

The ISE Pulse Survey 2020

Taking the temperature of
the student labour market

Institute of
Student
Employers

ise.



THE ISE PULSE SURVEY 2020 *TAKING THE TEMPERATURE OF THE STUDENT LABOUR MARKET*

Executive summary

Student recruitment

- Employers reported a 3% planned increase in their recruitment in contrast to the 10% increase that they reported last year.
- They noted that they under-recruited last year by 3%. If this pattern holds the graduate market will be stagnant in 2020 which would be the slowest growth in the graduate market since 2016.
- Increases in public sector graduate recruitment are preventing the market from shrinking. The energy, engineering & industry and built environment sectors are predicting a bad year.
- Employers reported a 2% planned increase in apprentice and school leaver recruitment in comparison with a 7% increase from last year.
- They also noted that they had under-recruited by 4% last year, suggesting that the non-graduate market is also likely to be stagnant.

Geographical changes

- 21% of employers are considering moving some of their early career staff numbers out of London, more than double those looking at moving numbers into London.
- 11% of employers are considering moving some of their early career staff numbers out of the UK. This is more than double the number who are considering moving numbers into the UK.

Verifying qualifications

- 82% of employers expect students to produce qualification certificates when they are appointed. Only 35% of employers verify this evidence with the awarding institutions or bodies opening up the possibility for degree fraud.

Messages for policy makers

- Employers were keen to send a number of messages to policy makers. They argued for reforms to the apprenticeship and vocational education system, the development of a liberal migration policy post-Brexit, the need to attend to the work-readiness and skills of young people and action to improve diversity and social mobility.

1. Introduction¹

The ISE is an employer association that brings together employers who regularly hire young people and other entry-level workers. This includes firms that recruit graduates, apprentices and other types of school-leaver programmes. One of the ISE's main functions is to pool the knowledge of all of our members to help us to understand the current state of the labour market and how recruitment and selection processes are working. Every year we publish a major piece of research that reflects on the previous year of student recruitment.² However, it is also important to understand how the recruitment cycle is unfolding whilst we are in it. This short 'pulse survey' ask employers to take the temperature of the student labour market mid-season.

The survey opened on the 2nd December 2019 and ran for three weeks, closing on the 20th December.³ It received 296 responses, which when cleaned⁴ produced a dataset of 197 valid responses. Three quarters (75%) of the responses were from ISE members, with the remaining quarter (25%) from non-members. The sample was well distributed across all sectors as can be see from figure 1.

Figure 1. Proportion of responses by sector

Sector	Responses
Finance & professional services	22%
Energy, Engineering & Industry	18%
Digital & IT	14%
Charity & public sector	13%
Retail & Fast moving consumer goods (FMCG)	12%
Legal	12%
Built Environment	10%

2. Graduate recruitment

The overwhelming majority of respondents (94%) were actively recruiting graduates for their business. The firms that were not recruiting graduates were concentrated in the retail and FMCG sector where 21% of the firms were not recruiting graduates. ISE members were also somewhat more likely (6 percentage points) than non-members to be actively recruiting graduates.

¹ Please use the following format to cite this report.

Institute of Student Employers. (2019). *The ISE Pulse Survey 2020: Taking the temperature of the graduate labour market*. London: Institute of Student Employers.

² See <https://ise.org.uk/page/ISEPublications> to access previous research reports from the ISE.

³ The analysis and writing for the report was undertaken by Tristram Hooley. Thank you to Charlie Ball, Paul Grattrick, Stephen Isherwood, Holly Savage, Clare Tregaskis and Philip Wilson for their input into the paper.

⁴ Data were cleaned to remove test responses, responses with no usable data in them and duplicates. Where duplicates were found the most complete response was used. Where multiple complete responses were found data was combined, using the mean to resolve and discrepancies. Where multiple incomplete responses were found they were combined to make a single complete response.

