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GRADUATE FUTURES

The Impact of the Recession on Graduate
Recruitment in the East Midlands:
A Review of Expert Opinion
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About EMUA

The East Midlands Universities Association (EMUA) was established in 1999 to promote and facilitate co-operation between the 10 higher education institutions (HEIs) in the East Midlands. The association aims to add value to what could be achieved by institutions acting individually.

EMUA's member HEIs are: Bishop Grosseteste University College Lincoln, DeMontfort University, University of Derby, University of Leicester, University of Lincoln, Loughborough University, University of Northampton, University of Nottingham, Nottingham Trent University and The Open University in the East Midlands

Executive Summary

This report collates the views of the Heads of Careers Service of EMUA's Higher Education Institutions on the effects of the recession on graduate recruitment in the East Midlands. The survey was designed to collect expert opinions as independent, considered views on the impact of the economic downturn through a semi-structured telephone conversation around a series of predetermined questions; this method offered structure and validity without being too formal to allow for personal, subjective considerations.

Graduate Futures provides EMUA's partners with a rapid assessment of the 'state of the market' in the East Midlands. Unlike the Higher Education Statistics Agency (HESA) data, which will be collected and reported retrospectively many months hence, this report can be used to inform and shape interventions to limit the negative impact of the recession on our graduates and students and to support the region's aspiration to increase the proportion of its population with higher level skills. The survey was carried out in February and March 2009.

Broadly the findings of this survey are in line with recent reports on the national picture. General observations are:

- Reduction in graduate vacancies is accelerating, but most companies are trying to maintain graduate recruitment, albeit at much lower levels
- Particular concern over the lack of availability of placements for next year's students and current placement students being made redundant
- Lack of intelligence for predicting the impact of this recession on graduate recruitment owing to its unique characteristics
- Concern about 'media hype' and its negative impact on graduate confidence
- Financial difficulties for students funding their living expenses, owing to reduction in part-time job opportunities, or their sponsor (parent or partner) suffering redundancy

The attitude of students to securing employment post-graduation varies between institution depending on the type of students enrolled and the subjects they are studying. Those with more mature, part-time students are hearing some question the value of their qualification in the face of their mounting debts and the dearth of proper graduate-level opportunities. However, these students are very pragmatic and will accept non-graduate level jobs to improve their employability skills.

At all institutions, students on technical and science based courses are still holding out for graduate level positions. Many students across all disciplines are considering further study or volunteering instead of entering the jobs market this year and there is increasing interest in public sector vacancies. Teaching is proving especially attractive – it is seen as a 'safe harbour', but there are concerns that not all the applicants are really committed to teaching.

There was much scepticism about the substance underpinning the government's announcement of internships, but the idea is popular with students. Successful bids from the region's HEIs to the HEFCE Economic Challenge Investment Fund, however, means that five East Midlands universities will be offering internships in the near future.

Almost all respondents mentioned the removal of HEFCE funding for equal or lower level qualifications (ELQs) as being a particular problem for those higher skilled individuals facing or experiencing redundancy and needing to update their qualification or retrain.

1. Introduction

The East Midlands Universities Association (EMUA) was requested by the region's Employment, Skills & Productivity (esp) Partnership to survey the opinions of the Heads of Service at EMUA's member institutions about the impact of the recession on the graduate recruitment market in the East Midlands.

This request was made against the background of annual reports from High Fliers Research Ltd¹ and the Association of Graduate Recruiters² (AGR), on the national picture for graduate recruitment. These reports both indicated a fall in graduate vacancies against forecast for 2009. There were, however, marked differences between sectors, with finance and banking being especially badly hit, whilst in the public sector and armed forces graduate recruitment is buoyant. Whereas a minority of private sector organisations have suspended graduate recruitment, others have learned the lessons from the last recession regarding the structural problems that arise from a recruitment gap and will maintain graduate intake, albeit at reduced levels. AGR noted that engineering vacancies will buck the trend with a rise of over 8%, but there are concerns that there may be too few suitably qualified graduates to fill these vacancies. In this sector 75% of companies expect to struggle to meet their recruitment targets.

