

Graduate employment and skills

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16-19 Strategy

Achievement & Employability

London Borough of Newham

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A Higher Education?

- Young people are increasingly choosing - or not choosing - higher education based on the potential graduate employment and careers opportunities that a degree can open-up
- The key finding from the HE report we are launching today is that the introduction of higher tuition fees has led to large numbers of young people in London choosing not to continue into higher education
- I wanted to look further into some of the rumours and facts underpinning their choices, and to provide you with factual information that you can take back and use with colleagues, young people, and their parents

Choices

The reasons why young people choose or do not choose higher education, and particular courses or universities may be complex, but there are two major factors influencing their decisions:

- Firstly, students are making choices not to go on to higher education because they do not feel that the increased career prospects outweigh the significantly increased cost of a degree since the higher tuition fees were introduced.
- Secondly, graduate unemployment has been increasing, so they will pay a significant amount of money for a degree, graduate with a large debt, and may still be unemployed

Graduate jobs

“Unemployment is not the only risk graduates face on entry to the labour market. The achievement of a ‘graduate job’ is fast becoming a key criterion by which the value of a degree is judged and upon which prospective students are thought to base their choice of institution.”

(Higher Education Employment and Careers Studies Unit, HECSU, 2013)

Headlines

The concerns of potential students have been fuelled by headlines such as:

‘Graduates fill menial jobs as post-university unemployment rises’

“Graduates are increasingly being recruited to fill menial jobs amid a sharp rise in the number of students leaving university without work” (Daily Telegraph, 2012)

‘Graduate unemployment levels on a par with school leavers’

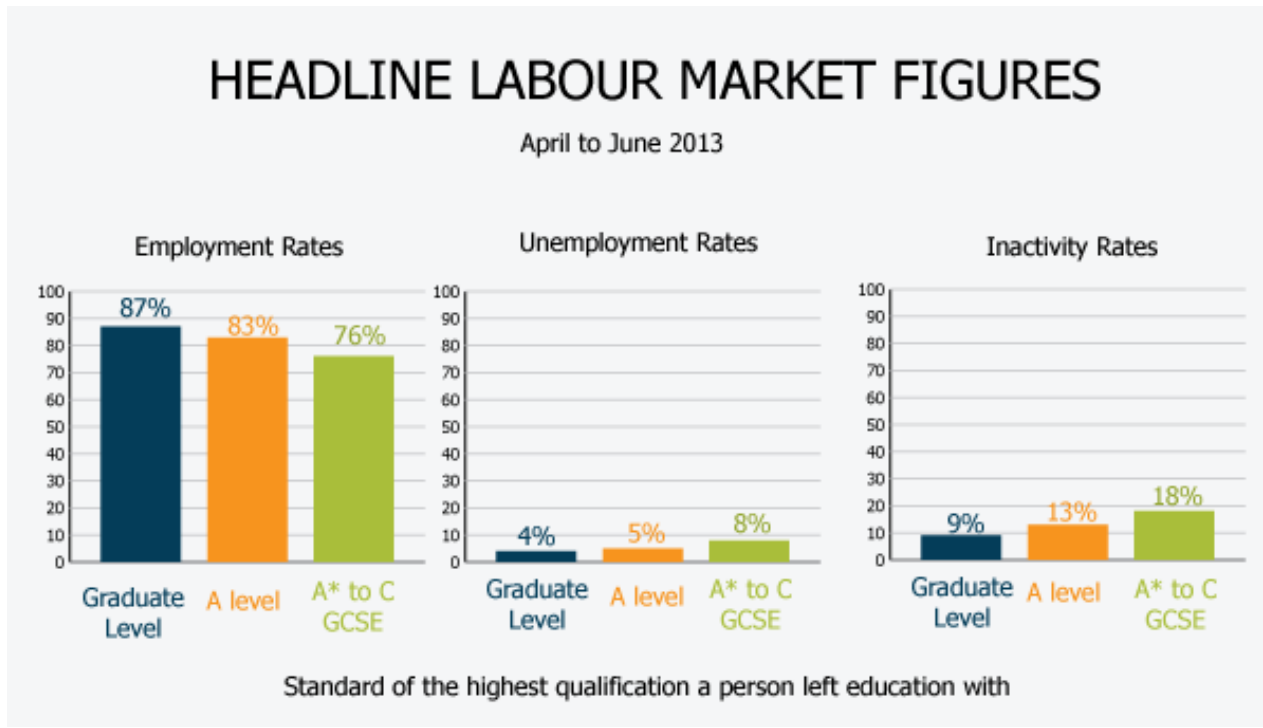
“Latest data shows 25% of 21-year-olds who left university with a degree in 2011 were unemployed compared with 26% of 16-year-olds with GCSEs” (Guardian, 2012)

