

Survey report 2006

# GRADUATES IN THE WORKPLACE

## DOES A DEGREE ADD VALUE?

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# Introduction

This report is an in-depth study exploring graduates' expectations and experiences of work. It explores the impact of tuition fees and looks at what organisations must do to attract and retain graduates. Two samples of recent graduates were surveyed for their views – the first sample of 331 respondents graduated in 2000, and the other, of 545, graduated in 2005.

In recent years, the number of individuals going into higher education each year has increased considerably. And although around 15,000 fewer students started university this year, after the introduction of tuition fees, it remains to be seen whether this first drop is an anomaly or the start of a trend. Official statistics from the Department for Education and Skills show that:

- There were 522,155 UCAS applicants for 2005 entry, of which 78% (405,370) were accepted.
- 633,045 students obtained higher education qualifications in 2004–05.
- The total number of higher education level students in the UK has risen from 2,440,510 in 2003–04 to 2,480,145 in 2004–05.

The Government boasts that record numbers of individuals are now going to university and continues to set ever-higher targets year on year. But are the rising number of graduates having an impact on the graduate job market? And what does this mean in terms of graduate salaries and competition for jobs?

During the last few years we have seen both an increase in the number of graduates and the introduction and increase in tuition fees. So what impact is this having on graduates' perception of university and the world of work? Will the record number of graduates continue increasing given the increase in tuition fees?

# Summary of key findings

The 2006 graduate survey provides data on graduates' expectations and experiences of working. We focused on some important issues facing graduates, including graduate reflections on the value of their studies now they're at work, their initial opinions of the world of work, and the impact of student debt on their finances and life plans.

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## Finance

- There has been just an 8% increase in the mean starting salaries between the 2000 and 2005 graduate cohorts, with those graduating in 2005 earning a mean starting salary of £19,451, and 2000 graduates starting with a mean of £18,016.
- The findings suggest that those who graduated in 2000 have enjoyed rapid improvement in both real and relative earnings, seeing their salary increase by an average 55% to a mean current salary of £27,879.
- Respondents who graduated in 2000 see the importance of saving for their retirement, with four-fifths making a contribution to an occupational or private pension.
- Within just 12 months of graduating, 63% of students are paying into a pension. But further analysis shows just 57% of women graduating in 2005 contribute to a pension scheme, compared with 70% of men.
- The gender pay gap has doubled since 2001 – men graduating in 2005 earn a starting salary that is 14% more than the average woman graduating in 2005.

## Attitudes to work

- A large majority of graduates (over 90%) consider happiness, career development, challenging work, training and development, a good relationship with their manager and company culture as very important to them.
- Over four-fifths (86%) of those who graduated in 2005, and 88% of 2000 graduates, say that salary and bonus is important to them.
- Over two-thirds (69%) of 2000 graduates state that additional benefits, such as pension and company car, are important, compared with just 59% of 2005 graduates. This could be a reflection of extra commitments and responsibilities that the 2000 graduates are faced with, such as mortgage or rent outgoings.
- Ninety per cent of those who graduated in 2000 say that work–life balance is important to them, compared with 85% of those who graduated in 2005.
- Organisations are most likely to fulfil graduates' needs by creating a good company culture (81% of 2000 graduates and 77% of 2005) and facilitating good relationships between employees and managers (80% of all graduates).
- Those who graduated in 2005 are around 15% more likely to say their organisation is good at fulfilling their needs with regard to the company's overall reputation and job security, which suggests attitudes change and satisfaction may decline once individuals have been in the workplace for a few years.

### Reflections on university

- One-third of respondents, regardless of when they graduated, say they would choose a different course. Most of these say they would opt for a more scientific/technical course, a business-based course or a professional qualification. This is interesting in the context of the recent coverage about students choosing the 'softer' A-level subject options to get into university.
- Around three-quarters of graduates say that computer skills and communication skills are those most likely to be gained at university, followed by additional soft skills, such as teamwork. The skills that are less relevant include technical/specialist skills and negotiation skills – only 54% of graduates say they use technical/specialist skills that they gained at university, in their job, and just 37% of those who graduated in 2005 use negotiation skills.
- The careers service provided by universities is struggling to meet student needs. Around two-thirds (62%) of students say that their university could have offered more career advice; over half of respondents say more networking opportunities and contacts would have been helpful (55%); and 47% say they would have liked more help to get work experience during holidays.

### Time out prior to university

- The number of students that undertake employment for at least a year before entering university has actually dropped in the last five years. Over three-quarters (77%) of 2000 graduates took time out to get paid work, compared with 71% of the 2005 graduate cohort.
- The number of respondents taking time out to travel before going to university has almost doubled since 2000. This implies that many students seem relatively unconcerned about the rising cost of going to university.

### Starting work

- The number of graduates taking longer than six months to start a permanent job has risen from 9% to 14%. Furthermore, the number of graduates declining their first permanent job offer, after graduating, has dropped from 33% in 2000, to 26% of those who graduated in 2005. This suggests that the large increase in the number of graduates during the past five years has increased the level of competition for vacancies among graduates.

# Experience at university

This section investigates graduate attitudes towards university and their degree in relation to work. It explores the skills that graduates feel they have learned at university and the areas in which their university could have done more to prepare them for work.

## Reflections on university

Most graduates appear positive about their experiences at university, despite the introduction of tuition fees and increased debt, and the large majority (over 90%) say they would go to university if they had their time again. However, one-third of respondents, regardless of when they graduated, say they would choose a different course.

Table 1 shows that of those who would choose a different course, around one-quarter (23%) of 2005 graduates and 16% of 2000 graduates would opt for a more scientific/technical course.

The Government has made boosting the number of young people pursuing qualifications and careers in science a priority. So they would do well to make sure that schools and colleges have the resources and information needed to offer an insight into the careers available, and the skills that are required for these careers.

While more scientific/technical courses are favoured, a further 22% of 2005 graduates would choose a business-based course or a professional qualification, compared with over one-quarter of 2000 graduates. A combination of the tight labour market, competition for graduate jobs and graduates taking longer to find work suggests that more recent graduates want something that relates directly to business and that will equip them with skills that are directly transferable into the workplace.

Those who graduated in 2005 and achieved lower grades are more than twice as likely as those with higher grades to think they could have got their current job without their degree. And while those with lower grades are also more than twice as likely to choose a different course (37%), most of them (90%) would still do a degree. This suggests that they place a high value on their experience of university rather than the degree itself, a factor which is often overlooked in the debate about the number of students that go to university.

Table 1: Alternative course if graduates said they would pick a different subject in retrospect

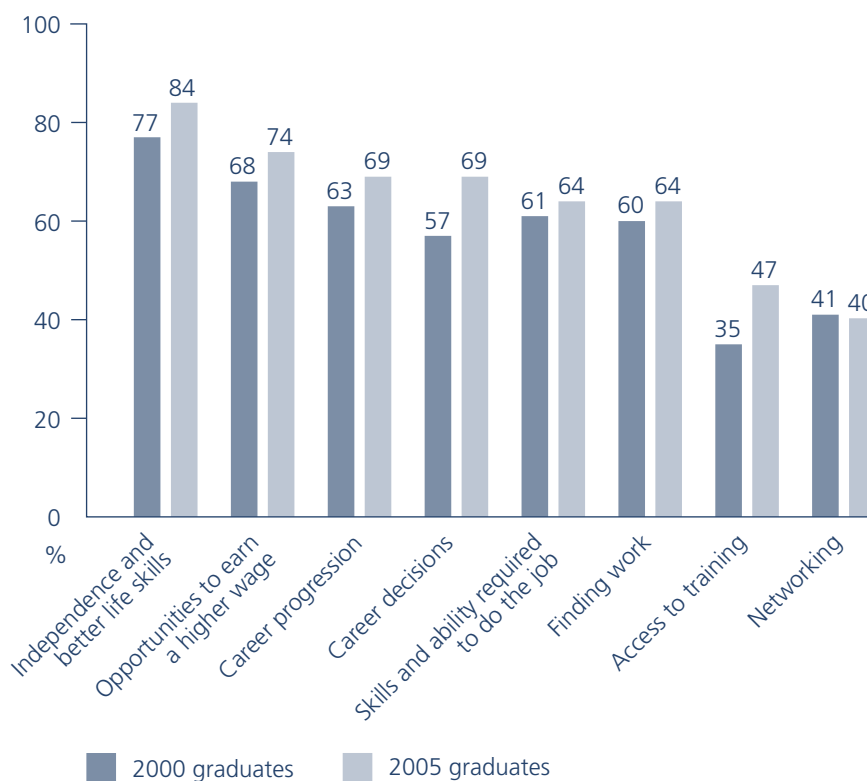
Reason	% 2000 graduates	% 2005 graduates
Scientific/technical course	16	23
Course leading to a professional qualification	28	22
Business-based course	27	22
Different subject	8	18
Arts-based course	18	16
Course that includes a placement year	17	15
Vocational course	10	9

Base: All those who would not pick the same course (2000 graduates = 101; 2005 graduates = 161).

Figure 1 demonstrates some of the reasons why students value their time at university. It shows that 84% of 2005 graduates say their time at university has been most helpful in terms of gaining

independence and better life skills. A further 74% feel that going to university has given them the opportunity to earn a higher wage, and 69% believe it has helped with career progression.

Figure 1: How a degree has helped individuals...



Base: All respondents answering (2000 graduates = 323; 2005 graduates = 540).

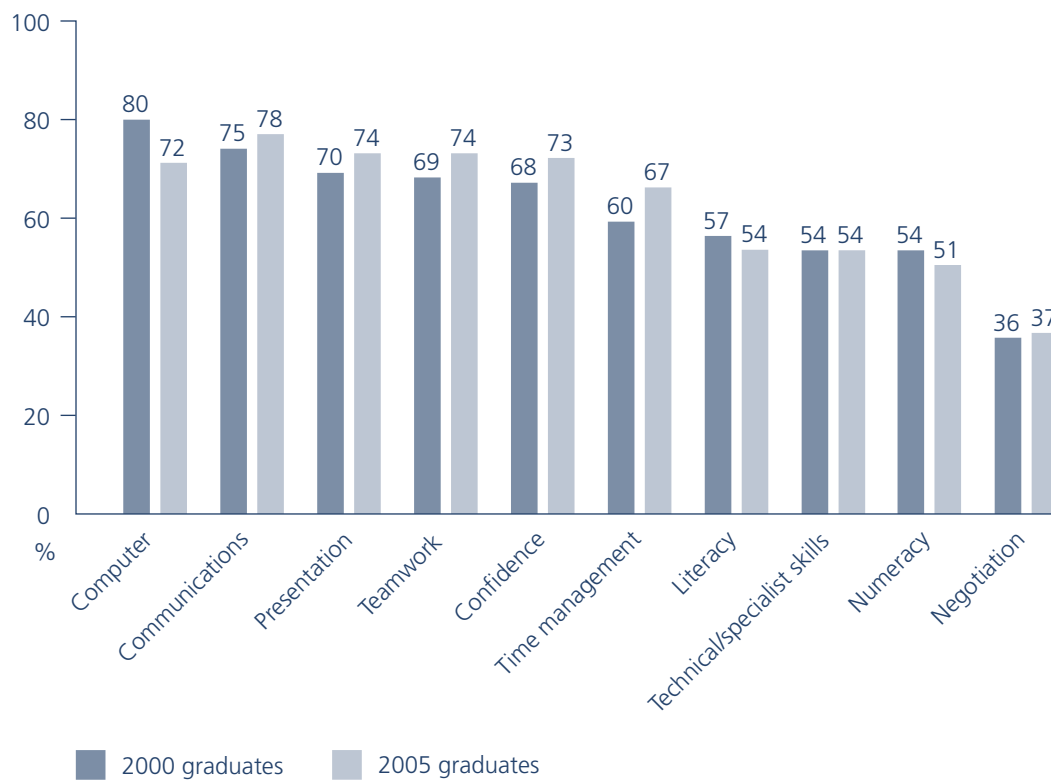


### Preparation for employment

Almost two-thirds of respondents, regardless of when they graduated, indicate that their time at university has been helpful in terms of the skills and abilities needed to do their job. Figure 2 shows that of the skills gained at university, computer skills and communication skills are

the ones most used in their job. These are followed by other 'soft skills', such as teamwork. This reflects previous CIPD/KPMG research that shows that employers are placing much more emphasis on the soft skills of school-leavers, such as communication skills and work ethic, when recruiting.

Figure 2: Skills gained while at university used in the workplace



Base: All respondents answering (2000 graduates = 331; 2005 graduates = 546).

Table 2: Areas where university could have done more to help

Areas	% 2000 graduates	% 2005 graduates
Career advice	57	62
Provide networking opportunities and contacts	57	55
Help to get work experience during holidays	43	47
Provide information about organisations advertising for graduates	42	43
Training in soft skills, such as assertiveness	54	41
Tips on how to improve interview technique	50	40
Tips on writing CVs and covering letters	41	34
Technical/specialist skills, such as computer skills	24	29
Not raise expectations in terms of ability to get work	27	26
Help to get voluntary work	16	20

Base: All who thought university could have taken more steps to prepare them for the world of work  
(2000 graduates = 155; 2005 graduates = 260).

Table 2 shows that around half of graduates believe their university could have taken more steps to prepare them for the world of work. The areas the university could have offered most help, as identified by those who graduated in 2005, include: providing networking opportunities and contacts (55%); career advice (62%); and getting work experience during holidays (47%). Work experience appears to be increasingly important as the proportion of individuals graduating each year rises and the competition for jobs increases.

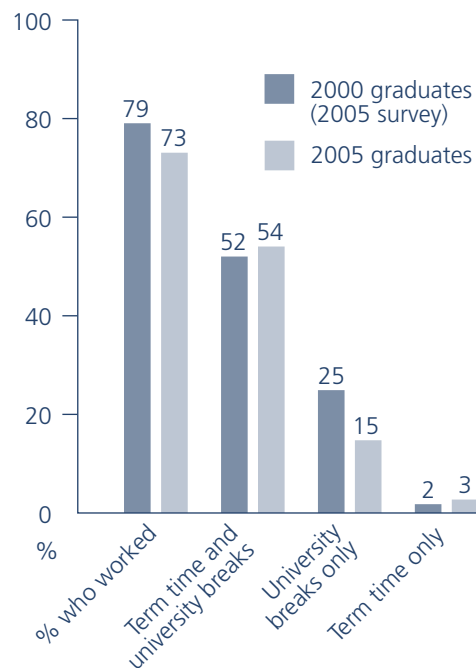
A recent CIPD survey, *Recruitment, retention and turnover 2006*, finds that the lack of necessary specialist skills is the key reason for recruitment difficulties. Many graduate recruiters will already be benefiting from visiting universities and schools to offer an insight into their organisation and the careers available, and to discuss the skills that are required. This will help employers market their organisation as a good place to work and create more networking opportunities and career advice for graduates.

### Work experience at university

Despite the introduction of tuition fees and the rise in cost of living, Figure 3 shows that the number of graduates working while studying for their degree has remained much the same – around three-quarters of graduates say they work while at university. The data suggests that working while at university might affect how well graduates do in their studies. Those who

graduated in 2005 and worked during their university lives achieved lower grades. Seventy-seven per cent of those who received a third-class honours degree worked while at university, compared with just 64% of those who received a first-class honours degree.

Figure 3: Number of graduates who worked while at university



Base: All those who worked while at university  
(2000 graduates = 328; 2005 graduates = 546).

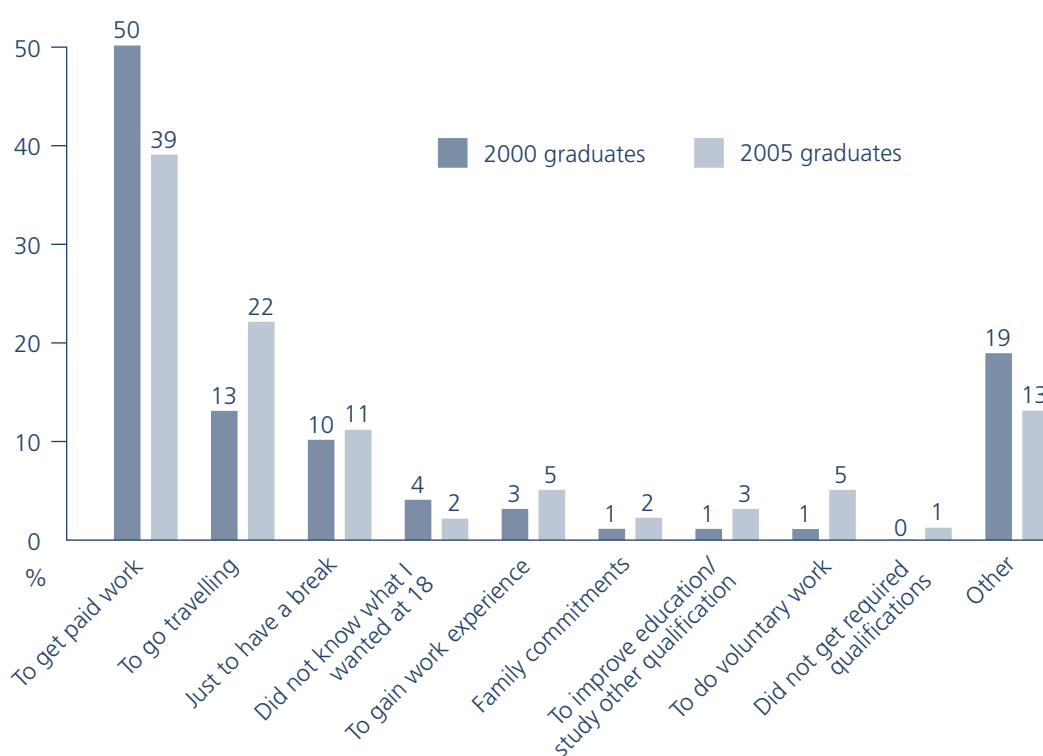
# The world of work

This section investigates the speed with which graduates find their first permanent job and the reasons for accepting it, the length of time graduates stay with their employers and some of the reasons why they might leave an organisation. It also investigates the impact of tuition fees and what motivates graduates inside and outside work.

Tuition fees were introduced for English students starting their first year of university in 1998, thus affecting both our 2000 and 2005 graduate cohorts. Given the introduction of these tuition fees, it might be expected that more 2005 graduates would have taken time out to get paid work in order to fund time at university. But fewer students are now taking time out to get paid work before leaving for university, compared with those who graduated in 2000. However, the proportion of 2005 graduates (71%) that went directly to university is marginally lower than 2000 graduates (77%).

The number of respondents taking time out to travel before going to university has almost doubled since 2000, which implies that students are not as worried about the cost of going to university. This could be due to the rise in the number of university students that now live with their parents while studying, or simply due to them not understanding the cost of living. Whatever the reason, the findings suggest that more financial education prior to students embarking on university studies might be needed, whether it comes from parents or schools and colleges.

Figure 4: Reasons why graduates take time out before university



Base: All respondents who took time out before going to university (2000 graduates = 72; 2005 graduates = 149).

Figure 4 shows that the most common reason for delaying university is to get paid work, followed by time out to travel and time out to have a break.

### Looking for work

There has been no significant change since 2000 in terms of the number of respondents starting work immediately after graduating – 31% of 2005 graduates started work straight away, compared with 29% of 2000 graduates. However, the number of graduates taking longer than six months to start a permanent job has risen from 9% to 14%, as shown in Figure 5.

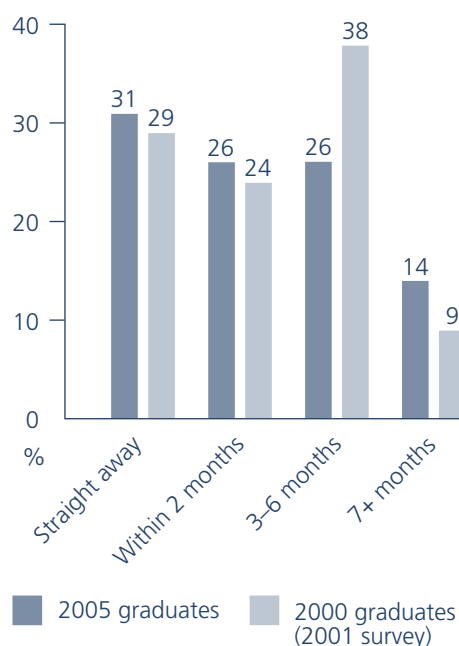
Most of those who graduated in 2005 and did not start employment immediately after graduating had not been offered a job (28%). A further 16% had been offered a job, but for a later start date. A large proportion of those who did not start work immediately after graduating indicate other reasons, including no immediate wish to begin working, the wish to take a break and the desire to travel. In fact, the number of graduates taking time out to travel before going to university has doubled since 2000. This suggests that concerns about debt only affect a proportion of graduates once they have entered the workplace and have started repaying their student loans.

### Reasons for accepting first job

The number of 2005 graduates accepting their first job offer after graduating has risen from 67% to 74% in the past five years, which may reflect the increased supply of graduates compared with 2000. Despite the ever-increasing stories about student debt, the report shows that money issues feature quite low down on a graduate's decision to accept their first job. Table 3 shows that career development and getting a foot on the career ladder are more important.

The number of graduates declining their first permanent job offer, after graduating, has dropped from 33% in 2000 to 26% in 2005, which underlines the point about the increased supply of graduates. Figure 6 shows that the main reason why those who graduated in 2005 declined their first job offer is because they had better subsequent offers (34%), disliked either the location (14%) or the job (13%), or deemed the salary to be too low (11%).

Figure 5: Speed with which graduates started a permanent job after finishing their course



Base: All 2005 graduates = 543; and all 2000 graduates surveyed in 2001 = 752.

Table 3: Reason for accepting first permanent job

Reason for accepting first permanent job	% 2005 graduates
Career development opportunities	49
To get on the career ladder	29
Money issues	17
Location	5

Base: All 2005 graduates = 541.

Figure 6: Reason for declining first permanent job offer



Base: All those who did not accept first job offer after graduating = 137.

### Early experiences of work

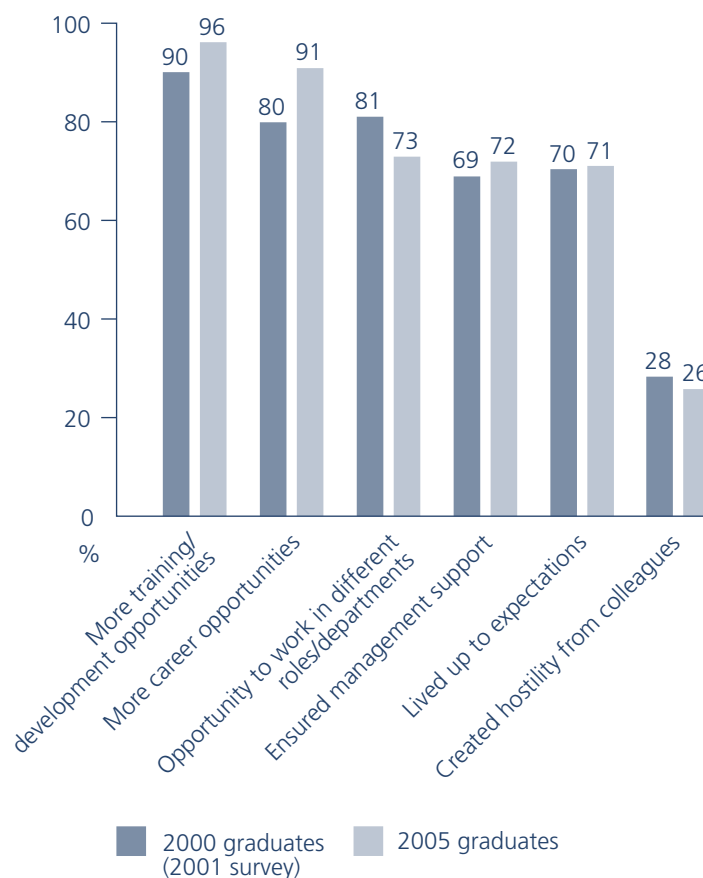
Findings show that those on a graduate training scheme are more likely to start on a better salary and also earn considerably more after a few years in the workplace than those who are not on a graduate training programme. The 2000 graduates who went onto a graduate training scheme saw their salary increase by 67% over five years, compared with an increase of 47% for those who did not join on a graduate training scheme.

Organisations value graduate training programmes for a variety of reasons, including the ability to fast-track employees within an organisation. And employees value them because they can give them the opportunity to progress quickly. Figure 7 shows that the vast majority

of graduates (90%) on a graduate training scheme see the training and development opportunities as the primary element of it. And while fewer graduates from 2005 state the programme gave them the opportunity to work in different roles/departments, 91% of them agree that the programme creates career opportunities, compared with 80% of 2000 graduates. This is arguably because 2005 graduates have been in their position for a much shorter period of time, and have had fewer opportunities to compare their expectations of the programme with reality over time.

The findings show around one-quarter of respondents feel the graduate training programme is divisive, which is something that employers should monitor, given the obvious knock-on effects on teamwork and performance.

Figure 7: Impact of structured graduate training programme



Base: All those who were recruited onto a structured graduate training programme (2000 graduates = 114; 2005 graduates = 246).

Table 4 shows that respondents who are on a graduate training scheme feel that their organisation meets their needs more than those who are not on a graduate training scheme, especially with regard to career development, training and development, and providing a supportive management structure. This could be partly to blame for the hostility that is sometimes directed towards those on a graduate training scheme.

### Moving jobs

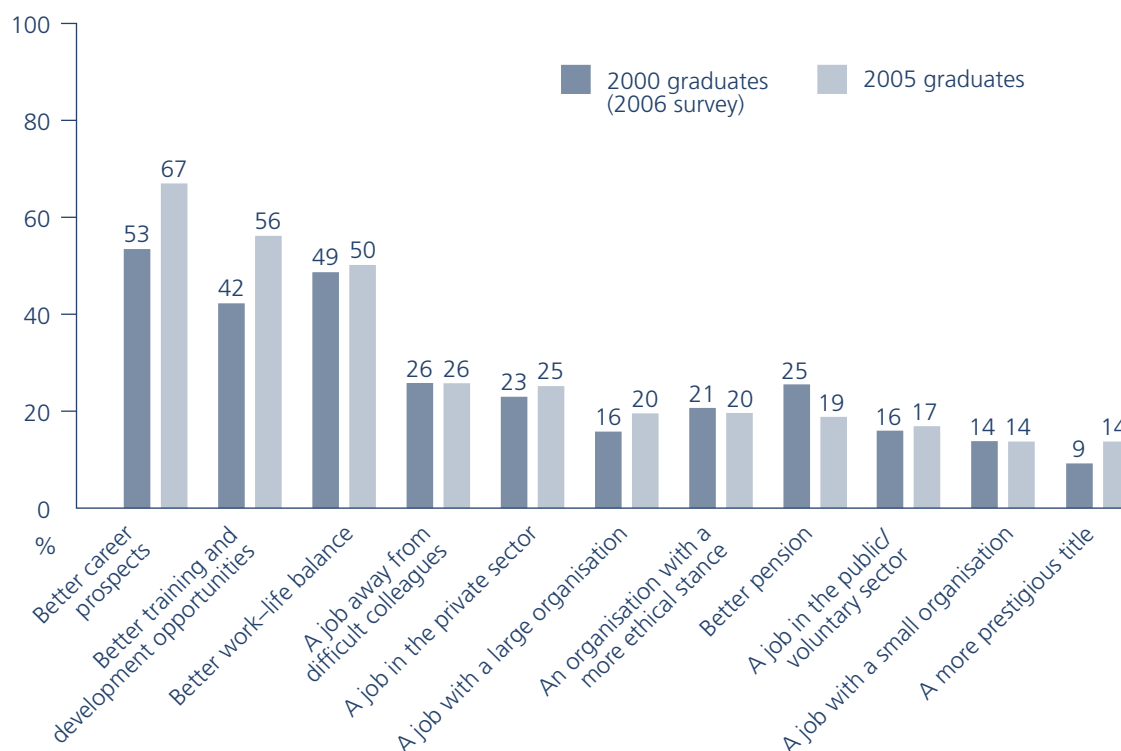
Eighty-one per cent of respondents who graduated in 2005 are still working with their first permanent employer, and 12% of these have been promoted within the organisation. The evidence suggests that private sector employers are better at retaining new graduates: 63% of respondents who graduated in 2005 and work in the private sector are still in their first permanent position, compared with 16% in the public sector and 3% in the voluntary sector.

Table 4: How good are organisations at fulfilling graduates' needs?

	% All graduates not on a graduate training scheme	% All graduates on a training scheme
Career development	54	79
Challenging work	64	73
Coaching or mentoring	35	54
Training and development opportunities	56	76
Supportive management structures	55	63

Base: All respondents answering – 352 on a graduate training scheme and 491 not on a graduate training scheme.

Figure 8: Are graduates likely to change jobs for less money?



Base: All respondents answering (2000 graduates = 322; 2005 graduates = 543).

Respondents were asked why they would change jobs for less money. Figure 8 (on page 13) shows that recent graduates are more likely to drop salary to fulfil another need and this is arguably due to having fewer financial responsibilities, with many still living with parents and even fewer owning their own home.

Respondents, regardless of when they graduated, are most likely to consider a lower salary if a job comes along with better career prospects. And other popular reasons include better training and development opportunities and a better work–life balance.

### Attracting and retaining graduates

CIPD research, *Working Life: Employee attitudes and engagement 2006*, which investigates employee attitudes, shows that high levels of satisfaction, in terms of happiness, relationship with manager and work–life balance, can increase motivation and help retain staff. In an increasingly tight labour market, organisations need to make sure that they maintain these high levels of employee satisfaction in their bid to compete for talent.

This survey explores the aspects that graduates rate as important in the workplace. Happiness is most important to graduates in 2000 and 2005, as shown in Table 5. But once graduates have been in the workplace for a few years, there is evidence that they become increasingly motivated by other aspects, such as additional benefits (2000 respondents: 69% and 2005 respondents: 59%) and work–life balance (2000 respondents: 90% and 2005 respondents: 85%).

Supportive management structures, the culture of the organisation and the ethical and environmental stance of an organisation are all important, or growing in importance, for graduates. Around two-thirds (63%) of 2005 graduates rate ethical and environmental stance as important, 61% say a supportive management structure is important, and 90% rate the culture of an organisation as being important.

Table 5: Aspects of the job that graduates rate as important

	% 2000 graduates (surveyed in 2006)	% 2005 graduates
Happiness	95	97
Career development	93	97
Challenging work	94	95
Training and development opportunities	90	94
Good relationship with manager	94	92
Company culture	89	90
Salary and bonus	88	86
Work–life balance	90	85
Supportive management structures	86	85
Job security	78	78
Company's overall reputation	68	72
Flexible working opportunities	68	65
Location of organisation	66	63
Company's ethical and environmental stance	59	63
Financial support for further study/qualification	52	61
Additional benefits	69	59
Coaching or mentoring	58	57

Base: All respondents answering (2000 graduates = 322; 2005 graduates = 543).

The survey shows that the priorities of graduates will vary depending on the length of time they have been working. Yet there are also some fundamental gender differences. Table 6 shows that, regardless of the year of graduation, some aspects are rated as more important by female respondents – for instance, women are a third more likely to say that a company's ethical and environmental stance is important to them.

Organisations should take these differences into account when recruiting. Only then will employers really be able to market the roles to attract these individuals and succeed in recruiting and retaining the most suitable candidates.

Over 90% of graduates feel a good relationship with their manager is important. This reflects the findings from the CIPD's people and performance research, which emphasises the vital role of the front-line manager in bringing policies to life. People management and development duties are crucial to maintaining motivation and securing the willing contribution of employees, but they are often just tacked on to other duties and responsibilities.

While the results present a positive picture, with four-fifths of graduates saying that they are happy with the relationship with their manager, less than two-thirds feel they have sufficiently supportive management structures. This suggests that organisations can do more to improve the management of graduates.

Money will always be important to individuals and graduates are no exception, with around four-fifths saying salary and bonus is important to them. However, the CIPD's reward management research shows that money is not the only tool that organisations can use to motivate employees. There are other areas that organisations can improve to raise the satisfaction of graduates without facing huge costs.

The findings show that less than half (47%) of 2005 graduates feel that their organisation fulfils their coaching and mentoring needs, while over half (56%) are able to work flexibly.

It is not just a case of employers giving graduates what they want – there is a clear business case for achieving high satisfaction levels in these areas. Recent CIPD research shows flexible working practices give people more control over when and where they work, and this appears to mean more focused and motivated employees. The introduction of flexible working allows employees to gain more control over their work-life balance and can act as an important tool in the organisation's recruitment and retention process. Similarly, CIPD research investigating coaching shows it can improve individual and business performance.

Table 6: Aspects of the job that graduates rate as important

	% 2000 male graduates	% 2000 female graduates	% 2005 male graduates	% 2005 female graduates
Company's ethical and environmental stance	47	70	50	73
Supportive management structures	79	94	81	89
Company culture	85	93	86	93

Base: All respondents answering (2000 graduates = 331 (male = 157; female = 172); 2005 graduates = 546 (male = 249; female = 295)).



Table 7 shows that individuals who graduated in 2005 are far more likely to feel their organisation is good at fulfilling their career development needs, training and development opportunities and provide supportive management structures. This could be because graduates are given a lot of support in terms of training and career development during the early stages.

The findings show that those who graduated in 2000 and work in the public sector are less likely to be fulfilled than 2005 graduates, with:

- only 39% of 2000 graduates working in the public sector satisfied with their career development, compared with 62% of 2005 graduates
- 49% of 2000 graduates working in the public sector happy with training and development opportunities, compared with 67% of 2005 graduates

- 24% of 2000 graduates working in the public sector satisfied with coaching and mentoring opportunities, compared with 41% of 2005 graduates.

Those who graduated in 2000 are around 15% less likely to say they are satisfied with their organisation's overall reputation and job security. This suggests attitudes change once individuals have been in the workplace for a few years and satisfaction levels may drop after time. This is particularly true of the public sector, where 71% of 2005 graduates believe that their organisation has a good reputation, compared with just 46% of 2000 graduates.

Table 7: How good are organisations at fulfilling graduates' needs?

	% 2000 graduates (surveyed in 2006)	% 2005 graduates
Company culture	81	77
Company's overall reputation	68	80
Good relationship with manager	80	80
Job security	61	71
Location of organisation	73	71
Career development	55	70
Happiness	65	70
Training and development opportunities	56	69
Work-life balance	66	67
Challenging work	71	66
Company's ethical and environmental stance	61	65
Supportive management structures	54	61
Flexible working opportunities	55	56
Financial support for further study/qualification	43	49
Coaching or mentoring	35	47
Salary and bonus	47	47
Additional benefits	50	46

Base: All respondents answering (2000 graduates = 314; 2005 graduates = 533).

### Career prospects and limitations

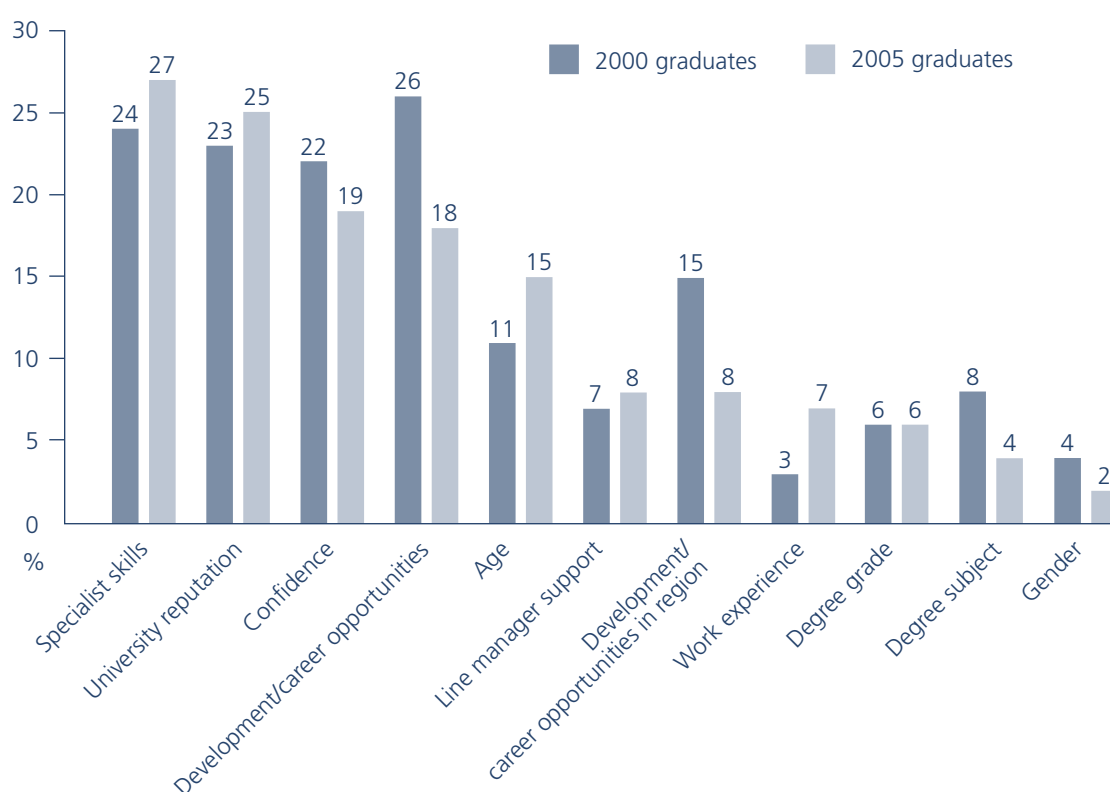
At a time when more students are encouraged to go to university, it is good to see that one-quarter of respondents say that nothing is holding them back in their career.

However, around a quarter of graduates feel that a lack of specialist skills is holding them back in their career. This again highlights the need for schools and colleges to better inform school pupils about the career implications of their subject choices. Career and

development opportunities, confidence and age are also factors graduates feel are preventing them from progressing, as shown in Figure 9.

Table 8 shows that women are more likely to state that lack of confidence and gender is holding them back in their career. Women who graduated in 2005 are 12 times more likely to believe that gender is holding them back than men. This suggests that inequalities still exist – which is not surprising given the widening gender pay gap in this sample.

Figure 9: Career limitations – what, if anything, is holding graduates back in their careers?



Base: All respondents answering (2000 graduates = 331; 2005 graduates = 546).

Table 8: Career limitations – what, if anything, is holding graduates back in their careers (split by gender)?

	% 2000 male graduates	% 2000 female graduates	% 2005 male graduates	% 2005 female graduates
Gender	0	7	0	12
Confidence	14	29	17	21

Base: All respondents answering (2000 graduates = 331 (male = 157; female = 172); 2005 graduates = 546 (male = 249; female = 295)).

Finance

Table 9 shows there has been just an 8% increase in the mean starting salaries between the 2000 and 2005 graduate cohorts. Those graduating in 2005 earned a mean starting salary of £19,451, and 2000 graduates started with a mean of £18,016. This is well below the increase in both retail price inflation and average earnings during the same period, suggesting that the real and relative living standards of new graduates are being squeezed.

Table 9: Mean starting salary for 2000 and 2005 graduates

	£ Men	£ Women
2000 graduates	18,711	17,403
2005 graduates	21,074	18,093

Base: All respondents answering  
(2000 graduates = 331 (male = 157; female =172);  
2005 graduates = 546 (male = 249; female = 295)).

This – plus the fact that in the slightly weaker labour market conditions of 2005 graduates seem from the survey to have taken somewhat longer to find permanent jobs – might account for anecdotal evidence that more graduates are returning to the parental home for a while soon after graduating.

The findings suggest that those who graduated in 2000 have enjoyed rapid improvement in both real and relative earnings. Table 10 shows men are far more likely to earn over £20,000 and less likely to earn less than £15,000. Year 2000 graduates see their salary increase by an average 55% to a mean current salary of £27,879. Consequently, their ability to start to repay debt and gain a foothold on the housing ladder improves rapidly as they progress in employment.

Around one-third (31%) of female 2005 graduates feel that their starting salary for their current job fell short of their expectations, compared with just 24% of male graduates, which is not surprising given that the gender pay gap has doubled since 2001.

Impact of university costs

The cost of going to university will have a major impact on graduates’ ability to get onto the property ladder, according to 51% of those who graduated in 2005. The low starting salaries for graduates and the rising cost of property will also make it difficult for many graduates to save for retirement and could leave individuals facing problems in the future.

Table 10: Basic starting salary for 2005 graduates

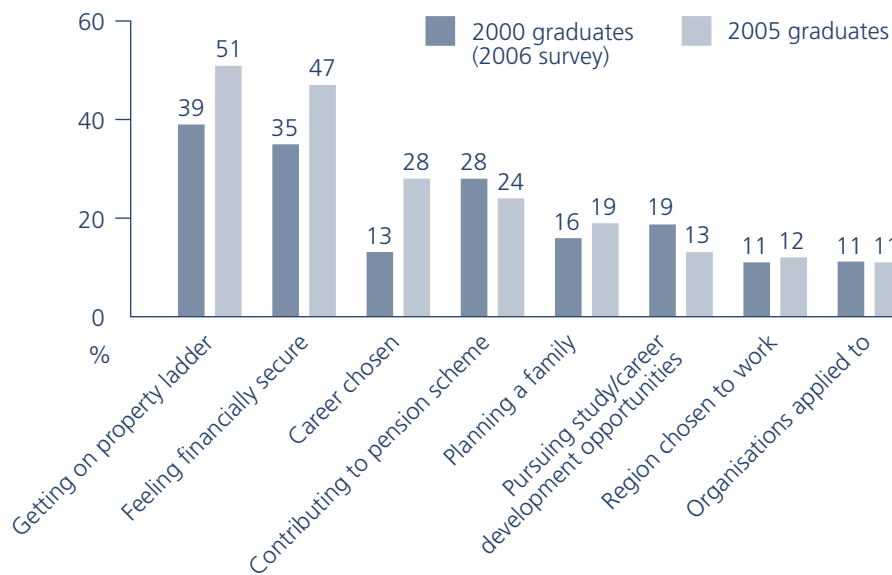
	% All	% Men	% Women
Below £10,000	4	2	6
£10,000–£14,999	18	14	22
£15,000–£17,499	13	8	17
£17,500–£19,999	14	13	15
£20,000–£22,999	26	31	21
£23,000–£24,999	11	14	8
£25,000 or more	13	16	9

Base: All respondents answering  
(men = 183; women = 383).

Figure 10 (on page 20) shows that costs are holding a significant number of graduates back from feeling financially secure. This will prevent some graduates from pursuing study/career development opportunities and contributing to a pension. Interestingly, one in six of those who graduated in 2000 still say that the cost of university is causing them to delay starting families six years after graduating.

While concerns about debt incurred at university have changed little from five years ago, more graduates in 2005 say that the cost of going to university has had a negative impact than those who graduated in 2000. But this is not surprising given the introduction of tuition fees, and that the inflation of starting salaries for 2005 graduates is well below the increase in both retail price inflation and average earnings during the same period.

Figure 10: The cost of going to university had a negative impact on...



Base: All respondents answering (2000 graduates = 331; 2005 graduates = 546).

### Pensions

Despite all the doom and gloom about pensions, it is good to learn that four-fifths of respondents who graduated six years ago are contributing to a pension scheme. However, their aspiration to retire by 61 will only be achievable if they make significant contributions to their pensions and other savings and investments.

It is also encouraging that 63% of students are paying into a pension within a year of graduating. But further analysis raises concerns over gender inequalities and the effect of the widening pay gap,

with just 57% of women graduating in 2005 contributing to a pension scheme, compared with 70% of men. This is a concern for many women who expect to retire at the same age as men, but who are more likely to take time out of work to have children, and therefore less likely to contribute to pensions funds. Around one-third of those graduates who don't have a pension cite paying off debt and buying a property as more important priorities.

Table 11 shows that a large number of graduates say that the reason for not having a pension is that their

Table 11: Reason for not having a pension

	% 2000 graduates (surveyed in 2006)	% 2005 graduates
Debt	32	30
Don't plan to work for current employer very long	81	27
Buying a property is a priority	34	22
Pension not offered by employer	8	22
Don't understand pensions	19	19
Don't feel confident in pension investments	21	17
Prefer alternative financial investments	11	13
Prepared to work beyond statutory retirement age	11	6

Base: All those who do not currently have an occupational or private pension (2000 graduates = 63; 2005 graduates = 199).

employer does not offer one. But all employers are required to offer a pension by law, which raises questions around the effectiveness of internal communications about pensions.

Despite the large number of graduates failing to contribute to pension schemes, expectations of when they envisage retiring tend to be quite early, with the

mean retirement age very similar for both those who graduated in 2000 and those in 2005 (62 for 2005 graduates and 61 for 2000). However, it is interesting to see that fewer 2005 graduates than 2000 graduates expect to retire at age 61–65, and more 2005 graduates (20%) than 2000 graduates (12%) expect to retire at age 66–70.

## Case study

Matthew Hogg is a 24-year-old graduate working as an analyst for a media company. He graduated with a 2:2 in philosophy and history at Exeter University.

Student debt plays a large role in his life. After graduating, Matthew now faces repaying £20,000 of debt accrued from student loans, guild loans and hardship loans. He estimates it will take until he is 35 to pay off. 'I had to work from the second year of my degree,' recalls Hogg. 'I worked in a local arts centre 20 hours a week and I think it did have a detrimental effect on my degree.'

In fact, Matthew had to drop out half way through his second year and work in a variety of temporary jobs before re-taking his second year again due to the state of his finances. He fears for his sisters, who are currently at university. 'My sisters have to work 28 hours a week and will come out debt-laden. It will have a negative impact on their grades.'

He believes that the prospect of debt incurred by student loans and the introduction of £3,000-a-year tuition fees will deter students from going to university. The student debt weighs heavily on Matthew's quality of life and he would seriously consider not going to university if he had to pay £3,000 a year in tuition fees. 'I'm £20,000 in debt and 24 years old. It's almost a farcical thing that getting a mortgage is so far off. There is also the stress of having the debt,' he reflects. 'I'm barely getting by, so any thought of pensions is not even a consideration. My main priority is getting by on a day-to-day basis, as the cost of living in London is so high.'

The £32,000 salary was one of the main reasons that Matthew was attracted to his current job as an analyst. 'It was the cash, and mostly the fact that it was in London and I wanted to work in media. The company is very young, and in a smaller office environment you have the potential to make a big difference.'

Before securing his current role as an analyst, Matthew worked on a temporary basis for Hutchinson Whampoa Trading until May 2006. 'I was temping and then on a contract where I worked my way up as an agent, team leader and then an analyst, in the logistics department.' He believes that finding structured career work after university is tough, unless you have a 2:1 or above in a degree classification. 'I think that having a 2:2 cut out a lot of places, and if you want the graduate recruitment way of life, I think a 2:1 is crucial. All the people that I know with MAs, PhDs and law conversions have moved into "proper" jobs much more seamlessly than others.'

Matthew believes that a science or technical degree can be quite valuable in the job market, but he highly rates doing art degrees as well. 'Art degrees make you think in a creative way, and I've used philosophy in my work as an analyst.'

## Case study

Jodee Smith graduated in 2000 after completing a four-year 2:1 with a Master's in chemistry at York. She then went on to study for a PhD in organic chemistry at Leeds University, which she completed this year.

Jodee started on a graduate training scheme for a large, regional utility company in September 2006 after hearing about it at a career fair in Leeds. 'We had a career fair next to the building where I was working as a PhD student and I hopped over to see what they had on offer,' recalls Jodee. 'I wanted to work for a big local business as I'd prefer that to a big multinational.'

She chose the two-year graduate trainee programme at the local utility company because she liked its values and behaviours. 'They seemed to be clear about how people would be treated and promised a lot of community work during work time,' recounts Jodee.

One of the most attractive aspects of the company is its commitment to corporate social responsibility and voluntary work, reveals Jodee. 'At our firm, employees are encouraged to do an hour a week volunteering in a "Right to Read" programme or they can go to school and mentor a school-kid.' Jodee is one of a group of science and engineering ambassadors at her firm. This role involves going to school for a day and helping with an enterprise scheme there.

As part of the graduate training scheme, graduates are rotated around various business units. 'I'm in one department where I'm building up my experience in this unit. I'm earmarked for a technical, specialist role. We are given a lot of support and variation and get offered lots of other short courses on interpersonal skills and assertiveness.'

The company offers lots of support to the graduate intake, explains Jodee. 'We have a line manager as well as a placement manager, and a sponsoring manager who looks after graduates in the business unit. We also have a senior employee as a mentor who gives us experienced guidance.'

Although York University was supportive to students in terms of giving career advice, Jodee believes that there are flaws to university careers services. 'Often the people giving the advice are academics and they haven't not been in a workplace.' She believes that more employers should be encouraged to visit universities to give talks on their sectors. 'I also think universities could offer industrial or business modules in all subjects,' she adds.

Jodee wasn't affected by the introduction of the increase in tuition fees to £3,000 a year, as she had already graduated by the time it was introduced. She was also in the fortunate position of being financially supported by her parents. 'My course was so intensive that I wouldn't have been able to do part-time work.'

Would she go to university now that tuition fees have increased? 'Yes, I would go to university, but I would also make sure that I had done a Masters,' she reflects. 'It did help me in my role because they wanted a technical person.' Jodee believes that having a PhD has given her the ability to manage a team and a greater sense of responsibility. 'The PhD gave me more life experience and I had responsibility for younger members of the team.'

She does have a pension scheme with the company. 'It's important to have a pension scheme and I'm very conscious of that, and saving for the future is definitely a consideration.'

# Background

This survey report, published by the CIPD, includes the results of a telephone survey of 876 graduates in full-time, permanent and paid work. Two samples of recent graduates were surveyed for their views – the first sample of 331 respondents graduated in 2000, and the other, of 545, graduated in 2005.

Between July and October 2006, PlusFour Market Research Limited conducted 15-minute telephone interviews and online questionnaires with 876 graduates on behalf of the CIPD.

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