Student development survey 2019

Institute of Student Employers

ise.

Trends, benchmarks and insights

Contents

**Institute of
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Employers**

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Foreword

Stephen Isherwood

Reading the results of the 2019 development survey, two clear themes stand out. The first is that employers who invest heavily in graduates and apprentices create a talent pipeline of motivated, high-performing and loyal staff. The second is that the development of apprentices cannot be approached in the same way as graduates as they have different strengths and needs.

The apprenticeship levy has clearly changed the structure of the student recruitment and development industry. Members of the Institute of Student Employers are more likely to utilise the levy than other employers. Employers still recruit more graduates than apprentices, but they are increasing their recruitment of apprentices at a faster rate and spending a growing proportion of their levy pot. But this does not mean graduates will lose out as employers are also increasing their levels of graduate recruitment.

This year's survey helps to explain how employers develop apprentices and graduates differently. As well as focusing on broader development themes, this survey also explores industry practices in some depth. I was surprised to see that, despite its widespread use, employers feel that online learning is only the fifth most impactful method of developing their staff. Employers and suppliers have invested heavily in online tools over the last decade, so I would expect greater enthusiasm for this mode of delivery from members. Are cost pressures compromising our effectiveness?

Significant demographic and economic pressures are impacting on our industry. The number of young people is decreasing just as Brexit may limit European immigration. This will increase the competition for talent. Whether or not Brexit negatively impacts the UK economy, European and world-wide growth prospects are weak. This will increase the need for employers to attract the right talent, develop the skills they need in their hires, and retain people for longer.
The employers who continue to invest significant resources and take the time to develop their apprentices and graduates are those that will be the most successful in the long-run.

Stephen Isherwood, Chief Executive, ISE

Executive summary

This report focuses on how firms support entry-level hires to develop their skills and careers in the first few years of employment. It reports on a survey of 156 employer members of the Institute of Student Employers (ISE) conducted between November 2018 and January 2019.

Types of student employment

The employers responding to this survey employ a total of 1.46 million workers and are typically larger employers employing around 3000 people. The survey includes detailed data on the 76,000 entry-level hires that they have brought into their businesses over the last three years. This includes graduates, apprentices and school leavers.

Although graduates are the biggest group of employees (52%) and their numbers have increased by 9% since 2016, the trend across the last three years suggests that the number of non-graduate entrants to these firms is increasing more rapidly with apprentices increasing by 56% and school and college leavers by 20%.

The fact that ISE members are growing apprenticeships faster than graduate numbers is particularly important given the fact that 58% of respondents say that they are developing apprentices to do work that would have previously been done by graduates. While the graduate labour market is expanding there is room for more of everyone, but the relative value of graduates and apprentices is likely to come into sharper focus if there is a recession.

Managing the development of entry-level hires

The average firm has 11 members of staff who are primarily concerned with the development of new staff. In 73% of firms the development of graduates and apprentices is managed through the same team.

The average firm spends around £2 million on developing its student hires. This averages out at a per-hire annual development cost of £3,850.

The biggest issue facing student employers at the moment is the use of the apprenticeship levy. On average respondents are spending around a

third of their levy (33%). This is more than double the national average as reported by the government but shows that even large firms with a strong history of student development, such as ISE members, still have some way to go to implement the new apprenticeship system. Most (83%) reported that they were looking for more flexibility in the way that the apprenticeship levy could be spent, more than half (59%) would like to see faster development of apprenticeship standards and around a third (30%) thought that the amount levied should be reduced.

Most of the levy money reported by ISE members (72%) is being spent on entry level hires. Around a third are currently using some of this money to support their graduate development programmes and another third are interested in this possibility for the future.

The structure of student development programmes

Almost all respondents were running graduate development programmes (97%), most were running apprenticeship development programmes (80%) and a minority were running non-apprenticeship programmes for school and college leavers (19%).

Employers are engaging with apprenticeship programmes at all levels from level two (intermediate) to level seven (masters). Many of those who are using level six and seven apprenticeships are using them as part of their graduate development programmes. Most apprenticeship programmes are run with the support of external training providers.
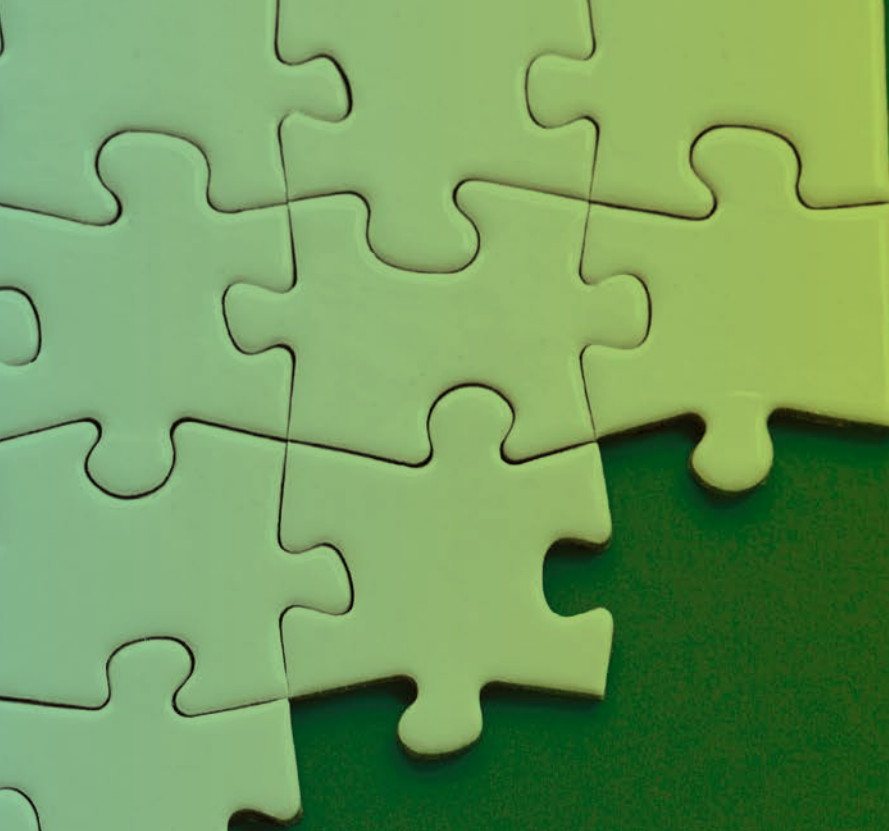
The overwhelming majority (77%) of firms recruit graduate hires onto a specialist programme related to the area that they are going to work in. Around half (47%) recruit at least some of their graduates onto more generalist graduate programmes. A small minority (18%) recruit graduates direct to desk rather than onto a formal development programme. These three approaches are often combined within the same firm.

The average firm offers 21 days training a year for graduates on their development programmes. A clear majority of employers organise their graduate programmes over a two-year period.

Ensuring students develop the attributes they need

In general respondents reported that graduates were likely to out-perform apprentices and school and college leavers at the point of entry in terms of their skills and attributes.

Respondents were almost four times as likely to raise concerns with how apprentices dress when they enter the workplace in comparison to graduates. They were twice as likely to report that apprentices lack presentation skills, data analysis skills, IT skills, interpersonal skills, writing skills and problem-solving skills. This points to some of the key attributes that might lead employers to target graduates over apprentices. However, in most other skill areas there was little difference in the way that employers rated graduates and apprentices.

The importance of experience is also highlighted by the fact that 87% of respondents agreed that students who had completed an internship or placement had better skills than those who did not have this experience. However, there was much less impact from additional qualifications with only 19% of respondents agreeing that students who came with a postgraduate degree had better skills than those who had not.

To address these issues employers delivered a wide range of different training. The training offered to apprentices and graduates was broadly similar. Although there are some differences as employers are more than twice as likely to train apprentices on how to dress for work and in numeracy than graduates. They are almost one and a half times more likely to train apprentices on problem solving, time management, IT and digital skills and staying positive. And they are slightly more likely to train graduates in leadership than apprentices.