Both of these headlines are factually correct, but the information is taken from a lengthy report which actually concludes that graduates are still far more likely to be employed than non-graduates, and that graduate unemployment has actually risen more slowly and less markedly than for non-graduates

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Graduates in the labour market

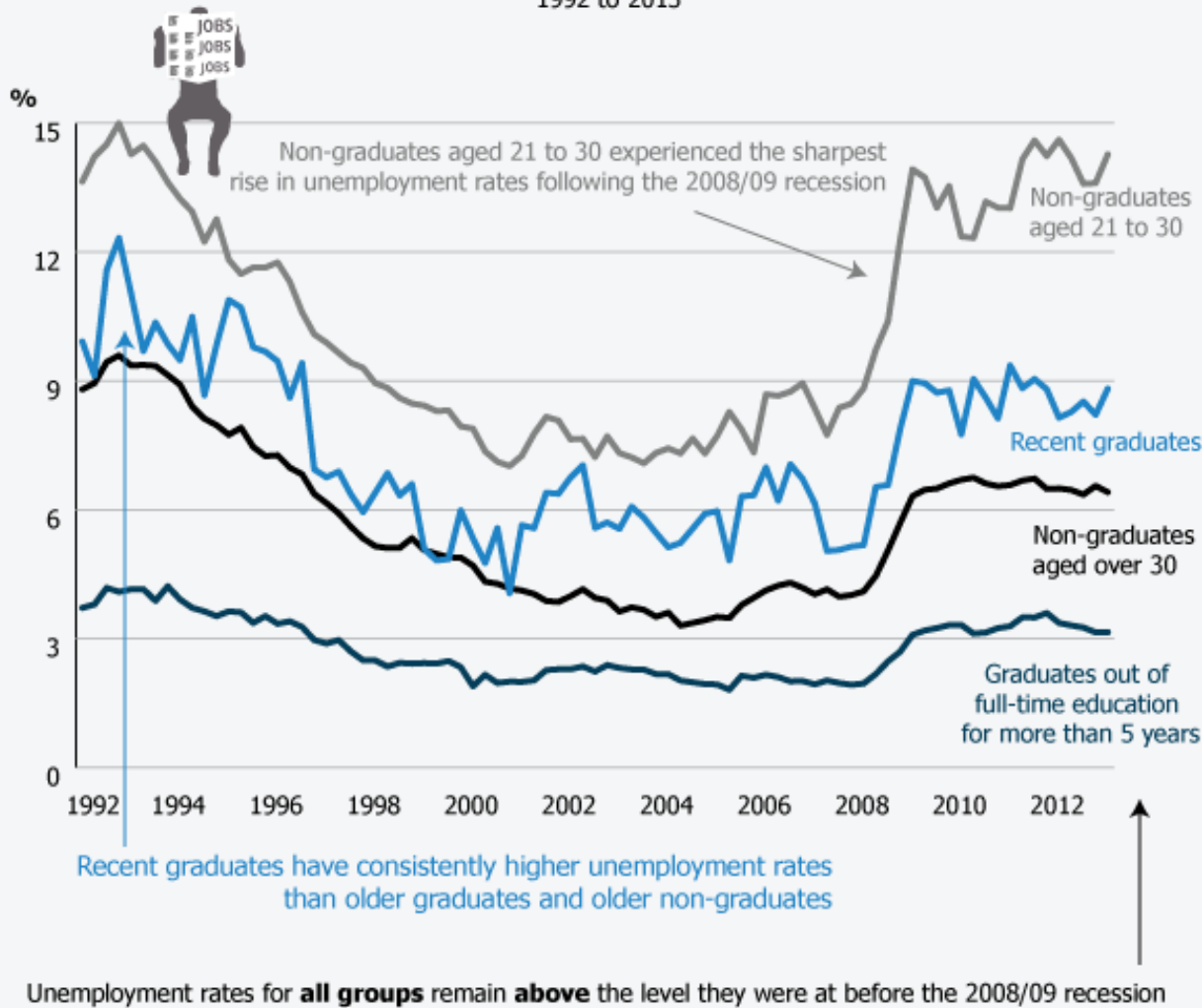
The report from which the headlines were taken is the annual ONS (Office for National Statistics) 'Graduates in the Labour Market' report. The data is taken from the annual Labour Force Survey. The following slides present key facts from the most recent report (2013).



