

# The AGR Graduate Recruitment Survey 2005

Summer Review



agr

Price - £200 (free to AGR members)

*Survey produced for the AGR by:*

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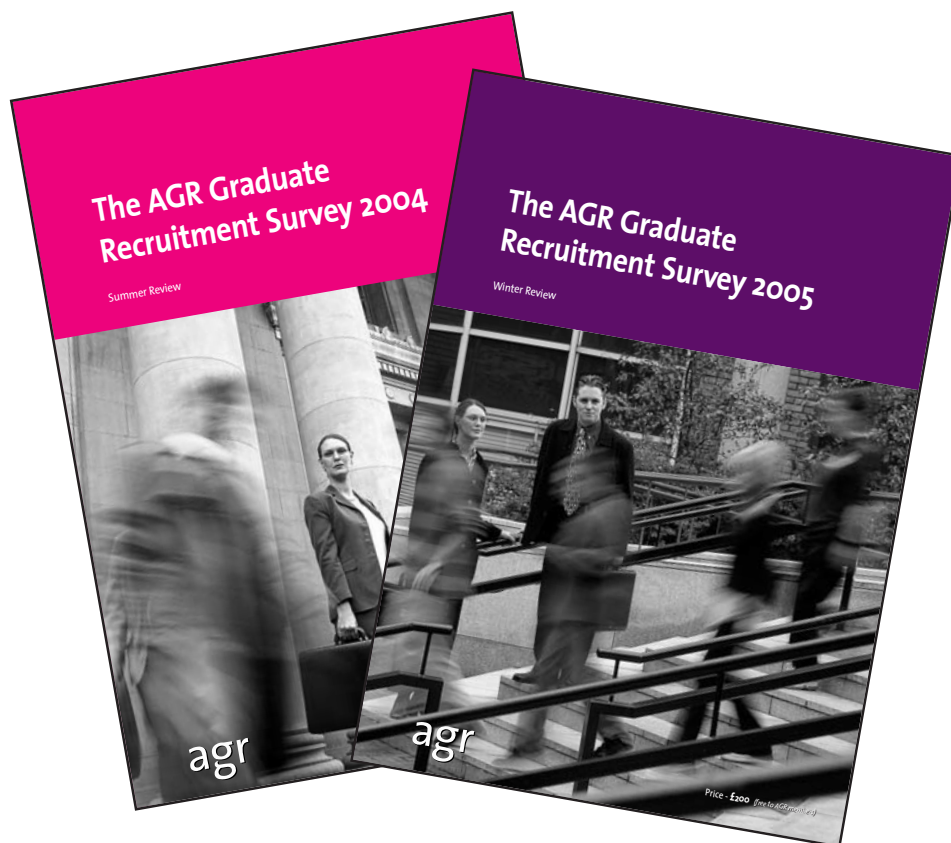
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Make sure you get the *insider's* view on graduate recruitment.



## The AGR Graduate Recruitment Survey

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

**agr**

the collective voice of graduate recruiters

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

# Executive Summary

## About the Survey

The *Summer Review* from *The AGR Graduate Recruitment Survey 2005* is based on research conducted for the AGR by **High Fliers Research** with **224 graduate employers** during **June 2005**. The survey is produced to provide AGR employers with the very latest market information on:

- Salary levels for new graduates starting work in 2005
- Vacancy levels for graduates during the 2004-2005 recruitment season
- Application levels and selection & assessment processes used by recruiters in 2004-2005
- Retention rates & salary progression for graduates recruited between 2000 and 2004

## Graduate Vacancies

The survey shows that for the second year running, the number of graduate vacancies on offer from AGR employers has risen sharply:

- Graduate vacancies increased by 11.3% in 2005, compared to the numbers recruited in 2004.
- The most vacancies in 2005 were in accountancy or professional services firms, investment banks, engineering or industrial companies, public sector employers and law firms.
- Almost half of all graduate vacancies were in London with a further 11% in the south east of England. Less than 7% of all positions could be found in Scotland, Wales & Northern Ireland.
- Analysed by business function or job type, the greatest number of vacancies for 2005 were for graduates working in chartered accountancy, general management, investment banking, engineering, legal work, and IT.
- An encouraging 83% of employers plan to maintain or increase their graduate vacancies for 2006.

## Graduate Salaries

For the third year running, AGR employers have increased the starting salaries for new graduates beginning work in 2005 at a rate well above the 'cost of living':

- Graduate starting salaries have increased 4.8% in 2005, compared to the salary rates paid in 2004. The median graduate starting salary for 2005 is £22,000, up from £21,000 in 2004.
- The highest starting salaries for 2005 are once again for graduate positions at investment banks, law firms, consulting firms and oil companies.
- Regionally, median salaries were highest in London (£26,500) and the south east of England (£22,00). The lowest rates were in Wales (£18,800) and Northern Ireland (£18,000).
- By business function or career area, the highest starting salaries were for graduates starting work in investment banking (£35,000), consulting (£28,500), or legal work (£28,000).
- Almost three-quarters of AGR employers predict graduate starting salaries will increase again for new graduates starting work in 2006, by at least the cost of living.

## **Applications, Selection & Assessment**

AGR employers continue to use a range of different selection & assessment techniques to choose graduates for their organisations but have received fewer applications per vacancy this season:

- The average number of applications per vacancy has decreased from 37.6 during the 2003-2004 recruitment season, to 32.9 in 2004-2005, with individual recruiters attracting between 50 and 12,000 applications each for their graduate positions in 2005.
- 17% of employers reported recruitment shortfalls, due to a lack of applicants with suitable skills or qualifications or late changes in their organisations' requirements for graduates.
- Most organisations used the 'application, first interview, final assessment centre' recruitment model in 2005, although increasing numbers of recruiters used an online pre-selection test too.
- More employers now recruit year-round or in phases, than use a single application deadline.
- Over 90% of AGR employers used minimum degree results as part of their entry requirements, and 37% insisted that candidates held a certain minimum UCAS tariff.

## **Graduate Retention & Salary Progression**

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

- The average retention rates at AGR employers are 98% for graduates recruited one year ago, 84% for graduates who began work three years ago, and 65% for those hired five years ago.
- The highest retention rates are recorded by the public sector, IT companies, and oil companies.
- Retailers, telecommunications companies, and construction companies recorded the lowest retention rates, losing half their graduates over 5 years.
- The median salaries currently paid by AGR employers are £23,000 for graduates recruited one year ago, £28,000 for graduates who began work three years ago and £33,000 for those hired five years ago.
- The most generous salary progression was for graduates working in law firms, consulting firms, oil companies, accountancy or professional services firms, and FMCG companies.

# Chapter 1

## Introduction

### Researching the Graduate Market

Welcome to the *Summer Review* from the The AGR Graduate Recruitment Survey 2005, the definitive study of AGR employers and their graduate recruitment, conducted exclusively for AGR members.



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

This *Summer Review* examines the quality and quantity of applications made to AGR employers during 2004-2005 and the selection & assessment processes used by recruiters this season. It also explores the number of graduates retained by employers over the last five years of recruitment and the salary progression for graduates remaining with their organisations over this period.

The next *Winter Review*, to be conducted in December 2005, will examine the graduate recruitment marketing used by employers during the new 2005-2006 recruitment season, along with a full digest of all the latest graduate vacancy and salary information.

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

### Survey Methodology

Research for the *Summer Review* for The AGR Graduate Recruitment Survey 2005 took place during June 2005 using an online questionnaire accessed via the AGR website.

The questionnaire contained twenty questions about employers' graduate recruitment activities during the 2004/2005 recruitment seasons, focusing on graduate vacancies & salaries, applications, assessment & selection, graduate retention & salary progression, and international recruitment.

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

## Participating Employers

Researchers contacted the 322 members of AGR who are graduate employers to participate in *The AGR Graduate Recruitment Survey 2005*. The online questionnaire was live for a fortnight during June 2005.

A total of **224 employers** either completed the questionnaire or confirmed that they had not recruited in graduates in 2005 and 2004, giving the survey a response rate of **70%**. The AGR members who took part in the survey include:

3M United Kingdom Plc	Dixon Wilson	Kerry Foods Ltd	Renault UK
Abbey	DLA Piper Rudnick Gray Cary UK LLP	Kier Group	Richards Butler
Accenture	DML	Kimberley Clarke	Robson Rhodes
Acheson and Glover	Dresdner Kleinwort Wasserstein	KPMG	Rolls-Royce Plc
Addleshaw Goddard	Dunnhumby Ltd	L'Oreal	Royal Bank of Scotland Group
AIA	E.ON UK	Lazard	Royal Sun Alliance Insurance
Air Products plc	EC Harris	Legal Services Commission	Saffery Champness
Airbus	EDF Energy	Lehman Brothers	Saint-Gobain Building Distribution
Aker Kvaerner E&C	Employers Organisation for Local Government	Linklaters	Samworth Brothers
Aldi Stores Ltd	Endsleigh Insurance	Lloyds Pharmacy	Scottish Power
Allen And Overy LLP	Ernst & Young	Lloyds TSB	Severn Trent Water Ltd
Allianz Cornhill Insurance	Euro RSCG Riley	Logica CMG	Shell International Ltd
AMEC	Eversheds	Lovells	Siemens plc
American Express	ExxonMobil	M&G Investments	Simmons & Simmons
Arcadia Group Limited	FaberMaunsell	MacDonald Hotels & Resorts	SJ Berwin
Arup	Fidelity Investments	Mace Ltd	Skanska
AstraZeneca	Financial Services Authority	Macquarie Bank Ltd	Slaughter and May
Atos Origin	FKI	Marks & Spencer plc	Smith & Williamson
Audit Commission	Ford Motor Company	Mars Incorporated	Smiths Aerospace
BAE Systems	Freshfields Bruckhaus Deringer	Marsh UK Ltd	Sodexo
Baillie Gifford & Co	Fujitsu	Mayer, Brown, Rowe & Maw LLP	Somerfield Stores Ltd
Baker & McKenzie	Gardiner & Theobald	MBDA UK Ltd	Standard Life Assurance Company
Baker Tilly	General Dynamics UK	McDonalds Restaurants Ltd	SThree
Bank of America	General Electric	McKinsey & Company	Swiss Re
Bank of England	Gifford & Partners Ltd	Mercer HR Consulting	Tarmac
Barclays Bank Plc	GlaxoSmithKline	MI5	Tate & Lyle Europe
Barclays Global Investors	Goldman Sachs	Microsoft	Taylor Wessing
BDO Stoy Hayward LLP	Government Economic Service	Mills & Reeve	Teach First
Berwin Leighton Paisner	Grant Thornton UK LLP	Ministry Of Defence	Tesco Stores Ltd
BG Group	Greggs plc	Mitchells and Butlers	Thales
BNP Paribas	Halcrow Group Ltd	Morgan Stanley	The Army
BP International Ltd	Halliwells LLP	Mowlem PLC	The BOC Group
British Energy Group	HAT Group of Accountants	MW Kellogg Limited	The Cauldwell Group
British Nuclear Group	Haymarket Publishing Ltd	Nabarro Nathanson	The Co-operative Group
British Standards Institution	HBG UK Ltd	National Australia Group Europe Ltd	The Maersk Company
BT	HBOS	National Grid Transco	The NG Bailey Organisation
Cabinet Office	Herbert Smith	National Leadership & Innovation Agency for Healthcare	TLT Solicitors
Cadbury Schweppes Plc	Hewlett Packard	Nestlé UK Ltd	TNS
Capgemini	Highways Agency	Network Rail	Towers Perrin
Caterpillar	Hilton International	NHS Leadership Centre	UBS
Cedar Software Ltd	HM Prison Service	Nortel	UKAEA
Citigroup	Horwath Clark Whitehill	Northern Foods Plc	Unilever UK
Clyde & Co	HSBC	Northern Ireland Civil Service	Unite Group
CMS Cameron McKenna	ICI Plc	Norton Rose	United Utilities
Corus Group Plc	IMI plc	Olswang	Vodafone UK Ltd
Countryside Properties	Inland Revenue	Oracle Corporation U K Ltd	Waitrose Ltd
Credit Suisse First Boston	Institute of Chartered Accountants Scotland	Orange PCS Ltd	Warburtons
Croda International Plc	Intel	Outokumpu Stainless Ltd	Watson, Farley & Williams
Danone	Interfleet Technology	PA Consulting Group	Watson Wyatt Partners
Data Connection Ltd	Irwin Mitchell	Pilkington United Kingdom Ltd	Westbury Homes Ltd
Deloitte	J Sainsbury Plc	Pinsent Masons	WestLB
Denton Wilde Sapte	Jacobs Baktie Group	Premier Travel Inn	Wincanton plc
Detica	Jaguar & Land Rover	PricewaterhouseCoopers	Wolseley Plc
Deutsche Bank	John Lewis	PSA Peugeot Citroen	Wragge & Co LLP
Diageo	Jones Day	QinetiQ	Yorkshire Water Services Ltd
Discovery Recruitment	JP Morgan	RBC Capital Markets	



## Chapter 2

# Graduate Vacancies

### Introduction

The *Summer Review for The AGR Graduate Recruitment Survey 2005* begins by examining the graduate vacancies that employers have recruited for during the current recruitment year, compared with the previous year. Employers were asked to give the number of vacancies for graduates on offer at their organisations during the 2004-2005 recruitment season (typically to start work in the autumn of 2005), along with numbers of graduates who were *actually* hired last year (during the 2003-2004 recruitment season) and started work in autumn 2004.

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

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

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

### Key Findings

The survey shows that for the second year running, the number of graduate vacancies on offer from AGR employers has risen sharply:

- Graduate vacancies increased by 11.3% in 2005, compared to the numbers recruited in 2003.
- The most vacancies in 2005 were in accountancy or professional services firms, investment banks, engineering or industrial companies, public sector employers and law firms.
- Almost half of all graduate vacancies were in London with a further 11% in the south east of England. Less than 7% of all positions could be found in Scotland, Wales & Northern Ireland.
- Analysed by business function or job type, the greatest number of vacancies for 2005 were for graduates working in chartered accountancy, general management, investment banking, engineering, legal work, and IT.
- An encouraging 83% of employers expected to maintain or increase their graduate vacancies for 2005, with just 7% warning that they were likely to reduce their recruitment next year.

## Comparing Graduate Vacancies in 2005 & 2004

The survey shows that for the second consecutive year, there has been a significant rise in the number of graduate vacancies on offer to university leavers (see *Chart 2.1*). The total number of graduate level jobs on offer in 2005 at the 224 AGR employers who took part in the survey was 16,900, up 11.3% on the 15,179 graduates who were recruited by the same organisations in 2004.

This result confirms the buoyant outlook of many AGR employers when questioned about their graduate vacancy levels earlier in the year. The *Winter Review*, published in February 2005, showed that recruiters were expecting an increase in vacancies of 14.5% for the 2004-2005 recruitment round. Although the final graduate numbers for 2005 have not quite matched this prediction, this latest survey suggests that recruitment levels have now gone up by more than quarter since 2003 and have risen four times in the last six recruitment seasons.