In total respondents anticipated recruiting 19,290 graduates this year. This was a 3% increase on what the same firms planned to recruit the previous year. However, on average firms reported that they failed to fill around 3% of their planned graduate recruitment targets last year, suggesting that graduate recruitment numbers are likely to be fairly steady. This is in stark contrast to this time last year when employers were predicting 18% growth in graduate numbers⁵ or with our end of year review when employers reported a 10% increase.⁶ This represents a substantial slowdown and is the worst rate of growth since 2016.

Most (74%) respondents reported that it was no easier or more difficult to find graduates than in the previous year. One respondent in the energy, engineering and industry sector highlighted the challenges associated with students renegeing on job offers.

Graduates are quite open about the fact that they will accept a number of offers and make up their minds at the end of the recruitment season (or later). We do not have difficulty in finding quality graduates - if we don't fill all our vacancies, it is because of late withdrawals. This is disadvantaging other potential graduate candidates.

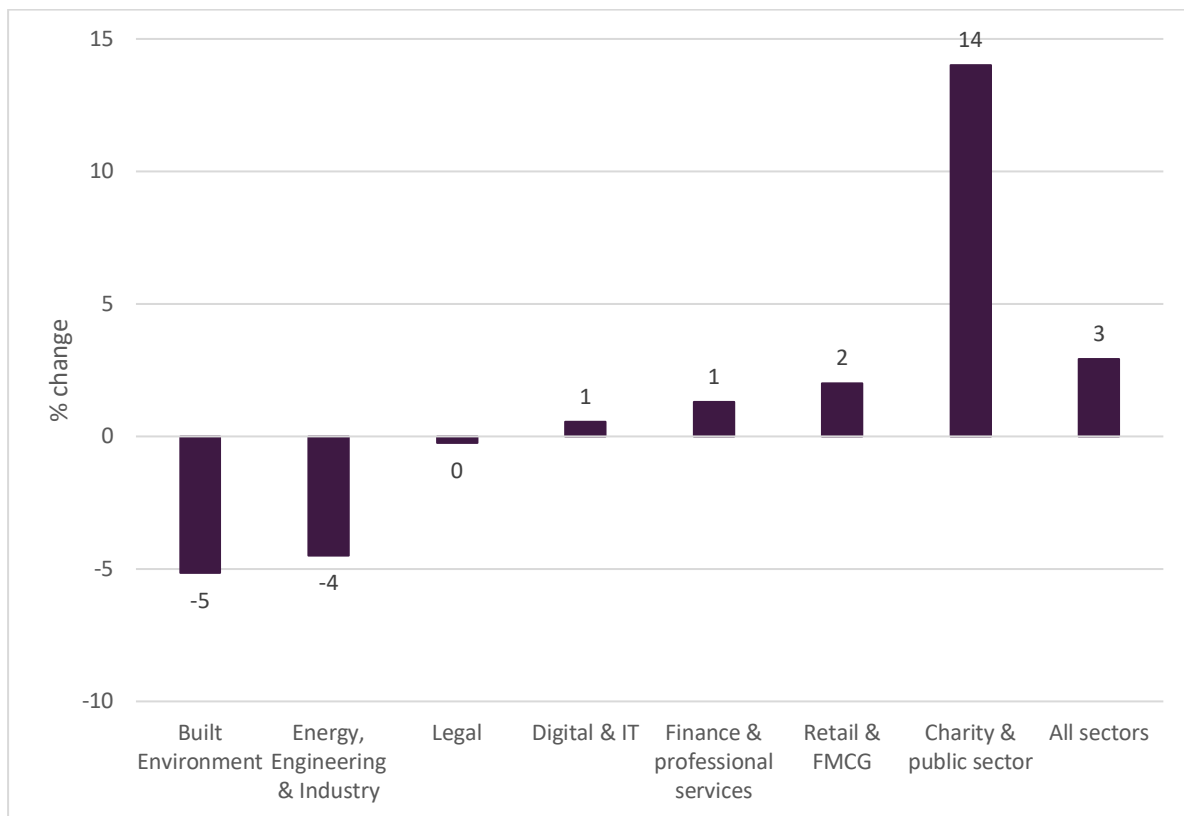
If we drill into the recruitment by sector, figure 2 shows that the change in graduate recruitment is not evenly distributed. While the built environment and energy, engineering & industry sectors have both experienced downturns in graduate numbers, the charity & public sector is driving the overall increase in graduate numbers in line with recent announcements about renewed investment in public services contained in the Queen's Speech.⁷ If we removed the charity & public sector from the figures, the graduate market would be stagnant this year (0%).