In April to June 2013 graduates were more likely to be employed than those who left education with qualifications of a lower standard

UNEMPLOYMENT RATES

1992 to 2013



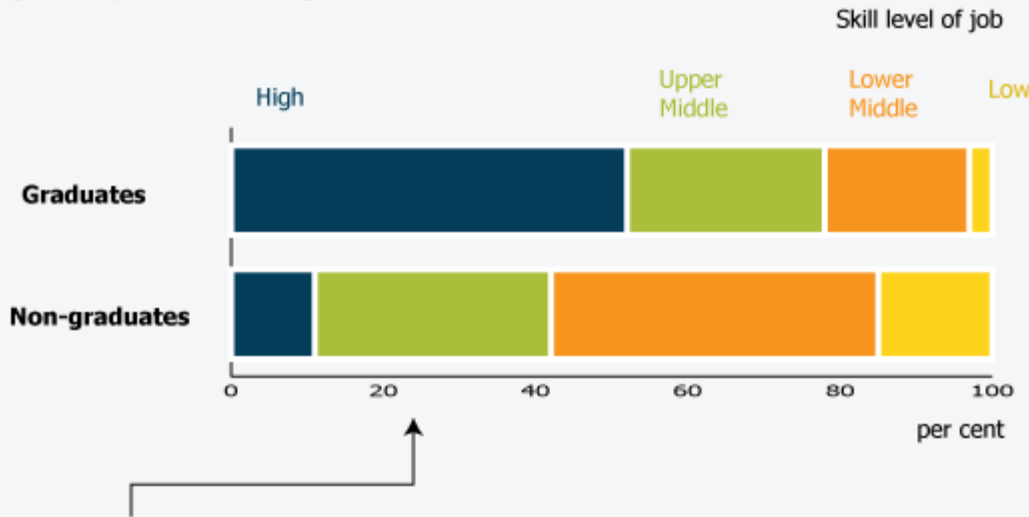
Non-graduates aged 21 to 30 have consistently higher unemployment rates than all other groups.

Graduate employment was also more resilient during the recession for both recent graduates and particularly for those who graduated more than five years previously

GRADUATES AND NON-GRADUATES BY SKILL LEVEL OF JOB

April to June 2013

Graduates were more likely to work in **high skill** posts than **non-graduates**:



The percentage of **graduates** and **non graduates** in **upper middle skill** posts was **fairly similar** . . . but there were **significant differences** in the **jobs** they did within this category:

Graduates tended to be working in:



Marketing
Finance
Human Resources

Non-graduates tended to be working as:



Carpenters
Plumbers
Electricians

Graduates were significantly more likely to work in high skilled posts than non-graduates.

Graduates in upper middle skill posts tended to be working in job areas such as Marketing, Finance and HR, compared to non-graduates who tended to be working as Carpenters, Plumbers or Electricians

Graduate Skills: What do employers want?

Research commissioned by the Edge Foundation from the University of Glasgow found that apart from subject knowledge and elements that are required for specific roles, combinations of transferable skills were also deemed particularly relevant.

These were:

- Team working; Problem solving; Self-management; Knowledge of the business; Literacy and numeracy relevant to the post; ICT knowledge; Good interpersonal and communication skills; Ability to use own initiative but also to follow instructions; Leadership skills where necessary
- particular attitudes and outlooks including motivation, tenacity, and commitment were also seen as important

'Employers' perceptions of the employability skills of new graduates' (Edge Foundation, 2011)

A useful definition of why employers should employ graduates gives four key reasons:

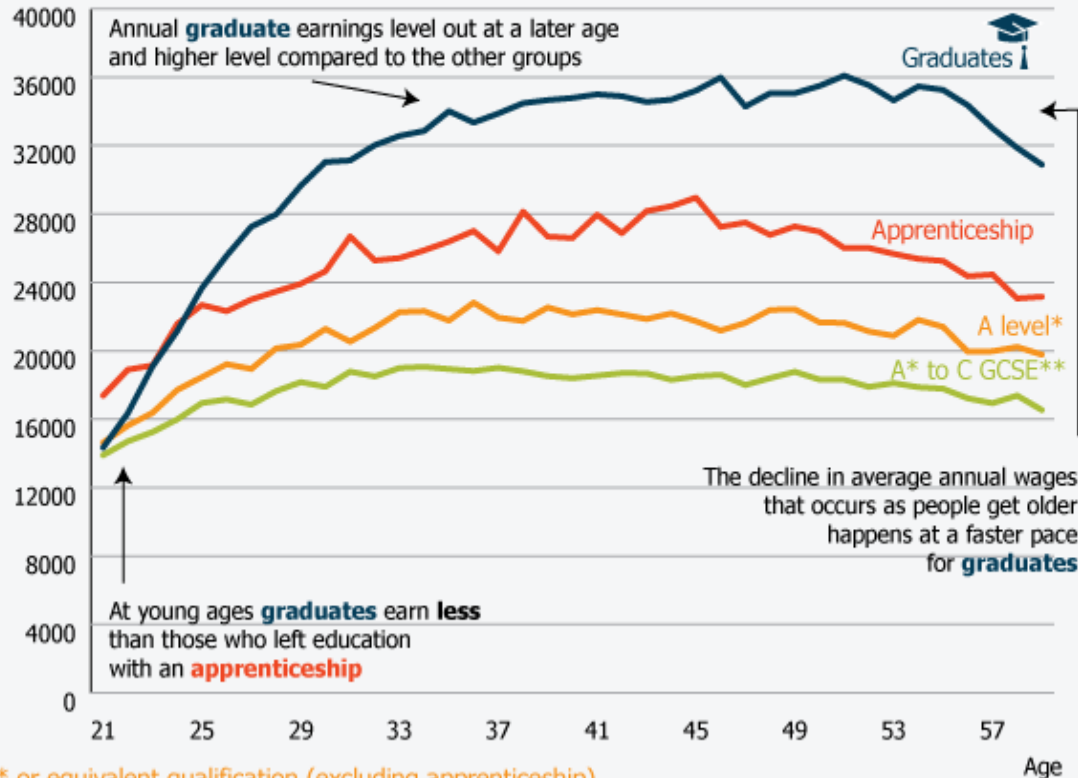
- the knowledge and ideas that graduates bring to an organisation
- their willingness to learn and speed of learning
- their flexibility, adaptability and ability to deal with change
- their logical, analytic, critical, problem-solving and synthetic skills and the impact they have on innovation.

Source: Harvey & Knight (1996) cited in 'Introducing and supporting key skills in higher education', (2002) Centre for developing and evaluating lifelong learning, School of Education, University of Nottingham

PAY PROGRESSION BY HIGHEST QUALIFICATION

Annual wages are calculated as an average wage for each age from 2003 to 2013, adjusted to 2013 earnings levels

Average Gross Annual Wage (£)



* or equivalent qualification (excluding apprenticeship)

** or equivalent qualification

The annual income for graduates increased at a fast pace as they became older and more experienced in the work place, before levelling out around the age of 38 at an average of £35,000. In contrast, gross annual earnings for those educated to an A* to C grade GCSE standard increased at a moderate pace and levelled out at around the age of 32 at an average of £19,000.

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Graduate earnings over the last decade

ONS research on graduate earnings over the last decade showed that:

- Degree holders earned an average of £12,000 a year more than non-graduates over the past decade
- After adjusting to allow for increases in earnings over the period, the data show that graduates aged 22 to 64 had median salaries of £29,900 compared with £17,800 for non-degree holders.

Using the Labour Force Survey (LFS) it is possible to compare earnings over the past decade by adjusting them to 2010 levels using average weekly earnings (AWE). Looking at how earnings differ between different ages:

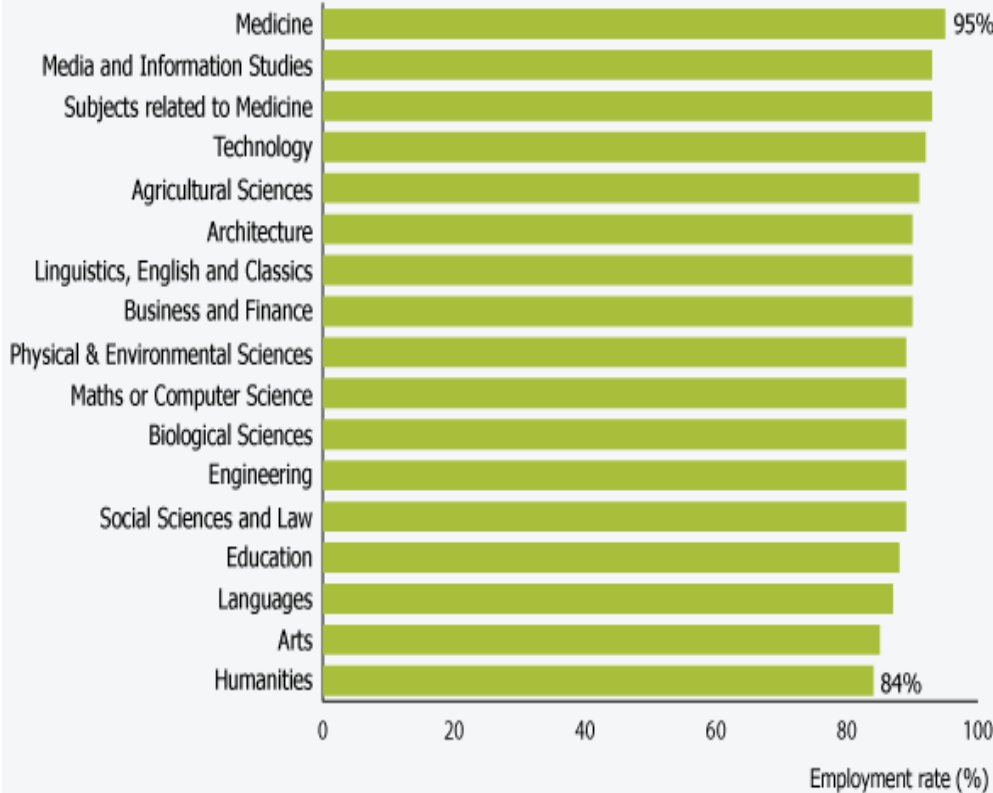
Graduate earnings over the last decade by age