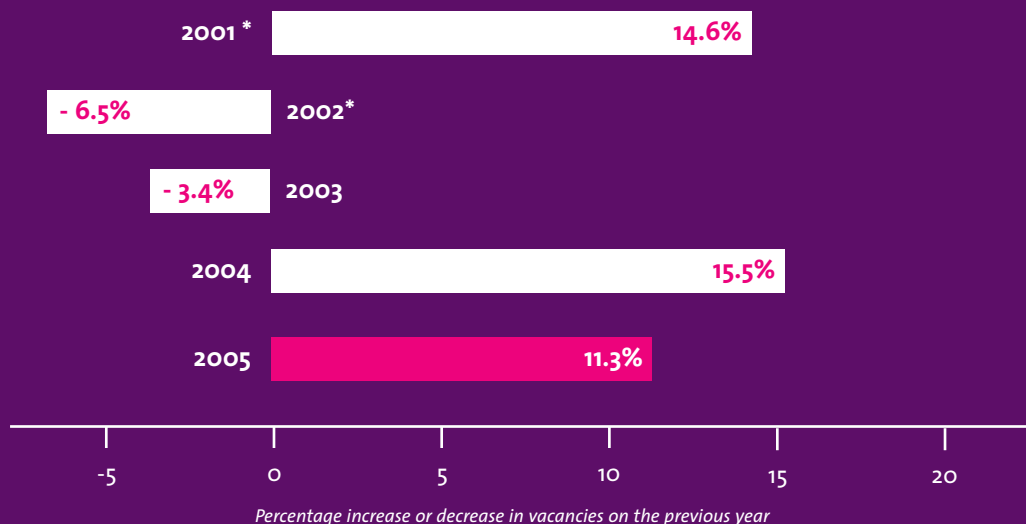
A total of 55% of employers reported that their vacancies had increased in 2005 and nearly half of these hired at least 10 extra graduates during the recruitment round (see *Chart 2.3*). Fifteen organisations reported expanding their graduate intake by at least 50 places, including each of the ‘Big Four’ accounting and professional services firms, three IT companies, two consulting firms, three major banks, two public sector recruiters and a leading retail group. The largest single increase was more than 200 extra vacancies at an accountancy firm, which increased their graduate intake by a third, year-on-year.

Not every employer extended their graduate programme during 2004-2005, though, and recruitment levels at a sixth of AGR employers were unchanged from 2004, with just over a quarter reducing their intake. Thirteen organisations reduced their graduate vacancies by 25 or more, including four public sector recruiters, three banks, one leading law firm and five industrial or technical employers.

Once again, the final vacancy numbers for 2005 show that there is a very wide variation in the scale of recruitment undertaken by AGR employers (see *Chart 2.2*). Almost half had 25 or fewer vacancies and some thirty recruiters reported hiring less than 10 graduates this year. By contrast, twelve employers recruited at least 250 graduates, with half of these taking on 500 or more. For the first time in a number of years, two employers – both major professional services firms – reported that they were recruiting more than 1,000 new graduates to start work around the UK this autumn.

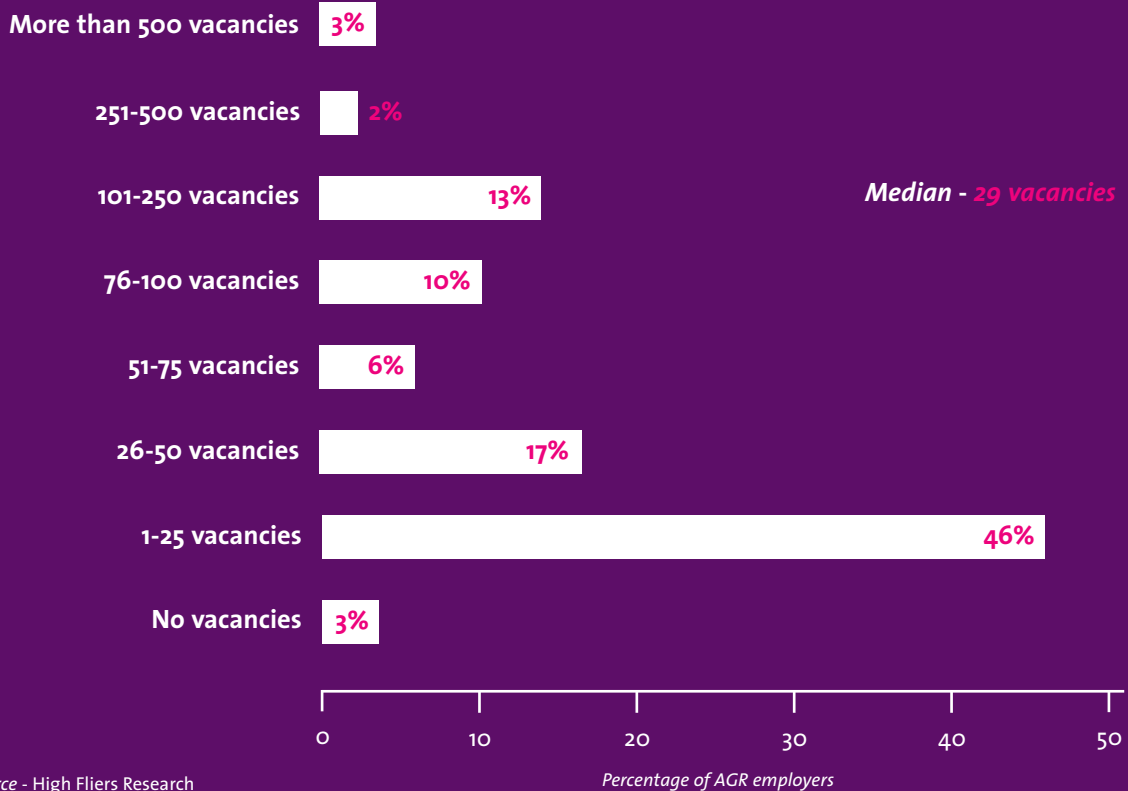
The median vacancy level for AGR members in 2005 was 29 positions and seven employers confirmed that they are not currently hiring any new graduates at all.

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

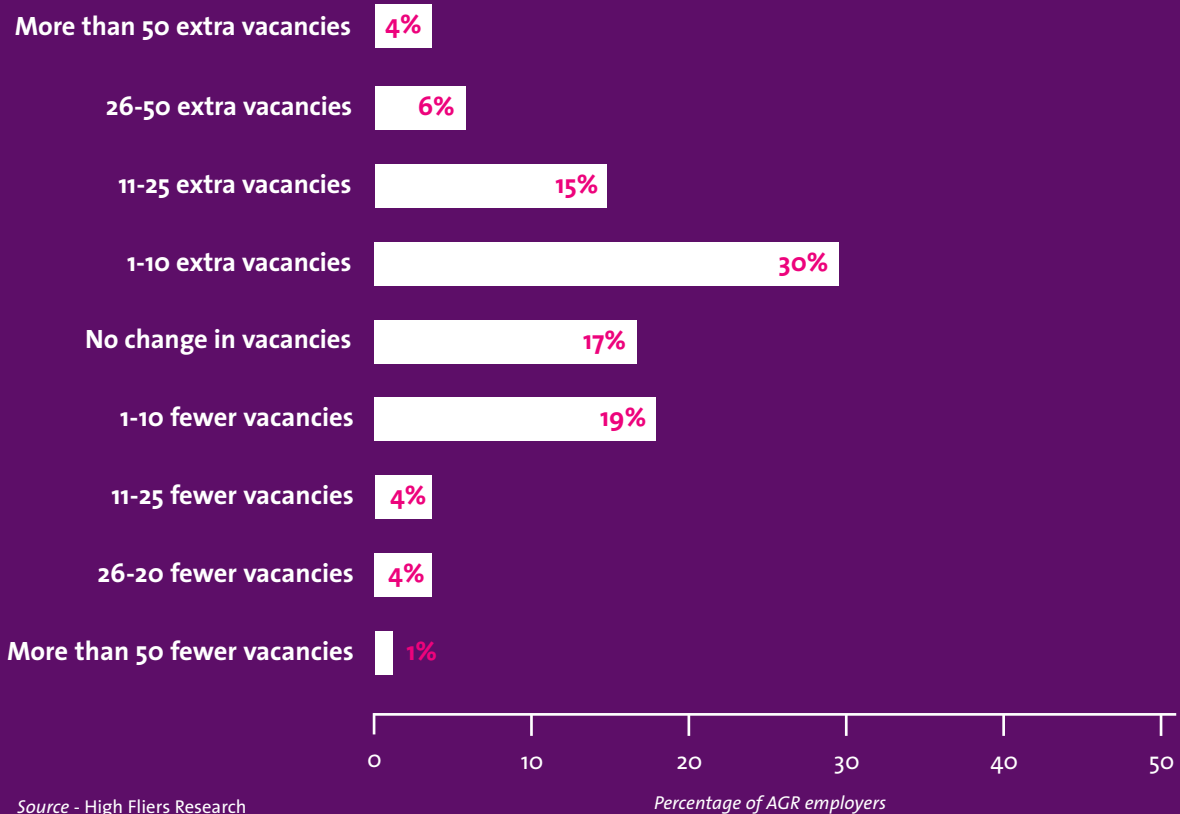


Source - High Fliers Research \*Institute for Employment Studies

**Chart 2.2 Graduate vacancies at AGR employers in 2005**



**Chart 2.3 How AGR employers' graduate vacancy levels in 2005 have changed since 2004**



## Profiling Graduate Vacancies in 2005

AGR employers' graduate vacancies are measured in three different ways – by the employer's industry or business sector, the geographical location of the vacancies, or the business function or type of work of the vacancies.

For 2005, almost a quarter of all vacancies amongst AGR employers were at accountancy or professional services firms (see *Table 2.4*) and over three-quarters of these – nearly 3,500 in total – were with the 'Big Four' firms. The next largest recruiters were the investment banks and fund managers, engineering and industrial companies, the public sector and law firms. Together, these five employment areas accounted for nearly two-thirds of vacancies recorded in the survey. The lowest numbers of positions were at transport and logistics companies, motor manufacturers, hotel and catering groups, and media companies – which together offered less than 2% of the total graduate jobs available this year.

Almost half the vacancies for graduates at AGR employers in 2005 were in London and a further tenth were elsewhere in the south east of England. This meant that the number of graduate positions available in other parts of the UK or beyond remains low (see *Table 2.5*). The next largest recruiting regions were the Midlands (7.7%) and the north west of England (6.3%). Graduate recruitment in Scotland, Wales and Northern Ireland remained modest – less than 7% of the total graduate vacancies – but this is in part due to the limited number of AGR members based there.

Graduate recruitment by business function or job type was dominated by chartered accountancy, general management and engineering positions (see *Chart 2.6*), which amounted to nearly half the total jobs available in 2005. Marketing, one of the most popular career choices for university-leavers, had less than 200 vacancies for the whole of the UK in 2005.

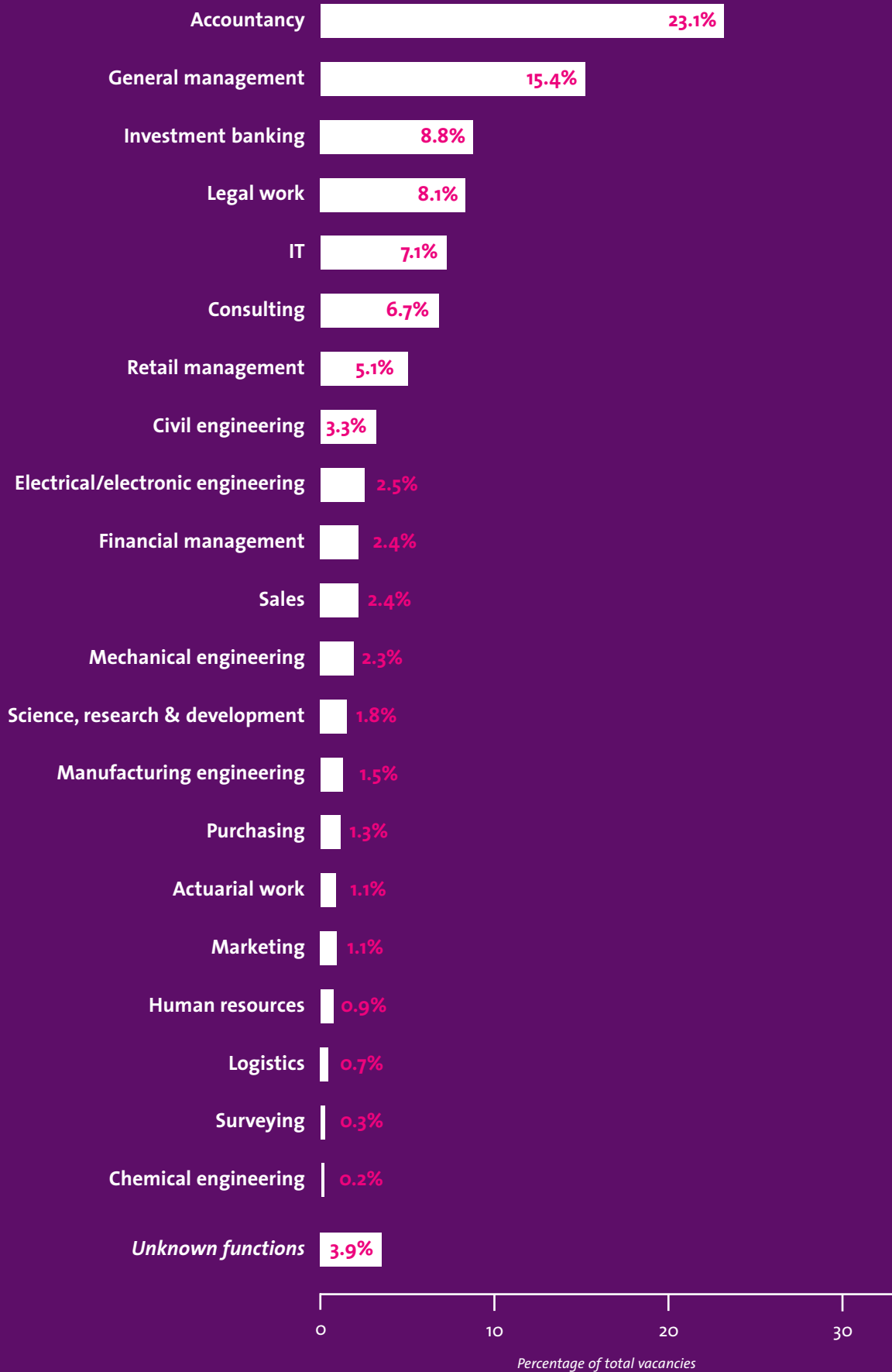
**Table 2.4 Vacancies at AGR employers by type of organisation in 2005**

	<i>% of total vacancies</i>
Accountancy or professional services firm	24.3
Investment bank or fund manager	11.7
Engineering or industrial company	8.8
Public sector	8.3
Law firm	8.0
Consulting firm	6.4
Retailer	6.2
Armed forces	5.3
Banking or financial services	4.9
IT hardware or software company	4.4
Construction company	1.9
Telecommunications Company	1.6
FMCG company	1.4
Oil company	1.3
Energy, water or utility company	1.2
Insurance company	0.9
Chemical or pharmaceutical company	0.7
Media company	0.6
Hotel or catering group	0.5
Motor manufacturer	0.4
Transport or logistics company	0.2
<i>Other</i>	0.8

**Table 2.5 Vacancies at AGR employers by location of vacancies in 2005**

	<i>% of total vacancies</i>
London	45.0
South East	10.5
The Midlands	7.7
North West	6.3
South West	5.7
Scotland	4.0
Yorkshire	2.9
North East	1.9
East Anglia	1.6
Wales	1.5
Northern Ireland	0.8
Ireland	0.5
Europe	1.7
USA	0.4
Rest of the World	0.4
Asia	0.2
<i>Unknown</i>	8.9

Chart 2.6 Graduate Vacancies at AGR employers by business function or career area in 2005



Source - High Fliers Research

## Changes in Graduate Vacancies in 2005

The significant rise in total graduate vacancies between 2004 and 2005 means that vacancies have also increased in most individual business areas and industries (see *Table 2.7*). A total of twelve different types of employer recorded increases in vacancy levels for 2005, including IT hardware or software companies, construction companies and accountancy and professional services firms – each of which recruited at least a fifth more graduates.

Five types of employer either had no change in their vacancy levels or reported a drop in graduate numbers for 2005. Because of the limited number of hotel or catering groups, motor manufacturers, and transport or logistics companies that participated in the survey, it is not possible to provide meaningful results for changes to vacancies in these sectors. The sharp percentage rise in vacancies at construction companies and media companies, although encouraging, should be treated with some caution as the total number of graduate positions in each area remains relatively small.