Since EMUA agreed to undertake this survey, two further studies have been published. The research group Income Data Services (IDS) reported that thousands of companies are planning to reduced graduate recruitment this year and are freezing, or even reducing graduate starting salaries³. They warn that the average starting salary will increase by only 0.5%, the lowest increase since they began reporting these data in 1999. The IDS study confirms, however, that public sector graduate recruitment is expected to grow by almost a third.

Finally, a recent Association of Graduate Careers Advisory Services (AGCAS) survey⁴ invited Heads of Careers Services across the UK to comment on the recession. In agreement with the previous surveys, most of the 20 respondents indicated an increase in public sector recruitment (healthcare, education, armed forces, etc.). In addition, some engineering and utilities firms are increasing recruitment. This survey also provided confirmation of High Fliers findings that in addition to the obviously affected sectors (banking, property and construction) there are also fewer jobs in media, retail and pharmaceuticals. Furthermore, some recruiters are reporting a reduction in applications for vacancies, which is interpreted as a response to media coverage impacting negatively on students' perceptions of the marketplace.

2. The Survey

EMUA has asked heads of University Careers Services what impact the recession appears to be having on their students and graduates, and on their departments' employer engagement activities. The survey was conducted by telephone; all EMUA's members participated (see appendix 1).

Interviews took the form of a semi-structured conversation around a number of questions but consultees were also invited to express opinions on related matters and to voice their

¹ The Graduate Market in 2009. High Fliers Research Ltd, January 2009

² AGR Graduate Recruitment Survey 2009 - Winter Review. Association of Graduate Recruiters, February 2009

³ Pay and progression for graduates 2009. Evans, J; Incomes Data Services' (IDS) Executive Compensation Review, March 2009

⁴ Recession - careers services' response. Association of Graduate Careers Advisory Services. February 2009

particular concerns where these had not arisen elsewhere in the conversation. The survey was carried out in January and February 2009.

3. Heads of Careers' Responses

Q. Roughly how many students are graduating from your institution this year?

Most of the region's institutions have around 3,000 (range ~760 - ~8,000) students graduating this year who have the potential to enter the jobs market; clearly many will choose not to do so and will extend their education instead (see later).

Q. Do you host one or more Careers Fair/Milk round events? If yes, is interest from employers in attending up/down on previous years? What about local/ regional employers?

Almost all our HEIs hold at least one careers fair. Most have already held these in over the autumn/winter period and the employers had pre-paid to attend; by and large, employer support for these activities had been in line with, or in some cases increased over, recent years. Some large employers were 'staying on the circuit' despite reduced job vacancies. More than one respondent reported that large companies had suffered after the last recession by withdrawing from the graduate jobs market and were determined not to make that mistake again. Only a few employers had 'pulled-out' of attending fairs, so far.

The types of careers fair activity varied markedly between institutions, as would be expected. Generally the research-intensive institutions attracted employers from throughout the UK, whereas those institutions with more local and part-time students recruited a higher proportion of their employers from the region and had a greater number of SME employers participating (knowledge-intensive SMEs, who only recruit graduates, were represented at most institutions). One institution with an up-coming fair was struggling to recruit SME employers, who were finding it difficult to meet/justify the exhibition fee. Creative industries SMEs, in particular, were proving reluctant to engage, even for 'networking' events.

In general, there was a feeling that it was too early to see the full impact of the recession on employers' willingness to engage in graduate recruitment activities and respondents were much more pessimistic about the prospects for the next round of careers fair activity. Careers Services are working hard to encourage employer participation and are restructuring their 'offers' to maintain interest from cash-strapped companies. It was reported to be 'really hard' to get a commitment to employer participation that costs money.

Q. What about interest from students in participating in these events?

Interest in the careers fairs from students is high, although they have very high expectations of the events, which are not always met (e.g. some assume most blue-chip employers will be present). Most institutions have seen an increased footfall at their events and interest in a 'work-experience' fair was markedly up.