- Earnings are similar for those aged 22 at around £15,000, regardless of whether they have a degree or not.
- For those without a degree, earnings increased for each year of age, levelling off at the age of 30 and peaking at the age of 34 at £19,400.
- For those with a degree, earnings increased faster for each year of age. They also increased for longer, levelling off at the age of 35 and peaking at £34,500 at the age of 51. After this point average wages decreased as it is more likely that the high earners were able to retire and leave the labour market earlier

Source: ONS, 'Graduate earnings over the last decade, 2011)

EMPLOYMENT RATE BY MAIN SUBJECT OF UNDERGRADUATE DEGREE

April to June 2013



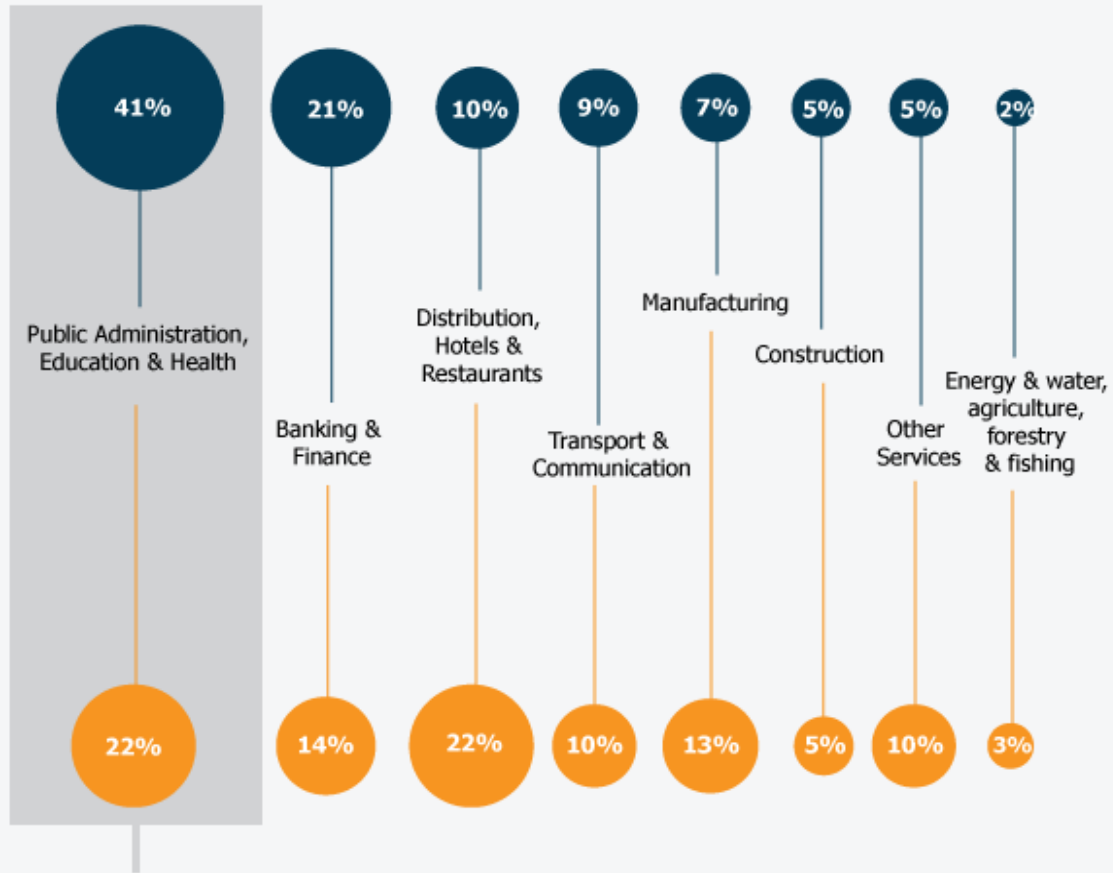
Those with a degree in **medicine** have the **highest employment rate**

Those graduates with an undergraduate degree in media and information studies had the second highest employment rate but the lowest average gross annual wage. Their average gross annual wage was £25,000 below that of a graduate with a degree in medicine/dentistry. Of all graduates with science degrees, those with a degree in biological sciences were the least likely to be employed and had the lowest average gross annual wage.