Across the UK, the graduate recruitment picture was generally positive (see *Table 2.8*). AGR employers recruited in larger numbers in the north west and south east of England, in Scotland, the south west, and the Midlands – where in each case vacancies rose by at least 10%. Graduate numbers rose more slowly in London, Yorkshire and East Anglia, but recruitment dropped slightly in the north east of England. Vacancies were unchanged in Northern Ireland and Wales.

Measured by individual function, vacancies for graduates in IT, consulting, retail management, financial management, investment banking and accountancy each rose by at least 15% (see *Chart 2.9*). This is particularly significant as five of these job types were amongst the largest employment areas in 2005. Four areas – actuarial work, legal work, sales and science, research & development – showed a fall in the number of graduate vacancies this year.

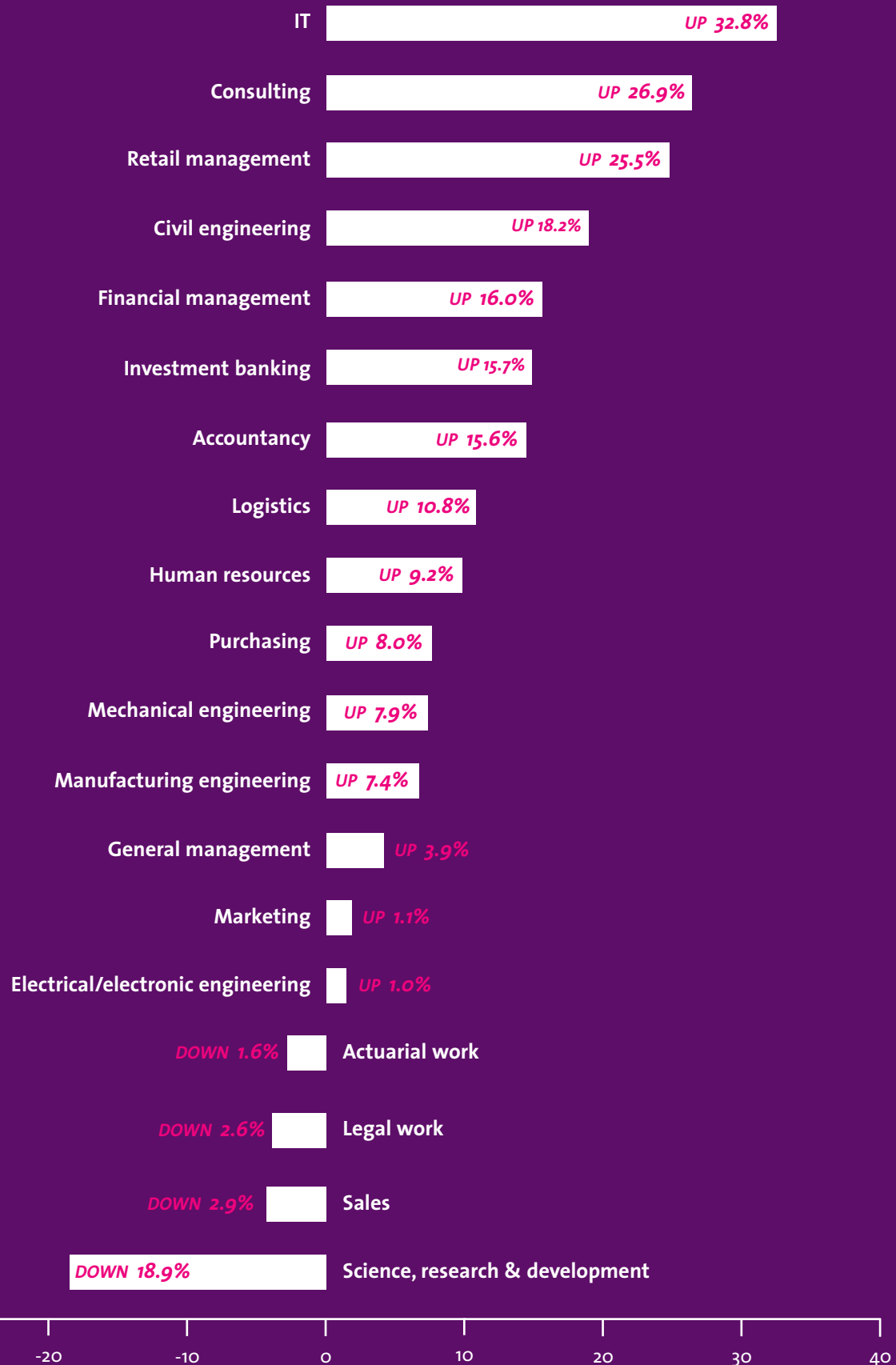
**Table 2.7 How vacancies have changed in 2005, by type of organisation**

	% change in vacancies
IT hardware or software company	UP 46.5%
Construction company	UP 24.6%
Accountancy or professional services firms	UP 20.4%
Consulting firm	UP 16.8%
Investment bank	UP 16.7%
Media company	UP 14.6%
Banking or financial services	UP 11.9%
Retailer	UP 9.4%
Public sector	UP 6.6%
FMCG company	UP 6.0%
Insurance company	UP 2.8%
Engineering or industrial company	UP 2.6%
Telecommunications Company	NO CHANGE
Law firm	NO CHANGE
Oil company	DOWN 2.7%
Armed forces	DOWN 4.1%
Energy, water or utility company	DOWN 13.6%
Chemical or pharmaceutical company	DOWN 18.6%
Hotel or catering group	-
Motor manufacturer	-
Transport or logistics company	-

**Table 2.8 How vacancies have changed in 2005, by location of vacancies**

	% change in vacancies
North West	UP 28.8%
South East	UP 23.7%
Scotland	UP 21.4%
South West	UP 20.2%
The Midlands	UP 13.3%
London	UP 8.3%
Yorkshire	UP 8.2%
East Anglia	UP 7.8%
Northern Ireland	NO CHANGE
Wales	NO CHANGE
North East	DOWN 3.9%
Ireland	-
Europe	UP 18.0%
USA	-
Asia	-
Rest of the World	-

Chart 2.9 How graduate vacancies have changed in 2005, by business function or career area



Percentage change in graduate vacancies between 2004 and 2005

Source - High Fliers Research

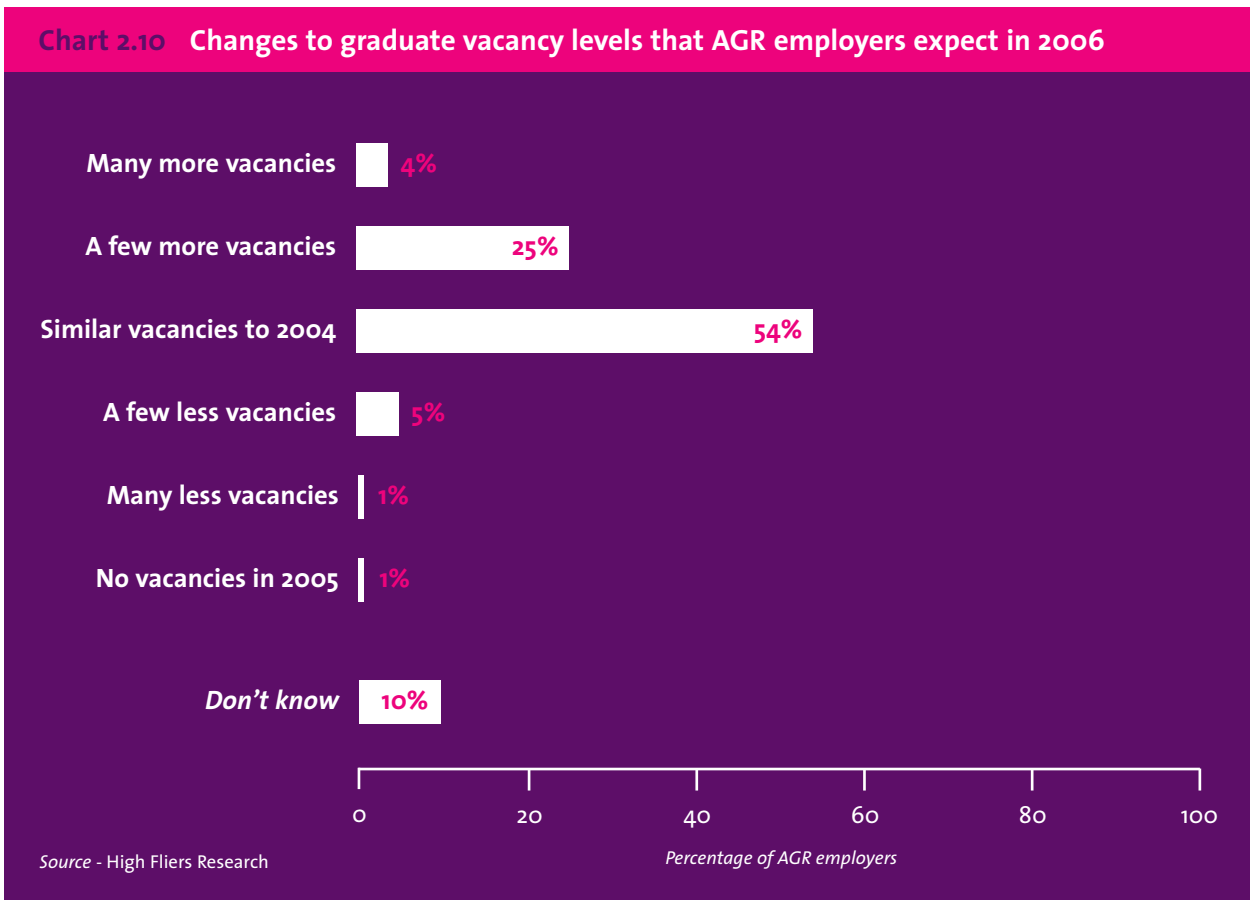
## Outlook for 2006

Finally, AGR employers were asked about their views on the next graduate recruitment round in 2005-2006 and the vacancy levels that they expected to be recruiting for in 2006.

The results were extremely positive with more than a quarter of recruiters anticipating expanding their intake next year and around half expecting to maintain the increased recruitment levels achieved in 2005 (see *Chart 2.10*). Less than one in fourteen employers thought that their graduate programmes would be scaled back in 2006, although 10% were uncertain about the year ahead.

It is interesting to compare these predictions for 2006 with the expectations and outcomes recorded over the last three years. In the 2003 survey, 69% of AGR employers expected to maintain or increase their recruitment in 2004 and vacancies subsequently increased by 15.5% the following season. In the 2004 survey, 83% of AGR employers believed that in 2005 they would repeat or better their recruitment numbers and vacancies did indeed rise, by 11.3% year-on-year. It can only be hoped that this encouraging trend continues into the 2005-2006 recruitment season.

**Chart 2.10 Changes to graduate vacancy levels that AGR employers expect in 2006**





## Chapter 3

# Graduate Salaries

### Introduction

The second part of the *Summer Review for The AGR Graduate Recruitment Survey 2005* looks at the starting salaries on offer to new graduates starting work later this year, compared with the rates for 2004. Employers were asked to give their starting salaries that will be paid to graduates recruited into their organisations during the 2004-2005 recruitment season (typically to start work in the autumn of 2004), along with the *actual* starting salaries paid to graduates recruited during the 2003-2004 recruitment year who started work in autumn 2004.

Employers were asked to provide their national graduate starting salary, along with details of any variation of this rate paid to graduates in different parts of their organisations. This information means that graduate starting salary data for AGR employers is analysed by geographical region and the business function or career area that the graduates are employed within, as well as employer's industry or business sector.

As particularly high or low salaries can distort the average salary levels, the survey uses the 'median' value to compare salary levels. Throughout this section the median value is calculated by taking the 'mid-point' salary for all the actual *vacancies* under consideration, rather than the mid-point of the organisations' salaries. For example, to determine the median salary for five different employers who are offering 25 vacancies between them, the median salary is calculated to be the 13th highest salary (the mid-point) of the 25 individual vacancies, *not* the 3rd highest salary from the five employers.

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

### Key Findings

For the third year running, AGR employers have increased the starting salaries for new graduates beginning work in 2005 at a rate well above the 'cost of living':

- Graduate starting salaries have increased 4.8% in 2005, compared to the salary rates paid last year. The median graduate starting salary for 2005 is £22,000, up from £21,000 in 2004.
- The highest starting salaries for 2005 are once again for graduate positions at investment banks, law firms, consulting firms and oil companies.
- Regionally, median salaries were highest in London (£26,500) and the south east of England (£22,00). The lowest rates were in Wales (£18,800) and Northern Ireland (£18,000).
- By business function or career area, the highest starting salaries were for graduates starting work in investment banking (£35,000), consulting (£28,500), or legal work (£28,000).
- Almost three-quarters of AGR employers predict graduate starting salaries will increase again for new graduates starting work in 2006, by at least the cost of living.

## Comparing Graduate Salaries in 2005 & 2004

In addition to the strong growth in graduate vacancies during 2004-2005, the survey also shows that starting salaries on offer to new graduates have continued to rise too. Employers are offering a median salary of £22,000 to those starting work in autumn 2005 – £1,000 more than the £21,000 median starting salary paid in 2004 (see *Chart 3.1*).

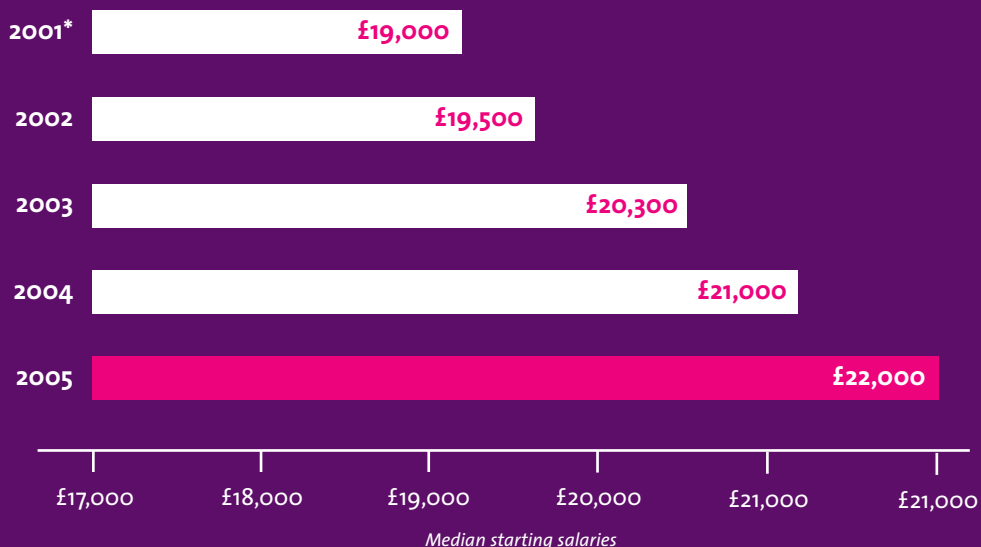
This year-on-year increase of 4.8% is well above the 3.4% rise recorded in 2004 and is the third consecutive year that salaries have risen by considerably more than a ‘cost-of-living’ increase (currently taken to be between 2% and 2.5%, based on the government’s inflation targets). In the five years since 2001, graduate starting salaries have risen by 15.8%, by comparison to the estimated 9.3% increased cost of living over the same period.

Starting salaries on offer from AGR employers in 2005 do vary considerably from organisation to organisation (see *Chart 3.2*). Only two recruiters offered new graduates £15,000 or less in 2005 and a further nine advertised salaries up to £17,500. At the top of the market, more than a quarter of all recruiters expect their 2005 recruits to start on £25,000 or more – approximately 5,800 graduate positions. A record sixteen employers, mainly from the investment banking, consulting and legal sectors, who together are recruiting over 1,700 graduates in 2005, plan to pay their new graduates at least £35,000 when they start work. Two recruiters declared starting salaries of £40,000 for 2005.

