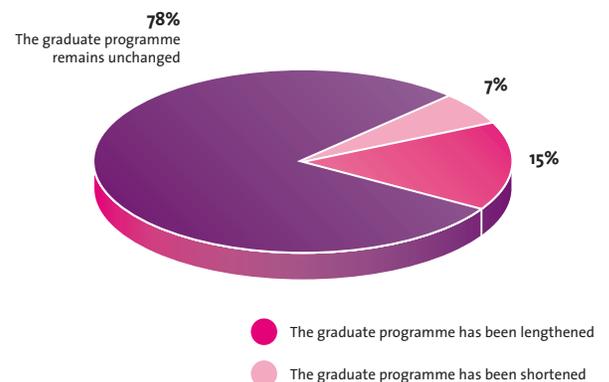


Base: Percentage of AGR employers

Source: Hobsons' Planning and Research Division

The AGR employers were asked how the length of their development programme has changed over the past year (see Chart 5.7). Only 22% stated that it had changed in any way, with 15% stating that it had increased in duration. Most recruiters have development programmes that last between 18 months and two years.

Chart 5.7 Length changes of graduate programmes



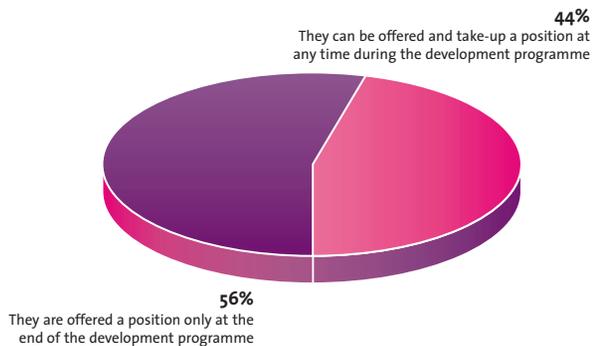
Base: Percentage of AGR employers

Source: Hobsons' Planning and Research Division



When asked at what stage the recruit was likely to be offered a full-time position, the respondents were fairly evenly divided between those who would offer a position only at the end of the programme (56%) and those who may offer a position at any stage of the programme (44%) (see Chart 5.8).

Chart 5.8 Progression from graduate programme to full time position



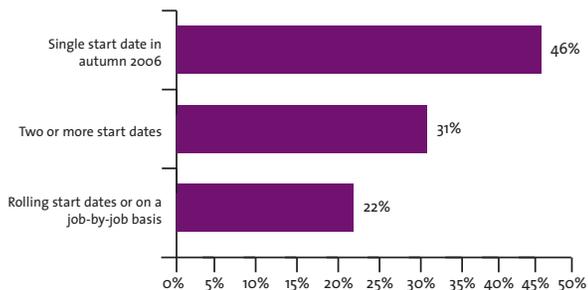
Base: Percentage of AGR employers

Source: Hobsons' Planning and Research Division

Intake Dates

Almost half (46%) of the AGR employers have a single start date in autumn (see Chart 5.9). One third have two or more dates, and one fifth have rolling start dates or work on a job-by-job basis. For those companies with a single start date the most common month is September, followed by October, August and July (see Chart 5.10). For those with multiple start dates, the most common dates are September and March or September and January (see Chart 5.11).

Chart 5.9 Intake dates



Base: Percentage of AGR employers

Source: Hobsons' Planning and Research Division

Table 5.10 - Single start dates (autumn 2006)

Month	% of AGR employers
September	75.9 %
October	12.0 %
August	7.2 %
July	4.8 %

Base: Percentage of AGR employers who have a single intake in the autumn of 2006

Table 5.11 - Single start dates (autumn 2006)

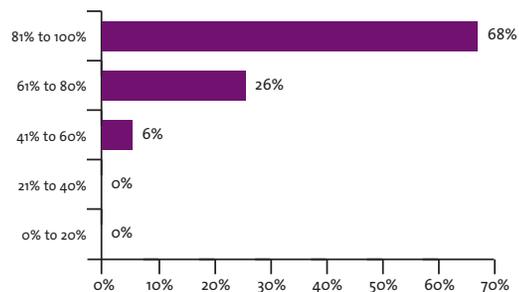
Start Date Combination	% of AGR employers
September and March	28.1 %
September and January	12.5 %
August and October	3.1 %
February and August	3.1 %
July and August	3.1 %
September and February	3.1 %
September and October	3.1 %

Base: Percentage of AGR employers who more than a single intake in 2006

Acceptance of Job Offers

More than two thirds of graduate recruiters state that over 80% of the offers they make to graduates are accepted (see Chart 5.12). One third of employers are less successful, with 26% stating that between 61% and 80% of their offers are accepted, and 6% stating that between 41% and 60% of their offers are accepted.