Students are reported generally to be 'very serious' about job hunting and, whilst students are generally recognised to be more insulated from the economic downturn than the general public, they are noticeably more concerned about its impact on them than

students in previous recessions. Whilst contact time with careers services is up across the board, some respondents reported concerns that a subset of students are suffering 'recession-fatigue' - feeling there is 'no point' in looking for a job.

More than one respondent noted a reluctance of students to get involved in group exercises, such as 'employability workshops', which is particularly disappointing in view of the demand for employability skills from employers. Students are particularly resistant to engaging in group role-play scenarios. There was some sympathy with employers' complaints, especially about a deterioration in spoken and written communication skills, emotional intelligence and team-working. The possibility that the internet generation is actually more, rather than less isolated, than previous ones and demonstrates communication deficits arising from the disproportionate use of virtual social and learning environments, was mentioned more than once.

Q. Please think about the vacancies being reported to you, especially those from local/regional employers; are these up, the same or down on previous years?

Generally vacancies were holding up well until Christmas, since when they have 'fallen off a cliff'. Some had seen a more gradual decline beginning last summer, but even here the rate of decline is markedly accelerating. There was a feeling that some of the vacancies that are now being reported are not 'proper' graduate vacancies, with employers seeing the chance to recruit more highly skilled staff into lower level jobs. Most employers are being cautious, and scaling back or delaying, rather than stopping, recruitment. Many major employers are still recruiting despite having made redundancies elsewhere in their organisations. Some felt the market for graduates, although down, was actually fairing well compared with the jobs market in general and were working hard to convince students that it is still worth seeking and applying for their job of choice. Respondents were generally reluctant to provide an estimate of the scale of the downturn in vacancies, and those who did were cautious, indicating big variations across disciplines and public vs. private sector; these estimates ranged between -15% and -56% depending on sector.

Of those businesses that are recruiting, a number have filled their graduate recruitment places quickly and have had their pick of the 'high flyers' – others report that they have not seen the right quality of applicant yet and are returning to the market. This may be because students are suffering 'recession fatigue' and not applying, believing the vacancies will be so oversubscribed they will have no reasonable chance of being recruited. Alternatively, students may be recognising that in a competitive marketplace they need the best possible degree and are focussing on their academic studies, instead of making job applications at this time.

Respondents indicated that one of their biggest areas of concern was the sharp decline in industrial/business placement opportunities (fixed term, degree-related paid work), which will be particularly difficult for next year's cohort. Placement offers for next year are also being affected by the redundancy of permanent staff (i.e. existing offers withdrawn).

Some institutions are responding by dropping the requirement for a placement for some courses, or considering re-defining what is required of a placement. One respondent felt the market for placements was reaching saturation, especially with the advent of Diplomas and the administrative burdens these place on otherwise willing employers (Health & Safety and CRB requirements for SMEs). Universities, as large employers themselves, could perhaps be persuaded to employ some of their own graduates on placements.

Most respondents indicated they are receiving regular reports of redundancy, or threatened redundancy, for students already on placements. The rate of these reports is

increasing, especially for 'business-related' placements (although some students are 'still hanging on', despite redundancy warnings before Christmas). Careers Services are doing their best to find alternatives for those affected. It is thought that those students who are unable to find placements next year will have to adjust their expectations of their first permanent job and will have to accept lower level appointments to gain the necessary work experience.

Opportunities for part-time work locally are also declining; this has important ramifications for those students who rely on this work to support themselves through their degree. Student entrepreneurship has also been hit by the recession, with students identifying an increased level of risk associated with starting a business in the recession.

Q. What proportion of our students are considering employment in the East Midlands and has this changed from previous years?

The response to this question varied significantly depending on the characteristics of the student body, as you might predict. Those institutions with a higher proportion of mature and part-time students have always seen most of their students desire local vacancies. Those learning part-time are often already in employment, with training funded at least partly by their employer and wish to stay here. The majority of those on full-time courses have part-time jobs to support their studies, which they will look to extend if they are unable to find suitable graduate employment locally.

The pattern in those universities with predominantly younger full-time students is slightly different. Roughly half of those reading health and social care related subjects will wish to stay in the region as will those studying education. The majority, however, look to find their 'ideal job' wherever that might be located. There were a few reports that students who might have preferred to stay in this region are considering returning to the parental home in order save money and to look for a job, or to extend their education with post-graduate qualifications, in that location.

Q. Have your students' attitudes to employment in SMEs been changed by the economic downturn?

Again this response varied with the nature of the student population. Those with a more mature, local student cohort have always recruited into SMEs and this was unlikely to change. There was generally the view that the student body at the new universities had no expectation of employment by Association of Graduate Recruiters (AGR) organisations. There is little antipathy to SMEs per se, but the 'image' of some businesses is off-putting to some students, especially when they are located on 'scruffy business parks' in small towns. Generally, it was thought that students would consider a SME if they had been established for a number of years and were financially stable, or if they had a personal contact with someone who worked there. Knowledge-intensive SMEs have always recruited from our HEIs and interest in these vacancies is expected to grow, as large company recruitment declines.

In this region, relatively few SME employers have graduate vacancies and respondents welcomed recent activity to try to stimulate graduate employment in these businesses. Financial incentives to SME employers are considered to be essential to stimulate the market for graduate jobs in the East Midlands.

Q. In your opinion, is the state of the economy impacting on the type of job your students are prepared to consider e.g. public vs. private sector, 'less than ideal' jobs, jobs that do not require HLS?

Most students are being pragmatic about job hunting, though some high flyers will hold out for their dream job. There are increased numbers looking at the public sector as a destination and Careers Services are working hard to raise their awareness of the range of employment available in the public sector. There is informal evidence that the public sector is being seen as a more attractive destination than in previous years.

Those graduating in technical subjects are, by and large, only considering graduate level jobs, but other students are being more flexible. Some are applying for vacancies they would have previously considered 'beneath them' believing the work experience will be a valuable addition to their CV and/or hoping they might achieve rapid promotion.

Teaching, in particular, is seen a 'safe haven'; education schools across the region have been deluged with applications from career changers, as well as interest in postgraduate teaching qualifications from those completing their first degree in all subject areas. In contrast, the vacancies reported are generally slightly down, although vacancies still arise in 'challenging' schools i.e. there is less 'churn' from those in teaching posts and fewer are choosing to exit the profession.

It is notable that increasing numbers embarking on a PGCE qualification are discovering that teaching is not, after all, an appropriate career choice for them and there are concerns that these numbers will grow as more graduates consider this option as a 'safe-haven' rather than because they have a genuine desire to teach.

There is increasing interest in volunteering, as an alternative to normal employment.

There appear to be two minor, but notable, sub-groups of students emerging: those who feel they are 'entitled' to high quality graduate jobs and are somewhat blasé about their prospects of achieving high quality employment (the attitudes of the so-called 'Generation Y' are discussed extensively elsewhere^{5,6}) and, in contrast, those students who lack confidence, especially those older graduates facing competition from 'generation Y' candidates.

Some students are certainly prepared to consider jobs that do not require their higher level skills and there is concern, particularly for those from widening participation backgrounds, that these could become a 'lost generation' who will never achieve their potential. The majority of full-time younger students, however, are not currently considering lower level jobs, are "not expecting to be on benefits" and still anticipate achieving skills-appropriate employment.

Q. Are students looking to up-skill (post-graduate qualifications) rather than enter the jobs market now? If so, what is the nature of this post-graduate activity?

Almost all respondents noted an increase in interest in enrolling for post-graduate qualifications and it is thought students will also consider a 'gap-year' (e.g. travelling) as a means to delay entering the jobs market. There was guarded concern that the interest in

⁵ Huntley, R. The world according to Y: inside the new adult generation. 2006; Allen & Unwin (pub)

⁶ Shaw, S & Fairhurst, D; Engaging a new generation of graduates. Education & Training, 2008; 50, 366-378

post-graduate qualifications is mostly around taught masters degrees which may not be the best option for those individuals' desired career progression. Affordability is the key issue for these students and enrolment is likely to be dominated by those who can rely on the 'Bank of Mum & Dad'. The same is true for those students who are considering volunteering as a means to gain experience.

Professional and vocation qualifications tend to require existing relevant employment, so in spite of their desirability, there is no notable increase in applications. Applications are, however, being maintained at normal levels for now. At undergraduate level, there are some signs that parental attitudes against non-vocational and non-technical subjects are hardening and beginning to influence student choice.

In teaching, there is increasing interest in the Graduate Teacher Programme scheme, with students finding this the most cost-effective route. Post-qualification, many are looking to gain more classroom experience to improve their prospects of achieving a permanent appointment.

Q. What are student attitudes to the government's proposed 3 month internships?

Most respondents noted a flurry of interest from students following the announcement on internships, but this has now died down. Students are generally positive about internships when the possibility is raised with them. There is, however, concern that demand will massively out-strip supply and a view that match-funding schemes were required to stimulate even large employers to provide internships. There was concern from all parties that the government's announcement was largely a PR exercise that lacked substance in practice. Several of the regions' HEIs have responded to the demand by seeking matched funding from HEFCE, through the Economic Challenge Investment Fund (ECIF), to provide internships. At the time of writing we believe there will be five HEIs in the East Midlands offering internships by this route and are awaiting further details of the schemes. HEFCE recognises the student demand for internships and has, in some cases, funded just the internship component of an institution's larger bid to ECIF, to allow more institutions to participate. It recognises the demand for more of these schemes and, although its own resources are now exhausted, is seeking funding from other government departments in order to hold another round of ECIF; we await developments.

In conversation with Careers staff, some employers have expressed concerns about the ethics, and possibly also the legality, of employing internees whilst making permanent staff redundant. Careers Departments had also been approached by employers following the government announcement, offering to take on internees and asking how they should access the associated funding, assuming the programme was fully financed by government!

4. Other Issue, concerns and comments

Respondents were asked if they would like to make any other comments about graduate recruitment in the current climate and a number of common themes arose.

"The Feeling":

Everyone said this recession felt 'different' compared with any they had experienced previously. They felt unable to make any predictions about what was going to happen to the graduate jobs market, even in the next few months. This recession is unusual, both in

the sectors affected and the timing of its effects. Comments like: “These are scary times, because I can’t think what tomorrow looks like” were common.

Media Hype:

All respondents were concerned that the persistently negative and sometimes alarmist reporting of the economic climate by the media was having damaging effects on student attitudes and confidence.

Graduate premium and student debt:

There was growing cynicism from a sub-group of the student population, particularly older, part-time students and widening participation students, that they had been misled about the benefits of higher education. They are seeing graduate vacancies diminish and downward pressure on starting salaries, just as they – the first cohort who have completed their degrees under the current fee structure – emerge with record debts.

Stretched finances and student drop-out:

There were concerns that older (often part-time) students who are being sponsored by their partners, and also younger students sponsored by their parents, will be forced to drop out of their courses when those partners/parents are threatened with, or experience, redundancy. The sharp fall in part-time employment is also causing some younger full-time students to question whether they can afford to continue their education in the recession. Some with part-time jobs are seeking additional hours when they graduate, rather than looking for new full-time graduate employment.

It is considered there will be an increasing problem as the new intake of students fail to find part-time work (which they rely on to maintain themselves during their course) and concerns that only those who can rely on parental support will be able to afford to attend university away from the parental home.

Several respondents commented on the problems of the lack of loan finance for those seeking to finance a part-time qualification, and the very limited hours students on benefits can study before this reduces, or prevents them from qualifying for, benefits e.g. Job-seekers’ Allowance.

The concerns about the impact of the downturn on finances are echoed by recent surveys by the NUS⁷ and the UK Youth Parliament⁸.

Research for the NUS by OpinionPanel found that four fifths of students are ‘concerned’ or ‘very concerned’ about the impact of the recession on graduate employment and their future career prospects. A third are now more likely to enter for post-graduate courses immediately after graduating. In addition, a quarter will receive less financial assistance from their parents as a result of the recession.

A separate survey for the UK Youth Parliament showed widespread concern about the impact of the recession on student finances and predicts a change away from the traditional model of full-time students living away from home. Over a third said the recession would affect their choice of university and course, with them choosing the cheaper options, such as living at home. The vast majority of students (90%) expected to

⁷ The recession and its effects on students. March, 2009; OpinionPanel Research (for NUS) <http://resource.nusonline.co.uk/media/resource/HU0213NUSRecessionandHEfundingSummaryReportDATA.pdf>

⁸ Greenhalgh, J. Access Denied: the stories the government doesn’t want you to hear about tuition fees. March 2009; UK Youth Parliament (pub) http://www.ukyouthparliament.org.uk/campaigns/access_denied.pdf

undertake paid employment in term-time. Almost two-thirds were concerned about the negative impact of the recession (diminished opportunities for term-time work, reduced financial support from parents and the potential for parental unemployment) on their education.

Equal or Lower Level Qualifications (ELQs)

Almost all respondents mentioned the removal of HEFCE funding for ELQs as being a particular problem for those higher skilled individuals facing or experiencing redundancy and needing to update their qualification or retrain. The very firm line from DIUS on this matter means we must urgently seek alternative sources of subsidy for such individuals.

Links within Institutions

The extent to which the Careers Service is integrated with the learning and teaching and business development functions, varies markedly between institutions. In those where the Careers Service is recognised as providing added value to the curriculum, requests from academic departments for employability & careers sessions from the Careers Department are soaring and are being very well received by students.

In other HEIs, the careers function is very isolated; whilst they feel valued for the service they provide, they believe that have much they could add to curriculum. In addition, they are aware that the employment prospects for some students in some subject areas are changing; the intelligence they pick up from the employers could be usefully applied to 'flex' existing curriculum to improve the students' job prospects e.g. whilst previously coveted vacancies in investment banking are declining, opportunities in financial compliance will be growing.

Most careers teams report they are very overstretched, with increased demand for one-to-one assistance from students at the same time as they are needing to work hard to develop new and existing employer links and to identify potential growth areas for graduate recruitment.

Links with Employers

There were concerns from those universities that have traditionally had strong vocational links between departments and employers, that these links might begin to break down in the downturn. A coordinated response within institutions is necessary to ensure these links are properly managed.

There was some concern that overstretched institutions seeking economies might be tempted to reign back on the Careers Services' employer outreach, just at a time when it was critical to maintain or increase those activities.

Some interest was expressed in a collaborative regional or sub-regional careers fair for SME employers, who do not normally participate in these events, but might be persuaded to attend if they could meet with and exhibit to students from several HEIs at once.

Links to Alumni

Some institutions are already reviewing the scope and availability of Careers Services to Alumni. It is a characteristic of this recession that recent graduates are losing their jobs in greater numbers than in previous recessions. The problems for this cohort are significant, since they are carrying a substantial debt burden from their qualification. Updating the qualification is clearly not an option; some might consider retraining in a different area, but the financial barriers are prohibitive.

The position is particularly disconcerting for those who have recently obtained one of those desirable, vocational qualifications so promoted by government, whose jobs have

been lost as a direct result of the contraction of their industry e.g. quantity surveyors and building services engineers, hit by the downturn in the housing market. It is especially important that the contraction for those already graduating does not feed into reduced applications for these courses and that those currently without jobs do not become lost from the profession. It is not clear, however, what action can be taken to mitigate these effects.

Appendix 1:

Institutional Participants

<i>Interviewee</i>	<i>Affiliation</i>
Eve Stuart	Bishop Grosseteste University College Lincoln
Karen Rondeau	De Montfort University
Celia Beizsley	University of Derby
Paul Jackson	University of Leicester
Mandy Jones	University of Lincoln
Jenny Jones	Loughborough University
Catherine Climes	University of Northampton
Stephen McAuliffe	University of Nottingham
Paul Hacking	Nottingham Trent University
Clare Riding	The Open University in the East Midlands