

THE GRADUATE MARKET 2017-18



THE GRADUATE JOBS MARKET IN 2017: A RECAP

Hot on the heels of the 2015-16 graduate recruitment season – a record-breaking year with respect to the number of graduates hired – both the US and UK’s largest employers entered the 2016-17 recruitment season anticipating yet another bumper year.

Then, Brexit pounced. And, rather than the continuing the upward trend of the previous four years, the UK’s 2016-17 graduate season ended with a 4.9% decline in hiring figures. (The result of a 10.3% decrease in private sector hiring offset, albeit partially, by a 12.3% increase in public sector hiring.)

The 2016-17 season represented the first drop in graduate recruitment in five years and, crushingly, brought graduate hiring figures back below the pre-recession levels of 2007.

The US experienced a similar - though slightly less dramatic - pattern in which expectations were downgraded as the recruitment season progressed.

Though US employers don’t anticipate increasing graduate hires by the same levels seen in recent years, employers have rated the current job market as the best it’s been in years. In fact, the number of employers ranking the current job market as “very good” has reached a four-year high¹.

The outlook for 2017-18 then, “cautiously optimistic”.

¹ National Association of Colleges and Employers. *Job Outlook 2018*. NACE. November 2017.

WHAT TO EXPECT IN 2018: LOOKING FORWARD

The *optimism* comes in the form of an increase in hiring appetite from the UK's largest employers', who expect to hire 3.6% more graduates this year than last. *Caution* is, however, wise while uncertainty around Brexit remains.

In the US, which faces fewer economic headwinds, the anticipated overall increase in graduate recruitment is 4.0% this year versus last. And, promisingly, almost 90% of US employers intend maintain or increase graduate recruitment levels this year.

Notably, however, only 23.4% of those employers expressed plans to hire international students, reflecting the lowest interest in foreign graduates since 2013.

Earnings

According to a 2014 poll commissioned by New America, the top three reasons given by college bound students for undertaking an undergraduate degree course are: to improve employment opportunities (with 91% stating it as important or very important), to make more money (90%), and to get a good job (89%).

The median entry-level salary for the UK's graduates among the country's largest employers is expected to remain unchanged – it has stagnated at £30,000 since 2015². The largest salaries on offer for UK graduates are within investment banking (£47,000), law (£44,000), oil & energy (£35,500), and retail (£35,500).

The latest US data from 2016, shows the average entry-level salary for US graduates is \$49,525³. In 2018, nearly two-thirds of US employers plan to increase starting salaries for entry-level graduate hires⁴. Overall, entry-level salaries for graduates in the US are projected to increase by 4.4% this year.

The largest salaries on offer for US graduates in 2018, by major, are within Engineering (\$66,521) and Computer Science (\$66,005). Graduates earning degrees in humanities are expected to see the largest increase in starting salaries, with the average starting salary for humanities graduates up 16.3% (\$56,688) from the average in 2017 (\$48,733)⁵.

Graduate salary increases – of course – provide welcome news. Today, the average US graduate faces \$37,100 in student loans, which will on average consume \$350 from their monthly pay check for the first 10 years in employment.

² High Fliers Research Limited. *The Graduate Market in 2018*. High Fliers Research Ltd. 2018.

³ National Association of Colleges and Employers. *First Destinations For The Class Of 2016*. NACE. October 2017.

⁴ National Association of Colleges and Employers. *Job Outlook 2018*.

⁵ National Association of Colleges and Employers. *Winter 2018 Salary Survey*. NACE. 2018.

Emerging Trends: Work Experience

In the UK and US, work-experience and internship programs continue to gain popularity. More than 75% of the UK's top employers will be offering internship programs this year, which are perceived as "a more reliable and effective way for employers to screen and hire graduates"⁶.

Companies in many of the most competitive industries plan to offer more internships than graduate jobs in 2018, with a view to filling two-thirds graduate positions in 2019 and beyond from past interns. In investment banking, employers plan to offer 129 internships for every 100 graduate positions.

Employers are also increasingly expecting – and enabling – students to undertake work experience sooner in their academic career. More than a third of the UK's largest graduate employers now provide internships, introductory courses, and taster experiences for first year undergraduates. And in the US, the world's leading consumer of pre-graduation work experience and study abroad programs, graduates are stepping up to the plate – this year 78% of US graduates will have completed an apprenticeship or internship by the time they graduate⁷.

WHAT ARE EMPLOYERS LOOKING FOR IN 2018?

Academics

Many companies (still) care about *where* you study. In the UK, more than a quarter of the largest graduate employers actively target fewer than 20 universities. And only 7% target more than 35 universities. Presuming you are already in university, there's little that can be done here.

With the pace of change in the world of work, *what* you study is increasingly unimportant among graduate employers.

Keeping your grades up, however, remains a reliable way for students to improve their employment chances. While it's experiencing a slight downward trend, 67.5% of US employers will screen graduate job applicants based on GPA this year (compared with 70.1% last year)⁸.

Hot Topics: The skills gap

According to a 2013 study by McKinsey & Co, while 70% of educators believe that young people are prepared for work, fewer than 50% of employers (and young people) agree⁹.

⁶ High Fliers Research Ltd. *The Graduate Market in 2018*.

⁷ Lyons, Mary, Katherine LaVelle, and David Smith. *Gen Z Rising: US Edition*. Accenture Strategy. 2017.

⁸ National Association of Colleges and Employers. *Job Outlook 2018*.

