
Value of graduates: employer's perspectives



Helen Connor and Richard Brown

Investment in higher education is generally recognised as bringing benefits to employers and individual graduates. While there is a growing body of evidence on the benefits to individuals, mainly in terms of the graduate's higher lifetime earnings, comparatively little is known about how employers see or measure graduate value. In 2009, CIHE engaged in research to explore this graduate value from the employer perspective. A particular focus was the added value of recruiting different kinds of graduates - such as those with higher degree qualifications, from different subjects or institutions.

This was a pilot study, to scope out the research required to improve the evidence base and identify key issues for undertaking a more substantive research project in the future, including possibly tracking graduates in their early careers. Its main conclusions are:

There are serious gaps in the evidence on graduate value...

- Most of the existing statistical evidence is on financial returns from participation in higher education. Some of this covers graduates holding different qualifications, but it mainly relates to first degree graduates. It shows clearly that graduates in aggregate can expect higher lifetime earnings than less qualified people, but that there is significant variation according to their degree subject, type of institution, career choice and other social and educational factors. There has been less research to date on the latter, due to data availability problems. More attention is needed since recent trends on widening participation in higher education make the notion of talking about the overall value of being a graduate less meaningful.
 - Higher lifetime earnings have been shown to exist for those holding postgraduate compared with first degree qualifications but there is a wide dispersion around the average and for some postgraduates, there is little or no gain (signalled in this way). Some postgraduates receive a wage premium on recruitment, but others are paid on a par with first degree graduates. There has been little research on why and where some postgraduates receive a premium and others do not.
 - Quantitative evidence linking business performance to higher education output or specific qualifications is also thin; it exists mainly at an aggregate level. In the policy debate, there has been a tendency to conflate skills and qualifications, with little distinction being made between having and using certain qualifications. This has added to the lack of clarity surrounding measuring 'graduate value'.
-

But despite this lack of statistical evidence, there is a general employer consensus that graduates will help contribute towards business success...

- Previous research, backed up by interviews undertaken in this CIHE pilot study, show that employers see graduates, and postgraduates in general, adding substantial value to their organisations. This is expressed in terms of specific higher skills and subject knowledge plus more generic/ personal skills such as analytical thinking, research, communication and planning skills as well as bringing in new ideas.
- However, while many employers evaluate graduate recruitment and their initial graduate development programmes (in various ways), it is relatively rare to evaluate subsequent performance and progress of differently qualified graduates. Yet, in many cases, they are being recruited for their longer term potential.
- It is relatively common to have open graduate recruitment programmes where both graduates with first and higher degrees can apply, and are recruited. They are selected on the basis of a set of acquired competencies, they are expected to have gained from their degree study, work experience or other activities/experiences. Thus, the aim is to recruit the best graduates

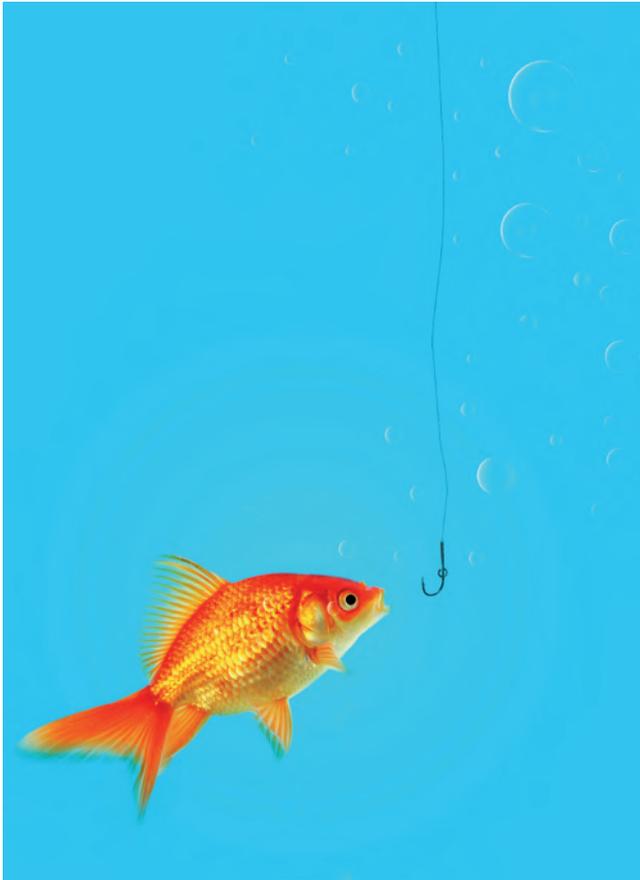


to meet the specific needs, and fit with organisational cultures; this may not take much regard to level of degree qualification attained, subject or university attended. However, many with open recruitment policies establish links with specific institutions and courses where they expect to get their best graduates or to meet specific needs (e.g. in STEM disciplines).