Looking at how starting salaries have changed since 2004, it is apparent that almost every AGR employer has either maintained or increased their starting salaries in 2005 – just 2% of organisations reported that they had reduced their salaries this year (see *Chart 3.3*). A third of recruiters did not change their initial graduate salaries this year and a further thirty employers elected to offer a rise of 2.5% or less, equating to the ‘cost-of-living’ increase.

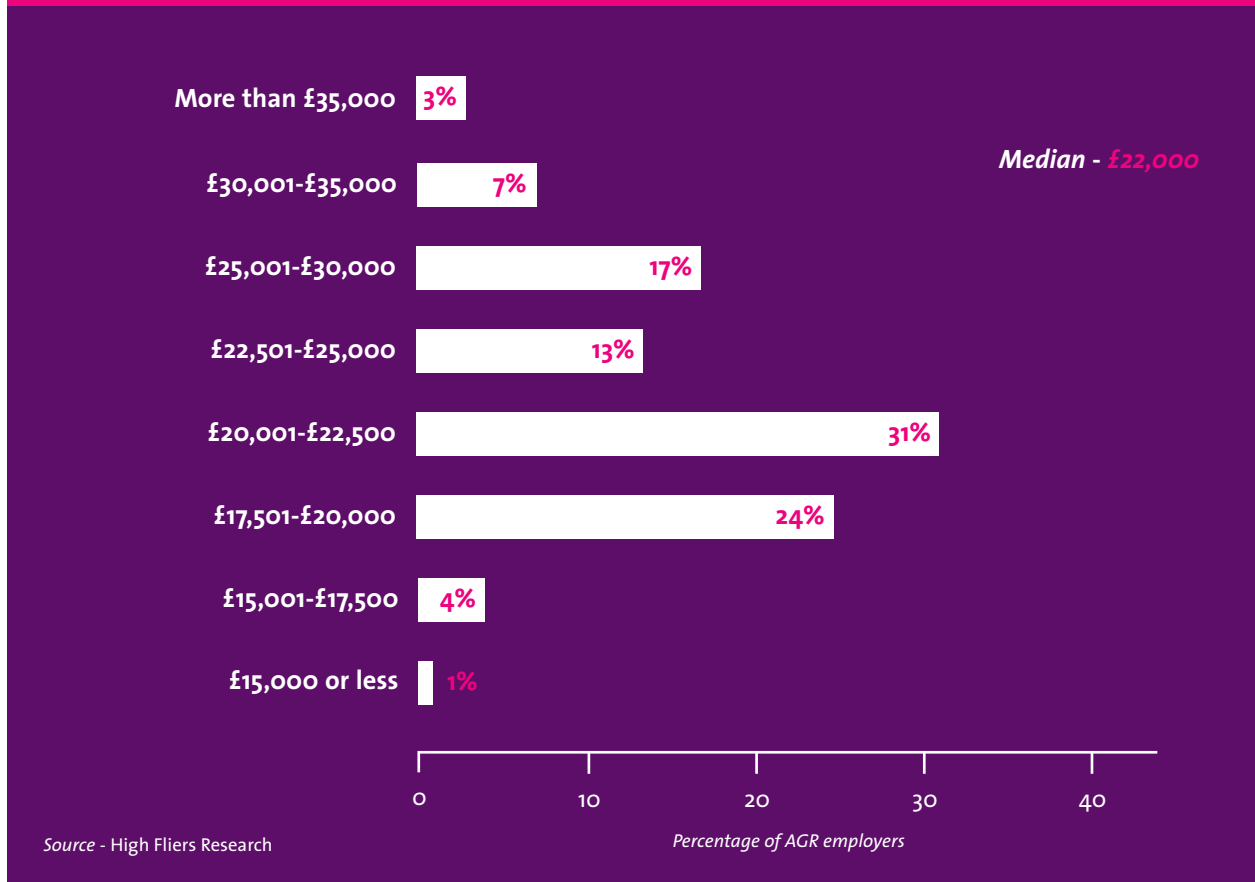
The remaining half of employers have increased their starting salaries by between 5% and 17% year-on-year – well above the accepted inflation rates. It is clear that some of the recruiters with the largest percentage rises are doing so to try and catch up with prevailing market rates, rather than offer premium starting salaries. For example, the recruiter who reported the 17% increase is a public sector employer which has implemented a £3,000 annual rise for new graduates this year, but its starting salary still remains 10% below the national median.

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

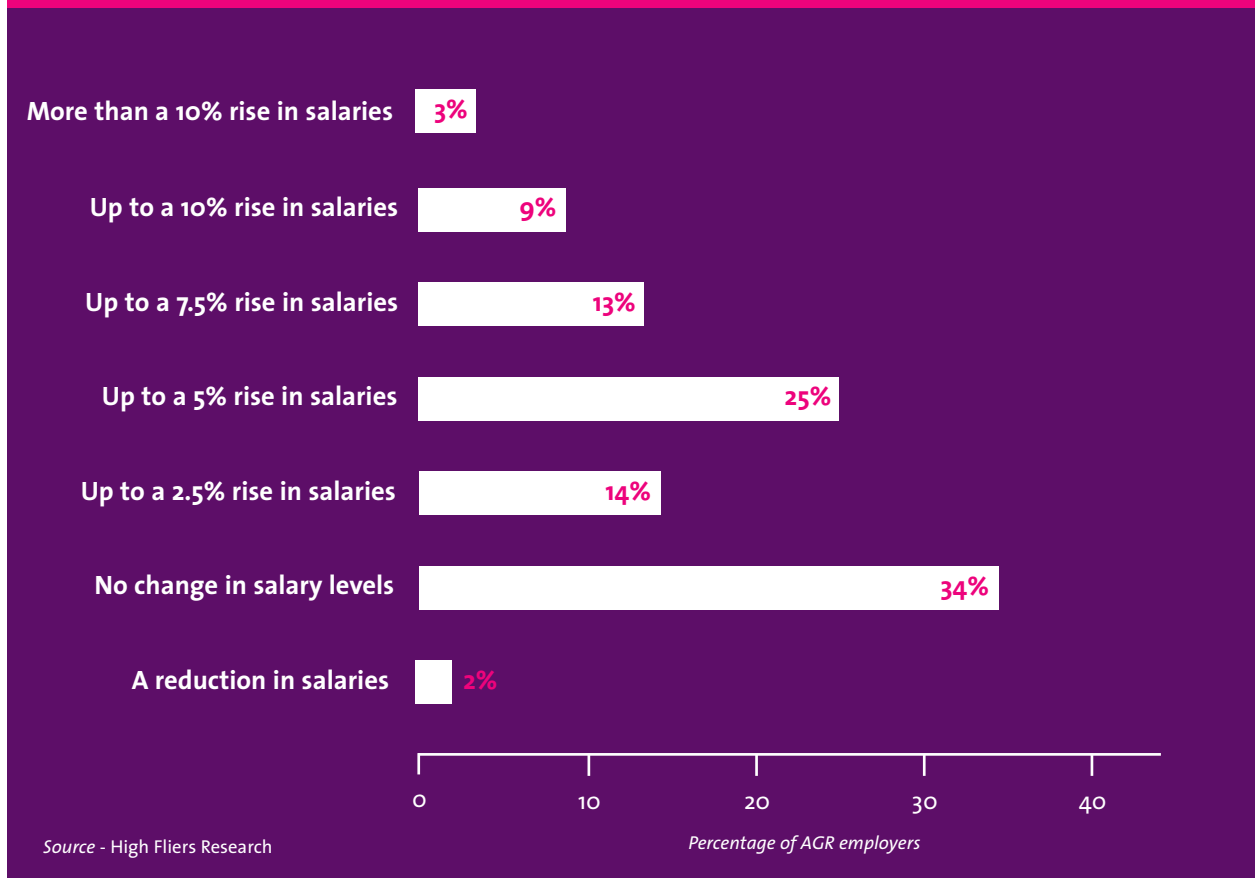


Source - High Fliers Research \*Institute for Employment Studies

**Chart 3.2 Graduate starting salaries at AGR employers in 2005**



**Chart 3.3 How AGR employers' graduate salary levels in 2005 have changed since 2004**



## Profiling Graduate Salaries in 2005

Graduate starting salaries paid by AGR employers are measured in three different ways – by the employer’s industry or business sector, the geographical location of the vacancies, or the business function or career area of the vacancies.

The highest-paying AGR employers in 2005 were once again the investment banks or fund managers, consulting firms and law firms (see *Table 3.4*). All three sectors have paid top starting salaries of between £28,000 and £35,000 for the last three years, but each of the sectors’ median rates have remained unchanged since at least 2002. Six other business sectors paid salaries above the national median of £22,000, with oil companies and the Armed Forces offering the most generous packages.

The lowest salaries were for those starting work at insurance companies, hotel or catering groups, media companies and retailers, where the median salaries were £20,000 or less. It should be noted that the particularly low median for the insurance industry is due to one organisation which is paying new graduates starting salaries of £14,000 in 2005, albeit with some additional regional allowances.

By region, there were very substantial differences in the rates of pay for new graduates in 2005 (see *Table 3.5*). Graduates employed in London will undoubtedly earn the highest rate – a median of £26,500, although this does include any London weighting or allowances that employers provided. The south east of England is the only other region where salaries match the national median. In all other parts of the UK graduates could expect lesser packages, with the lowest salaries in Northern Ireland and Wales.

Analysed by business function or job type (see *Chart 3.6*), the highest graduate starting salaries in 2005 were for positions in investment banking, consulting, legal work, general management, and financial management – new graduates can expect salaries of between £25,000 and £35,000 in each area. Lowest rates were for jobs in sales, retail management, logistics, surveying and engineering.

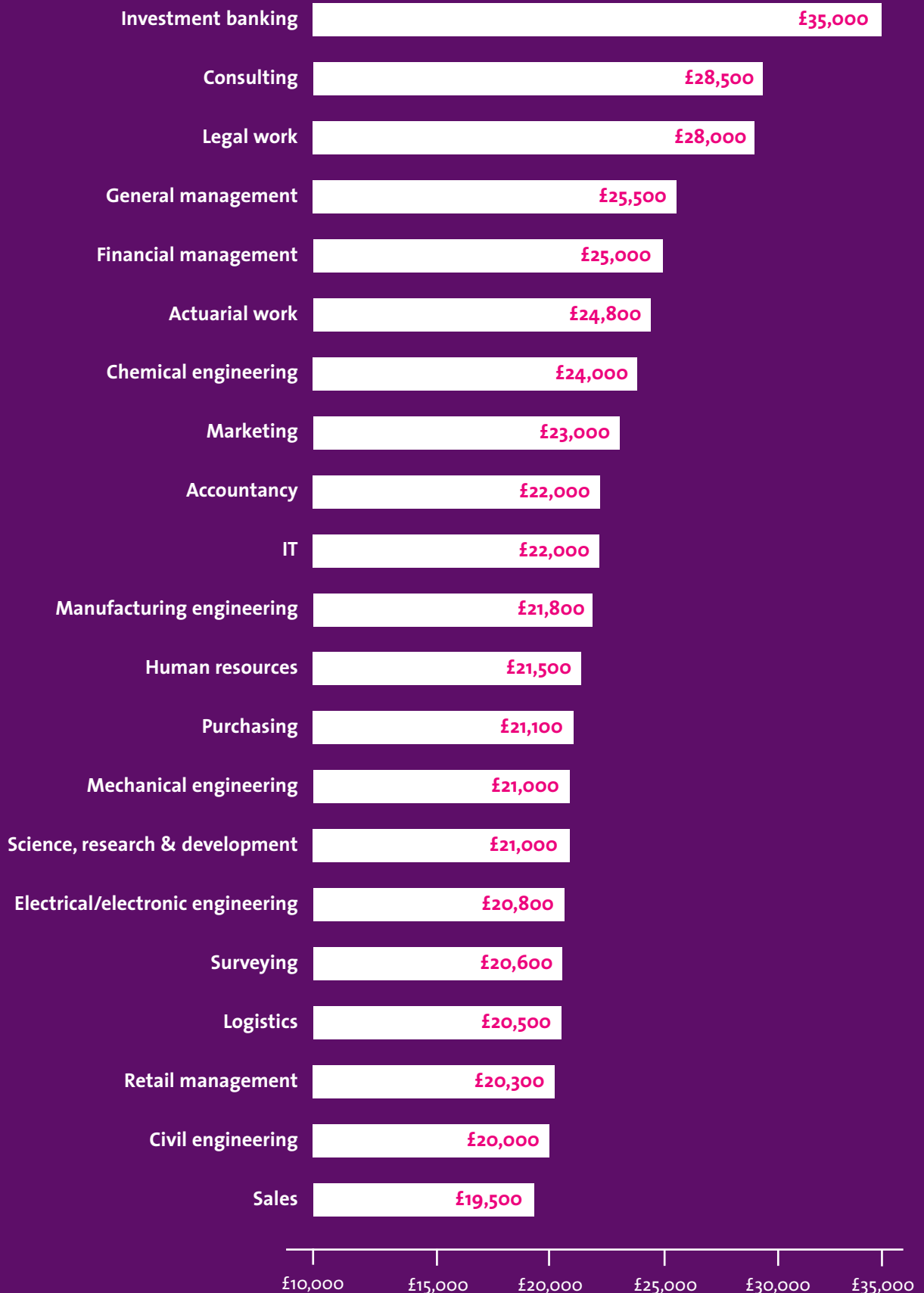
**Table 3.4 Median starting salaries by type of organisation in 2005**

	<i>Median Graduate Starting Salaries</i>
Investment bank	£35,000
Consulting firm	£28,500
Law firm	£28,000
Oil company	£27,000
Armed forces	£25,600
Motor manufacturer	£25,000
Fast-moving consumer goods company	£24,500
Chemical or pharmaceutical company	£24,000
Banking or financial services	£23,000
Accountancy or professional services firm	£22,000
Energy, water or utility company	£22,000
IT hardware or software company	£22,000
Public sector	£22,000
Telecommunications company	£21,500
Engineering or industrial company	£20,800
Construction company	£20,600
Retailer	£20,000
Media company	£19,500
Hotel or catering group	£17,000
Insurance company	£14,000

**Table 3.5 Median starting salaries by location of vacancies in 2005**

	<i>Median Graduate Starting Salaries</i>
London	£26,500
South East	£22,000
East Anglia	£21,000
South West	£20,300
The Midlands	£20,000
North West	£20,000
Scotland	£20,000
North East	£19,700
Yorkshire	£19,500
Wales	£18,800
Northern Ireland	£18,500
Ireland	-
Europe	£29,500
USA	-
Asia	-
Elsewhere in the world	-

**Chart 3.6 Median graduate starting salaries by business function or career area in 2005**



Source - High Fliers Research

Median starting salaries

## Changes in Graduate Salaries in 2005

This year's overall rise in the median starting salaries from 2004 rates is reflected by higher salary levels in fifteen different industries and business sectors (see *Table 3.7*). Salaries in all but three of these sectors have risen by more than 2.5%, the so-called 'cost-of-living' increase, the most generous increases being at a 10% increase at accountancy and professional services firms. That rise means that for the first time, firms are matching the national median graduate salary, rather than lagging the market as was the case in 2004 and 2003.

Public sector employers have increased their packages by an inflation-busting 7.3% in 2005, some in an effort to catch up with higher-paying private sector competitors. The three top-paid sectors – investment banks and fund managers, law firms, and consulting firms – have now kept their pay rates frozen for four consecutive recruitment seasons, although there are indications from individual employers that salaries maybe set to increase in each of these areas next year.

Around the UK, salaries in all parts of England, Scotland and Wales did increase with the strongest growth recorded in East Anglia, London, and the north east of England (see *Table 3.8*). Rates increased by 2.6% or less in Scotland, Yorkshire, the south east of England, Wales and the north west and south west of England. Starting salaries were unchanged this year in Northern Ireland but positions in Europe were paid, on average, 5.4% higher.

