



# Supporting graduates in a Covid-19 economy

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## **The class of 2020 will be graduating into a challenging labour market**

The impact of Covid-19 will have very significant economic and workforce implications that will be felt for many years to come. While at present the true extent of the economic fallout cannot be gauged, all the indicators appear to suggest that the UK is going to face a severe and deep recession accompanied by sharp rise in unemployment.

This presents unique challenges for those students graduating in 2020 – but also for graduates who finished their courses in recent years and who are progressing their early careers. As the Institute for Fiscal Studies (IFS) has warned, based on previous recessions, graduates will likely find it harder to get work and will start off in lower-paying occupations than they might have expected as a result of the downturn.

This is backed up by emerging research by the Institute for Student Employers (ISE) which suggests graduate recruitment is already down 12% compared to last year, with small and medium-sized enterprises (SMEs) in particular reducing the number of graduates they intend on recruiting.

This matters not only because of the immediate challenges it creates for graduates, but also because of the long-term impact it can have on an individual – with graduate earnings suffering for a long time after the economy begins to recover.

As such, it is vital that policymakers consider what more can be done to support graduates during this challenging time and ensure they are well placed to help the UK recover and rebuild following Covid-19.



## **Universities are putting in place all possible measures to help support students**

Naturally the situation facing students is difficult and stressful. Following years of hard work, many are now understandably anxious about what post-university life means for them.

In response, universities have been working hard to put in place all possible measures to help support students and recent graduates. Within the space of a couple of weeks, university careers services moved their entire programme of activities and events online, sparking new and innovative ways of working with employers, students and graduates. For example, universities have established bespoke programmes to help students make sense of the current situation and, through their close connections working with employers, are helping students to navigate virtual and online opportunities and internships.

Not only are these initiatives helping prepare students to seize the opportunities of today – but they are also helping to future-proof graduates' employability skills in an increasingly fast-paced labour market and changing world of work.



## Further support is needed from government to ensure graduates can play a central role in the recovery

Despite universities stepping up, the scale of the challenge means that more support is needed. When faced with the previous comparable downturn – the 2008 financial crisis – the UK government recognised the need to support graduates by launching the Graduate Talent Pool and Future Jobs Fund. Early indications are that the economic fallout from Covid-19 will be worse than 2008, meaning we will need universities, business and government to come together to ensure graduates are in the best possible position to aid with the UK's recovery.

To help support this effort, Universities UK (UUK) has established an Advisory Board bringing together representatives from higher education, business, and careers services to help understand what more can be done. Recognising the urgency of the situation the Advisory Group has focussed on those solutions which we feel are timely, targeted, and which look to support graduates in working with business.

The remainder of this report provides details on each of these proposals but, in summary, we are recommending the government helps by providing:

- 1.** funding for universities and businesses to set-up paid internship opportunities for graduates
- 2.** greater support to co-ordinate graduate internship opportunities so they reach a wider audience
- 3.** an in-study interest break on the Postgraduate Master's Loan
- 4.** support to develop modular and bitesize learning opportunities for graduate skills development that supports recovery and meets immediate business needs

# 1.

## **Funding for universities and businesses to set-up paid internship opportunities for graduates**

Paid graduate internship opportunities provide an effective way to support both graduates and the local economy. As research from the ISE shows, the benefits are felt by both the graduate and employer alike, and can often result in more permanent employment, with 70% of firms reporting they had hired previous summer interns in their 2019 Annual Recruitment Survey.

Universities already work extensively with businesses to create such opportunities, but further support from government could help enhance this offer to support graduates and SMEs amidst the Covid-19 pandemic.

Working with Local Enterprise Partnerships (LEPs) in England, and devolved equivalents (such as Scottish Enterprise) across the nations, we have the potential to provide a national programme of recovery internships supporting SMEs and sectors identified as key in our different regions, including in the third sector. With support from government, such a scheme could build on existing programmes and be managed in each region by universities and in partnership with LEPs to focus on place and levelling up opportunity across the UK. This would be a one-year scheme, subject to review and assessment of value added for the businesses, the extent to which it meets economic recovery objectives, and the graduates themselves.