Approaches to student development

Respondents reported using a wide range of different approaches for developing student hires. Employers were half as likely to use rotation between different business functions with apprentices and slightly less likely to use pre-boarding activities and mentoring with apprentices. On the other hand, they were one and a half times more likely to provide apprentices with one-to-one tutoring, self-study time and opportunities for microlearning than they were with graduates.

90%

Completion rate for student development programmes

When asked what development approaches were most impactful, respondents endorsed well-established approaches such as classroom learning, mentoring, rotations, experiential learning and peer learning. Only 24% of respondents view online learning as one of the most impactful approaches to student development despite the fact that 90% of employers are using this approach for both graduates and apprentices.

Retention and progression

Student development programmes are generally very successful with a 90% completion rate. Following the development programme, retention rates vary between different types of hire. On average it seems to be easier to retain apprentices than graduates. Some employers also noted some particular challenges with retention related to diversity issues notably gender and ethnicity.

In general, the responses given to the question on why entry-level hires leave suggest that career development is the key issue. While issues of salary and performance are also important, the most common reasons for leaving are to find a better career opportunity elsewhere or because of concerns about the career opportunities that are available within the firm.

Introduction

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Figure 1.1
Responses to the ISE development survey by sector
(Based on responses from 156 employers)

Built Environment
Number of responses: **8**
Proportion of sector: 50%

Retail & FMCG
Number of responses: **14**
Proportion of sector: 41%

Energy, Engineering & Industry
Number of responses: **44**
Proportion of sector: 61%

Charity & Public Sector
Number of responses: **9**
Proportion of sector: 56%

Grand Total
Number of responses: **156**
Proportion of ISE population: 54.17%

Finance
Number of responses: **34**
Proportion of sector: 54%

Legal
Number of responses: **28**
Proportion of sector: 53%

IT
Number of responses: **19**
Proportion of sector: 56%

The initial transition into full time work is one of the most important moments of anyone's life. Young people are spending longer and longer in education and emerging with ever greater collections of qualifications. But when they first enter the workplace, they are arguably tested in ways that the education system can never fully prepare them for. If this transition goes well it can support the young person to build an effective life long career. If it goes less well it can result in a career crisis that may take years to fully resolve. Equally importantly, smooth transitions are good for business and mean that firms have positive and engaged staff who start producing value quickly and who develop with the business's needs.

Most of the commentary on the transition to work focuses on issues of preparation and selection. Such discussion typically stresses the importance of good career education and guidance, the development of employability skills and the alignment of education with employment.[1] Other research published by the Institute of Student Employers (ISE) focuses on how employers can identify the right mix of skills, attitudes, experience and qualifications and establish recruitment programmes that mean that they get the talent that they need.[2] But all of this research and discussion only takes young people as far as opening the door on their first day. It also leaves firms, human resource teams and line managers with a critical question; how can we make the most of the new talent that we have just hired?

In this paper we focus on the development of entry-level hires in the first few months and years after they have joined the business. We would argue that the effective development of entry-level hires is at least as important as their preparation in education and their effective selection. To explore effective development practice the ISE conducts an annual survey of it's members.

Our membership is typically made up of larger firms with a lot of experience in the development of graduate hires. In recent years we have seen a growing number engaging with school leavers and, particularly since the introduction of the apprenticeship levy, with apprentices. This broadening concept of student talent poses some challenges for firms that are used to recruiting graduates. In this paper we will examine the experiences and practice of our members and use this to draw out some insights to support the future of student development.

How we gathered the data

The research is based on an online survey of all of the ISE's 288 employer members.[3] The survey ran from November 2018 to the end of January 2019 and we received 282 responses. Data were then cleaned to ensure reliability which resulted in 156 valid responses (54% of the eligible organisations).[4] A breakdown of responses by sector is provided in figure 1.1.

> "...
> **Smooth transitions are good for business and mean that firms have positive and engaged staff.**

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[1] See for example Artess, J., Hooley, T. and Mellors-Bourne, R. (2017). *Employability: A review of the literature 2012-2016.* York: Higher Education Academy.

[2] All of the ISE's research publications are available to members at https://ise.org.uk/page/ISEPublications.

[3] ISE membership is open to employers, educational providers and suppliers. For further information on becoming a member visit https://ise.org.uk/page/joinISE.

[4] Data were cleaned to remove: test responses; respondents who indicated that they were not willing to participate in the research; responses with no usable data; and duplicates. Where more than one response had been submitted from a single organisation the responses were combined and the mean taken to resolve any discrepancies. Where approximate figures were given they were interpreted conservatively. E.g. "200+" was analysed as 201. Where figures were required to sum to 100% they were recalculated proportionately if they did not sum. Mean imputation was used to address missing data in cases where a value was missing from a sequence of data provided by a firm e.g. the number of graduates appointed in a series of years.
All outlying values were carefully scrutinised and amended or removed where appropriate.

Types of student employment

2

The 156 firms taking part in the research employ a total of 1.46 million workers. The median number of workers per firm is 3000. Larger firms of this kind have a need to continually replenish their staffing.

All of our respondents were recruiting students as entry level hires. Not all of the respondents were able to provide a detailed breakdown on the exact number of student hires that they employ, but the 131 firms who were able to provide data on this were employing over 76,000 entry-level employees. Overall 52% of the hires are graduates, 42% are apprentices and 6% school or college leavers. These proportions are somewhat different from last year's recruitment survey where graduates continued to make up the bulk of student hires.[5] However, the trend of the faster growth of apprentices than graduates is consistent across all of our recent studies. At the moment graduates are still the biggest group of entry level talent that employers are recruiting, but there is a question as to how long this will remain the case. A more detailed breakdown of entry level hires over the last three years is presented in figure 2.1.

This presents a picture of a student employment market that is increasing year on year. School and college leaver numbers (not on an apprenticeship) have increased by 20% between 2016-2018; apprenticeship numbers by 56% and graduate numbers by 9%. This broadly fits with the pattern that we have seen in other recent research which suggests that the formal student employment market, as represented in the Institute of Student Employer membership, continues to expand and that much of this expansion is driven by the growth in apprenticeships.[6]

The pattern that we see within the ISE membership is in contrast to the more general pattern on apprenticeships. Apprenticeship starts have generally been fairly flat or even in decline over recent years and there is serious concern that the government will not hit its target of 3 million apprenticeship starts by 2020.[7] The fact that ISE members are increasing their engagement with apprenticeships is probably good news for the government as it shows that where firms are used to recruiting and developing large numbers of entry level

58%

Firms that are developing apprentices to do work previously done by graduates.

Figure 2.1
Entry level hires being developed (2016-2018)
(Based on responses from 131 employers)
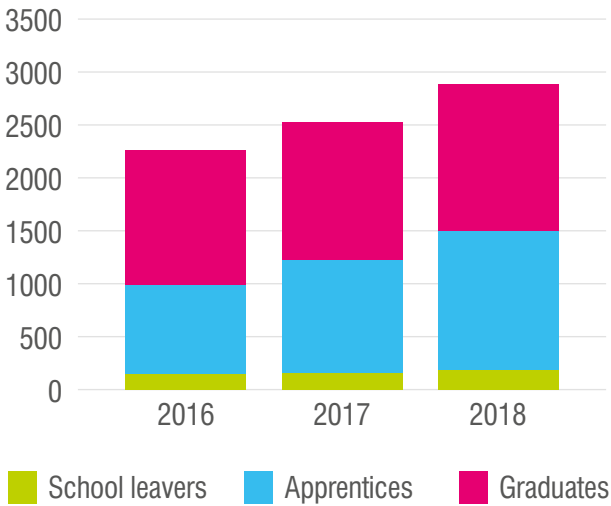
hires the case for this policy is being successfully made. A key question for government will be how this expertise can be transferred to the wider pool of employers.