⁵ Institute of Student Employers. (2019). *Pulse survey 2019*. London: ISE.

⁶ Institute of Student Employers. (2019). *Inside student recruitment 2019*. London: ISE.

⁷ HM Government. (2019). The Queen's Speech 2019. Retrieved from https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf.

Figure 2. Change in graduate recruitment by sector



Respondents in the public sector reported that the increase that they were anticipating were due to *'national policy changes. There have been recommendations to increase numbers'* as the new government has started to loosen austerity and make some public spending commitments.

Despite the overall increase, there were a number of firms that reported strategy changes which resulted in reduced engagement in the graduate market. In the built environment sector one firm reported that they *'have made a decision to pause our mainline graduate recruitment programme for one year to allow existing trainees to bed into the business, protect succession planning and reevaluate our recruitment programme'*. Another retail & FMCG firm also reported putting their graduate recruitment on hold for a year.

In energy, engineering & industry one respondent reported that they were reducing graduates in favour of apprentices hires, *'we're moving some graduate numbers to degree apprenticeships'*. While, there is no evidence to suggest that this is a general trend, there were other firms that were also thinking about changing their recruitment approach in this way, including one firm in the finance & professional services sector who reported a substantial decrease in graduate numbers and noted that *'our focus is more on Apprenticeships and internal development going forward'* and another in the digital & IT sector who said that they were *'switching to more apprentices'*.

In general, these findings suggest that the fact that the graduate market is experiencing a slowdown has more to do with issues of demand (employers' willingness to recruit) than it does supply (students skills and capabilities of taking up these roles). In some cases this is

linked to changes in strategy within particular firms, but across the whole market it is likely to be related to wider economic conditions.

3. Non-graduates

Alongside their graduate recruitment, most (69%) firms also recruit non-graduate entry level hires. This group includes any entry-level staff that firms recruit who are not qualified to degree level e.g. apprenticeships and school leaver programmes. Respondents reported that they anticipated recruiting 8,104 non-graduate hires this year. This is about half the number of graduates that respondents reported recruiting, but these numbers are not directly comparable as respondents report that non-graduate recruitment is less centralised within firms and so more difficult to provide reliable numbers on from a central human resources function.