UUK believes that these internships should be targeted towards those businesses most in need of support, with LEPs helping to identify particular industries and firms within a local economy. This also provides an opportunity for companies to become more innovative and support sustainable recovery, with universities, business and LEPs working together to understand what a graduate intern could do for the business and design the internship appropriately. The funding would then be designed primarily to help offset the cost of employment by providing 'a salary subsidy grant' to firms to enable them to hire a graduate for a fixed period.

We estimate that c. £500 million would be able to support at least 25,000 graduates to work with local businesses to have paid internships across the UK, providing the scale to make a significant difference.

There are a number of potential options for the scale and scope of such

a programme at national and regional levels, and the mix of government and other support, and we would be pleased to discuss this further with government. There are also several ways any additional government support for this scheme could be provided and allocated. UUK would be happy to work with government and others (such as the Office for Students) on developing such proposals. It would be important that all the internships were paid at least the National Living Wage and so level of salary subsidy would obviously impact on the level of other forms of investment needed. We envisage this fund would be UK-wide and would be closely developed with devolved administrations and those responsible for economic development within the four nations.

This approach, with government support, would mean we create fair and meaningful opportunities for young people. In recent decades, the UK has made good progress in widening participation to university, yet as the Sutton Trust has warned, 'in many sectors it is now simply assumed that young people early in their career must 'pay their dues' by working in a series of unpaid internships and placements.'

To ensure this crisis does not lead to a rise in unpaid internships – and reverse the progress we have begun to make on social mobility – it is critical that government, business, and universities work together to ensure these opportunities are paid.

One option for supporting this scheme would be to channel additional new funds through the Higher Education Innovation Fund (HEIF). With additional HEIF funds, universities could play a further role in supporting such internships by building on their existing work supporting local business. For example, the University of Sheffield and Sheffield Hallam University run the RISE project; an initiative working with the City Council which delivers a high quality, tailored package of support to SMEs in the Sheffield City Region by removing barriers to the recruitment of graduates and supporting businesses to grow (see Exhibit 1).

This is just one example of many which, with additional funding, could be made to be scalable across the UK's regions and nations.

HEIF can play an important role with additional funding but, as currently structured and funded, may not be a sufficient mechanism to support a comprehensive package of paid graduate internships:

1. The scale of the challenge requires more than the current level of HEIF funding. Significant additional funding would be needed to make a real difference to graduates and regional economies.

2. HEIF allocations are not evenly spread across the sector and some universities do not currently receive any funding. It would be important that any such scheme is open to all institutions and regions to support their graduates, including smaller and specialist institutions.
3. HEIF is not a national programme. While there are similar innovation pots in Scotland and Northern Ireland, and a new Research Wales Innovation Fund (RWIF) being set-up, it would be important to ensure this scheme is truly UK-wide and available to all regions and nations in order to support with the government's levelling up agenda and avoid further exacerbating regional inequalities.

## Exhibit 1: RISE

RISE works with businesses to understand their needs, provide information, advice and guidance on graduate recruitment and help them define the job they want to offer. RISE then advertises and sifts applications so a business can choose its preferred candidate and offers ongoing support for the first six months a graduate is in post.

Salary subsidy grants are available to all businesses at a standard £1,000 rate or, on a first come first served basis, at £2,500 for high tech roles or businesses. The scheme has already helped more than 500 growing businesses across the region recruit 700 graduates over the past five years in an effort to help them develop and innovate, and over the next three years, plan to work with a further 200 businesses to employ 330 more graduates.

## 2.

# Support for co-ordinating graduate internship opportunities so they reach a wider audience

In response to the financial crisis in 2008–09, the government established the Graduate Talent Pool to help address an anticipated rise in graduate unemployment following the recession. To support graduates this time around, UUK believes more can be done to co-ordinate and promote platforms that already exist.