By business function or job types, salaries rose most quickly for graduates starting work in purchasing, chartered accountancy, general management and science, research & development where salaries rose by 5% or more (see *Chart 3.9*). There were more modest increases in marketing, finance, retail management, surveying, logistics and IT. The average rises for engineering positions were around the cost-of-living and for a total of six business functions, salaries remained unchanged from 2004.

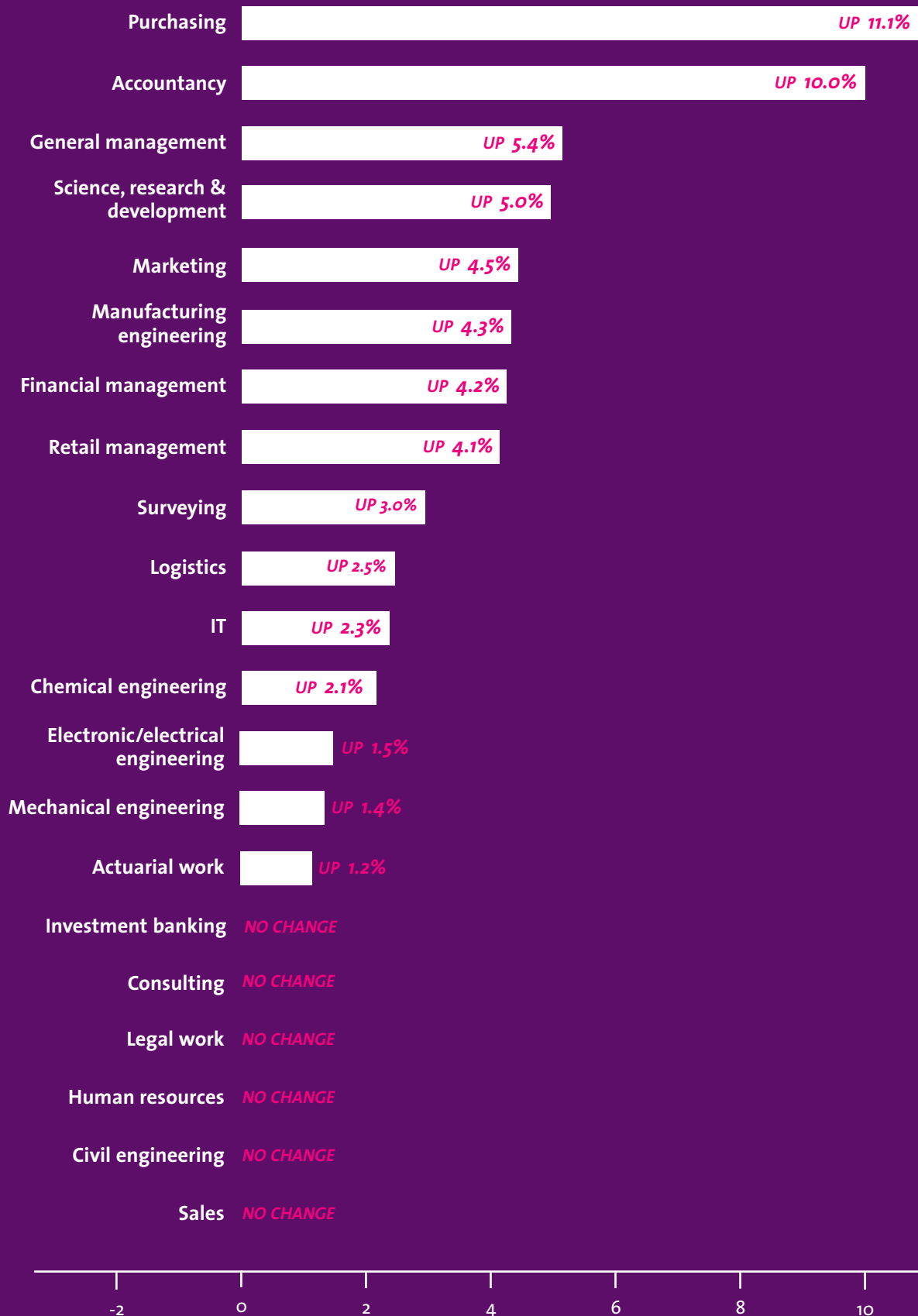
**Table 3.7 How salaries have changed in 2005, by type of organisation**

	% change in median starting salaries
Accountancy or professional services firm	UP 10%
Motor manufacturer	UP 7.3%
Public sector	UP 7.3%
Oil company	UP 6.7%
Media company	UP 5.4%
Energy, water or utility company	UP 4.8%
IT hardware or software company	UP 4.8%
Chemical or pharmaceutical company	UP 4.3%
Engineering or industrial company	UP 4.0%
Construction company	UP 4.0%
Hotel or catering group	UP 3.0%
Armed forces	UP 2.8%
Retailer	UP 2.6%
Insurance company	UP 2.2%
Fast-moving consumer goods company	UP 2.1%
Investment bank or fund manager	NO CHANGE
Consulting firm	NO CHANGE
Law firm	NO CHANGE
Banking or financial services	NO CHANGE
Telecommunications company	NO CHANGE

**Table 3.8 How salaries have changed in 2005, by location of vacancies**

	% change in median starting salaries
East Anglia	UP 5.0%
London	UP 3.9%
North East	UP 3.7%
The Midlands	UP 2.6%
Scotland	UP 2.6%
Yorkshire	UP 2.6%
South East	UP 2.3%
Wales	UP 1.6%
South West	UP 1.5%
North West	UP 1.0%
Northern Ireland	NO CHANGE
Ireland	-
Europe	UP 5.4%
USA	-
Asia	-
Rest of the World	-

Chart 3.9 How median salaries have changed in 2005, by business function or career area



Percentage change in median graduate starting salaries between 2004 and 2005

Source - High Fliers Research

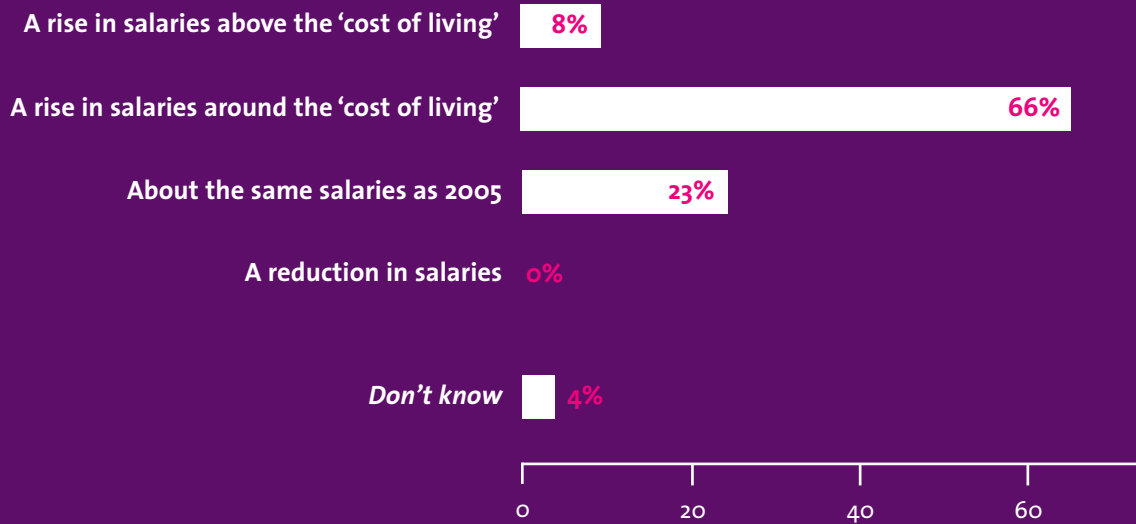
## Outlook for 2006

AGR employers were also asked about their views on the next graduate recruitment round in 2005-2006 and how they thought salary levels would change for graduates starting work at their organisations in 2006.

The results show that the majority of employers, nearly three-quarters of recruiters questioned, believed that 2006 salary levels would be likely to increase by the cost of living or more (see *Chart 3.10*). This is a more upbeat assessment than was recorded 12 months ago when *The AGR Graduate Recruitment Survey 2004* reported that two-thirds of employers expected to raise their salaries in the year ahead.

Looking back at recruiters' recent predictions makes interesting reading. In the 2003 survey, 52% of employers thought their salaries would increase during the following recruitment season – the resulting rise in salaries in 2004 was 3.4% year-on-year. In the 2004 survey, 67% per cent of employers believed their salaries would rise – the actual annual increase in salaries in 2005 has been 4.8%. Were

**Chart 3.10** Changes to graduate salary levels that AGR employers expect in 2006



Source - High Fliers Research

Percentage of AGR employers



## Chapter 4

# Applications, Selection & Assessment

### Introduction

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

For the *Summer Review*, the survey examines the applications received by AGR employers and the way in which graduates are assessed during the selection process. During the 2005 survey, recruiters were asked to provide details of the number of applications they had received from candidates for their graduate vacancies during the current 2004-2005 recruitment season, compared with the last recruitment round in 2003-2004.

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

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

Employers were also asked about any recruitment shortfalls they had experienced during the 2004-2005 recruitment round and their views on the quality of applications received.

### Key Findings

AGR employers continue to use a range of different selection & assessment techniques to choose graduates for their organisations but have received fewer applications per vacancy this season:

- The average number of applications per vacancy has decreased from 37.6 during the 2003-2004 recruitment season, to 32.9 in 2004-2005, with individual recruiters attracting between 50 and 12,000 applications each for their graduate positions in 2005.
- 17% of employers reported recruitment shortfalls, due to a lack of applicants with suitable skills or qualifications or late changes in their organisations' requirements for graduates.
- Most organisations used the 'application, first interview, final assessment centre' recruitment model in 2005, although increasing numbers of recruiters used an online pre-selection test too.
- More employers now recruit year-round or in phases, than use a single application deadline.
- Over 90% of AGR employers used minimum degree results as part of their entry requirements, and 37% insisted that candidates held a certain minimum UCAS tariff.

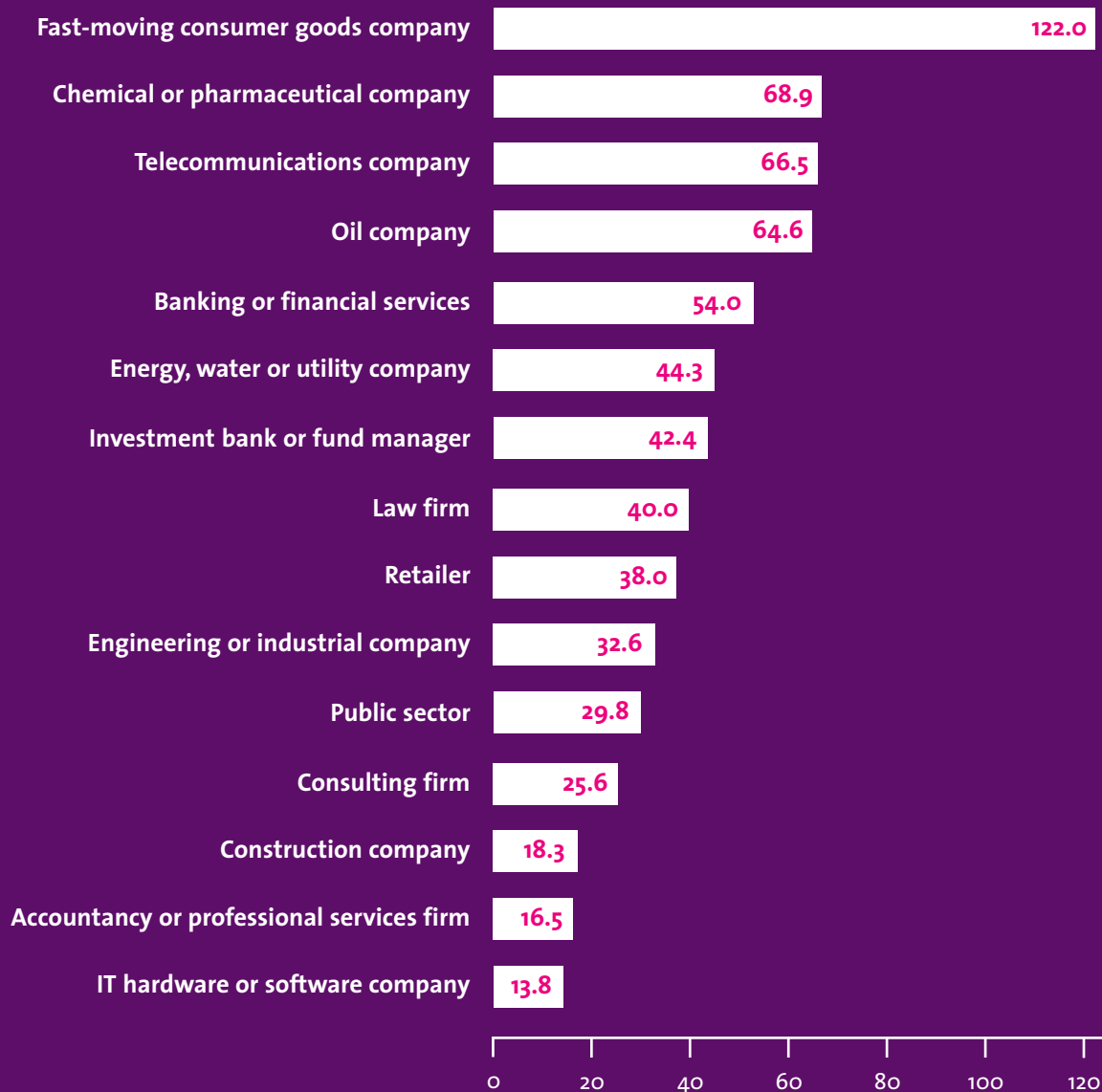
## Applications to Graduate Employers

The survey shows that application levels for graduate jobs were again high this year, although a little lower than the numbers received by employers during the two previous recruitment seasons. Recruiters received an average of 32.9 applications per vacancy during 2004-2005, compared with 37.6 applications per vacancy in 2003-2004 and 42.1 applications per vacancy in 2002-2003 (see *Chart 4.3*).

AGR employers reported considerable variations in the volume of applications that recruiters attracted for their vacancies (see *Chart 4.2*). Nearly half of organisations received fewer than 1,000 applications as a result of their recruitment campaign in 2004-2005, and yet six individual recruiters attracted upwards of 10,000 applications from candidates during the year. Some 40% of employers received between 1,000 and 5,000 applications, the average for the recruitment season being 2,490 applicants.