- Additionally, some employers have a preference for, or a specific programme or job vacancies open only to postgraduate recruits, including PhDs. They are often recruited on an individual basis to a specific job role. Their value is seen in their specific research or technical skills and deeper subject knowledge required to fill such roles, while also being able to apply their knowledge and skills within a business context.

Measuring the value of differently qualified graduates is not seen as a priority...

- Measuring the value of graduate employees over a longer term is usually done via staff performance measurement systems. These are generally linked to company-wide competence criteria or a corporate framework of some kind. Only a few kinds of businesses are able to use certain measures of business value relating to income generation of their graduate recruits, their profit contribution or customer service measures. Other measures include retention rates and internal staff attitude surveys.
-



- Once recruited, emphasis shifts away from what qualifications and competencies graduates bring to an organisation and towards how they can apply their degree learning and perform in job roles. They are thus measured on outputs rather than inputs. This seems to be the main reason why we found few organisations interested in tracking the progress of differently qualified graduates in a systematic way to explore how their performance might differ according to entry qualification.

- Tracking graduate progress is often done in their initial induction/development programmes (up to 2 or 3 years), but is underdeveloped in most corporate organisations beyond this period. Links between wider development /HR systems and graduate recruitment/selection systems are generally weak. There seems little justification for putting resources into this than into their recruitment/ attraction processes, which is a competitive and costly activity. Improving data quality is also seen as a barrier to taking this much further.

The evidence base could be improved in various ways ...

- But not through an approach which relies on collating data from graduate tracking by employers (as we initially proposed). There are likely to be significant practical problems in generating reliable data on differently qualified graduate over time in this way. Furthermore, it is unlikely to be done on a large enough scale to draw firm conclusions on the value of different qualifications or other factors relating to their degree study.
- However, a selective approach may work better, focusing on particular groups of graduate recruits in an organisation, such as identified 'high-fliers' and knowing more about where they came from and their entry qualifications, or focusing on clusters of PhDs from certain disciplines or in specialist roles. Different career paths could be explored more for different types of graduates and postgraduates in similar sectors or organisations, identifying the added

value that certain graduates have brought from different levels and types of degree study, and how much can be related to pre- and post- recruitment experiences. This would help to better inform students and potential recruits.

- Giving more feedback to universities about their own graduates' progress and performance in a systematic way from organisations which recruited from them would also be welcomed by many institutions.





Other conclusions arising from this research...

- Further efforts need to be put into developing graduates and postgraduates so that they develop the capabilities that businesses want, especially through more work experience and contacts with employers.
- More awareness raising of the benefits and added value that postgraduates can bring in a wider set of job roles than those traditionally viewed as appropriate, and among a wider range of potential employers, is needed. We found a few examples where Masters level graduates were being increasingly recruited, not just for the deeper subject knowledge or specialist skills gained from their courses, but because of their levels of maturity and

personal skills (and more applications were being received from postgraduates).

- We also found examples of organisations which were interested in developing their internal progression routes so that the ‘talent pipeline’ of future senior managers/leaders could benefit from being fed from other sources, such as apprenticeship intakes, alongside the graduate or postgraduate intakes. But there were others who did not see the value of the apprentice route in this way and so graduates and postgraduates would continue to be the main source of their future organisational leaders. It would be useful to investigate the potential of developing alternatives to graduate and postgraduate recruitment, including via apprenticeships, on a wider scale.
- Finally, more research is needed on the wider diversity of the postgraduate student population and the motivations they have for applying to

take postgraduate study, including their expectations of the likely economic benefits.

The research

The research was undertaken as a pilot study to gain a better understanding of graduate value from an employer perspective. It reviewed the existing evidence in the research literature and undertook a small number of interviews with employer organisations (12). These explored employer practices and issues in assessing graduate value, and also what support there might be for undertaking further research involving tracking of graduate and postgraduate recruits. They covered a range of sectors from science and industry to R&D and financial services, and also of graduate and postgraduate recruitment methods.

The full report on the study is available to download from www.cihe-uk.com.