In recent years, the number of graduates in internships has held at around 2.6%, with minor fluctuations depending on the strength of the graduate labour market.<sup>1</sup> Despite this, in 2017 43.2% of students and graduates were reportedly looking for or considering an internship, suggesting a sizable gap between the supply and demand of such opportunities.<sup>2</sup> Outside of ex and current national services (eg ScotGrad, GoWales, and the now largely defunct Graduate Talent Pool) there are a range of different options and initiatives available to students, often co-ordinated and run locally (examples of some these are listed below in an Annexe). More could be done to join up these different platforms to enhance opportunities for students and ultimately increase enrolments onto such schemes.

Most universities use either Target Connect or Career Hub to support their careers service, although some are also starting to use others such as Job Teaser and Handshake. These systems include functionality such as online booking of appointments and vacancy advertising. UUK believes the government should explore what could be done to encourage these platforms to collaborate and work with providers such as GTI (Target Connect) and Symplicity (Career Hub) to API their internships between systems, so that careers services and students have access to a far wider range of opportunities. This could include platforms which are publicly funded as well, such as Go Wales.

Furthermore, with ScotGrad and GoWales funded in part by various EU funding programmes, UUK believes the government should also explore replacing this with domestic funding for these schemes to ensure they are able to continue following our departure from the EU.

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1 HESA Destinations of Leavers from Higher Education 2012–13 to 2016–17

2 Employer Survey 2016, Graduate Prospects/Graduate Talent Pool, 2017

### 3.

## Providing an in-study interest break on the Postgraduate Master's Loan

Previous economic downturns have seen the number of people undertaking postgraduate study increase, as many graduates look to delay their entry into the labour market.<sup>3</sup> Although past recessions do not present a precise guide to the future, it would be understandable if a similar trend occurred as a result of the economic downturn following Covid-19.

Encouraging progression onto postgraduate study is not just beneficial for graduates wanting to avoid a challenging economic environment, but it also helps provide the UK with the future skills and workforce needed to thrive in a changing economy. As universities anticipate a decline in the number of international students – who currently make up 40% of all postgraduate provision and over half (53%) of taught master's provision – encouraging more domestic students into postgraduate study would represent a sound investment in the UK's future skills base.<sup>4</sup> As the economy changes, it is likely that the analytical, interpretative, critical, technical and creative skills developed through postgraduate education will be more important than ever.<sup>5</sup> Postgraduate study also plays a critical role in supporting the pipeline of talent into research careers – something which will be essential to meet the government's 2.4% of GDP target for research and development.<sup>6</sup>

At present, however, there is a clear socioeconomic divide between those who progress onto a master's course in England. As the Resolution Foundation have demonstrated, those who go onto study for a master's at a young age are overwhelmingly from a higher socioeconomic background.<sup>7</sup> This socioeconomic gap is also implied when looking at the government's own research into the take-up of the Master's Loan. This shows that, when looking at those students who undertook a master's degree but who decided against taking out the loan, 71% reported that they could already afford the fees.<sup>8</sup>

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3 Resolution Foundation, *Class of 2020: Education leavers in the current crisis*, May 2020

4 HEPI, *Postgraduate Education in the UK*, May 2020

5 Ibid

6 BEIS, *Reaching 2.4%: Securing the research talent of tomorrow*, May 2019

7 Resolution Foundation, *Class of 2020: Education leavers in the current crisis*, May 2020

8 DfE, *Master's Loan Evaluation: research report*, May 2019

UUK recognises that the strength of the current system lies in the income-contingent aspect of the loan system, however this is not always immediately clear to prospective students. There is good evidence that perceptions of debt is a key element influencing the decision to study and that this can have a disproportionate effect on those from lower-income families or areas.<sup>9</sup> This indicates that further support could help alleviate fears and encourage a more diverse range of students to undertake postgraduate study, if they so wish.