Although application levels are often linked to the number of vacancies that employers have been promoting, analysis of the number of applications per vacancy shows widely differing results. More than a quarter of employers received 25 applications for each job, but 1 in 8 recruiters attracted ten times this level of interest. Examining application levels by industry or business sector, fast-moving consumer goods companies received the highest average number of applications – over 120 applicants

**Chart 4.1 Applications per graduate vacancy to AGR employers in 2005, by industry**



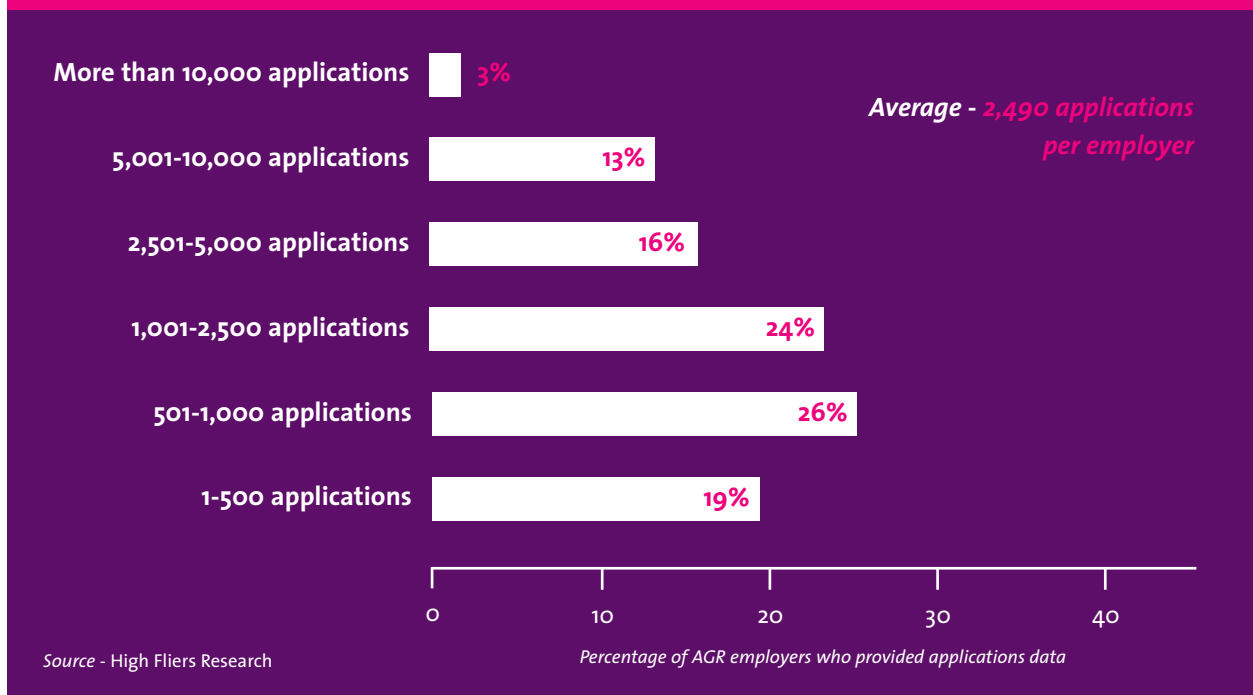
Source - High Fliers Research

Average applications per graduate vacancy by AGR employers in 2004

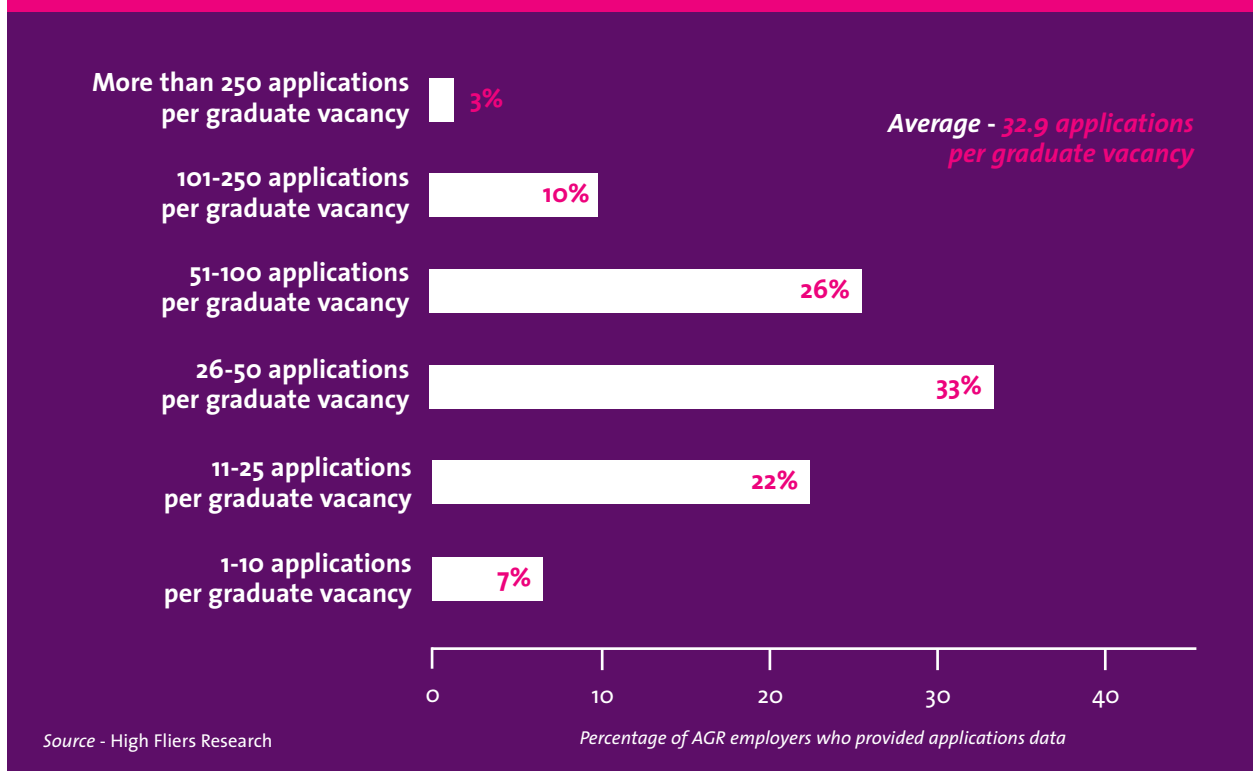
per vacancy. Other popular employers include chemical or pharmaceutical companies, telecommunications and oil companies, each of which attracted at least 60 applications per graduate job.

The survey also confirmed the success rates for candidates applying to AGR employers in 2004-2005. Of the average 32.9 candidates who applied for each vacancy, 5.7 were invited to a first-round interview, and 2.5 went on to final assessment centres. Each of these figures are a little lower than the equivalent results in 2003-2004 and 2002-2003, reflecting in part the increased number of graduate vacancies on offer from employers over the last two years.

**Chart 4.2 Total applications for graduate vacancies received by AGR employers in 2005**



**Chart 4.3 Applications per graduate vacancy received by AGR employers in 2005**



## Selection & Assessment in 2004-2005

The latest survey shows that AGR recruiters used a number of different selection criteria to assess applicants for their graduate vacancies during 2004-2005.

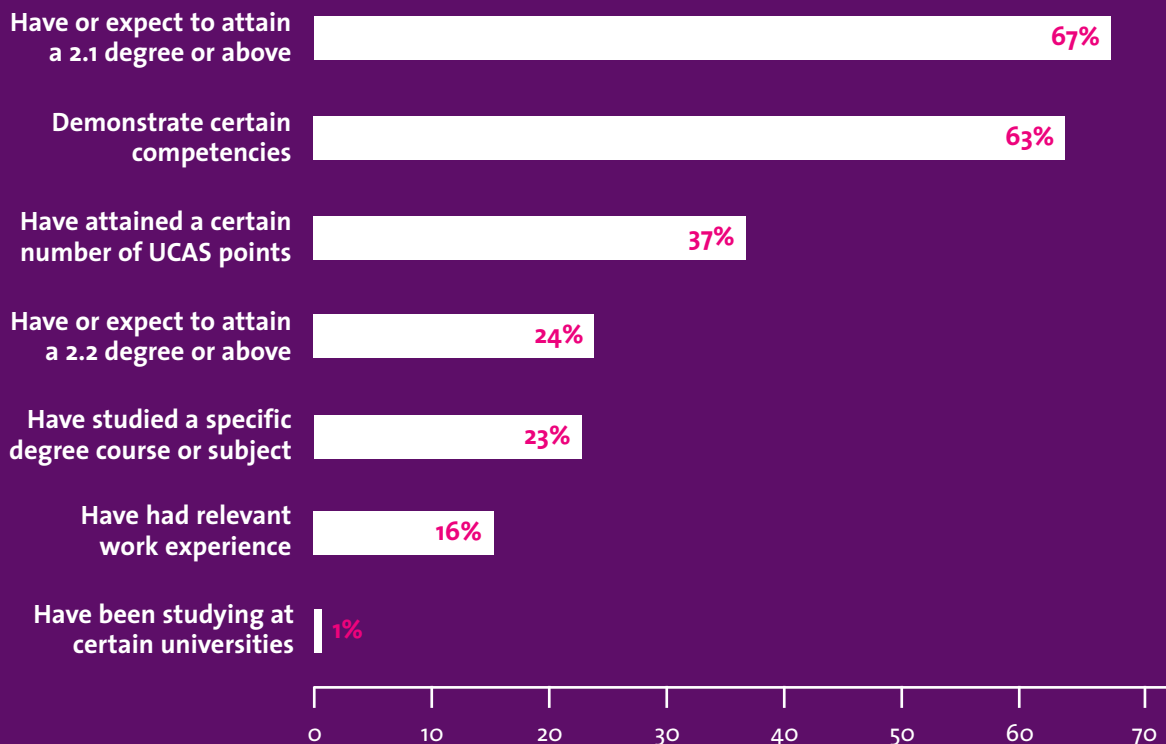
The most commonly-stipulated 'minimum criteria' for applicants were specific academic results (see *Chart 4.4*). Two thirds of all recruiters insisted on 2.1 degrees or above and a further quarter wanted their applicants to attain at least a 2.2 degree. 'A' level UCAS tariffs were another popular indicator and 37% of employers had advertised a minimum tariff for applicants. Nearly half of these recruiters wanted the equivalent of 'BBB' at 'A' level, but a quarter expected a higher standard. A quarter of employers sought applications from specific degree courses, one in six looked for relevant work experience, but few admitted giving preference to applications from individual universities.

AGR employers were divided about the timetable for graduate applications in 2004-2005 (see *Chart 4.5*). Over two fifths used a single application deadline, with the most popular months being either December or January. More than a third of employers opted for round-the-year recruitment and smaller numbers organised their recruitment in several phases during the year or on a job-by-job basis. The vast majority of recruiters accepted applications via online systems but 44% of employers were still happy to accept paper-based applications or CVs with a covering letter.

Over 80% of AGR employers used the familiar three-stage recruitment process of 'application, first interview, assessment centre' for their graduate recruitment in 2004-2005, and there were a number of variations to this formula. Those who conducted face-to-face interviews for their first round used three main locations (see *Chart 4.6*) – half saw candidates at regional centres, almost a third went on-campus to see applicants, and around a fifth chose to conduct interviews at their head office.

At least a third of employers now use an online self-selection or pre-qualification exercise to try and discourage casual applicants. Nearly half of recruiters also used online psychometric, numeracy or verbal reasoning tests as part of their selection process this year, up from 33% in 2003-2004.

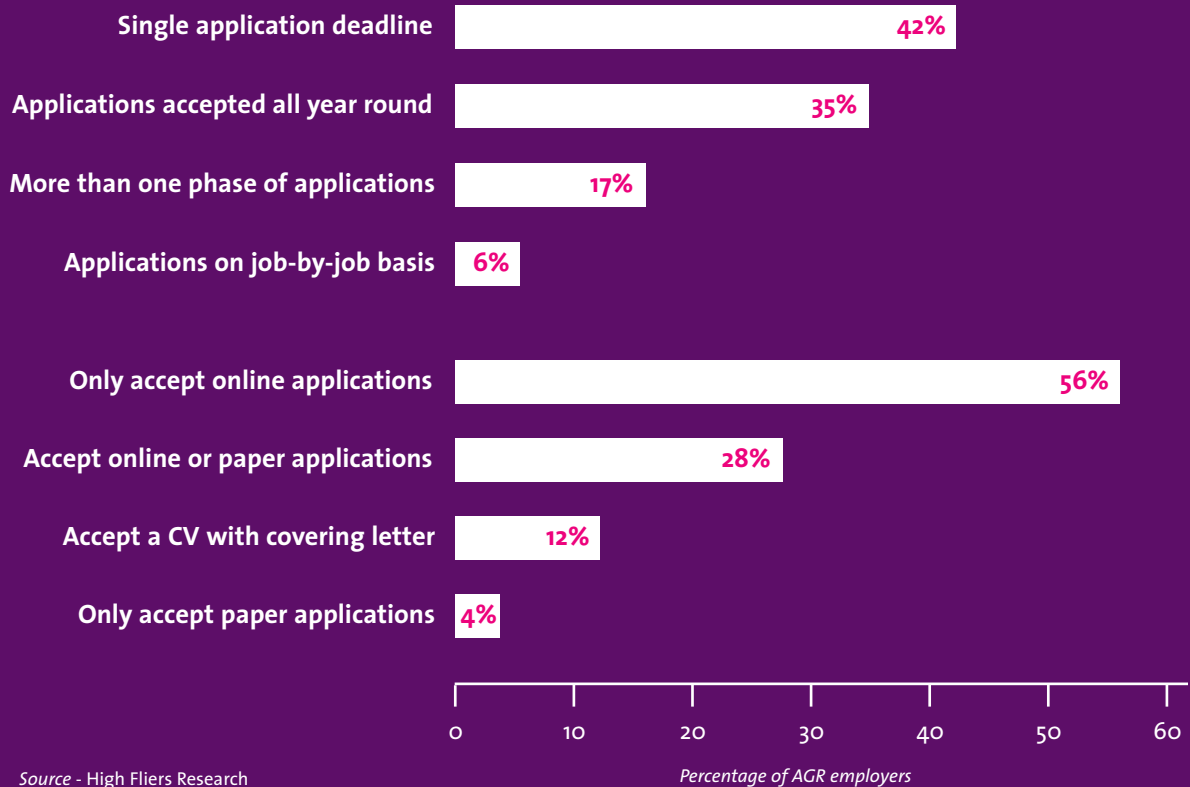
**Chart 4.4 Minimum criteria that AGR employers required for graduate applicants in 2005**