The fact that school leaver and apprentice numbers are growing faster than graduate numbers is particularly important given the fact that 58% of respondents say that they are developing apprentices to do work that would have previously been done by graduates. While the graduate labour market is expanding there is room for more of everyone, but the relative value of graduates and apprentices is likely to come into sharper focus if there is a recession and the overall size of the student labour market ceases to increase. In such circumstances the fact that apprentices are much cheaper on average to hire than graduates (over £10,000 a year cheaper at entry-level based on recent ISE research[8]) will have to be balanced against the higher skill levels of graduates. We will be looking in more detail at how employers see the skills of different types of hires in chapter 5.

■ School leavers ■ Apprentices ■ Graduates

[5] Institute of Student Employers. (2018). *ISE annual student recruitment survey 2018.* London: ISE.

[6] See for example Institute of Student Employers. (2019). *Pulse survey 2019.* London: ISE.

[7] Powell, A. (2019). *Apprenticeship statistics: England.* London: House of Commons Library.

[8] Institute of Student Employers. (2018). *ISE annual student recruitment survey 2018.* London: ISE.

Managing the development of entry-level hires

3

> " ...
> **Currently grads and apprentices are managed by separate teams. We will need to find a more joined up approach moving forward.**

In order to manage the development of entry-level hires all firms have to build an infrastructure for student development. This infrastructure will always balance the activities of a central team of development specialists and the work that goes on in dispersed sites and teams where line-managers take responsibility for much of the day-to-day development of hires. Some respondents highlighted the challenge of managing such programmes across multiple locations including some international locations.

Staffing

The average firm reported that they have 11 members of staff who were primarily concerned with the development of new staff. We also asked whether employers' development teams are now dealing with all types of hire. The majority (73%) of respondents reported that they manage the development of all types of entry level hire through the same team. Some respondents reported that the growth of the apprenticeship route has put their team under additional pressure and heightened the need for increased staffing. However, where teams were still separate some employers had plans to join these up in the future.

Figure 3.1 breaks down how, on average, these teams' time is split between work with graduates, apprentices, school leavers and wider organisational development designed to support the development of new hires.

In addition to directly employed staff almost all (99%) respondents report using external contactors for their development programmes. These external contractors are used for six main functions as set out in figure 3.2.

Figure 3.1
The division of development staff's time
(Based on responses from 84 employers)
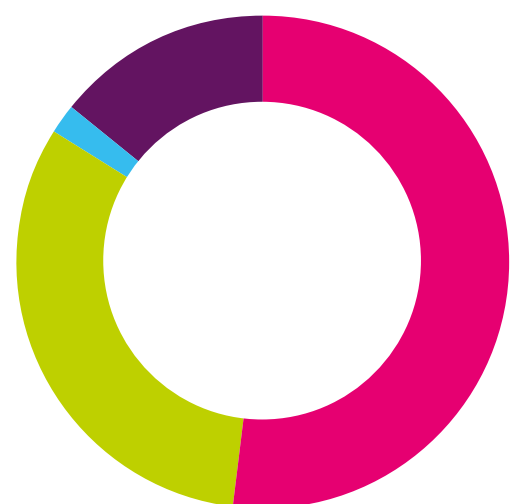
- Graduates **52%**
- Apprentices **32%**
- School Leavers **2%**
- Wider organisational development **14%**

Figure 3.2
The role of external contractors in student development programmes

| Running training programmes | Delivering and accrediting formal qualifications | Delivering apprenticeship programmes | Mentoring | Event management and support | Wider consultancy and support for development programmes |

Budget

The average firm spends around £2 million on developing its student hires. This averages out at a per-hire annual development cost of £3,850.[9] Several respondents reported that managing the budget was one of their biggest challenges in running development programme. Figure 3.3 shows how, on average, this budget is divided up between different activities.
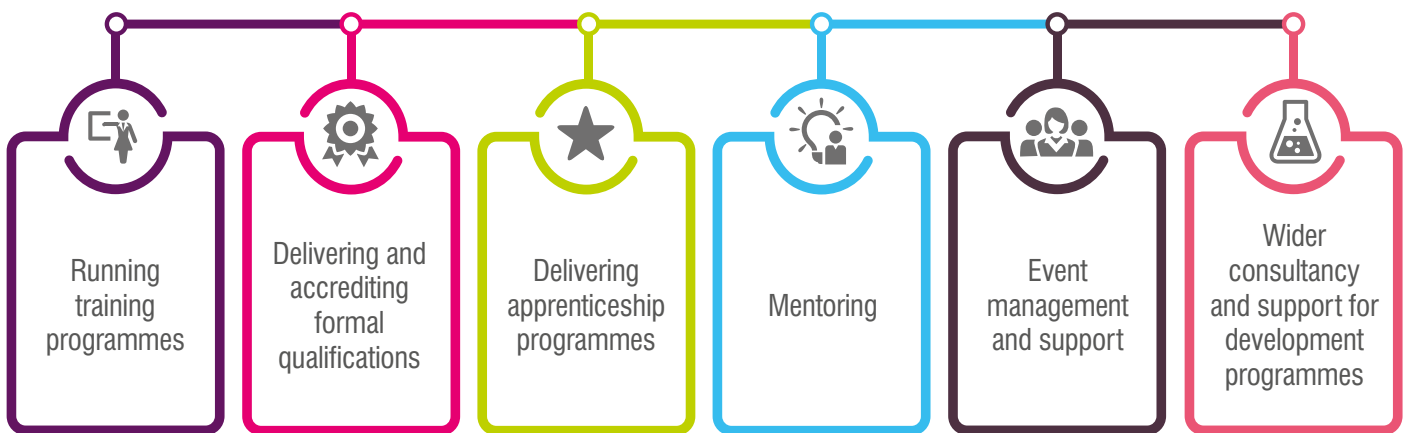
Figure 3.3
The division of development budgets
(Based on responses from 35 employers)

Graduates **63%**
Apprentices **23%**
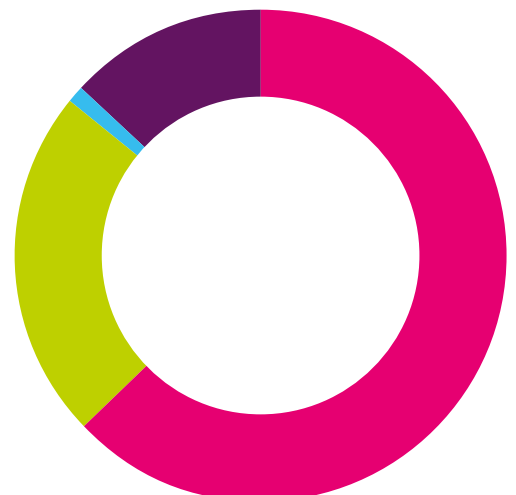School Leavers **1%**
Wider organisational development **13%**

Figure 3.4
**Average proportion of the
apprenticeship levy spent by sector**
(Based on responses from 105 employers)

Built Environment
Average proportion
of the levy spent
45%

Energy, Engineering & Industry
Average proportion
of the levy spent
42%

Retail & FMCG
Average proportion
of the levy spenty
15%

Grand Total
Average proportion of the
apprenticeship levy
33%

Charity & Public Sector
Average proportion
of the levy spent
22%

Finance
Average proportion
of the levy spent
35%

Legal
Average proportion
of the levy spent
23%

IT
Average proportion
of the levy spent
28%

Apprenticeship levy

The most substantial budgetary issue that firms are facing in relation to their development activities is the introduction of the apprenticeship levy. Almost all (95%) of respondents pay the apprenticeship levy. On average they are spending 33% of their levy money. Figure 3.4 shows how this breaks down by sector.

The level of engagement with the apprenticeship levy amongst respondents is in excess of the general picture across England. At the end of 2018 the government revealed that employers were only spending an average of 13.7% of their apprenticeship levy.[10]

In contrast to the national picture, ISE members are increasingly engaged with apprenticeships, with 74% reporting that they are in the process of increasing their spending on the levy. Some admitted that they were still at the start of this journey and that they were researching and strategising the best way to engage with apprenticeships. But when asked why they were not spending their levy 46% said that they did not currently recruit enough apprentices, with 34% arguing that the apprenticeship standards that they need have not been created yet and 19% complaining about '*too much red tape*'.