⁹ Mourshed, Mona, Diana Farrell, and Dominic Barton. *Education to employment: Designing a system that works*. McKinsey & Company. 2013.

Much has been made of the “Skills Gap” in recent years, but some argue its best described as an “Awareness Gap”. That, rather than a real absence of skills, there exists an absence in students’ abilities to effectively signal relevant skills to prospective employers.

So long as the resume remains the vehicle of choice for expressing a student’s suitability for a job – it does – students are reminded to utilize their extracurriculars to demonstrate cognitive, technical, and soft skills.

And, with reference to the decline in the significance of *what* you study, UK and US employers are again seeking to highlight the importance of soft skills. According to a 2018 study by the National Association of Colleges and Employers, critical thinking, teamwork, professionalism, and communication skills rank among the most important in prospective graduate hires.

Of those top four competencies, US employers note that graduate hires seem most proficient in teamwork, implying a skills gap in the three remaining attributes¹⁰. And, more broadly, commercial awareness – or lack thereof – is the attribute with which graduate employers voice most frustration.

Particularly with respect to the latter, employers continue to advocate work experience as the best means for graduates to demonstrate their possession of these ‘real-world’ skills.

In the UK, more than a third of leading employers surveyed by Highfliers Research extended their warnings from previous years that graduates without work experience stand “little or no chance” of receiving a job offer for their organizations’ graduate schemes.

Hot Topics: Unemployment versus Underemployment

Unemployment rates among graduates in the US and UK remain reassuringly low. Studies around underemployment are, however, far less comforting.

Recent studies by Accenture have found that most graduates from the classes of 2015 and 2016 feel underemployed in their current role. The proportion of US graduates feeling underutilized in has risen from 49% in 2015 to 54% in 2017¹¹.

The Federal Reserve of New York, in a study between 2011 and 2013, found that nearly 48% of graduates were employed in a “non-college job”. And the study found that almost 73% of college graduates hold a position unrelated to their major - this stat needn’t be alarming. Many of today’s leading companies, and the jobs within them, didn’t exist a decade or two ago. The previous stat, however, should be ring alarm

¹⁰ National Association of Colleges and Employers. *Job Outlook 2018*: 34.

¹¹ Lyons et al. *Gen Z Rising: US Edition*.

bells – diminished future potential career paths are a real concern for graduates who don't get off to a strong start.

WHO'S HIRING IN 2018: THE NUMBERS, BY INDUSTRY

The outlook for Class of 2018 graduates is looking up, but, inevitably, the jobs market remains highly competitive.

The following tables indicate where graduate hiring is taking place this year (and, for the UK, the salaries graduates can expect to receive among the country's top 100 graduate employers).

US GRADUATE OUTLOOK BY INDUSTRY¹²

INDUSTRY	PROJECTED HIRES	% CHANGE FROM 2017
Food & Beverage Manufacturing	331	3.3%
Chemical (pharmaceutical) Manufacturing	511	8.0%
Computer & Electronics Manufacturing	3,603	10.4%
Motor Vehicle Manufacturing	3,758	5.8%
Misc. Manufacturing	1,432	23.5%
Information	1,593	24.6%
Finance, Insurance & Real Estate	10,891	3.3%
Accounting Services	8,243	-5.4%
Engineering	371	9.8%
Consulting & Professional Services	2,020	21.9%

TOP UK INDUSTRIES' PROJECTED GRADUATE HIRES¹³

INDUSTRY	PROJECTED HIRES	% CHANGE FROM 2017	AVG. ENTRY-LEVEL SALARY
Banking & Finance	1,143	-3.4%	£30,000
Consulting	650	6.2%	£31,500
Engineering	2,354	11.6%	£27,500
Investment Banking	1,495	-5.8%	£47,000
IT	953	-8.0%	£30,000
Law	861	4.1%	£44,000
Media	638	-3.8%	£30,000
Public Sector	4,272	6.6%	£24,200

¹² National Association of Colleges and Employers. *Job Outlook 2018*.

¹³ High Fliers Research Ltd. *The Graduate Market in 2018*.

Summary

In both the US and UK, graduates should expect a marginally more positive outlook for their 2018 job hunt, with projected graduate recruitment expected to increase 3.6% and 4% in the UK and US, respectively.

- Anticipated 4% increase in graduate recruitment in US
- Planned 4.4% increase in starting salaries for US graduates
- Yet, lowest appetite for international graduate students in five years
- 78% of US graduates have completed an internship
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Upon entering the jobs market, 88% of UK graduates and 84% of US graduates expect their employers to provide formal training.

Work experience programs have become an increasingly common method of both screening and training potential entry-level hires, noted by the prevalence of students interning and employers accepting interns.

Otherwise, developing personalized training plans for new hires can bridge noted gaps in core career competencies, as well as cut down on levels of underemployment and under-utilization of graduate hires¹⁴.

¹⁴ Gen Z Rising: US Edition; Gen Z Rising: UK Edition

About CI

City Internships (CI) is an accelerated learning provider. CI partners with traditional educators and leading companies to bridge the gap between education and employment.

CI's immersive, in-person study and intern abroad programs equip students and graduates with the skills, experience, and links to employers necessary to launch successful careers in today's highly competitive and fluid jobs market.

CI creates globally engaged, career-ready students. On graduation, CI alumni get hired three times more quickly and enjoy 30% higher starting salaries than their peers

Learn more

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<https://www.city-internships.com/getstarted/>

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<https://www.city-internships.com/parents/>

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<https://www.city-internships.com/educators/>

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