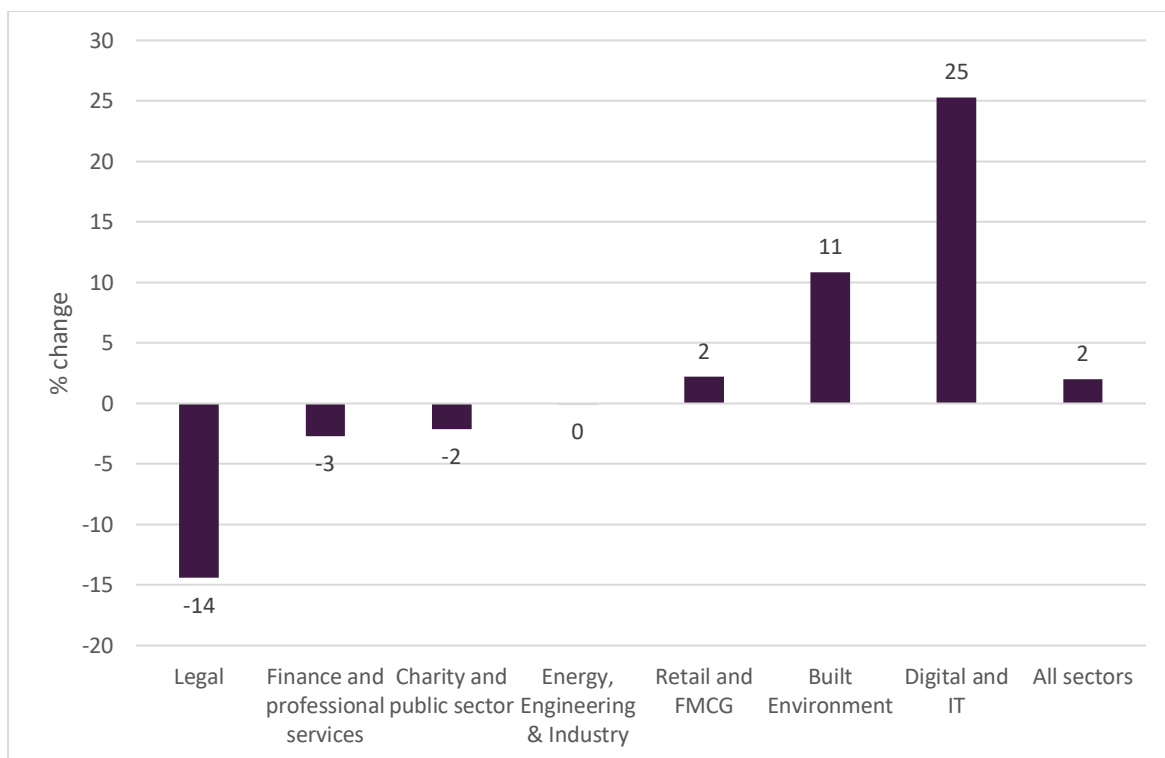
Where respondents are able provide detailed data on the recruitment of non-graduate hires for this year and last year (94 firms), it appears that there has been an increase of around 2% in non-graduate recruitment across all sectors. Although, as with the graduate numbers it may be that difficult in recruiting to the target level offsets this. Respondents reported that last year they were unable to recruit around 4% of the non-graduate hires that they wanted last year. This suggests that as with the graduate market the overall numbers are likely to be stable. As with the graduates, there has been a significant slowdown from this time last year. In last year's Pulse survey respondents anticipated making a massive 47% increase in their non-graduate provision.⁸ But, by the time that we got to the end of year review this had narrowed down to a 7% actual increase, with most firms still reporting that they were able to spend most of their apprenticeship levy.⁹

Figure 3 breaks these changes down by sector.

Figure 3. Change in non-graduate recruitment by sector

⁸ Institute of Student Employers. (2019). *Pulse survey 2019*. London: ISE.

⁹ Institute of Student Employers. (2019). *Inside student recruitment 2019*. London: ISE.



The legal sector is showing a substantial decline in the number of non-graduate entry level hires. While the built environment and digital & IT are both showing substantial increases.

One law firm reported that they had reduced their recruitment as they *'have filled a lot of the non-graduate roles recently and therefore, unless we have attrition in those roles, we will not be recruiting as much'*. Other firms made similar points. After a period of upscaling their non-graduate recruitment, firms have reached capacity and do not need to continue recruiting. As one finance & professional services firm reported *'our model is mature now so we are maintaining numbers'*.

In finance & professional services one firm reported that they had reduced apprenticeship numbers due to a downturn in their business. Another reported that they were refocusing recruitment towards graduates and away from non-graduates. Other respondents reported that more operational issues, such as problem with apprenticeship providers, accounted for the reduction in their apprenticeship numbers.