9   Based on the 35 firms providing both their overall development budget figures and the number of student hires. Assuming an average two-year development programme and so based on recruitment figures for 2017 and 2018 for school leavers, apprentices and graduates.

10   Allen-Kinrose, P. (2018). Employers use just 14% of their levy in first 18 months. *FE Week.* Retrieved from https://feweek.co.uk/2018/11/10/employers-use-just-14-of-their-levy-in-first-18-months/.

Further feedback reveals some additional problems with the levy with employers complaining that there were '*too many on costs not covered by levy*', highlighting concerns with the 20% of required off the job training and discussing concerns with the quality and availability of training providers. Some firms highlight the challenges of operating across the UK or internationally while trying to work with an apprenticeship regime that is England only. Others highlighted the challenges of getting their own businesses to engage with apprenticeships.

A particular concern, raised recently by Johnathan Moules in the *Financial Times*, is that firms are spending excessive amounts of their levy funding on existing staff rather than on provision aimed at labour market entrants.[11] However, in general this does not seem to be the picture with ISE members who are typically spending the overwhelming majority of their levy money on entry-level hires as can be seen from figure 3.5.

Although ISE members are typically focusing the use of the apprenticeship levy on entry-level staff, they are not necessarily using it in the way that the government originally imagined. The strong background of ISE members in graduate recruitment and development has understandably led many of them to ask if the apprenticeship levy can be repurposed to support graduate development. As figure 3.6 shows, a third of them are already using the levy in this way, whilst another third are planning to use this in the future.

When asked about how they would like to see the apprenticeship levy developed only 6% said that they were happy with the system as it current was. The overwhelming majority (83%) were looking for increased flexibility in the way that the levy could be spent with key flexibilities that were sought including a change to the requirement for 20% off the job training (50%), increasing the possibility of pooling levy money with other employers (21%) and increasing the proportion that could be passed down the supply chain (9%). However, we should look at these calls for increased co-operation between employers with some scepticism as at present only 8% of firms are transferring their levy to their supply chain. Others were keen to be able to use levy money more broadly, for example to support the salaries of those co-ordinating apprenticeships within firms, diversity initiatives or short-term training opportunities.

Beyond the flexibility of the apprenticeship levy, other issues were also highlighted. Most employers were keen to see the faster development of apprenticeship standards (59%). The issue of being able to manage a UK wide business when the levy can only be spent in England was also raised. Around a third (30%) believed that the amount of the levy should be reduced with one employer arguing that the '*underspend suggests that levels were set too high and a full review should be undertaken.*' While other employers expressed concern about the frequent policy shifts: '*there are too many changes happening too frequently which creates great uncertainty and instability, deterring employers investing.*'

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11 Moules, J. (2019). Apprenticeship funds being spent on legacy training or left idle. *Financial Times.* Retrieved from https://www.ft.com/content/c257122c-3a87-11e9-b856-5404d3811 663?accessToken=zwAAAWk5Vk0YkdPCVxlsOocR6dO4VlQE04EWYw.MEQCIAe_zOP4Xb7 XHLYPwgbTQgOLZyXGrlvOj2v0ecQrTRDhAiBFGQQMdFFa27TkuDMho8pwqz7RMiM6ZsqFD 4I3mhYkkA&sharetype=gift?token=19c28e01-488a-4bb2-be3c-f1ddad39811b

Figure 3.5
The type of hire that firms are spending their apprenticeship levy on
(Based on responses from 97 employers)

■ Entry level hires **72%**
■ Experienced hires **3%**
■ Existing staff **25%**

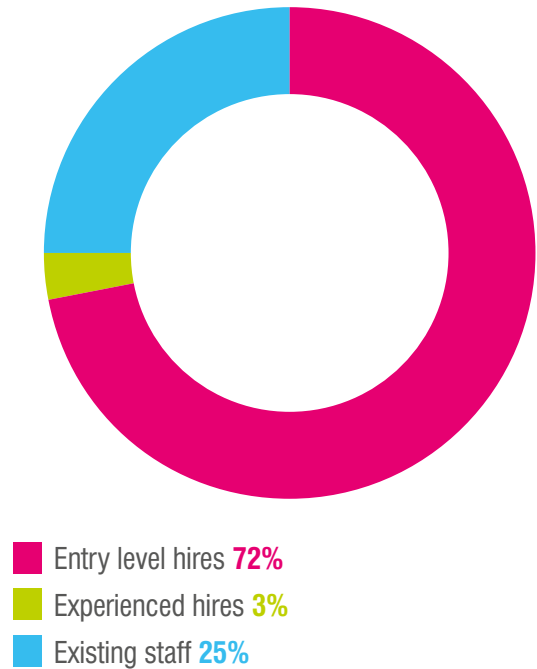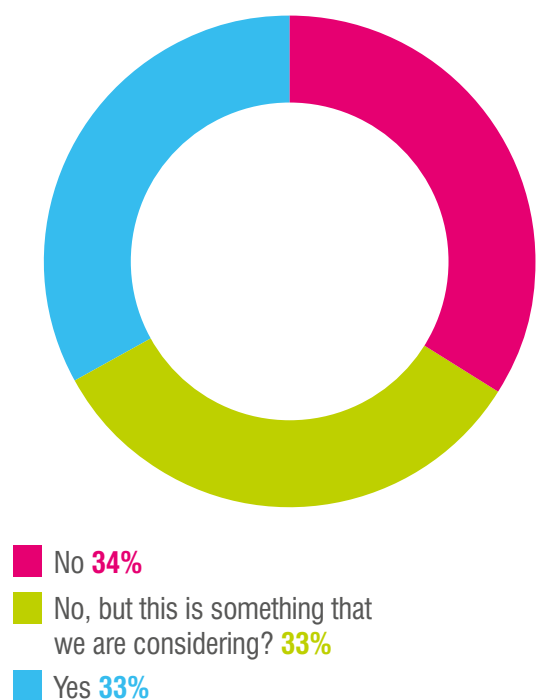Figure 3.6
Are you using the apprenticeship levy to support graduate development?
(Based on responses from 123 employers)

■ No **34%**
■ No, but this is something that we are considering? **33%**
■ Yes **33%**

When asked about how they felt that the unspent levy monies should be used by the Treasury respondents were generally keen on it being used to support the education and skills system. The majority (62%) wanted it to be used to support the provision of career education and guidance and around half (46%) for general education spending. Some felt that this money should be targeted towards priority areas such as science, technology, engineering and mathematics (STEM) or on pre-employment programmes for young people moving into apprenticeships. A substantial minority (41%) felt that the money should be redistributed to support the growth of apprenticeships in small and medium sized enterprises (SMEs), with a few (14%) feeling that it should be devolved down the supply chain. Others felt that they should be paid back to the employer (38%), with one remarking that this could be earmarked for other skills training programmes run by the employer or held onto by the Treasury until the employer was ready to spend them (19%), with one noting that if '*companies are not yet ready to spend it more time needs to be given (especially in the first years of the implementation) to allow them to do this*'. Only 1% of respondents felt that they should be absorbed into general government spending. As one employer wrote '*this should not be utilised as another 'Tax' and what is unspent should still focus on its original aim - upskilling the population and promoting apprenticeships.*'

1%

Of respondents were happy to see unspent apprenticeship levy absorbed into general government spending.

The structure of student development programmes

4

79%

Of employers work with multiple apprenticeship providers

As we saw in chapter 3, development programmes require an infrastructure to make them happen. They also need to be organised and aligned with wider business processes. This chapter will explore the structure and organisation of student development processes further.

Respondents are clear that their firms' development programmes are created with the support of the wider business. Development teams regularly reach out to engage the wider business (in 94% of cases), ask line managers for feedback on the programme (90%), involve line managers in the development of programmes (80%) and provide training and support for the line managers of new hires (93%). The provision of training for line managers is particularly important as, as one respondent points out *'it's hard to get managers to think about a new hire as a "development opportunity" and not just a resource to "hit"'*. Another respondent emphasised this arguing that it can be difficult to get managers to '*prioritise training as opposed to billable work*'.

