

The graduate market in the 1990s

Richard Pearson

Supply and demand for graduates in the United Kingdom seem set on convergent paths for the next decade, but graduate unemployment may persist.

THE late 1980s in Britain are proving to be another watershed for higher education and graduate recruiters alike. For the recruiter, continuing economic growth, skill shortages and European integration in 1992 are in prospect. While for higher education, after nearly a decade when its role and finances have been under question by central government, the emphasis has turned to expansion, with the Secretary of State urging that there should be a much larger and more diverse system of higher education as we go into the next century. The aim is to double student numbers over the next 25 years, although no new money is being offered. Ironically this pressure for expansion comes at the very time when the traditional supply of entrants to higher education, the 18-year-olds, goes into steep decline. So, will the students be there, and the jobs they will be expecting?

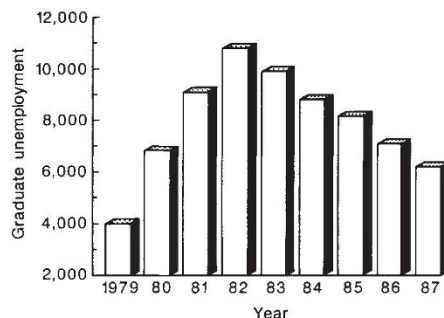
Despite financial cutbacks the output of graduates continued to expand during the 1980s, particularly from the polytechnics and colleges. At the same time the number of graduates going into employment has continued to rise with each year of economic expansion since 1981. In 1986 the numbers being recruited into commercial employment exceeded those going into industry for the first time, reflecting the rise of the service economy. As demand has grown faster than supply in 1988, over half of the graduate recruiters were reporting unfilled vacancies at the end of their graduate recruitment round. These vacancies affected finance and information technology, engineering and teaching, and in particular the public sector.

As employers have faced increasing competition for graduates, differentials in starting salaries have been widening. The median starting salary forecast for a new graduate starting in October 1989 is £10,000, up by 7.5 per cent on the 1988 figure of £9,300. Starting salaries being paid for the 'best' graduates are rising rather faster than the average, and at the top end of the range, salaries of £12,000-£16,000 are being offered by some of the big city accountancy and law firms, the management consultants and some of the oil companies. Firms paying below average include many of the accountancy and legal practices outside London, companies in the leisure and catering section which is relatively new to graduate recruitment, and the health and local authority employers.

But these improving employment prospects have not been reaching all graduates.

While the percentage of graduates unemployed six months after graduation has continued to fall, the number recording themselves as unemployed in 1987 was still higher, at over 6,000, or 6.8 per cent of those graduating, than in 1979 (see figure). On a subject basis we see significant differences with the lowest unemployment being experienced in engineering and technology subjects, averaging under five per cent while in the arts subjects it was over ten per cent.

Graduates are being sought for a wide range of reasons, in some cases for their technical knowledge, in others for their



Graduate unemployment (for both university and polytechnic) in the United Kingdom from 1979 to 1987. These data, and other figures cited in this article, from *The Graduate Labour Market: Prospects for the 1990s* by R. Pearson and G. Pike (IMS, May 1989).

potential and trainability. In other instances graduates are competing directly with other groups in the labour market. The factors determining intake numbers are equally diverse and include corporate growth prospects, technological and organizational change, existing staffing patterns and the availability of alternatives inside and outside the organization.

The major occupational forecasts do, however, suggest that the job opportunities for scientists and engineers will grow by as much as 20 per cent over the decade to 1995, and the number of managers by 12 per cent. At a more detailed level we see more established areas like information technology continuing to expand, as well as professions such as law and accountancy. New sectors such as the leisure industries are following retailing, now among the largest of the graduate recruiters, into graduate recruitment. Many small firms are also following suit while self employment is a growing attraction for graduates. Demand from Europe is likely to grow (*Nature* 338, 526: 1988).

All the evidence suggests that, as long as economic growth continues, job oppor-

tunities for graduates will continue to grow although some of these may be at the expense of other groups in the labour market and not all graduates will be using their skills in their jobs. If the growth rate matches recent trends then the number of vacancies could be 30 per cent higher by the end of the decade, barring any major economic downturn. They will embrace a wide range of opportunities in both small and large, service and manufacturing organizations. Vacancies will be there for both good generalities and specialists.

On the supply side, the numbers graduating are likely to increase by about five per cent over the period to 1992 before falling back until the second half of the 1990s. The precise level of output from 1992 onwards will depend on many factors, not least of which will be competition between employers and higher education for the shrinking supply of 18-year-olds. Also important will be the extent to which higher education will be able to widen its access and attract increasing numbers of 'non-traditional' entrants. The introduction of student loans will be a further important factor affecting demand for places.

Although the numbers graduating are not likely to grow during the second half of the 1980s, the composition of those graduating will change. There will be an increasing share of the graduates coming from the polytechnics and colleges. There will also be proportionately more women, mature students and those with non-traditional qualifications. All of these groups have found it harder to enter the graduate labour market than the traditional young university graduate (*Nature* 337, 100: 1989). There will also be a falling share of engineering and technology graduates, as the continuation of shortages of teachers in mathematics and physics is likely to continue to constrain the supply of students seeking to study engineering and technological subjects.

Unless recruiters adapt to this changing supply and the graduates themselves attune themselves more to labour market needs, we are likely to see a growing segmentation in the graduate labour market in the 1990s with increasing reports of shortages of good graduates coexisting with significant levels of graduate unemployment and under-employment. □

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