GRADUATES AND NON-GRADUATES BY THE INDUSTRY THEY WORK IN

April to June 2013

Considering all **graduates** and **non-graduates** in employment:



41% of **graduates** in work were concentrated in the Public Administration, Education and Health industry. This contrasts with only **22%** of **non - graduates**

Over 40% of graduates worked in the public administration, education and health industry.

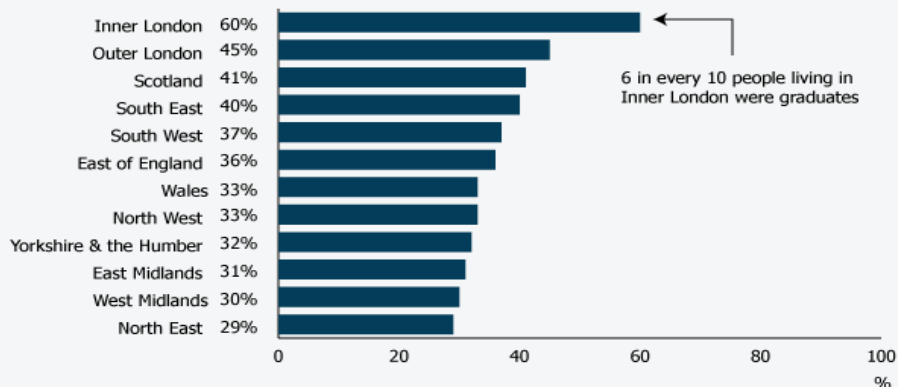
Graduates in the Labour Market, ONS, 2013

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GRADUATES ACROSS AREAS OF GREAT BRITAIN

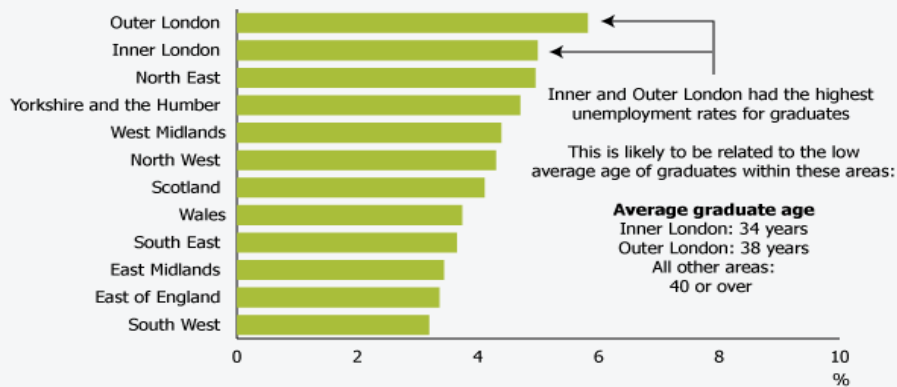
January to December 2012

CONCENTRATION OF GRADUATES



6 in every 10 people who lived in Inner London were graduates.

GRADUATE UNEMPLOYMENT RATES



Inner and Outer London had the highest unemployment rates for graduates

London employment projections

“Looking forward, London is expected to see a continued growth in its working age population and an increase in the number of jobs in the capital. The nature of those jobs will continue to change with further declines anticipated in manufacturing, wholesale, transport and storage and public administration and a continued growth in those occupations that require first degree or higher level qualifications.” (Jobs and Growth Plan for London, GLA, 2013)

“... and employment projected to grow by over 850,000 over the next 30 years or so.

The number of jobs in London is projected to increase from 4,896,000 in 2011 to 5,757,000 in 2036. This equates to annual average growth of just over 35,000 jobs per year and results in over 850,000 more jobs in London by 2036” (GLA employment projections 2013)

Projected growth in professional occupations and managers and administrators ...

This development of London's industrial structure is projected to increase the demand for professional occupations significantly in London (an increase of over half a million professional occupations is projected by 2036).