For the most part, employers are running distinct school/college leaver programmes, apprenticeship programmes and graduate development programmes. Consequently, we will deal with these areas distinctly in this chapter. However, as we saw in chapter 3, firms are increasingly bringing the organisation and funding of these two strands together into a single company wide development approach. It will be important to reflect on this further in future research to consider where synergies might exist and be further built upon.

Apprenticeship programmes

Only 19% of respondents run development programmes for school or college leavers outside of the context of apprenticeships. While 80% of respondents report that they run apprenticeship programmes, most (84%) of the school or college leaver programmes co-exist with formal apprenticeship programmes in the same firm. Around half of firms (50%) employ all apprentices on a permanent contract with around 34% of firms routinely using fixed term contracts and the rest using a mix.
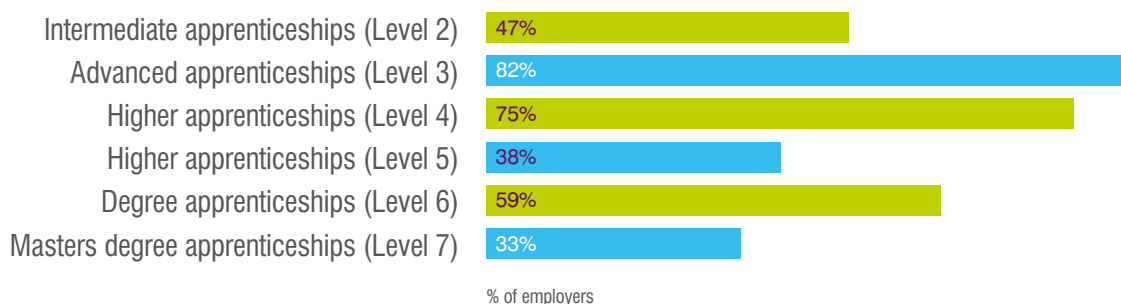
A minority of employers (19%) run apprenticeship programmes in house. However, most deliver their programmes (79%) with the aid of multiple apprenticeship providers. Only 15% are delivering their apprenticeship programmes with a single provider. In general, employers who recruit more apprentices are more likely to work with multiple providers and to become providers themselves. While smaller recruiters are more likely to work with a single provider, relying exclusively on a single provider remains uncommon with employers of all sizes. There were some patterns in terms of sector with employers in the energy, engineering and industry sector more likely to be providers themselves and those in the legal sector more likely to use a single provider.

Employers are engaging with all levels of apprenticeship. Figure 4.1 sets out the proportion of employers who are engaged with each of the main levels of apprenticeship.

Around half (48%) of those using level 6 apprenticeships and most (70%) of those using level 7 apprenticeships say that they are using apprenticeships as part of their graduate development programme. This is an important distinction as it means that these firms have reorganised their graduate development programme to ensure that they are eligible as apprenticeships and a legitimate use of the apprenticeship levy.

Figure 4.1

The proportion of employers engaging with apprenticeship (by level) *(Based on responses from 101 employers)*

Level	%
Intermediate apprenticeships (Level 2)	47%
Advanced apprenticeships (Level 3)	82%
Higher apprenticeships (Level 4)	75%
Higher apprenticeships (Level 5)	38%
Degree apprenticeships (Level 6)	59%
Masters degree apprenticeships (Level 7)	33%

% of employers

Figure 4.2
The length of graduate development programmes

(Based on responses from 126 employers)

■ 6 months **1%**		■ 12 months **3%**	
■ 18 months **18%**		■ 24 months **73%**	
■ 30 months **4%**		■ 36 months **11%**	

Figure 4.3
How do entry-level hires spend their time

(Based on responses from 97 employers)

■ On the job **71%**

■ In formal training **13%**

■ In self study **7%**

■ Being mentored **9%**
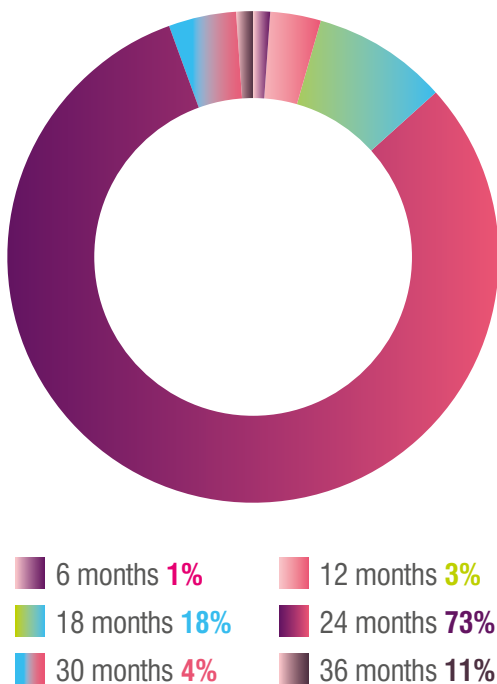
Graduate programmes

Almost all (97%) of respondents reported that they run a graduate programme. The majority (64%) put their graduates on a permanent contract with 31% using fixed term contracts. These fixed term contracts are strongly focused in sectors where 'training contracts' have historically been used, notably the legal sector. In general, employers are slightly more likely to offer graduates a permanent contract than apprentices. Our previous research has highlighted that the salary and package for graduates is generally considerably better than that offered to apprentices.[12] An important question for the future is whether there will be any further alignment between these two sets of reward packages as the apprenticeship route grows.

The overwhelming majority (77%) of firms recruit graduate hires onto a specialist programme related to the area that they are going to work in. Around half (47%) recruit at least some of their graduates onto more graduate programmes. While a small minority (18%) are recruited direct to desk. These three approaches are often combined within the same firm.

The average firm offers 21 days training a year for graduates on their development programmes. A clear majority of employers organise their graduate programmes over a two-year period. However, there are a minority who either offer longer or shorter development programmes as can be seen from figure 4.2.
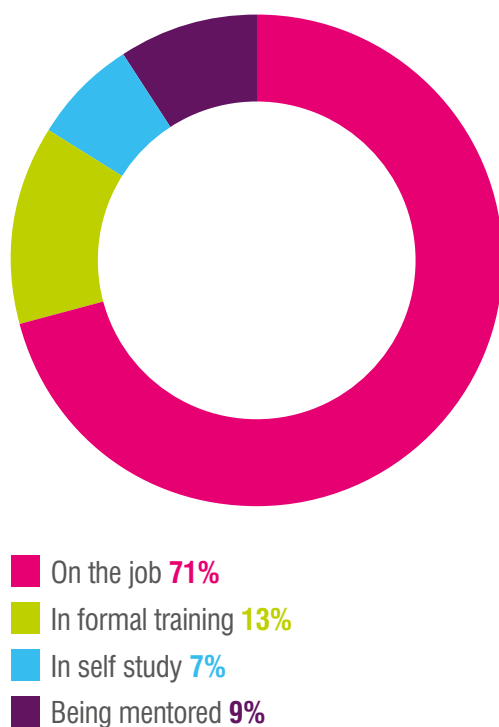
Figure 4.3 then shows how entry-level hires actually spend their time whilst they are on programme. Respondents highlighted that one of the most challenging aspects of running development programmes was '*balancing development with day to day working*' and '*balancing the need to provide them with support whilst working in a "real job"*'. Nonetheless, the approach taken here broadly aligns with Lombardo and Eichinger's *70:20:10* model of learning and development.[13] This research has been influential within the development community and argues that employees are best able to develop when they spend 70% of their time in challenging assignments or working (ISE members' employees typically spend 71%), 20% of their time in developmental relationships (ISE members typically spend 9%) and 10% in coursework and training (ISE members typically spend 20%). The greater focus on training and course work and the corresponding lesser focus on relationship building is worth reflecting on, however the 70:20:10 model is aimed at executives rather than entry-level hires and so the greater focus on formal training is probably justified.