There are several measures which could help widen participation to postgraduate study, such as targeted maintenance support for postgraduate study, enhancing postgraduate funding across the devolved administrations, and further work to increase the number of postgraduate research students. UUK suggests the government explores these options for future cohorts, yet in the limited time available to support those looking to undertake postgraduate study in the autumn, we would recommend that the government adopts a similar approach to that which has been introduced in the United States during the Covid-19 pandemic.<sup>10</sup> This would involve setting interest rates at 0% for the duration of a postgraduate course, with interest only beginning to accrue after completion of study. Reducing the interest charged would have cost implications, however as the IFS has noted, given the vast majority (83%) of graduates do not pay back the full cost of their loan, including interest, the cost to government would be relatively small.<sup>11</sup>

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9 NUS, *Pound in your pocket*, 2012 and the Welsh Government, *The Review of Higher Education Funding and Student Finance Arrangements in Wales (the Diamond Review)*, 2016

10 US Department of Education, *Delivering on President Trump's Promise, Secretary DeVos Suspends Federal Student Loan Payments, Waives Interest During National Emergency*, March 2020

11 IFS, *New higher loan repayment threshold is a big (and expensive) giveaway to graduates*, October 2017

## 4.

# Stimulate more modular and bitesize learning opportunities to extend and develop graduate skills

While employment opportunities are more limited due to the economic effects of the pandemic, recent graduates will need to ensure their skills remain current and prepare themselves for an increasingly competitive labour market. Prior to the pandemic, employers were already highlighting the need for more upskilling and retraining to deal with a changing world of work – a trend that is likely to only accelerate as businesses adapt to a new way of working.<sup>12</sup> For some graduates pursuing postgraduate study could be most effective (as highlighted above) but for others adding to their skill sets through undertaking shorter courses at the undergraduate level would better suit their needs, and have the greatest impact on the economic recovery.

Steps should be taken to ensure recent graduates, as well as learners more generally, have access to financial support for studying shorter courses from the undergraduate to the postgraduate level. This is not possible under current rules in England where students must commit to taking on at least 25% of the work of a full-time student and commit to a full qualification. In addition, funding is not available for courses which are deemed to be an equivalent or lower qualification (ELQ) than what is already held by the learner (with certain exceptions such as in STEM).<sup>13</sup>

Relaxing these restrictions would enable graduates to focus on modules that could benefit businesses as the economy reopens. Enhanced skills in the areas of digital, entrepreneurship, business/public sector management, and sustainable economy would all benefit the UK's recovery. It would also help graduates who had sought to work in certain sectors (such as construction, engineering, and aviation) who are hardest hit as a result of the pandemic. The relaxation of these restrictions should be designed to not adversely impact the ability of those out of work or on low incomes to claim support.

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<sup>12</sup> CBI, *Employers and lifelong learning*, October 2019

<sup>13</sup> House of Commons Library, *Briefing Paper: Part-time undergraduate students in England*, January 2020

Greater access to student finance for shorter courses would benefit not only recent graduates, but also enable those looking to upskill and retrain as a result of the pandemic. Some may not have had prior experience of higher education. UUK has previously called on government to relax restrictions to reverse the decline in adult learning, target local skills needs and support economic and social regeneration. UUK, together with the Confederation of British Industry (CBI), has published research demonstrating there is a strong economic imperative to improve opportunities to study shorter courses.

Alongside measures to improve access to finance, actions must be taken so higher education providers can scale up their provision of shorter courses to best meet the evolving demands of learners, including recent graduates. There are already many examples of good practice<sup>14</sup> across the sector which could be built upon. We urge the OfS to work with the Department for Education to provide funding to providers in England to form graduate skills development programmes to meet the new and emerging needs of business as a result of the pandemic. These programmes would be collaborative and regionally focused, building on and bringing together programmes already in place so as to create scale, and driven by local recovery plans. These programmes could be available for next year's and the current cohort of graduates as they are brought online, extending the support that universities are already able to provide.