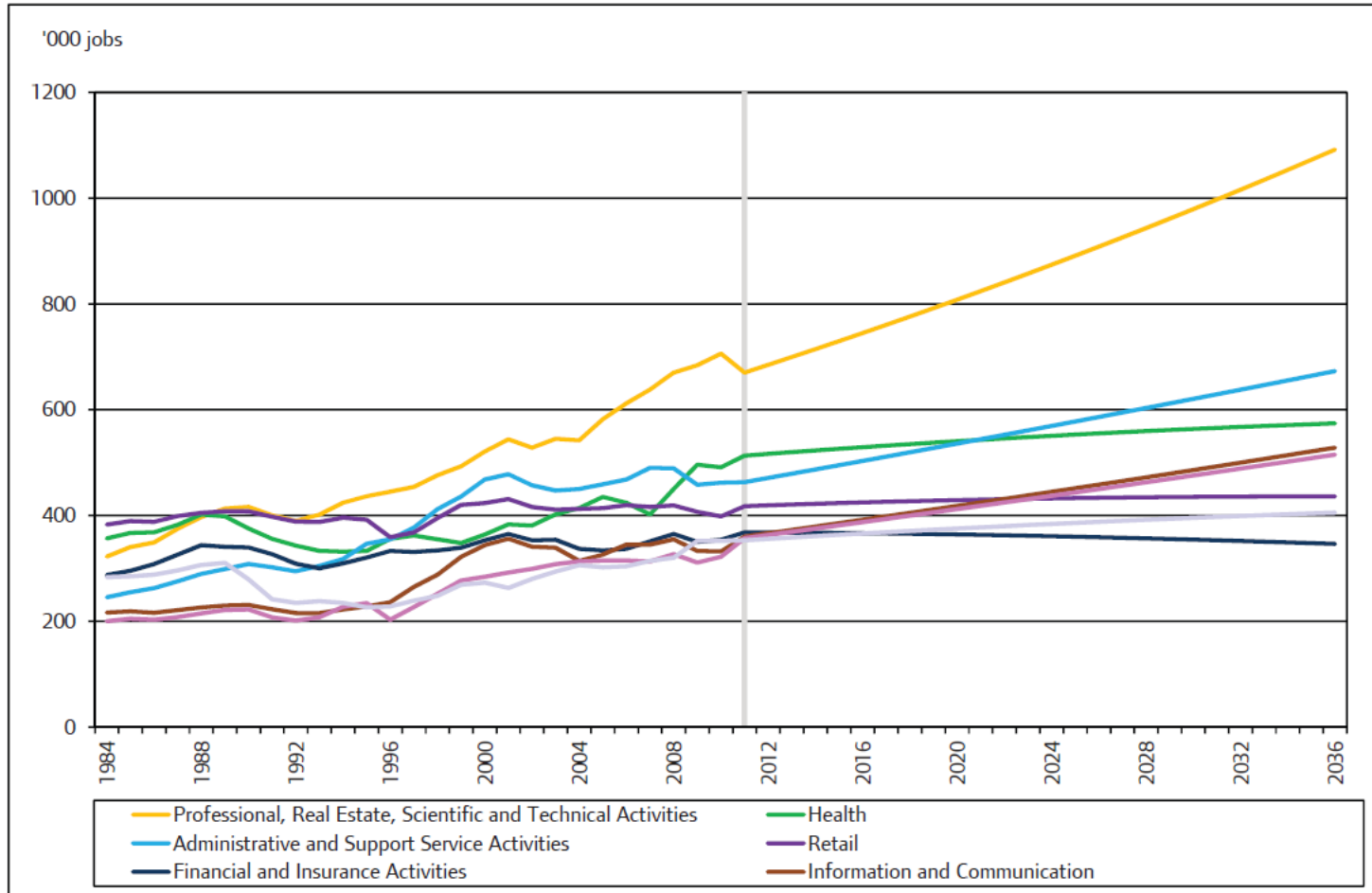
Managers and administrators are also projected to see a large rise in numbers (increasing by 222,000 over the same period). These two occupation groupings are projected to account for around 45 per cent of all jobs in London in 2036.

... leading to increased demand for higher level qualifications.

These projected shifts in employment and occupations are projected to increase significantly the demand for ordinary and higher degree level qualifications over the period to 2036.

Demand for ordinary and higher degree level qualifications is projected to increase by 800,000 over this period. As a result, the proportion of jobs in London requiring either an ordinary or higher degree is projected to reach 53 per cent by 2036, with the proportion of jobs with no qualifications reaching less than 5 per cent. (GLA employment projections 2013)

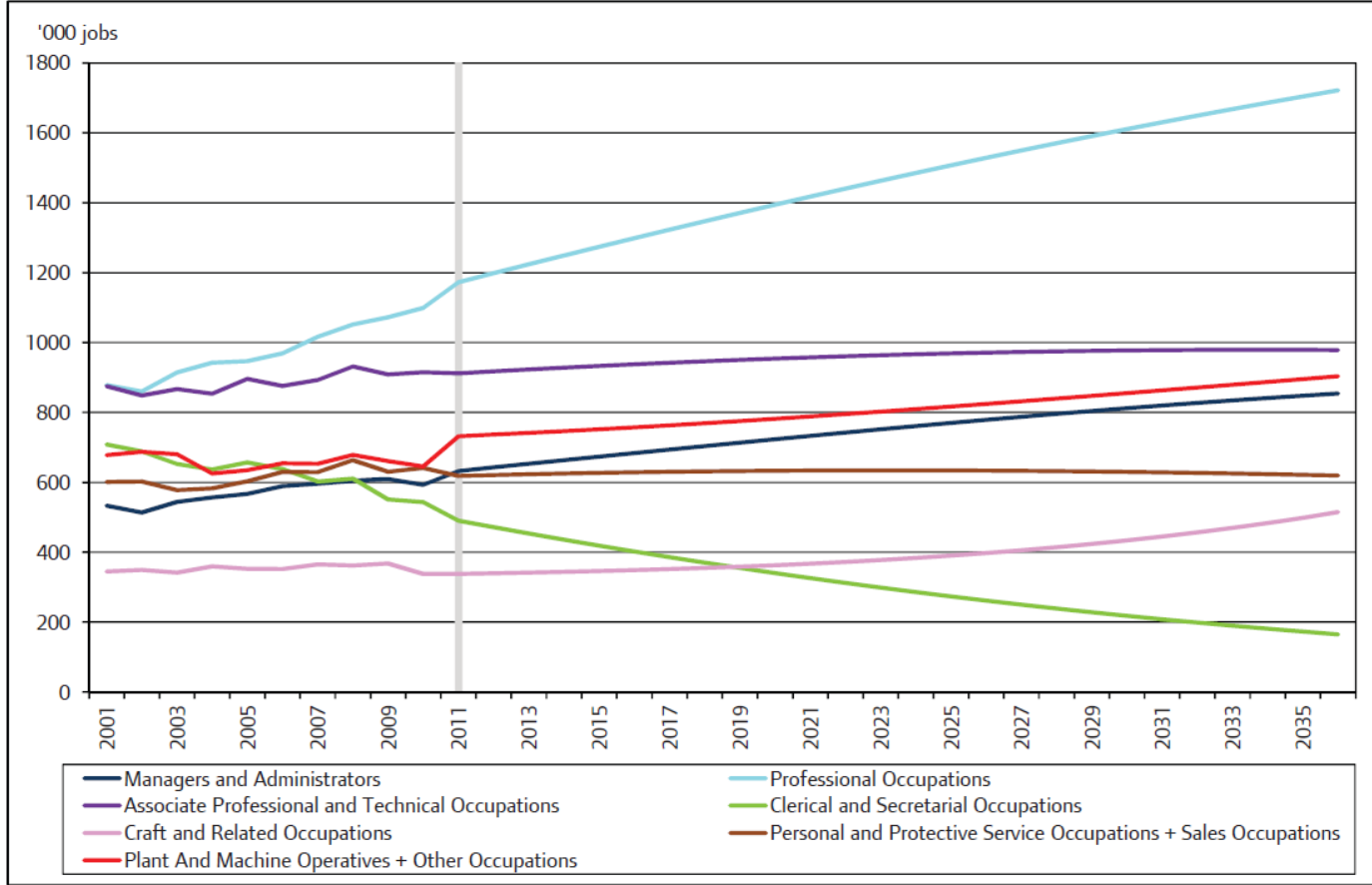
London's largest employment sectors: growth projections to 2036



Source: GLA Economics Working Paper 52, Workforce Jobs series (ONS), GLA Economics calculations

(GLA employment projections 2013)

Occupational demand in London: projections to 2036



Source: ONS Annual Population Survey, ONS Labour Force Survey, ONS Workforce Jobs series and GLA Economics calculations

(GLA employment projections 2013)

Conclusions

- For young people in London, there are better employment and career opportunities for graduates than non-graduates
- There is, and will continue to be, increased demand for graduate-level skills in London, and London is the centre for the UK graduate employment market
- As the employment market in London changes, and more jobs require graduate skills, non-graduates will find it harder to find employment as the number of lower skilled jobs decreases, and the population of London continues to increase
- Over the last decade, graduate salaries increased faster and for longer than salaries of non-graduates
- Graduate salaries were not only higher, but continued to increase, whereas non-graduate salaries peaked at a much lower level
- The main graduate job market is concentrated in London, and young graduates in London will be competing in an increasingly competitive market for graduate jobs

So, what are the implications of all this?.....

Slide 20

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