Given this pattern it is interesting that in chapter 3 a number of employers voiced concerns about the 20% off-the-job time associated with the apprenticeship levy. In general employers are exceeding this 20% off-the-job time in their development of entry-level hires. Given this, it may be that the problem with the levy requirement is not so much about the amount of time, but about what can be recognised and recorded as off-the-job time.

[12] Institute of Student Employers. (2018). *ISE annual student recruitment survey 2018.* London: ISE.

[13] Lombardo, M. & Eichinger, R. W. (1996). *The career architect development planner.* Minneapolis: Lominger.

"…
Our previous research has highlighted that the salary and package for graduates is generally considerably better than that offered to apprentices. An important question for the future is whether there will be any further alignment between these two sets of reward packages as the apprenticeship route grows.

Ensuring students develop the attributes they need

5

This chapter moves on to look at the skills and attributes that students enter the workforce with and asks what development teams are focusing on improving. Figure 5.1 presents an analysis of which skills employers view as lacking.

Figure 5.1
Proportion of employers who say entry-level hires lack particular skills

Skill	Graduates	Apprentices	School leavers
Resilience	67%	67%	55%
Managing up	65%	69%	70%
Leadership	64%	68%	70%
Commercial awareness	61%	79%	80%
Dealing with conflict	59%	67%	70%
Self-awareness	59%	55%	60%
Career management	55%	62%	60%
Job-specific technical skills	54%	75%	85%
Negotiation/influencing skills	49%	62%	65%
Emotional intelligence	47%	55%	50%
Business appropriate communication	46%	76%	80%
Time management	32%	52%	45%
Taking responsibility	31%	43%	35%
Listening	26%	37%	20%
Presentation skills	24%	61%	65%
Data handling/data analysis	21%	52%	50%
Problem-solving	21%	39%	35%
Excel skills	18%	29%	40%
Interpersonal skills	17%	38%	30%
Staying positive	16%	23%	20%
Writing	14%	30%	25%
Teamwork	11%	20%	15%
Dressing appropriately	9%	36%	20%
IT/digital skills	8%	20%	20%
Numeracy	6%	10%	15%

Concern about resilience was the most commonly cited area for graduates and was also an important factor for other types of hire. One respondent made the point that '*their level of resilience can lead to difficulties in their placements and increased levels of support being required*.'

In general, and with a few exceptions, respondents reported that graduates were likely to out perform apprentices and school and college leavers at the point of entry.

Respondents were almost four times as likely to raise concerns with how apprentices dress when they enter the workplace. They were twice as likely to report that apprentices lack presentation skills, data analysis skills, IT skills, interpersonal skills, writing skills and problem-solving skills. This points to some of the key attributes that might lead employers to target graduates over apprentices.

On the other hand, employers' responses suggested that there were few differences between graduates and apprentices in relation to resilience, managing up, leadership, dealing with conflict, self-awareness, career management and emotional intelligence. The contrast between the areas where there are perceived differences between apprentices and graduates and those where there are not are interesting. In general, employers recognise that graduates arrive more polished with a better array of both technical and interpersonal skills and some cultural capital. But they are less convinced that graduates out perform apprentices in terms of more fundamental personal attributes. Some of this suggests that as apprentices acquire more skills and experience, they may well catch up with those who have been through the graduate route.

The importance of experience is also highlighted by the fact that 87% of respondents agreed that students who had completed an internship or placement had better skills than those who did not have this experience. However, there was much less impact from additional qualifications with only 19% of respondents agreeing that students who came with a postgraduate degree had better skills than those who had not. The sectors that were most likely to view postgraduate qualifications positively were charity and the public sector (50%) and engineering, energy and industry (32%). The IT sector (6%) and retail and fast-moving consumer goods (0%) were least likely to value postgraduate qualifications. Even where employers do value postgraduate qualifications this does not mean that they are progressing faster than those with other qualifications. Only 12% of respondents report that postgraduate qualified hires progress more quickly in terms of salary than other hires.

In response to these skills needs employers run a range of training and support. Figure 5.2 shows the areas that this training typically focuses on.

> " ...
> **Apprentices are a lot more work in terms of developing their professionalism and attitude - we have a lot more issues with things like time keeping, correctly reporting absences with apprentices and these take up the time of our Employee Relations team.**

x4

How much more likely employers were to raise concerns about apprentices dressing for work in comparison with graduates.

Respondents also highlighted a range of other areas that they were focusing training and development programmes on including: confidence building; ethics and integrity; flexibility and adaptability; and project management.

When we look at the differences between what training is offered to graduates and apprentices the differences are far less pronounced than those that we saw when looking at the discrepancies between skills. Employers are more than twice as likely to train apprentices on how to dress for work and on numeracy than graduates. They are almost one and a half times more likely to train apprentices on problem solving, time management, IT and digital skills and staying positive. In most other areas the training offered to graduates and apprentices is similar.

The only area where graduates are slightly more likely to get training than apprentices is in relation to leadership. The difference is very marginal, but it perhaps shows that there is still a slight tendency to view graduates as more likely to be on track for leadership positions. Around half of firms (53%) actively identify high performing hires and future leaders during their initial training and it would be interesting to dig deeper into what the balance between graduates and apprentices was in those identified as future leaders. Although one respondent also made the point that leadership is not the only, or only important route for people's careers. *'We need to manage expectations as not all are capable or required to become future leaders. We need more professionals than we do leaders.'*

x2
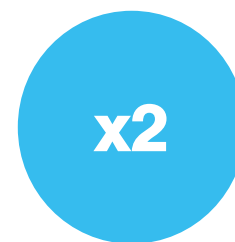
How much more likely employers were to train apprentices in numeracy than graduates.

Figure 5.2

The proportion of employers training entry-level hires in different skills

	Graduates	Apprentices	School leavers
Presentation skills	69%	86%	75%
Commercial awareness	67%	81%	75%
Job-specific technical skills	66%	90%	94%
Interpersonal skills	64%	80%	69%
Self-awareness	64%	77%	75%
Negotiation/influencing skills	63%	63%	56%
Career management	63%	75%	69%
Business appropriate communication	61%	86%	81%
Teamwork	61%	80%	75%
Resilience	60%	73%	50%
Leadership	60%	58%	50%
Emotional intelligence	58%	64%	63%
Taking responsibility	58%	72%	50%
Problem-solving	55%	78%	50%
Time management	53%	78%	56%
Dealing with conflict	52%	60%	44%
Managing up	51%	54%	56%
Listening	42%	57%	63%
IT/digital skills	38%	55%	69%
Data handling/data analysis	38%	43%	50%
Excel skills	33%	47%	50%
Staying positive	33%	49%	38%
Writing	33%	45%	38%
Dressing appropriately	24%	48%	56%
Numeracy	14%	33%	44%

Approaches to student development

6

This chapter explores the training and development techniques that are used by employers to support the development of entry-level workers. Figure 6.1 shows the proportion of employers who use a series of common techniques.

Respondents reported using a range of other approaches to support the development of entry-level hires. These included: blended learning; simulations and business games; and the use of one-to-one support with line-managers.

There were also some important differences between the approaches that were used with graduates and with apprentices. Employers were half as likely to use rotation between different business functions with apprentices and also slightly less likely to use pre-boarding activities and mentoring with this group. On the other hand, they were one and a half times more likely to provide apprentices with one-to-one tutoring, self-study time and opportunities for microlearning than they were with graduates.