Chart 5.12 Acceptance rate for AGR employers



Base: Percentage of AGR employers

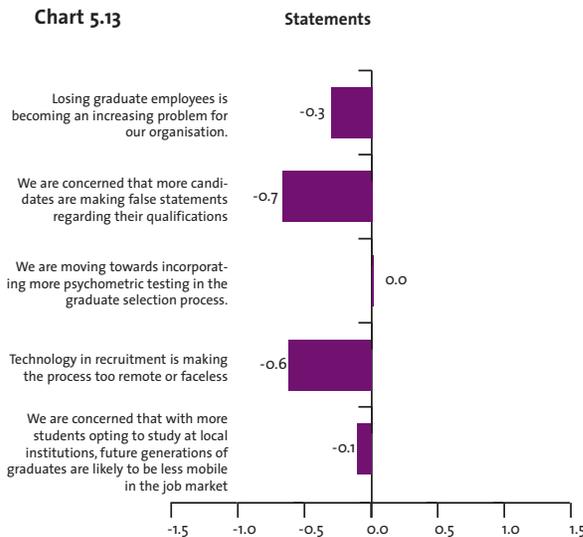
Source: Hobsons' Planning and Research Division



Hot Topics

AGR employers were asked for their opinions on five hot topics: false statements regarding qualifications; technology in recruitment; retention of graduates and psychometric testing.

Perhaps surprisingly, AGR employers tend to disagree quite strongly with the statement that more candidates are making false statements regarding their qualifications. We hope that they are not being too complacent. They also disagree quite strongly that technology in recruitment is making the recruitment process too remote or faceless, which might be linked to an upturn in campus-based recruitment activity.

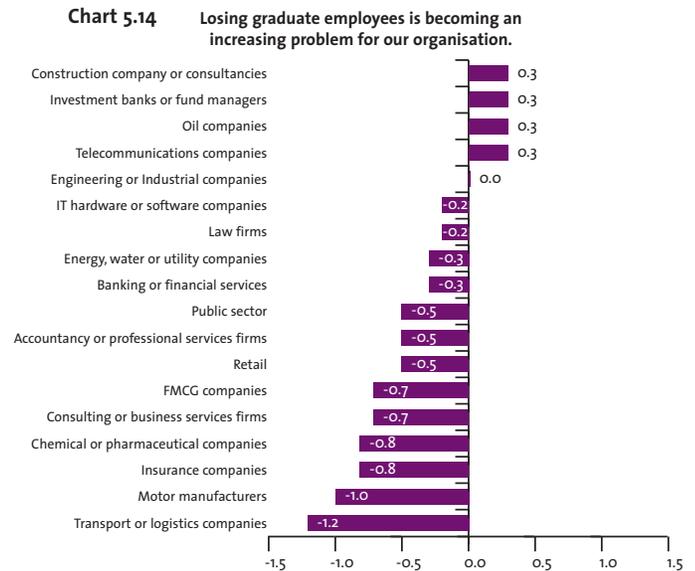


Base: Respondants were asked to indicate their level of agreement with the given statements using a four point scale ranging from -2 'strongly disagree' to +2 'strongly agree'
Source: Hobsons' Planning and Research Division

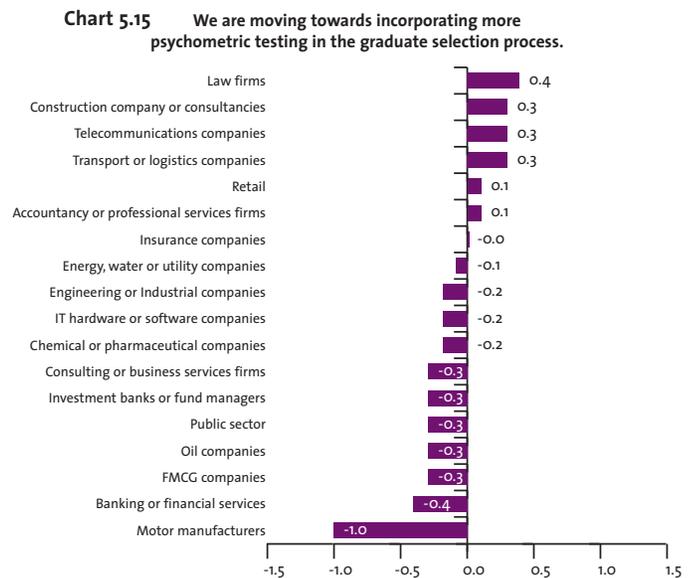
Retention of graduates appears to be stable as most AGR employers tend to disagree that losing graduate employees is becoming an increasing problem for their organisation. But opinions do vary between industries with investment banking or fund management agreeing that it is a problem. And at a time when the increased cost of studying is resulting in a trend for students to opt to study at local institutions, employers are currently not concerned that mobility in the market is being reduced.

There is no overall consensus on the incorporation of more psychometric testing into the graduate selection process, with opinions varying widely between sectors (see charts 5.13, 5.14 and 5.15).

The trend towards studying at local institutions does not, as yet, seem to give rise for concern that the mobility of graduates in the labour market will be adversely affected.



Base: Respondants were asked to indicate their level of agreement with the statements using a four point scale ranging from -2 'strongly disagree' to +2 'strongly agree'
Source: Hobsons' Planning and Research Division



Base: Respondants were asked to indicate their level of agreement with the statements using a four point scale ranging from -2 'strongly disagree' to +2 'strongly agree'
Source: Hobsons' Planning and Research Division



Notes:

