



West Midlands
Regional
Observatory



Graduate retention attraction &
employment study 2008

Key findings



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Graduate retention attraction and employment study 2008: key findings

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1 Introduction

1.1 Rationale for the project

The successful retention, attraction and utilisation of graduates is a key component of a number of key regional plans and strategies:

The West Midlands Economic Strategy states that: *‘The West Midlands must compete more effectively on the basis of its skills, ingenuity and know-how. The region needs to encourage greater numbers of the graduates produced by our universities to stay and work in the West Midlands and to stimulate a stronger flow of graduate level skills from within the workforce. There is evidence to suggest that the region doesn’t currently make best use of the graduates it does retain and the skills they have; there is a noticeable presence of graduates in relatively low value added sectors such as hospitality, rather than in sectors such as manufacturing that need to increase the value-added components of their activity.’*

Key plans that flow from this strategy include:

- A framework developed by the West Midlands Regional Skills Partnership to increase the number of people with higher level skills in the workforce, particularly in the private sector
- A three year Skills Action Plan, developed by AWM, the LSC and a range of other key regional partners which prioritises the need for a step change in the number of people progressing to NVQ level 4 and above and the number of graduates recruited by the region’s employers

The West Midlands Higher Education Association, working collaboratively with the Observatory, the LSC, AWM and Foundation Degree Forward, was asked to design a programme of research that can inform the development of appropriate interventions to increase graduate retention, attraction and employment. The Observatory was then commissioned to manage and deliver the research, which involves consultation with:

- Graduates who currently live or work in the West Midlands or who studied at university here, to include recent graduates, those a number of years into their careers and those with Foundation Degrees and post graduate qualifications
- Employers, including those who have recently recruited graduates

1.2 Key research questions and components of the research

The objectives of this research project were to explore the issues that affect graduate retention, attraction and employment in the West Midlands and specifically to address the following key research questions:

What is the extent of demand for graduate and other higher level skills in the region, notably from higher value added private sector industries? What issues and factors are impacting on the nature and extent of this demand?

Where do graduates find employment, in terms of geography, sector and occupation?

What are the key influences on graduates' career choices?

What are graduates' perceptions of the West Midlands as a place to live and work?

What is the impact of interventions to promote graduate retention, attraction and employment?

These questions have been addressed using the following approaches:

- A series of activities commissioned by the Observatory from Ipsos MORI, namely:
 - Desk research to review existing published evidence, notably on perceptions of the West Midlands as a place to live and work and good practice from elsewhere in promoting on graduate retention, attraction and employment
 - Five graduate and five employer focus groups
 - A telephone survey of a representative sample of more than 300 employers who have recently recruited graduates
 - An on-line survey of graduates recruited via university alumni associations and research panels
 - Follow up focus groups with graduates
- This research was supplemented by activity delivered by the Observatory, notably:

- a further on-line survey of a random sample of nearly 100 employers in collaboration with the region's Chambers of Commerce
- A further on-line survey of more graduates from Warwick University
- Analysis, interpretation and reporting

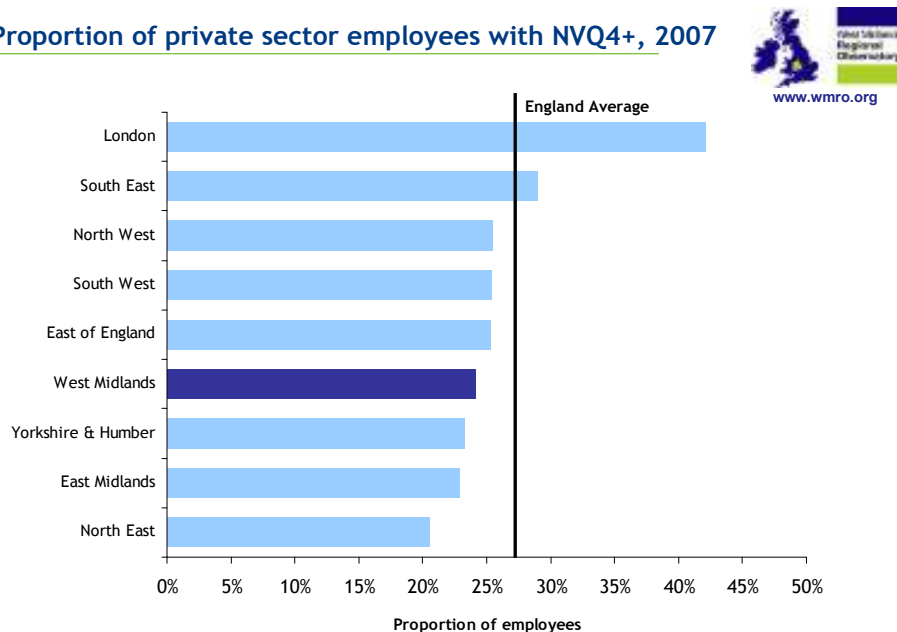
This report draws together the key findings of each element of the research process and their policy implications and is structured around the key questions that underpinned the project.

2 Key headlines

2.1 The demand for graduate and higher level skills

Previous research, notably the Observatory's cross-cutting report on the knowledge economy produced on behalf of the Regional Skills Partnership in 2006, indicates that demand for higher level skills in the West Midlands is below the national average reflecting a less well developed 'knowledge economy'¹. Less than 24% of people working in private sector industries in the region were qualified to level 4 or above, which compares to an England average of 28%².

Proportion of private sector employees with NVQ4+, 2007



Source: LFS

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¹ This report can be downloaded from the Observatory's website http://www.wmro.org/resources/res.aspx?p=/CmsResource/resourceFilename/891/Cross-Cutting-Issues-knowledge-economy-key-findings_D7.0_report_AP.pdf

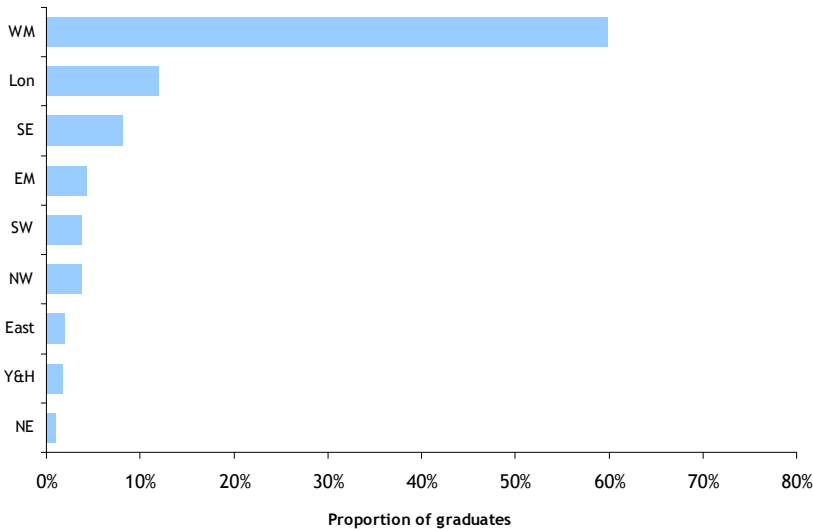
² Further details of the framework are available from the Observatory's website <http://wmro.org/standardTemplate.aspx/Home/OurResearch/BusinessEconomy/SkillsPerformanceIndicatorFramework>

2.2 Graduate retention

This low level of demand for high level skills has a significant impact on graduate retention. 60% of graduates we surveyed stay in the region, often to retain their support network of family and friends and are prepared if necessary to take short term ‘stop gap’ jobs to earn money while looking for opportunities that fit with longer term career plans. However the other 40% have left the region to secure their first job, predominantly to go to London (12%) and the South East (8%). These are more likely to be:

- In higher value added private sector industries such as manufacturing, engineering, construction & utilities and knowledge based services such as professional & financial services and IT & telecommunications (38% compared with 30% who stayed in the region)
- With significantly higher salaries (17% of those working elsewhere earn £50,000 a year or more compared with 6% of those who stayed in the region)

Where Graduates find their first job by region



Source: Ipsos MORI/WMRO survey of graduates

Case study - graduates from the University of Warwick

The University of Warwick attracts graduates from all parts of the UK and overseas and the majority tend to look outside the region for employment when completing their studies. Only 26% of the 757 graduates from the university that responded to our survey found their first graduate job in the West Midlands and only 25% currently work here - the lowest proportion in the region. A particularly high proportion of Warwick graduates work in London (31% for their first graduate job and 32% currently work there) and the South East (16% for their first graduate job and 15% currently work there).

Warwick graduates are more likely to secure jobs in higher level managerial professional and technical occupations (90% compared with 60% of all graduates surveyed) and in higher value added knowledge based services such as financial & business services and IT & telecommunications (32% compared with 26% of all graduates who work outside the West Midlands and 20% of all graduates surveyed).

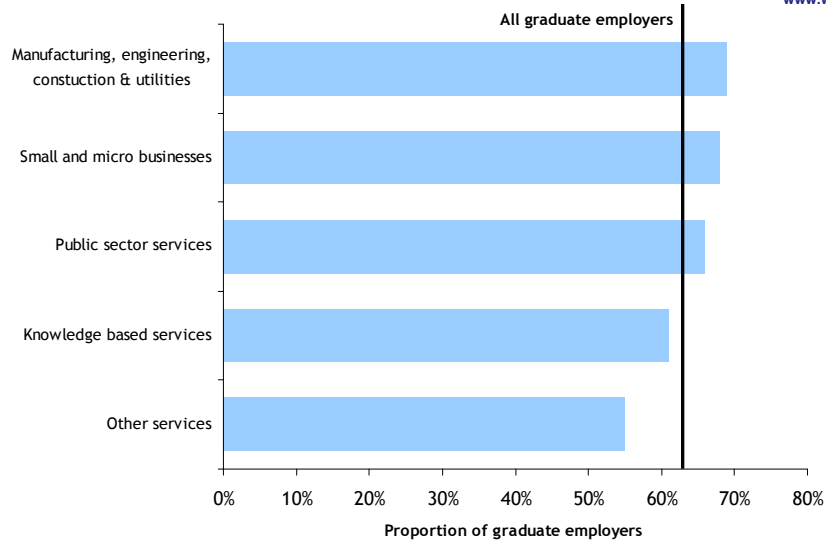
Warwick graduates are also more likely to secure jobs with a higher salary. 22% currently earn £55,000 or more per annum, compared with 19% of all graduates who work outside the West Midlands and just 7% of all graduates surveyed. Only 11% earn less than £20,000, compared with 20% of all graduates who work outside the West Midlands and 30% of all graduates surveyed.

2.3 The potential demand for higher level skills and key issues

Nevertheless our research suggests that there may be additional **potential** demand for graduate and higher level skills in the region. A quarter of our random sample of employers and 60% of our sample employers who have recently recruited graduates indicate that graduate and other higher level skills could be critical to future business success. Of the graduate employers 70% of those from higher value added private sector industries (i.e. those in manufacturing, engineering, construction, utilities and knowledge based services³) and 68% of small and micro businesses (i.e. those that employ less than 25 people) were of this view.

³ The relatively small sample size (just under 400 employers in total were surveyed) means that we have been restricted to providing analysis for these broad industry groupings

Proportion of graduate employers that feel that graduates are critical to their business success



Source: Ipsos MORI survey of graduate employers

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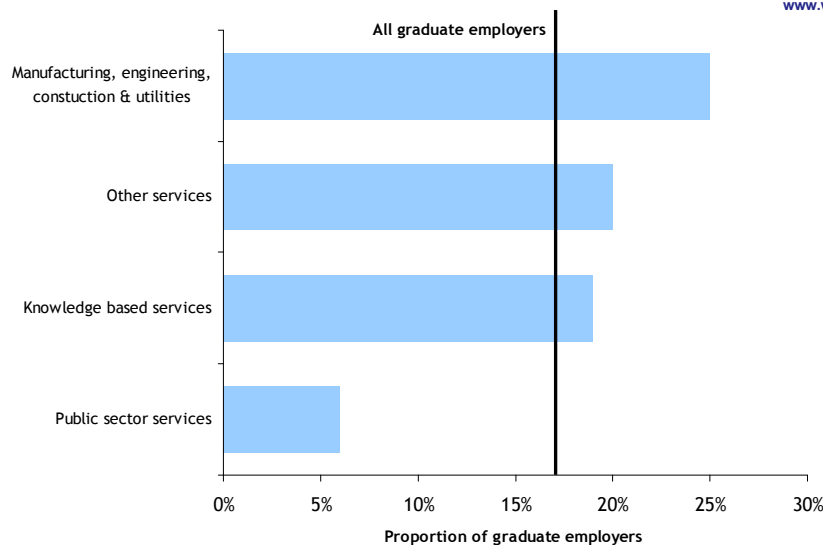
Via our focus groups many employers have highlighted the fresh perspectives graduates can bring and their positive contribution to efforts to become more productive and competitive. If this potential is to be unlocked and converted into real and tangible demand, however, a range of issues and barriers need to be addressed.

2.3.1 Skill gaps and deficiencies

20% of our random sample of employers perceive that graduates lack the work-based and industry and business-specific skills they require and the figure is 17% for employers that have recently recruited graduates. Of these a quarter of manufacturing, engineering, construction & utilities firms perceive that graduates lack the work-based and industry and business-specific skills they require. This creates a ‘catch 22’ situation for many graduates who have not had the opportunity to develop these skills.

Graduate focus group participant: ‘My expectation was that it would be easy to find a job, but actually its not, because employers require lots of experience- well at least a year - which I don’t have. That’s my main problem’

Proportion of graduate employers that feel that graduates lack business and industry specific skills



Source: Ipsos MORI survey of graduate employers

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2.3.2 The role of work placements

Work placements are already proving successful in equipping graduates with these skills and in helping employers to meet their need for graduate and higher level skills. 20% of graduates surveyed had benefited from a work placement and of these more than 75% felt that their placement was an important or essential factor helping them to acquire these skills and in securing employment.

Manufacturing and accountancy graduate:

'I knew that I needed that business side to make myself employable... it's not enough to just have the subject knowledge ... you've got to have a bit of commercial nous'

Graduate in licensed retail management:

'Part of the experience was working in kitchens and bars - I learned what it was really like which was really useful when thinking about managing in hospitality'

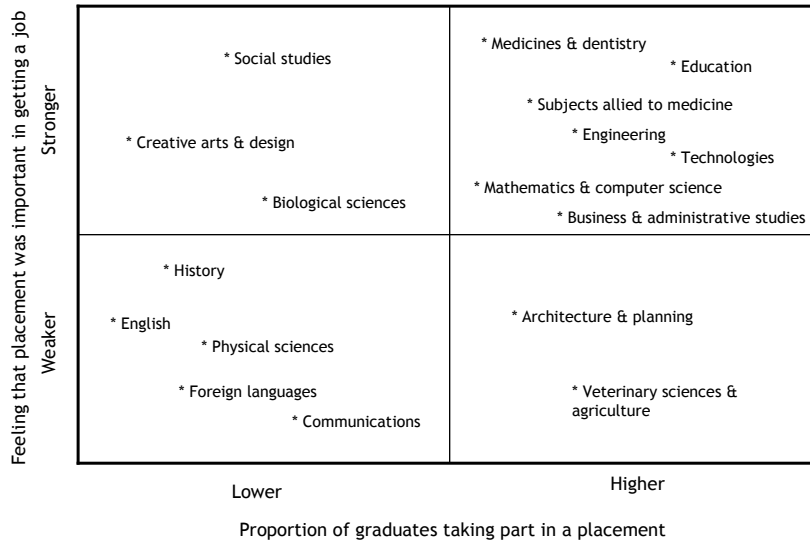
International communications & marketing graduate:

'University could only teach me so much. I wanted to work and I needed to learn from people with proper, recent work experience'

Analysis of the take up and perceived benefits of placements by subject area highlights some key issues for consideration by policy makers:

- In addition to disciplines such as medicine & dentistry and education, where work experience has been part of the curriculum for many decades placements also work particularly well, with graduates highly likely to both participate in a placement and to feel that this has helped them find employment, in subject areas such as :
 - STEM subjects such as mathematics & computer science, engineering and technologies
 - Business & administration
- In others such as social studies, biological sciences and creative arts & design a lower proportion of graduates participate in placements but a high proportion of those that do felt it helped them find a job.
- Conversely in subjects such as architecture & planning and veterinary science & agriculture a high proportion of graduates take part in placements but a relatively low proportion felt that this was of help in getting a job.

Uptake and benefits of placements by subject of study

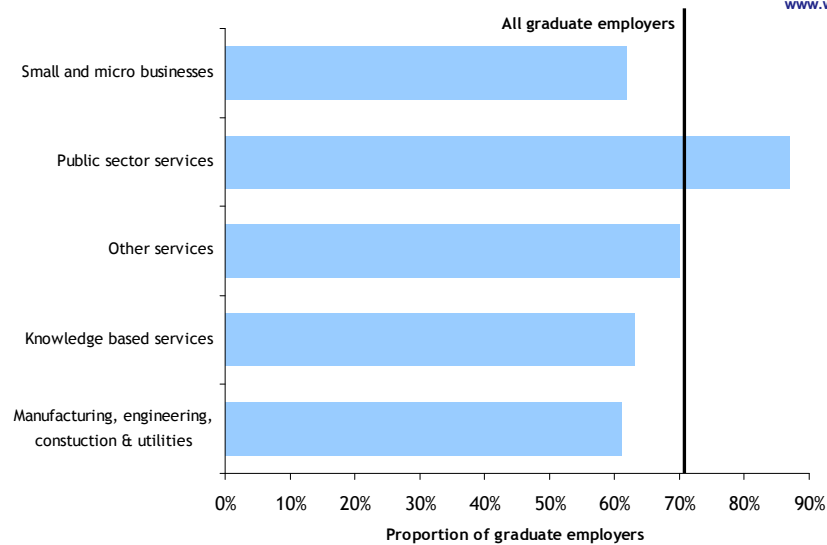


Source: Ipsos MORI/WMRO survey of graduates

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Two thirds of participating employers feel that placements have benefited the business, with many offering students permanent employment. There is potential to encourage increased engagement in work placements among higher value added private sector industries where take up is much lower (60% of graduate employers) than in the public sector (nearly 90%), and among small and micro businesses (62% offer placements). There is a need, however, for action to address the barriers cited by firms, and notably small and micro businesses, such as a lack of time and expertise to offer placements.

Proportion of graduate employers that offer work placements by sector



Source: Ipsos Mori survey of graduate employers

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Case study - work placements at Aston University

- 70% of undergraduates at the university take part in work placements and a further 10%-15% get professional experience as part of their course
- This results in high levels of motivation, improved degree performance and enhanced career prospects. Some 30% get a job offer from their employer
- Other work based learning available includes part time and vacation work, volunteer activity, mentoring, work shadowing

2.4 Deficiencies in ‘softer’ inter-personal skills

Europe-wide research shows that ‘softer’ employability skills are also seen as vital to successfully securing a job - by graduates and employers alike.

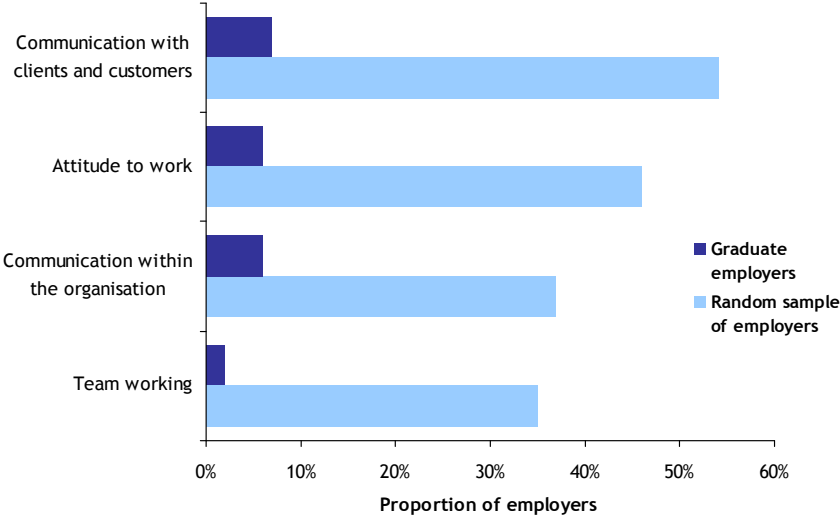
Table 1: Proportion of graduates and employers that see soft skills as key to securing employment

Competencies	Proportion of graduates	Proportion of employers
Communication skills	94%	96%
Team working and relationship building	92%	85%
Self and time management	92%	82%
Ability to see the bigger picture	88%	74%
Influencing and persuading abilities	86%	78%
Problem solving abilities	86%	75%
Leadership abilities	75%	60%
Presentation skills	74%	88%

Source: J. Andrews and H. Higson: *education, employment and graduate skills*, 2007

Many employers perceive that graduates tend to lack some of these skills, notably communication (more than half of our random sample) and the ability to work in a team (more than a third). However this view was shared by very few of those who have recently recruited graduates (7% and 2% respectively), suggesting that perceptions may not always match reality.

Proportion of employers that highlight deficiencies in 'soft' skills among graduates



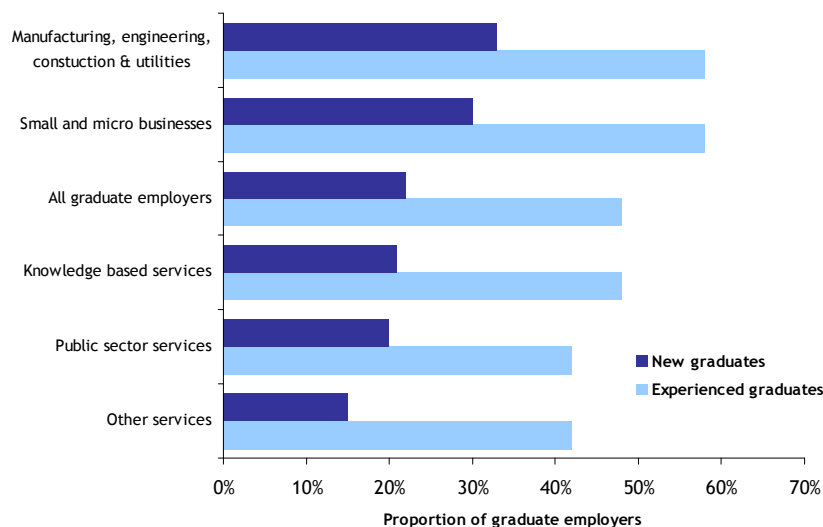
Source: Ipsos MORI/WMRO employer surveys

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2.4.1 Recruitment problems

A significant proportion of the region’s graduate employers struggle to recruit people with the skills they need. While 22% cite problems in recruiting new graduates nearly half cite problems in recruiting those with a number of years experience. The most common recruitment problem (highlighted by 24% of graduate employers) relates to difficulties meeting graduates’ salary expectations.

Proportion of graduate employers that have encountered recruitment difficulties



Source: Ipsos MORI survey of graduate employers

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It is notable that the gap between graduate salaries in the West Midlands and the national average is significant, especially for those with a first degree. While The median salary of all employees in the region was £22,400, 6% below the UK figure of £23,700⁴:

- In 2007 the median salary of a graduate with a first degree was £20,000 in the West Midlands, some 15% below the UK average of £23,000
- The median salary of a graduate with a foundation degree or other qualification was £18,500 in the West Midlands, 8% below the UK average of £20,000

Our survey, which includes recent graduates and those a number of years into their career, indicates that 30% of graduates working in the West Midlands have an annual salary of less than £20,000, which compares with 20% of those who have found employment elsewhere. Conversely 19% of those working outside the region earn £50,000 or more compared with only 7% of those working in the West Midlands.

⁴ source: ONS Annual Survey of Hours and Earnings
Graduate retention attraction and employment
study 2008: key trends and issues
West Midlands Regional Observatory

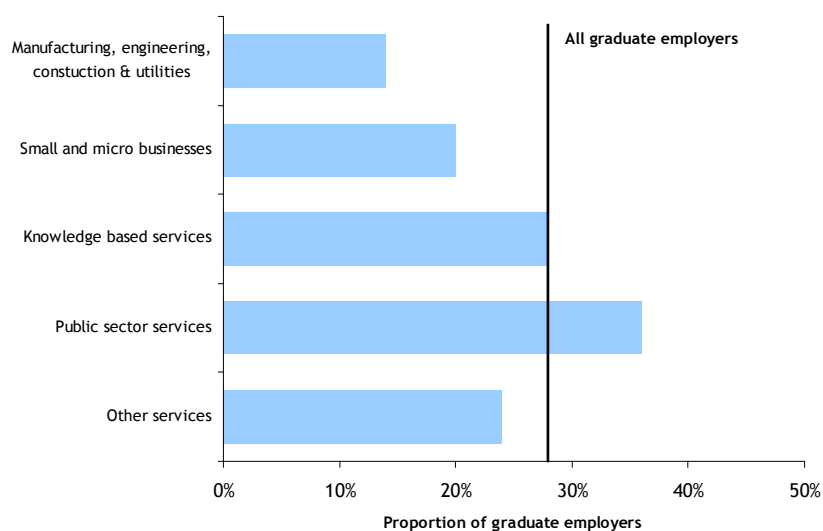
2.4.2 Investment in training and development

A further contributory factor is limited investment by employers in training and development. This is important to both:

- Addressing any skill deficiencies graduates may have when seeking employment
- Offering an attractive package of benefits to attract graduates

Only 28% of all graduate employers, 14% of those in higher value added private sector industries and 20% of small and micro businesses offer any formal or systematic training. Many are deterred by the prohibitive cost and time involved in organising and running training.

Proportion of graduate employers that provide formal graduate training



Source: Ipsos MORI survey of graduate employers

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2.5 Improving graduate retention and attraction

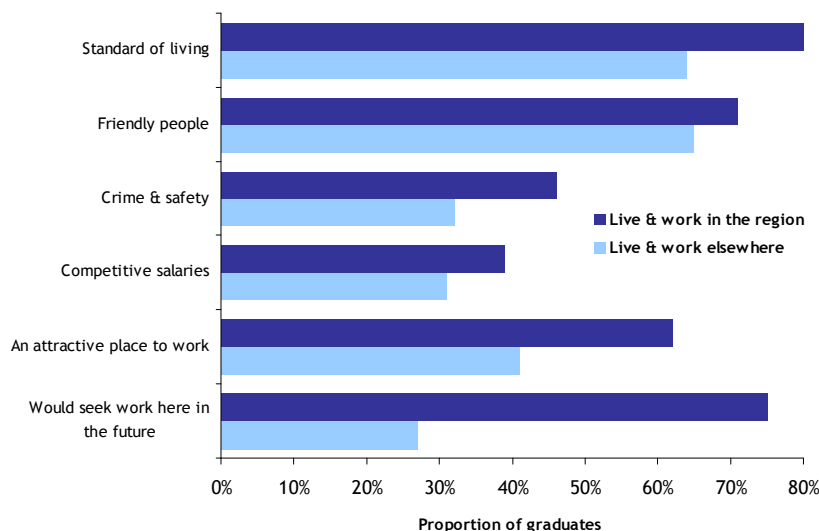
If efforts to unlock the potential demand for higher level skills are successful it will be important to ensure that sufficient graduates are retained and attracted to the region to meet it.

2.5.1 Graduates' perceptions of the region as a place to live and work

To this end it will be important to promote a positive image of the region as a place to live and work. Currently graduates' perceptions of the West Midlands as a place to live and work are highly polarised:

- Graduates who have elected to remain here after completing their studies tend to hold very positive views (two thirds feel that the region is an attractive place to work and 70% would seek work here in the future)
- Those that have left, however, are much more negative about issues such as the standard of living, salary levels, crime & safety and the extent to which Birmingham has the 'buzz' of places like Manchester or Edinburgh (only 40% feel that the region is an attractive place to work and just 30% would seek work here in the future).
- It may be, however, that these perceptions are becoming increasingly outdated as initiatives to regenerate the region (e.g. the renaissance of Birmingham and investment in high technology business) begin to have an impact

Graduates' ratings of the region as a place to live and work (proportion that strongly agree or agree)



Source: Ipsos MORI/WMRO survey of graduates

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Case study - graduates from the University of Warwick

In making their career choices Warwick graduates tend to be particularly driven by a desire for interesting work (96% compared with 91% of both all graduates who work outside the West Midlands and all graduates surveyed), to make use of their graduate skills (76% compared with 72% of all graduates who work outside the West Midlands and 65% of all graduates surveyed) and for opportunities for progression (79% compared with 73% of both all graduates who work outside the West Midlands and all graduates surveyed)

They tend to have a particularly negative perception of the West Midlands as a place to live and work. Only 26% would consider working in the region in the future, which compares with 30% of all graduates who work outside the region and a third of all graduates surveyed. In each case the proportion of Warwick graduates who rate the region highly on standard of living, employment opportunities and salary levels is below the figure for all graduates who work outside the West Midlands and well below the figure for all graduates surveyed.

2.5.2 The role of careers information, advice and guidance

It will also be important to ensure that effective careers information, advice and guidance (IAG) is available for graduates.

While the proportion using university careers services varies widely by institution, overall only a quarter of graduates surveyed utilised the careers services offered by their university. 35% found their first job by scanning adverts in the media, more than 20% used recruitment agencies and just under 20% scanned employer websites.

Again while this varies widely by institution only 25% of graduates felt that the HEI careers services they utilised were effective. Case study evidence highlights the perceived weaknesses of HEI careers services that need to be addressed:

- Services are too generic with a lack of specialist knowledge and information that can be tailored to the needs of the individual - for example relating to the subject of study or a particular career path
- The range of information, advice and guidance offered is too narrow in terms of the range of career pathways available - advice is often still mostly centred on the traditional 'milk round' and graduate training schemes available from the large Plcs and multinationals

3 Conclusions

It is clear from the research that while the demand for graduate and higher level skills lags behind that in many other regions there may be potential, notably among employers in higher value added private sector industries and small and micro businesses. In this section we highlight the issues that need to be addressed in order to unlock this potential and pose a series of questions about potential policy responses:

Addressing graduates' deficiencies in work based skills. Work placements are proving highly effective in helping graduates to acquire these skills and access employment. Nevertheless while in some disciplines (e.g. STEM subjects such as mathematics & computer science, engineering and technologies, Medicine & dentistry, education and business & administration) placements are working particularly well:

- In some such as social studies, biological sciences and creative arts & design a lower proportion of graduates participate in placements but a high proportion of those that do felt it helped them find a job - *might there be benefit in increasing the availability of placements for students in these subjects?*
- In others such as architecture & planning and veterinary science & agriculture a high proportion of graduates take part in placements. But a relatively low proportion felt that this was of help in getting a job - *would a review of the effectiveness existing placement activity be appropriate?*

There is also scope to increase the involvement of employers, and notably those from higher value-added private sector industries and small and micro businesses, in the initiative. *How can barriers such as a lack of time and expertise to organise and manage placements can be addressed?*

Addressing employers' negative perceptions about the softer skills and attributes of graduates (for example their ability to communicate, work with others and have a positive attitude to work). Very few employers that have recent experience of recruiting and employing graduates share this view. *Could a series of exemplar/good practice case studies be developed to raise awareness of the benefits of employing graduates?*

Encouraging additional employer investment in graduate training. This is important to both address graduates' skill deficiencies and, given that graduate salaries tend to be much lower than in other regions, to offer a package of benefits that is attractive enough to attract graduates. Many employers cite the prohibitive time and cost involved in organising and running training as key barriers. *Could the proposed expansion of the Train to Gain service, which offers support in accessing grants and other funding together with training that can be delivered in the workplace, to encompass higher level skills can play a role in addressing these issues?*

Promoting a positive image of the West Midlands as a place to live and work. Many of those who have left the region in search of employment have a negative view. It may be that these perceptions are becoming increasingly outdated. *Can the changing face of the region and initiatives, for example to rejuvenate Birmingham and promote the development of high technology business, for example, be promoted more effectively to this group?*

Providing effective careers information, advice and guidance (IAG). Support needs to be tailored to the needs of individuals and advice on the full range of available career pathways needs to be offered. *Could making detailed and up to date intelligence on trends in the region's graduate employment market available to IAG professionals in universities help?*

4 Full document information

Title	Graduate retention attraction and employment study key trends & issues
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