

# Graduate Labour Market Statistics

## October-December Q4 2014

### Key Findings (for England only):

- **Graduates and postgraduates have higher employment and high-skill occupation rates than non-graduates, although this gap has narrowed slightly over the last year.**
- **Non-graduates have seen year-on-year improvements across almost all given labour market indicators.**
- **On average, working age graduates earned more per year than non-graduates; postgraduates continue to earn an additional premium over graduates, but this has declined slightly over the last year.**

This is the second release of *Graduate Labour Market Statistics (GLMS)*, a quarterly publication on labour market conditions for English domiciled graduates and postgraduates relative to non-graduates. This report covers October-December (Q4) 2014 using data from the Labour Force Survey.

In this note, *graduates* refer to people whose highest qualification is an undergraduate degree at Bachelor's level, *postgraduates* hold a higher degree (such as a Master's or PhD) as their highest qualification, and *non-graduates* those whose highest qualification is below undergraduate level (i.e. NQF Level 5 or below).<sup>1</sup>

It should be noted that quarter-on-quarter (Q/Q) changes can be highly reactive to seasonal variation. Year-on-year (Y/Y) changes provide a clearer indication of overall trends. See Tables 1.1 and 1.2 for current figures and Y/Y and Q/Q changes.

*GLMS* only provides simple outcome measures based on survey data and does not control for the differences in characteristics between graduates and non-graduates. This means that the outcomes reported may not be wholly attributable to the fact that an individual holds a particular qualification. Other factors, such as their natural ability or intelligence, may also have an impact on employment and earnings outcomes that we do not measure in this analysis.

### **1. Economic Activity across the Working Age Population (16-64 years old)**

Employment rates have increased and unemployment rates decreased year-on-year for graduates, postgraduates and non-graduates in the 16-64 age group, representing an overall improvement in the labour market.

Graduates and postgraduates continue to have higher employment rates and are more likely to work in *high skill jobs*<sup>2</sup> than non-graduates. Employment rates among the working-age population remain broadly unchanged from Q3 with 87% of graduates and postgraduates in employment, compared to 70% of non-graduates.

The employment rate for graduates is the highest Q4 rate in recent years, but still 1 percentage point<sup>3</sup> lower than Q4 2007.

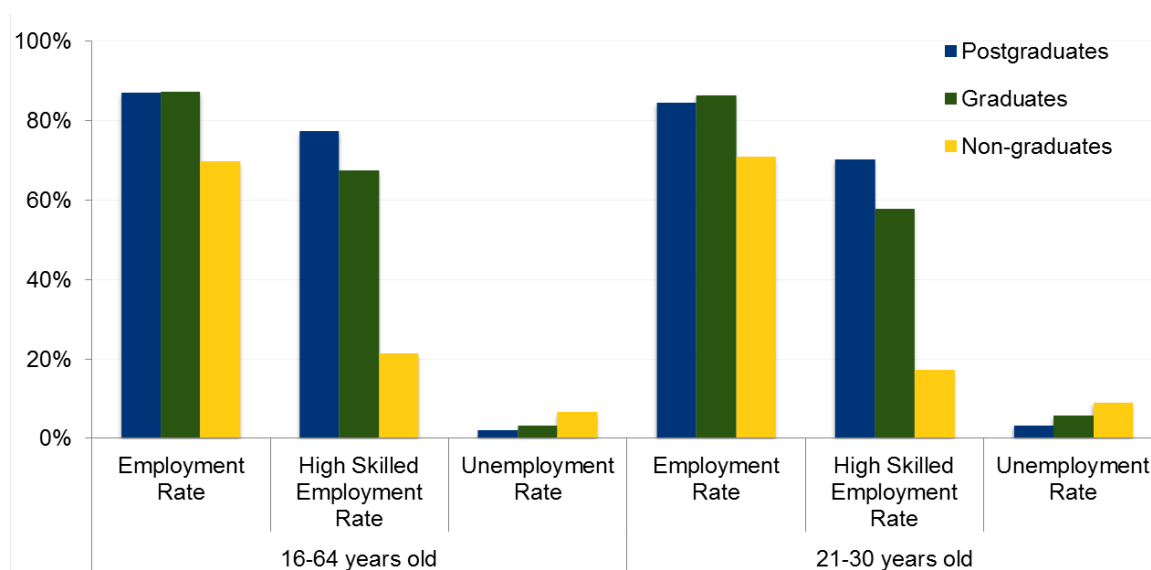
## 2. Economic Activity across the Young Population (21-30 years old)

Young graduates have a similar employment rate to all graduates. There has been an increase in graduates working in high skilled jobs compared Q4 2013, however there has also been a small year-on-year increase in unemployment to 5.8%.

Young postgraduates have seen a 1 percentage point fall in employment and almost a 2 percentage point fall in high skilled employment rates, yet their unemployment rate has fallen by 2.5 percentage points to 3.4%. Young postgraduates are a unique group as they must complete undergraduate and postgraduate studies as well as entering the labour market all before they reach 31 years old.

Young non-graduates have experienced annual increases of 1.7 percentage points in both their employment rate and high skilled employment rate. Their unemployment rate has fallen by 2.6 percentage points to 9.1%, although this is still considerably higher than the graduate unemployment rate.

**Figure 1. Economic Activity by Qualification and Age Group, Q4 2014**



The employment rate includes economically inactive individuals, so figures for graduates and non-graduates will include people studying for other (typically higher level) qualifications, who are less likely to be employed. This lowers the average employment rate for these groups—particularly for the young non-graduate population, as individuals studying for undergraduate degrees will be classified in this group.

## 3. Annual Earnings across the Working Age Population (ages 16-64)

Across the working age population, year-on-year median gross annual earnings have remained relatively stable. At £32,000 graduates continue to have higher

average earnings than non-graduates, although the median non-graduate salary is £500 higher than this time last year.