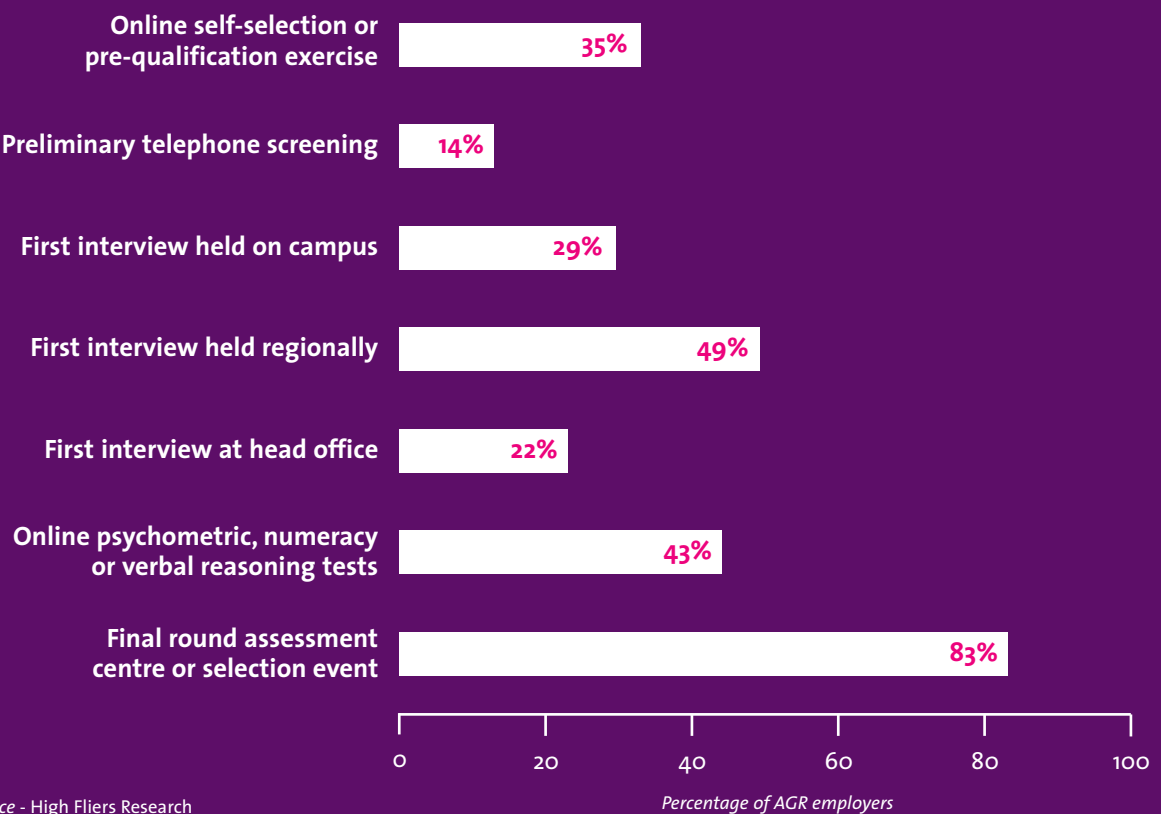
Source - High Fliers Research

Percentage of AGR employers

**Chart 4.5 Application process and methodology used by AGR employers in 2004-2005**



**Chart 4.6 Selection & assessment techniques used by AGR employers in 2004-2005**



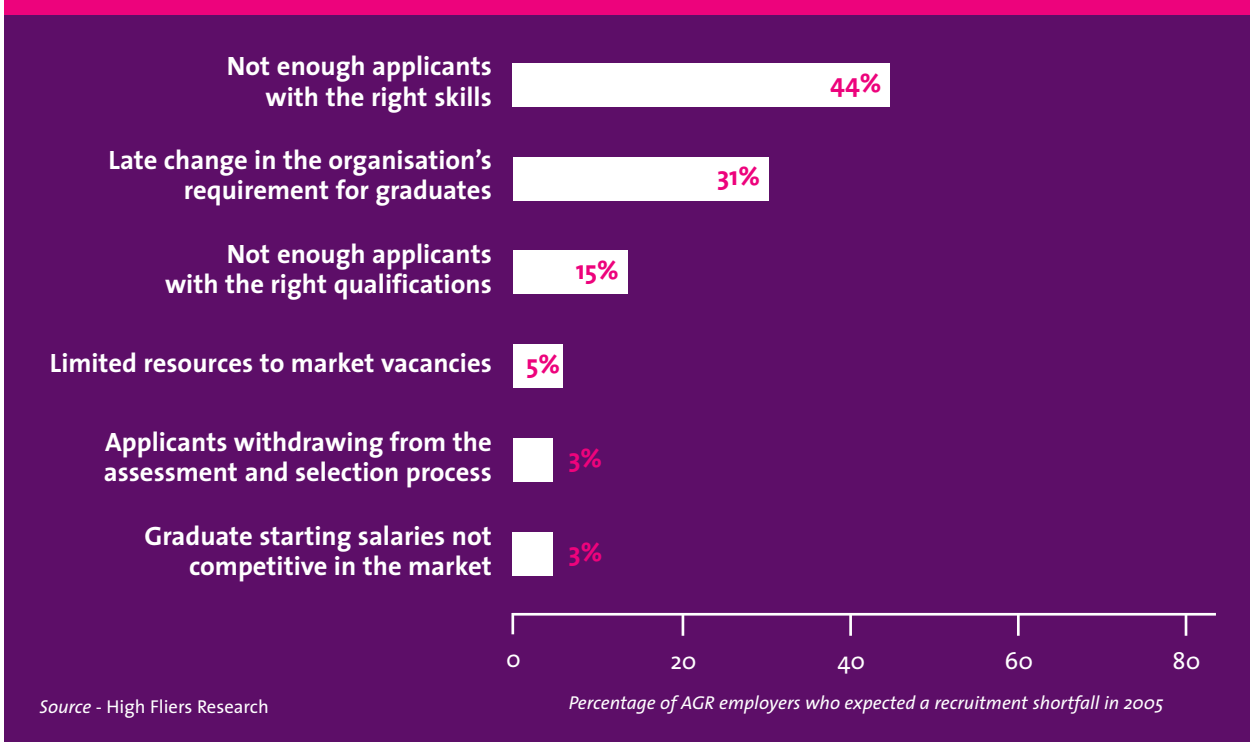
## Recruitment Shortfalls and the Quality of Applicants

A total of 17% of AGR employers reported that they faced difficulties filling their graduate vacancies this year, a slightly lower percentage than was recorded at the end of the 2003-2004 recruitment season.

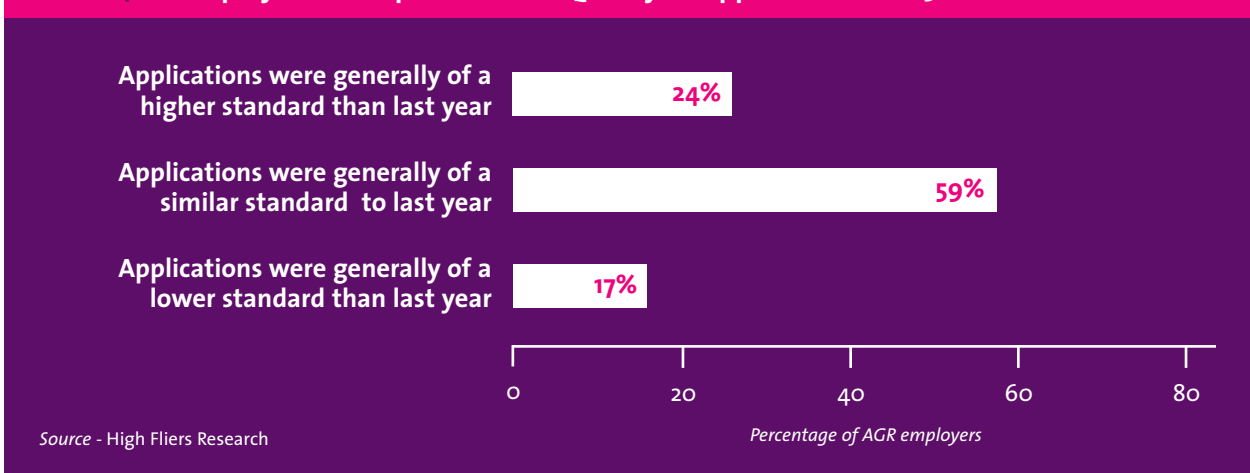
Many recruiters who were struggling with their 2005 recruitment cited a lack of applicants with suitable skills – namely leadership, communication and other business skills – or sought more candidates with specific qualifications, particularly engineering or surveying degrees. Nearly a third of employers facing a shortfall blamed a late increase in their organisations’ graduate targets, particularly those made towards the end of the recruitment season. Few employers were prepared to admit that the shortage of applicants was due to lack of marketing, uncompetitive graduate packages, or a slow recruitment process.

Nearly a quarter of recruiters believed that candidates were of a higher calibre in 2005 than a year ago (see *Chart 4.8*), even though many also reported that their total application numbers had dropped a little this year. Over half thought that applicants were of a similar standard but 17% reported a lower quality of applications than in 2004.

**Chart 4.7 Main Reasons for Graduate Recruitment Shortfalls in 2005**



**Chart 4.8 Employers' Perceptions of the Quality of Applicants in 2005**



## Chapter 5

# Graduate Retention & Salary Progression

### Introduction

The penultimate section of the *Summer Review for The AGR Graduate Recruitment Survey 2005* investigates the retention rates and salary progression for graduates employed by AGR employers. This part of the survey is conducted annually to provide a benchmark of how graduates fare in their first five years of employment.

Employers were asked to record the percentage of graduates remaining with their organisation who were recruited one, three and five years ago. These were graduates hired during the 2003-2004, 2001-2002 and 1999-2000 recruitment seasons, who started work in 2004, 2002 and 2000 respectively. For some employers this data can be difficult to collect, particularly for organisations which recruit graduates into multiple operating businesses, but recruiters were asked to provide as much detail as was available.

Similarly, employers were asked to provide details of the salary progression of graduates who had joined their organisations one, three and five years ago. Recruiters were asked to estimate the typical current salary paid in 2005, for graduates hired during the 2003-2004, 2001-2002 and 1999-2000 recruitment seasons, who started work in 2004, 2002 and 2000 respectively. Again for a number of employers this data is not straightforward to obtain as graduates often make very different progress during their early years of employment, so recruiters were asked to provide details of how a 'typical' graduate's salary might have progressed over time. The results are therefore an indication of salary levels, rather than a comprehensive guide to graduate remuneration in employment.

As many employers were unable to provide a complete set of data for this section of the survey, the results in this chapter are based on the 121 AGR employers who did provide full comparative data for their graduate retention and salary progression information.

### Key Findings

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

- The average retention rates at AGR employers are 98% for graduates recruited one year ago, 84% for graduates who began work three years ago, and 65% for those hired five years ago.
- The highest retention rates are recorded by the public sector, IT companies, and oil companies.
- Retailers, telecommunications companies, and construction companies recorded the lowest retention rates, losing half their graduates over 5 years.
- The median salaries currently paid by AGR employers are £23,000 for graduates recruited one year ago, £28,000 for graduates who began work three years ago and £33,000 for those hired five years ago.
- The most generous salary progression was for graduates working in law firms, consulting firms, oil companies, accountancy or professional services firms, and FMCG companies.

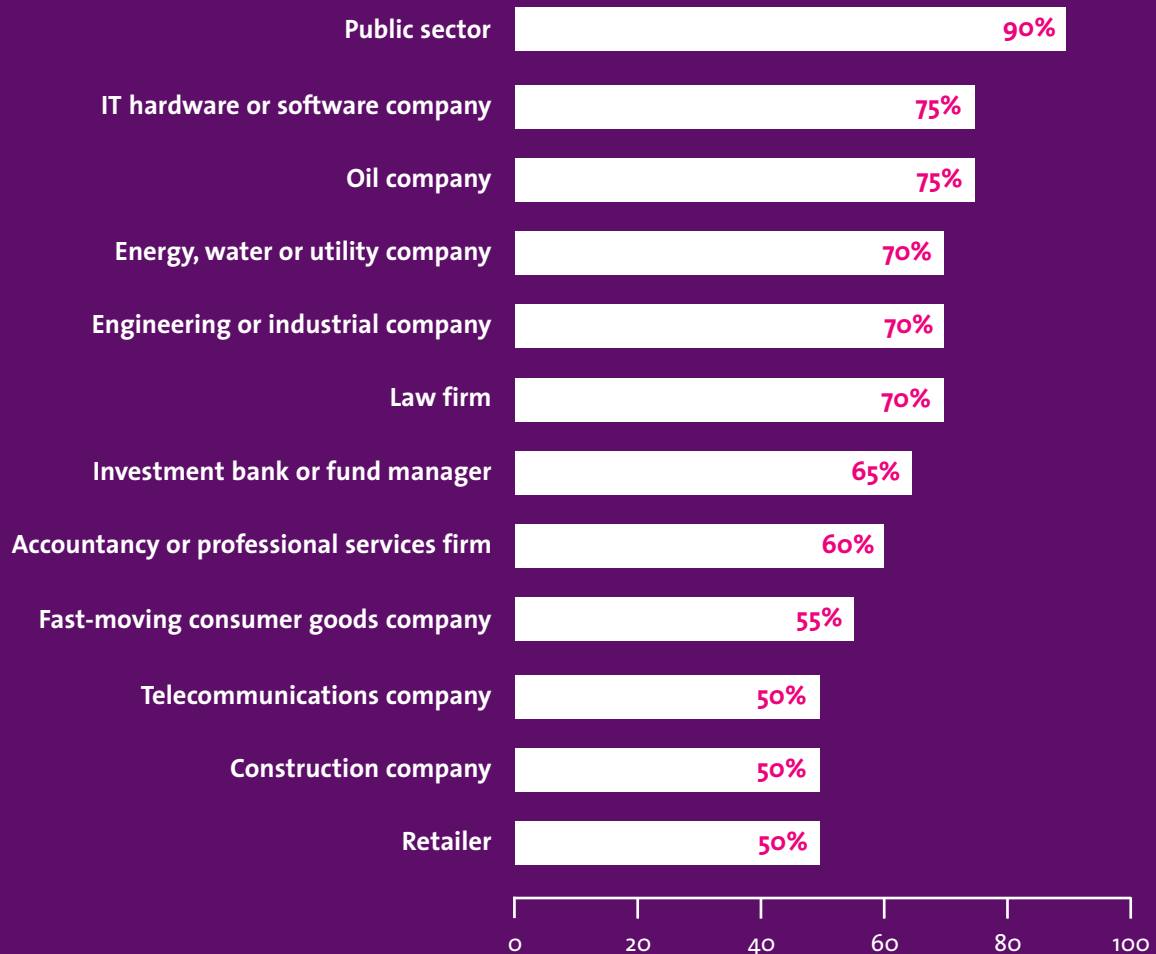
## Graduate Retention Rates

AGR employers reported a considerable range of retention rates for graduates recruited during the five years since 2000. A convincing 98% of graduates hired last year during the 2003-2004 recruitment season were still working for their first employer. On average, 84% of those recruited during 2001-2002 who started work three years ago in 2002 remain with the organisations they joined and 65% of graduates from the 1998-1999 recruitment round who began work five years ago in 2000 had been retained (see *Charts 5.2-5.4*).

Although these average retention rates are very positive, five recruiters reported that they had already lost half of their graduate intake from last year and ten recruiters had retained a quarter or less of their graduate recruits from 2000. By contrast, 66 individual employers claimed that they had retained a full 100% of their graduate intake from 2004, twelve believed that all of their 2002 graduates were still with their organisations, and two reported retaining 100% of the graduates hired five years ago.

The analysis of AGR employers by industry and business sector shows the varying graduate retention rates for recruits who started work in 2000 (see *Chart 5.1*). The public sector had the highest rate, keeping an impressive average of 90% of graduates for at least five years. IT hardware or software companies, oil companies, energy, water or utility companies, engineering and industrial companies, and law firms each retained an average of 70% or more of graduates over the 5 year period. The lowest retention rates were reported by retailers, construction companies, and telecommunications companies. Insufficient data prevents analysis of the other business areas not listed.