Figure 6.2 shows which of these approaches they felt were most impactful. It suggests that some fairly well-established approaches (classroom learning, mentoring, rotations, experiential learning and peer learning) continue to be viewed as the most effective approaches. Only 24% of respondents view online learning as one of the most impactful approaches to student development despite the fact that 90% of employers are using this approach for both graduates and apprentices.
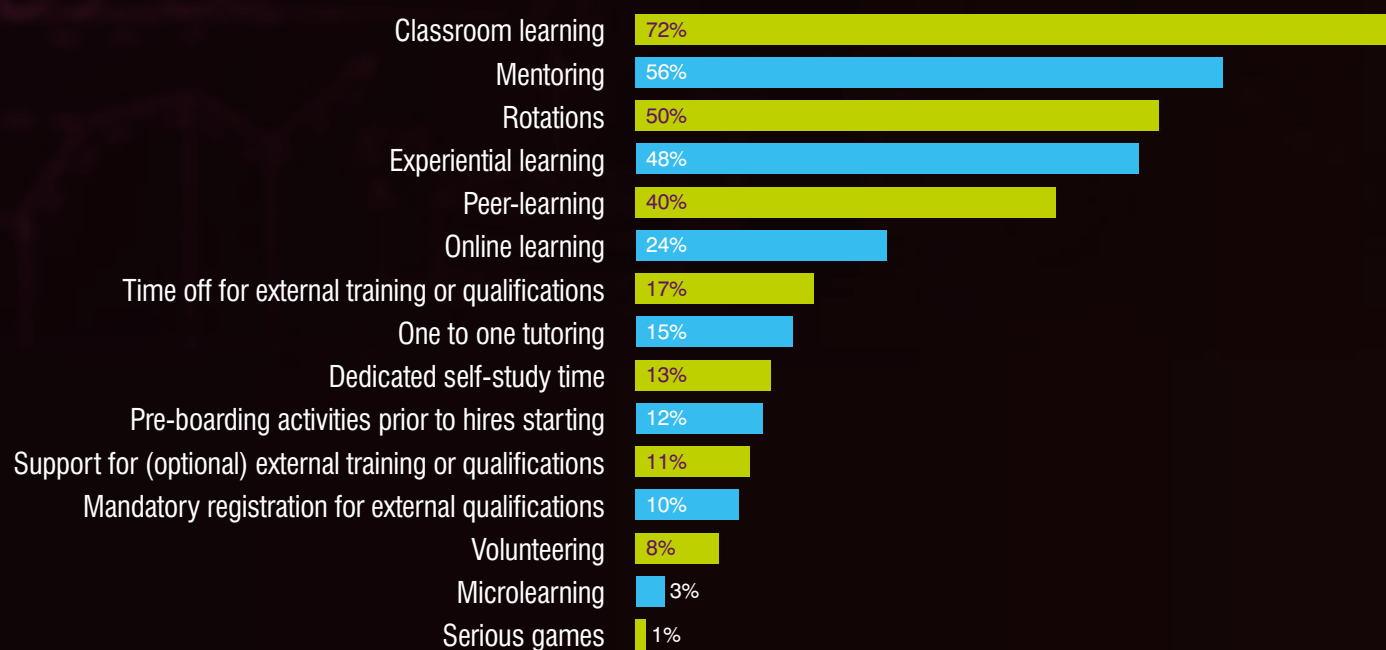
Figure 6.1
The proportion of employers using different approaches to student development

	Graduates	Apprentices	School leavers
Classroom learning	100%	98%	82%
Mentoring	92%	82%	65%
Online learning	90%	90%	65%
Encouraging peer-learning support	83%	83%	65%
"Rotation between different business functions"	81%	38%	18%
Experiential learning	69%	65%	41%
Providing time off for external training or qualifications	69%	81%	41%
Volunteering	69%	70%	53%
Providing support for (optional) external training or qualifications	66%	65%	35%
Dedicated self-study time	55%	85%	47%
Mandatory registration for external qualifications	53%	65%	29%
Pre-boarding activities prior to hires starting	49%	36%	41%
One to one tutoring	20%	33%	24%
Serious games and other forms of gamified learning	15%	10%	6%
Microlearning	14%	20%	24%

Figure 6.2
The most impactful development approaches

|	
Classroom learning	72%
Mentoring	56%
Rotations	50%
Experiential learning	48%
Peer-learning	40%
Online learning	24%
Time off for external training or qualifications	17%
One to one tutoring	15%
Dedicated self-study time	13%
Pre-boarding activities prior to hires starting	12%
Support for (optional) external training or qualifications	11%
Mandatory registration for external qualifications	10%
Volunteering	8%
Microlearning	3%
Serious games	1%

Retention and progression

7

This chapter examines the longer-term perspective on student development. It asks how students fair within student development programmes and what happens to them subsequently within the firm. Figure 7.1 shows the completion rates for apprentices and graduates on development programmes. It illustrates that these programmes are generally very successful with 90% of graduates and apprentices completing.

We asked employers to provide insights on the retention levels of different types of entry-level hire three and five years after they have entered the firm. There appears to be a relationship between the length of graduate programmes and retention. In general, the longer the programmes the better retention but this effect seems to top out at 30 months, with retention for those who have been on 36 month programme dipping again. Figure 7.2 shows how retention rates vary between different types of entry-level hire. On average graduates are less likely to be retained over both three and five years than apprentices. Most firms (79%) provide post-development programme support for their hires, which is in part designed to support retention.

We asked whether employers found it particularly difficult to retain hires from any particular diversity groups. Twenty nine employers identified difficulties with retaining women, 28 with retaining hires from black and minority ethnic (BAME) groups and 11 with hires from lower socio-economic backgrounds. These issues with retention are likely to compound the diversity issues associated with recruitment that we have identified in previous research.[14] The issue of mental health also emerged, with 18 firms reporting that this was an area that impacted negatively on retention. However, almost all (97%) of firms also reported providing support for hires with mental health issues.

79%
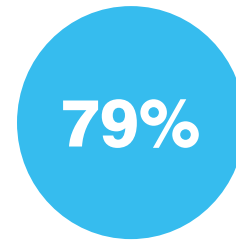
Proportion of respondents who provide post-development support for their hires

Figure 7.1
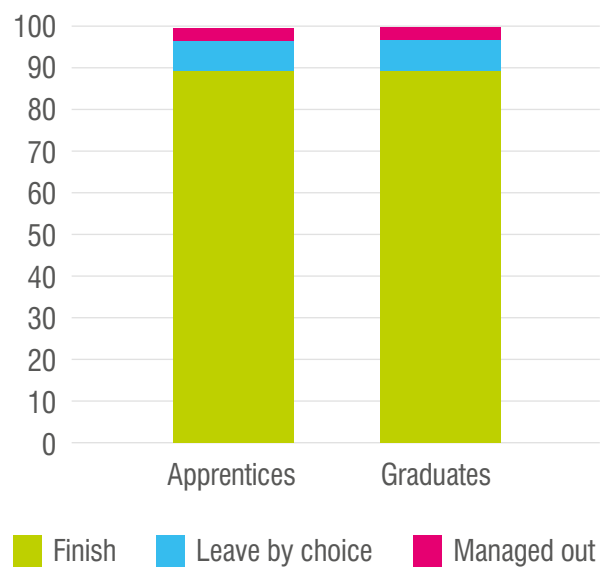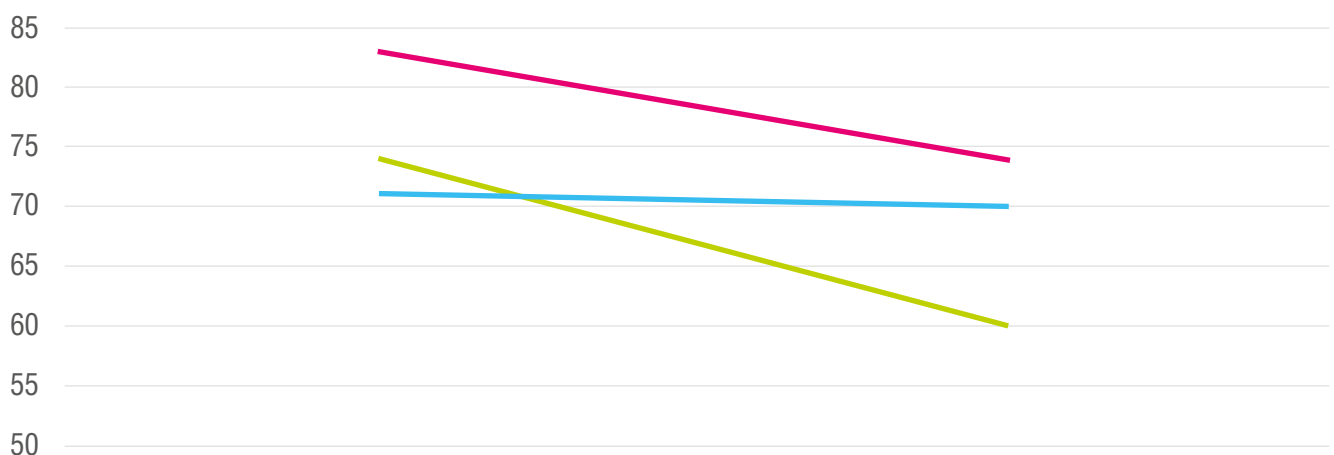**The completion rates on student development programmes**