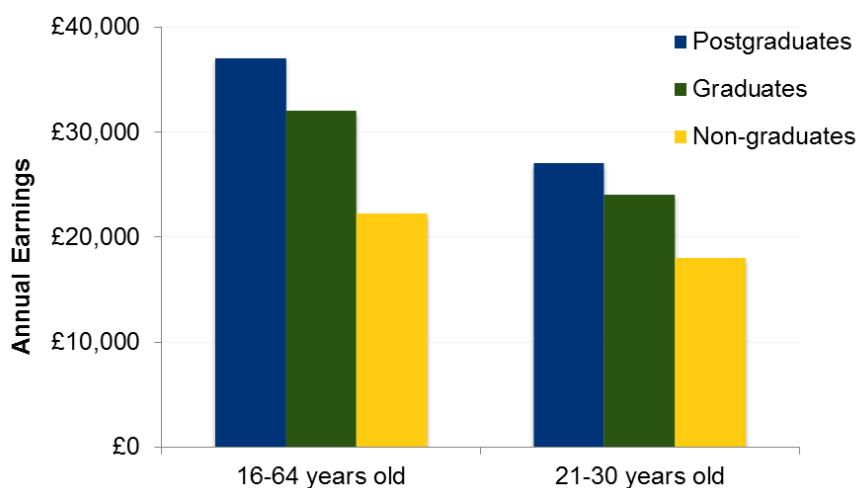
Full-time employed, working-age postgraduates earn an additional premium compared to graduates, although median gross annual earnings fell by £1,000 year-on-year to £37,000. This decrease is driven by a large fall in earnings amongst those in the “other postgraduate degree or professional qualification” category of £6,000; whereas individuals with a Doctorate or Master’s have actually seen a year-on-year increase in earnings of £2,000 and £500 up to £44,000 and £39,000 respectively.

The Q-on-Q changes in salary are excluded from table 1.1 and 1.2 as quarterly changes in earnings can be hugely volatile due to the way data is collected and sampled in the Labour Force Survey. A more detailed explanation is given in the Methodology Note on the gov.uk website. Focussing on annual trends provides a clearer indication of trends from a more reliable sample.

#### 4. Annual Earnings across the Young Population (ages 21-30)

Across the young population, nominal earnings have been stable for all groups seeing no year-on-year change. Young graduates earn £6,000 more than their non-graduate peers, with gross annual earnings of £24,000 and £18,000 respectively. Young postgraduates, at £27,000 per year, also see a smaller earnings premium over young graduates than among the working-age population. These smaller premiums may be driven by more limited work experience among the young population.

**Figure 2. Median Gross Annual Earnings by Qualification Level and Age, Q4 2014**



<sup>1</sup> For a more detailed explanation of the qualifications included in each definition, please see the Methodology Note published alongside this publication on the gov.uk website.

<sup>2</sup> High skills jobs are defined as Standard Occupation Classification (SOC) codes 1-3, also sometimes referred to as a ‘graduate job’. SOC 1-3 includes managers, directors, professional occupations and associate professional and technical occupations.

<sup>3</sup> The term percentage point refers to an absolute value rather than a proportion of the original value. E.g. Growth in graduate employment from 70% to 71% would be a one percentage point increase.

Graduate Labour Market Statistics Q4 2014: Data Tables

Table 1.1

Young People (21-30)	Employment Rate	Q/Q	Y/Y	High Skilled Employment Rate	Q/Q	Y/Y	Unemployment Rate	Q/Q	Y/Y	Median Salary	Y/Y
Postgraduates	84.6%	- 0.8 ppts	- 1.1 ppts	70.3%	- 1.4 ppts	- 1.9 ppts	3.4%	- 1.3 ppts	- 2.5 ppts	£27,000	No change
Graduates	86.5%	- 0.4 ppts	- 0.1 ppts	57.9%	- 0.4 ppts	+ 2.4 ppts	5.8%	+ 0.1 ppts	+ 0.3 ppts	£24,000	No change
Non-graduates (L5-)	71.1%	- 0.2 ppts	+ 1.7 ppts	17.2%	+ 0.3 ppts	+ 1.7 ppts	9.1%	- 0.7 ppts	- 2.6 ppts	£18,000	No change

Table 1.2

Working Age People (16-64)	Employment Rate	Q/Q	Y/Y	High Skilled Employment Rate	Q/Q	Y/Y	Unemployment Rate	Q/Q	Y/Y	Median Salary	Y/Y
Postgraduates	87.1%	No change	+ 0.7 ppts	77.3%	- 0.5 ppts	+ 0.2 ppts	2.0%	- 0.5 ppts	- 1.1 ppts	£37,000	- £1,000
Graduates	87.2%	+ 0.2 ppts	+ 0.3 ppts	67.5%	- 0.1 ppts	+ 0.6 ppts	3.3%	- 0.2 ppts	- 0.1 ppts	£32,000	No change
Non-graduates (L5-)	69.8%	+ 0.3 ppts	+ 1.5 ppts	21.4%	- 0.1 ppts	No change	6.7%	- 0.7 ppts	- 1.8 ppts	£22,000	+ £500

Note: **Employment rates** and **High Skilled Employment Rates** use the Total Specified Population (i.e. all graduates aged 16-64) as their base for calculating percentages. The Total Specified Population **includes** those who are employed, unemployed and the economically inactive. This differs from the **Unemployment Rate** that uses only the economically active (employed or unemployed) as the base to calculate percentages, so it **excludes** the economically inactive. These definitions follows those set out by the Office for National Statistics.

The next release of *Graduate Labour Market Statistics* will be on 9<sup>th</sup> June, 2015.