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

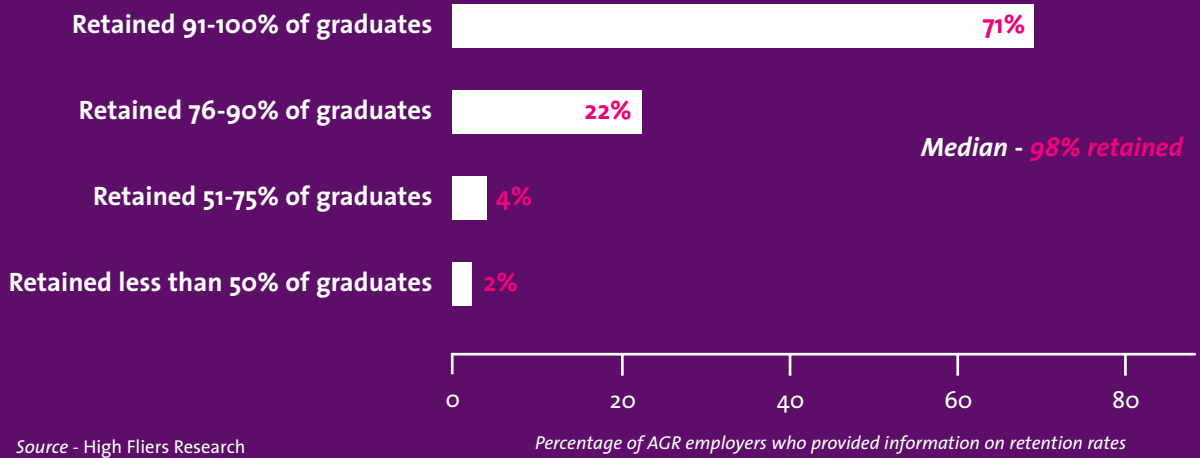


Source - High Fliers Research

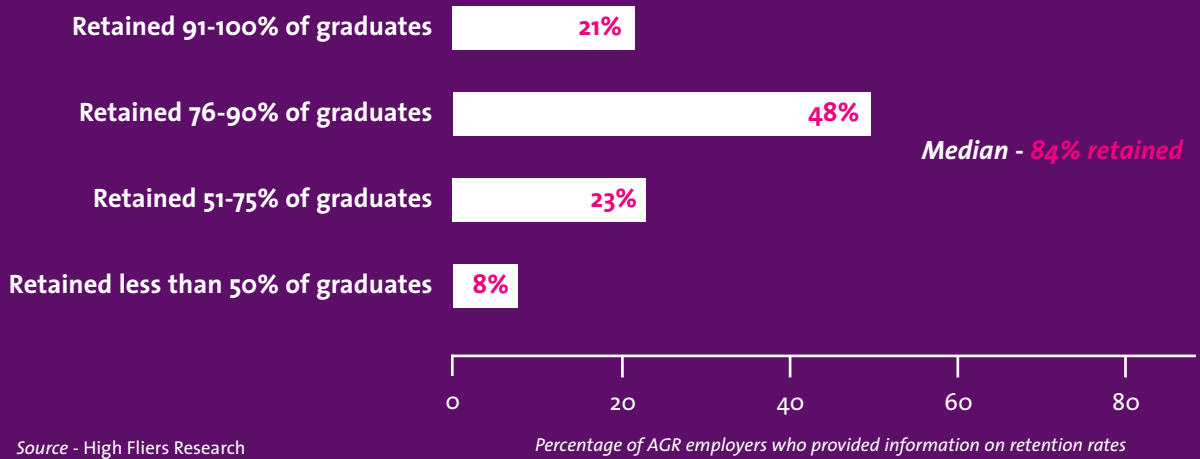
Average percentage of graduates retained by AGR employers from those recruited in 2000



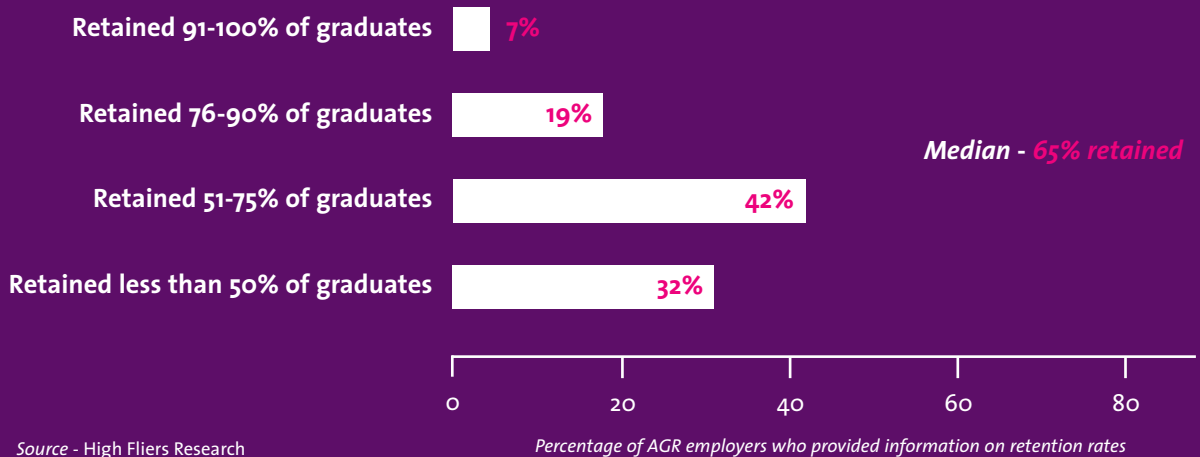
**Chart 5.2 Retention rates for graduates recruited by AGR members one year ago, in 2004**



**Chart 5.3 Retention rates for graduates recruited by AGR members three years ago, in 2002**



**Chart 5.4 Retention rates for graduates recruited by AGR members five years ago, in 2000**



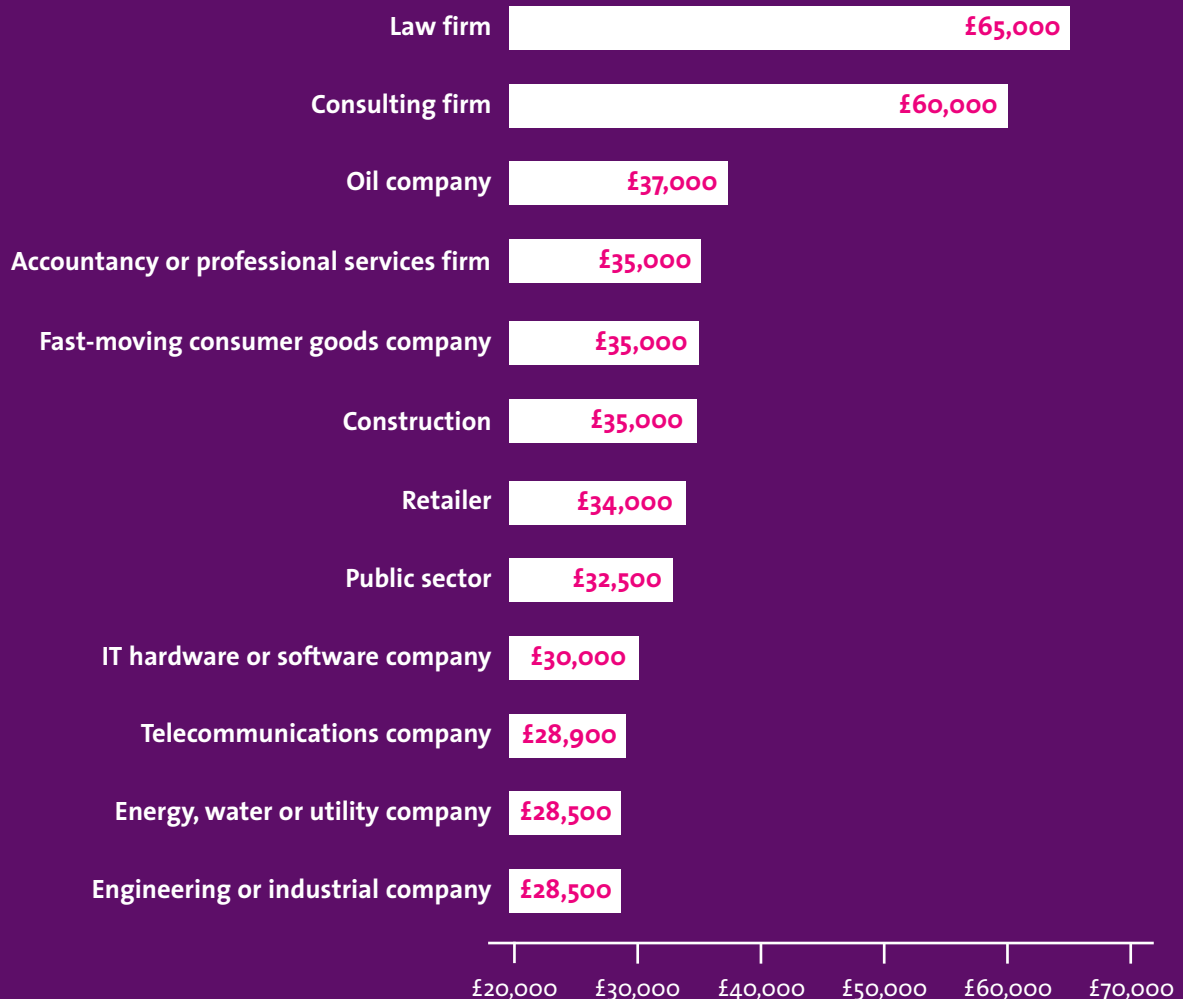
## Graduate Salary Progression

The latest salary figures for graduates who began work with AGR employers over the last five years show that many have enjoyed rapid pay progression. Those who started work in 2004 are currently being paid median salaries of £23,000 – some 9.5% higher than the starting salaries they began with a year ago. Graduates from the ‘Class of 2002’ who have remained with their first employer are currently being paid a median salary of £28,000 – more than 27% higher than this year’s graduate starting salaries. Those hired five years ago now have median salaries of £33,000 – exactly 50% more than today’s graduate pay rates (see *Charts 5.6-5.8*).

These three results suggest that many graduates who choose to remain with their first employer after university are well-rewarded by these organisations. The analysis of salary progression within individual industries and business areas does, however, reveal some very dramatic differences (see *Chart 5.5*). Law firms and consulting firms offer the very highest salaries, with median pay of £65,000 and £60,000 for graduates hired five years ago. There is then a substantial drop to the salaries paid by oil companies, accountancy and professional services firms, fast-moving consumer goods companies, and construction companies which are each at least £35,000 for graduates with five years’ service. The lowest medians were for engineering or industrial companies and energy, water & utility companies.

Overall, 22 AGR employers stated that they were paying ‘Class of 2000’ graduates £50,000 or more but at the opposite end of the pay scale, 19 recruiters quoted five-year salaries of less than £25,000.

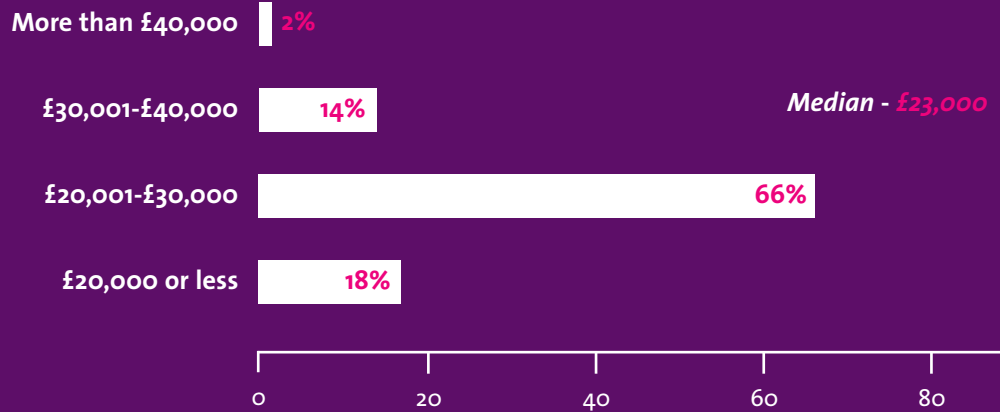
**Chart 5.5 Current salaries paid to graduates recruited by AGR members five years ago, by industry**



Source - High Fliers Research

Average salaries being paid to graduates at AGR employers recruited in 2000

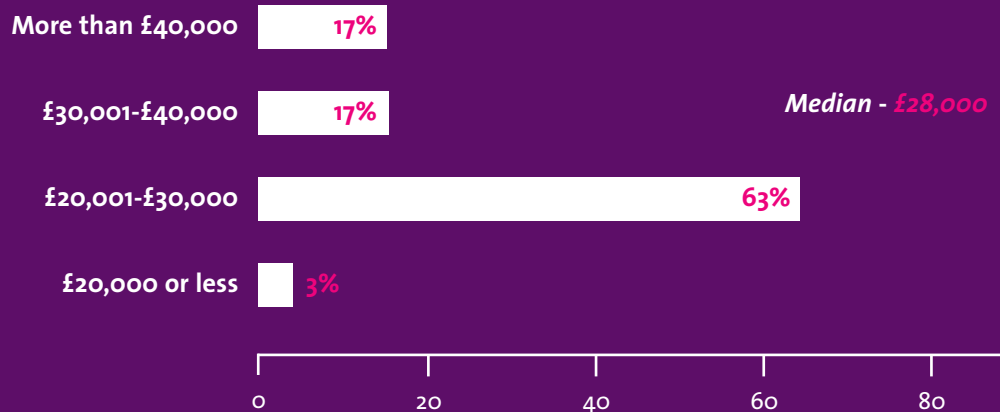
**Chart 5.6 Salaries paid now to graduates recruited by AGR members one year ago, in 2004**



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

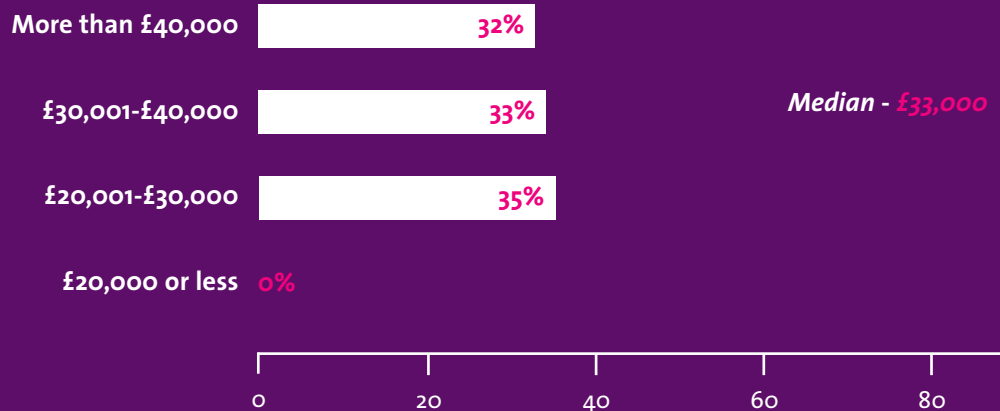
**Chart 5.7 Salaries paid now to graduates recruited by AGR members three years ago, in 2002**



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

**Chart 5.8 Salaries paid now to graduates recruited by AGR members five years ago, in 2000**



Source - High Fliers Research

Percentage of AGR employers who provided information on salary progression

## Graduate Development Programmes

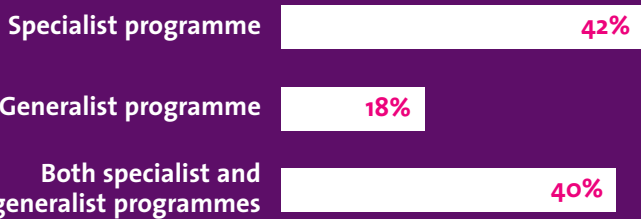
Finally, AGR employers were asked about the structure of their graduate development programmes. Over 80% of organisations offered some form of specialist or functional schemes, with more than half running a general management or rotational programme (see *Chart 5.9*).

The majority of employers offered a single start date for their development programmes – mainly in September after graduation, but employment dates do range from July to January. A quarter of employers offered two or more start dates, typically to accommodate graduates who wish to travel or have time off, or in response to business needs. Less than one in ten employers offered year-round rolling start dates for their graduates.

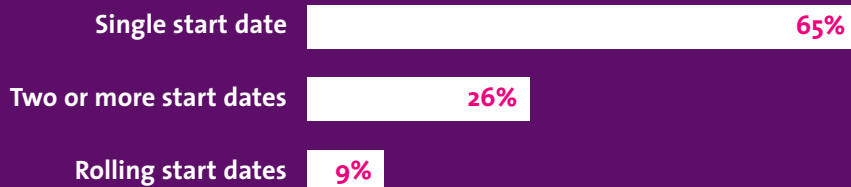
Almost three quarters of employers operate graduate development schemes that last either two or three years. A further 26% of recruiters reported that their schemes lasted 18 months or less. Three-fifths of employers explained that their graduates were only able to take up a permanent position at the end of the development programme, whilst the remainder said their graduates could be offered and take-up permanent jobs at any time during the training period.

**Chart 5.9 Type, Start Dates & Length of Employers' Graduate Development Programmes**

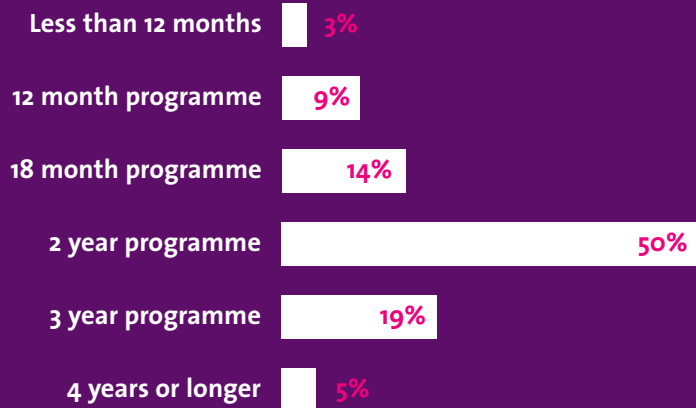
*Type of Programmes Offered*



*Start Dates Available*



*Length of Programmes*



Source - High Fliers Research

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