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<sup>14</sup> For example, the Open University and its part owned FutureLearn platform, have developed 'micro-credentials' (small chunks of learning which carry university credit and are often endorsed by employers) across a range of subject areas such as Cloud Computing, Cyber Security, Development Management, and Digital Imaging.

# Annexe:

## Examples of existing graduate work experience and industry platforms<sup>15</sup>

Company name	How they operate
<a href="#"><u>ScotGrad</u></a>	ScotGrad is a Highlands and Islands wide programme, providing funding to account managed clients who want to employ a graduate or student to deliver a specific project for their business.
<a href="#"><u>GoWales</u></a>	<p>GoWales Achieve through Work Experience Programme is available for: those under 25 years old, in full-time higher education in Wales, the legal right to live in the UK for the period of the project, and one criteria based on personal characteristics to support diversification of the workforce in Wales. Experience is tailored to both the student and employers needs and can be:</p> <ul style="list-style-type: none"> <li>• Work shadowing: Up to three days of unpaid work experience observing someone in their role to understand how they do their job.</li> <li>• Work taster: Up to four weeks of unpaid work experience getting some hands-on experience or working on a small project.</li> <li>• Work placement: Four to six weeks of paid work experience getting hands-on experience or working on a project.</li> </ul>
<a href="#"><u>GradIreland</u></a>	Jobs, internships, placements, careers advice, for students in Ireland.
<a href="#"><u>Enternships/ Learnerbly</u></a>	<p>Service connecting recent university graduates to internship opportunities across 7,000 companies.</p> <p>Learnerbly an additional service offered to employers to support retraining and upskilling of current workforce.</p>
<a href="#"><u>Inspiring Interns</u></a>	Operating a job-site service for graduates to seek internship opportunities and employers to share opportunities. Facilitates video interviews between potential graduate employees and their employers to support accessible applications to internships.

<sup>15</sup> This list is not exhaustive and is for illustrative purposes

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<b><u>Placer</u></b>	In partnership with the National Centre for Universities and Business (NCUB), Jisc and Unite Students, Placer provides a platform for employers to provide university and college student from low income background in particular opportunities for work experience.
<b><u>CareerHub</u></b>	Graduate Recruitment network for the UK and Ireland. Employers can register and share vacancies on an exclusive basis, choosing which universities the job posting will be shared with.
<b><u>Prospects</u></b>	Prospects provide the UK's largest graduate careers website where graduate jobs, graduate schemes, internships, work experience and apprenticeship opportunities from a huge range of graduate employers can be searched for.
<b><u>Group GTI TargetJobs</u></b>	Both platforms providing graduate jobs, placements and internships as well as careers advice for students and recent graduates in the UK; Target Jobs and Target Careers both under Umbrella of Group GTI (GradIreland also supported within this umbrella).
<b><u>Rate My Placement</u></b>	Provides a platform for advertising job opportunities, offers careers advice to guide through application process, and supports students with peer-to-peer feedback of placements, internships and insights to help them find the right scheme for them.
<b><u>Jobteaser</u></b>	Connects graduates to placements, internships and jobs as well as opportunities aboard. Develops video and podcast content to support graduates to understand companies, careers and opportunities available to them, as well as offering coaching services for graduates.
<b><u>Handshake</u></b>	A service founded in the United States which has set up a UK-facing side to their operation as of 2020.
<b><u>Yorkshire Graduates</u></b>	Regional graduate job board connecting graduates and SMEs, originally founded by the university careers services in Yorkshire in 1996 and now run as a social enterprise.
<b><u>GradSouth- West</u></b>	Regional graduate job board founded by universities in the south west, and now run as a private business.

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Our mission is to create the conditions for UK universities to be the best in the world; maximising their positive impact locally, nationally and globally.

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Cover image: Suzanna Jones, a third year student from the University of Warwick who said "Covid-19 has undeniably affected the whole world, and I have really appreciated that the university has acknowledged the impact this has had on its students and have sought to support us in this time."