Figure 7.2
The retention rates of different types of entry level hire

		3 years	5 years
Apprentices		83%	74%
Graduates		74%	60%
School leavers		71%	70%

14 Institute of Student Employers. (2018). *ISE annual student recruitment survey 2018.* London: ISE.

When we dig more deeply into these figures at a sector level, we can see some further patterns. One in three IT firms reported that they had an issue with retaining women and one in four in the energy, engineering and industry sector, built environment and finance sectors. In relation to retention of hires from the BAME community, one in two public and charity sector employers raised this issue and one in three from the built environment and IT sectors. The intersection between demographic and diversity characteristics and retention in employment has not received as much attention in the past as issues with recruitment and it would be valuable to explore these issues further in future research.

The retention of staff is a complex issue. It is neither desirable nor feasible to aim for 100% retention. There are many reasons why it is good for both individuals and firms for there to be some turnover. However, both recruitment and development are expensive processes and so most firms are keen to minimise turnover where possible. Further light can be shed on these issues by looking at the reasons why entry-level staff leave.

Respondents also provided several other reasons why entry-level employees leave. These include hires wanting to move to another area and in some cases to another country. These mobility issues are often related to a desire to move '*home*' or '*family*' although some non-London based firms also report that the lure of London is an issue that drives some people to leave. Other employers talk about students who are engaged in '*routine job hopping*' and in building a '*portfolio career*', suggesting that, at least for some, the kinds of careers offered by student employers do not align with their aspirations or career management style. Others highlighted concerns about more conventional contractual issues like the number of hours they were expected to work and a need for higher salaries. Finally, one firm that employs people on fixed term contracts as consultants noted that many of its employees move on to be employed by the companies that they have worked with as contractors.
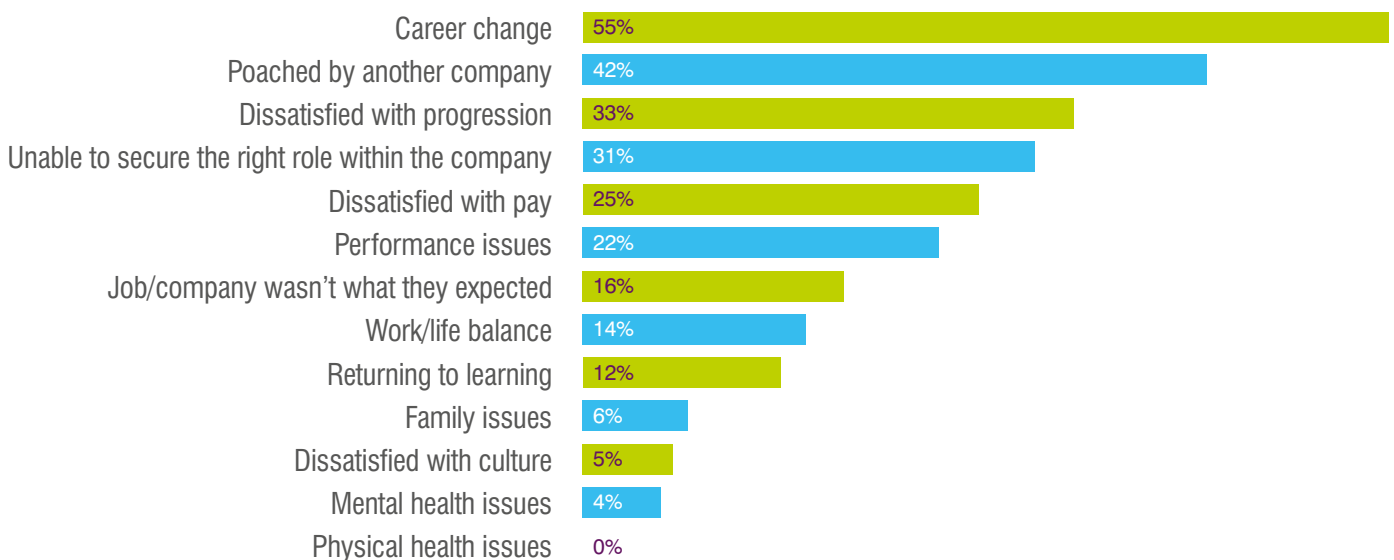
In general, the responses given to the question on why entry-level hires leave suggest that career development is the key issue. While issues of salary and performance are also important the most common reasons for leaving are finding a better career opportunity elsewhere or concern about the career opportunities that are available within the firm. Some respondents felt that many entry-level staff were unrealistic in the speed that they expected to progress, but others pointed out that these issues become particularly acute in a competitive labour market where entry-level hires can often find better opportunities elsewhere once they have been through initial training. This suggests that focusing on issues of career and progression is likely to be key if employers are keen to improve their retention rates.

55%

Respondents say that entry-level hires leave for a career change

Figure 7.3
The most common reasons for entry-level staff leaving

Reason	%
Career change	55%
Poached by another company	42%
Dissatisfied with progression	33%
Unable to secure the right role within the company	31%
Dissatisfied with pay	25%
Performance issues	22%
Job/company wasn't what they expected	16%
Work/life balance	14%
Returning to learning	12%
Family issues	6%
Dissatisfied with culture	5%
Mental health issues	4%
Physical health issues	0%

"...
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Final thoughts

8

This report provides some useful insights about a student labour market that is in a period of transition. The membership of the Institute of Student Employers are a critical group because they are experienced in recruiting entry-level employees and because they have a strong track record of organising formal student development. The report shows that this track record is continuing and that employers are committed to both innovating around new approaches to student development and building on tried and tested approaches.

The long track-record of ISE employers means that in many ways they are ideally placed to engage with the government's apprenticeship policy. The evidence presented here suggests that engaging with the apprenticeship route is continuing to increase amongst ISE members. Most are increasing the number of apprentices that they employ at a far faster rate than they are increasing graduate numbers. One of the key questions is what this means for the future.

We are in relatively good times for student recruitment and development. ISE research reports over the last few years show that after the economic downturn of 2008, the student labour market began to recover in 2014. Since then we have seen a steady increase in the number of students brought into this section of the labour market. As the figures discussed in this report show, this increase goes across all types of student recruit. However, with Brexit and wider concerns about the global economy there are reasons to suspect that a new recession may be imminent.[15] How the student employment market would react to such a recession remains an open question.

One possibility is that apprenticeships continue to increase whilst graduate numbers decrease. The rise and rise of apprenticeships amongst ISE members suggests that firms are starting to commit to this route. Most have now developed systems which allow for the recruitment and development of apprentices. Apprentices are cheaper and seem to be easier to retain and so there may be good reason to continue with shifting the balance of the student labour market in this direction.

On the other hand, this report shows that graduates do have several benefits. Although they are more expensive, they also arrive with more skills and cultural capital. Furthermore, graduates have the benefit of inertia on their side, with many employers exploring how they can use the apprenticeship levy to continue with business as usual by directing levied monies towards graduate hires.

Of course, there may be no recession and even if it comes it is unlikely to be viewed as an apprentice vs graduate issue. The student labour market has become more complex over recent years, and this complexity is likely to continue to grow. At the ISE we will continue to watch such developments closely and provide insight and commentary for all our members.

15 Elliot, L. (2018). Recession: Ten things to worry about in 2019. *The Guardian.* Retrieved from https://www.theguardian.com/business/2018/dec/30/ten-things-to-look-out-for-if-the-uk-is-heading-for-economic-recession.