Some respondents reported that increased staffing demand and improving relationships with apprenticeship providers had seen them increase the number of non-graduate hires this year. One finance & professional services firm reported that they were increasing apprenticeships both to address their skills gaps and to use their apprenticeship levy. In retail & FMCG one firm reported that they were making increasing use of apprenticeships due to *'business growth'*. Another firm in the built environment reported that *'we are looking to increase the number of higher apprentices (level 5 and above) we recruit instead of sponsoring traditional HE qualifications.'* In finance & professional services one firm reported that they *'looking to increase the number of higher apprentices (level 5 and above)... instead of sponsoring traditional HE qualifications'*.

Over recent years, the introduction of the apprenticeship levy has been a major driver of firm's early talent strategies.¹⁰ The overwhelming majority of respondents (81%) reported that they paid the apprenticeship levy. On average they were spending around 35% of the levy money that they pay in comparison to 30% in last year's Pulse survey and 37% in our end of year review.

While we should be careful about extrapolating too much from a single survey, these results perhaps suggest that the growth of apprenticeship/non-graduate numbers that has been stimulated by the apprenticeship levy is peaking. In a climate of considerable uncertainty (an election, Brexit) many businesses appear to be exercising caution in relation to their non-graduate hires, although the considerable variety across different sectors demonstrates how sensitive recruitment is to the current business environment.

4. Geographical changes

We were also interested to explore whether firms were changing the location of their early career staff. In our survey in the summer we found that 56% of graduate jobs offered by ISE members were located in London and the South East despite the fact that these hires also attracted a salary premium due to their location.¹¹ Other research also finds that the graduate labour market is strongly centred on London and the South East¹² and there has been considerable political and economic debate on the need to rebalance the economy away from London to prevent regional decline.¹³

A minority (21%) of respondents reported that they were considering moving some of their early career staff numbers out of London. This was most common in the built environment sector (35%), finance & professional services (33%) and legal sector (18%). Only 9% of respondents reported that they were considering moving some of their early career numbers into London. With this most common in the built environment (24%), digital & IT (12%), and finance & professional services sector (11%).

One finance and professional services firm reported that they were '*focusing on hiring greater numbers outside of London*' with another reporting that they were aiming to have 60% of their early career numbers outside of London and another reporting that they had recently set up two new regional bases. One charity and public sector organisation reported that they were '*currently only London based*' but they were '*looking to expand regionally*'. One digital & IT firm reported that they were hiring more apprentices regionally. A built environment firm reported that their London offices were at capacity and so they were moving numbers out to regional offices.

¹⁰ Institute of Student Employers. (2019). *Stability, transparency, flexibility and employer ownership. Employer recommendations for improving the apprenticeship system*. London: Institute of Student Employers.

¹¹ Institute of Student Employers. (2019). *Inside student recruitment 2019: Findings of the ISE recruitment survey*. London: Institute of Student Employers.

¹² Ball, C. (2019). *What do graduates do? Regional edition*. Manchester: Prospects.

¹³ Bounds, A. (2019). Time running out to rebalance UK economy away from London. Financial Times. Retrieved from <https://www.ft.com/content/4fcc064c-dae4-11e9-8f9b-77216ebe1f17>.

In addition to the shifts that we are seeing around the country, we were also interested to explore whether firms were changing where they were basing their staff internationally. Brexit will shift Britain's place in the world and so it will be interesting to see how this changes the way in which firms are dealing with their early talent.

A minority (11%) of respondent reported that they were moving some of their early career staff numbers out of the UK. This was most common in the built environment (31%), digital & IT (17%) and finance & professional services (17%) sector). On the other hand only 4% of firms were moving early careers staff numbers into the UK. This was most common in digital & IT (12%), built environment (12%) and retail & FMCG (5%).

A finance & professional services firm reported that '*we are increasing numbers outside of the UK - but maintaining numbers in London.*' A similar point was made by a firm in the energy, engineering and industry sector who reported that their UK numbers were stable while they were increasing their international business. A firm in the finance & professional services sector reported that they were shifting early career numbers to Dublin and another firm in the same sector that they had recently set up offices in Berlin, Rome and Amsterdam.

5. Verifying qualifications

The key purpose of the ISE's pulse survey is to ascertain mid-season trends in student recruitment. However, it also offers a good opportunity to explore a couple of additional questions. In this survey we explored whether and how firms verify student's qualifications.

The overwhelming majority (82%) of firms report that they expect students to produce qualification certificates or other proof of their qualifications when they are appointed. This practice was least common in the charity & public sector (67%), the digital and IT sector (73%) and the retail & FMCG sector (73%). While all firms in the legal sector expected these documents to be produced.

We then asked whether firms verified the qualifications with the institutions or awarding bodies who had awarded them. Overall only 35% of firms undertook this additional verification. However, this varied considerably by sector with the legal sector (55%) considerably more likely to undertake these checks than energy, engineering & industry (25%) or the charity and public sector (28%). The relative infrequency of the verification of qualifications clearly opens up the possibility for degree fraud¹⁴, although there is little evidence to suggest that this is a widespread practice.

6. Messages for policy

We concluded the survey by asking respondents whether they had any messages that they wanted to communicate to policy makers. Fifty-two respondents provided commentary on the key policy issues that they were concerned about.

¹⁴ Francis, A. (2019). Why we need to tackle degree fraud. Retrieved from <https://luminare.prospects.ac.uk/why-we-need-to-tackle-degree-fraud>.

The most common issue raised by respondents was the need for *reform to apprenticeships and vocational education*. This was raised by 33% of respondents who highlighted issues with the levy, off-the-job training and the need for increased flexibility in how apprenticeships operate. A number of respondents also stressed the importance of higher and degree level apprenticeships. Others were concerned that there was not enough support for young people to find out about apprenticeships and consider this as an option. More detail on the ISE's position on apprenticeships is available in our report *Stability, transparency, flexibility and employer ownership. Employer recommendations for improving the apprenticeship system*.¹⁵

The next most commonly raised issue was Brexit (21%). The survey was conducted during December, with some people responding before the election and others, after the election. Key concerns highlighted by policy makers were the general political and economic uncertainty and the way that it was impacting on the decisions made by employers and students. Employers were also concerned about losing access to EU talent and the increased levels of bureaucracy that they anticipated having to deal with through increased use of the visa system. Further details about the ISE's position on post-Brexit migration is available on the organisations' blog about our response to the Migration Advisory Committee.¹⁶

Employers also reported being concerned about the *work readiness* of students (19%) and the availability of *skills* (12%). They argued that the education system needed to prepare students more effectively for the world of work. There needs to be better careers support to help student to make transitions. They also highlighted difficulties in finding the skills that they need in certain occupations, sectors and areas of the country.

Finally some (12%) employers highlighted the need to tackle diversity. Employers expressed a desire to increase the diversity of their hires in terms of socio-economic background, gender, ethnicity, disability and neurodiversity. They were keen to see more government action on these issues, but also recognised the need to change their own recruitment processes and take action within their sector.

7. Conclusions

The field of student recruitment is fairly stable this year, although there are some signs that it may be stagnating. Both graduate and non-graduate entry-level recruitment look to be up on last year, but if firms fail to meet their recruitment targets, this could easily slip into a slight decline in hiring.

¹⁵ Institute of Student Employers. (2019). *Stability, transparency, flexibility and employer ownership. Employer recommendations for improving the apprenticeship system*. London: Institute of Student Employers.

¹⁶ Hooley, T. (2019). How migration policy should change after Brexit. Retrieved from <https://ise.org.uk/page/blog-how-migration-policy-should-change-after-brexit>.

There are also some indications that the geographical pattern of student recruitment may be shifting with more firms shifting numbers outside of London and outside of the UK than the opposite. It will be important to watch this closely as Brexit unfolds.

Finally, employers have several concerns about the future. In particular they are watching the development of the apprenticeship system and post-Brexit migration policy.