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LAMB: Hello. Back in the 1950s, students who graduated from Oxford or Cambridge with a first class degree were so highly thought of that it wasn't uncommon for employers such as the Foreign Office to send them unsolicited job offers without so much as setting eyes on them. And even far more recently than that, having any university degree marked you out as one of the top 10%, the chosen few, who could confidently expect to fill the most interesting and challenging jobs and earn the best salaries. Now, things are very different. About a third of all school leavers go to university and if the government hits its own target, that number will rise to 50% within five years. But with masses of graduates to choose from, employers aren't so easily impressed by them as they used to be. So when it comes to your career prospects, is a degree still worth having? Going to university is an expensive business nowadays. The average graduate leaves with debts of over £13,000. They also leave with high expectations about their job prospects. Too high according to some employers who now take the view that in itself a degree is no longer enough to earn you a top job. They want self-starters with plenty of work experience and some won't even consider applicants with anything less than a 2:1. So are undergraduates being unrealistic about the sort of jobs they can expect to get. Our reporter, Mike Johnson, has been finding out.

TRACEY: Okay, this is the student services department in careers based in this office. At this time of year it's absolutely packed solid because a lot of

JOHNSON: Autumn is Fiona Tracey's busiest time of year. She's a careers adviser at London Metropolitan University and this is the time when final year students are rushing to beat employer deadlines for job applications. London Metropolitan is the result of a merger of two former polytechnics. It's based across several sites, north and east of the capital, and it's academic home to more than 33,000 students.

TRACEY: It's noticeable there are a lot of local students, a lot of Bengali, Bangladeshi students. An interesting group because very often they're the very first generation to go to university, they're the first generation actually to branch out. So there's a huge amount of expectation on them.

JOHNSON: In turn, believes Fiona Tracey, they often place too much faith in a degree to transform their prospects.

TRACEY: The expectation is that it will get them a better job than they would have normally been able to expect. Whether that's true or not is up for debate. Salary comes into it. They'd expect to command maybe an unrealistically high salary, they would certainly expect better career prospects than maybe their parents or other siblings would have expected. The degree by itself is not going to get somebody a job, it's all the additional skills and abilities and competencies. I've been a careers adviser for 20-odd years. It's more obvious now employers are looking for a broader range of skills, a broader range of abilities.

JOHNSON: Well I'm in the café now at London Metropolitan University to ask students here what they think their degree will do for them in the years to come.

STUDENT: I wouldn't be £16,000 in debt if I don't think that at the end of the day it's going to get me a better job, a better-paid job. You have to have that kind of belief.

JOHNSON: Just what you'll need. What about things like work experience?

STUDENT: Well it's getting really competitive recently. I mean places are few and far between. So if you can grab one, good.

STUDENT: I just generally felt it was going to be really difficult to move up, if not impossible. If you don't get a degree then you can't go up those steps and get the better salaries. So I thought to get the degree would give me the best chance because otherwise I'd always be thinking, what if.

STUDENT: A degree is definitely going to help you throughout your career to actually ask for a basic salary and people who don't have any degree are going to find themselves struggling a bit more.

JOHNSON: Well I've made the short trip west across London from Holloway at the Metropolitan University to affluent Kensington, home to Imperial College. There's a career's fair going on around me now. Well a short trip it might very well be from London Metropolitan but really this place is a world apart. Former students include

Alexander Fleming and Imperial is consistently rated in the top 20 universities world-wide. It specialises in science, engineering and medicine and dotted around me I can see stands for employers like Shell, ICI, Dow Chemical, really some of the worlds biggest companies.

HUNT: I'm Elise Hunt. I work for ICI as part of the graduate recruitment team. We're here at Imperial today looking for all sorts of graduates, specifically chemistry and chemical engineering and mechanical engineering. We look for a 2:1 degree and that's the sort of basics in terms of degree side of it. In terms of the individuals we're looking for, highly motivated people, people that actually show some interest in our organisation, they've looked on the website, or they've read about us and they actually want to know what it's like working for us. We look for work experience. If it's relevant work experience, all the better. We offer summer internships ourselves as well and that's definitely a benefit to anyone employing.

JOHNSON: There's a lot of talk about how good today's graduates are compared to ten or twenty years ago. There's so many more of them now. What's your take as an employer?

HUNT: It's definitely improved. Even I'd say from this year to last year, people actually know what they want to do, whereas a few years ago people would be coming up to us and saying, well I've no idea, what do you do and what can I do and where am I going? Whereas people definitely seem to be a lot more business aware or orientated.

STUDENT: I'm taking chemical engineering, I'm in the first year, graduating in 2009.

JOHNSON: You're just doing your first year. That's quite early to be wandering round a career's fair, isn't it?

STUDENT: Well it looks like a lot of these companies are doing internships for a first year and if you can get involved from the start, it makes it easier and easier as you go along.

JOHNSON: And that's the very reason why you're here. Some may say two years earlier than you need to be.

STUDENT: Yea, exactly.

JOHNSON: So you're keen.

STUDENT: You could say that, yea.

STUDENT: I've just graduated this year in bio-chemistry.

JOHNSON: When did you graduate?

STUDENT: June.

JOHNSON: June, and you've been looking for work since?

STUDENT: Yea. You know everyone has a degree now and everything and even with it being from Imperial, I'm just getting rejected from everywhere. I got a first so I was hoping that people would at least interview me for things. When I left school I thought that after I've finished university that you'd have your job sorted. But it doesn't seem to be like that. I don't know anyone actually who graduated with me who's started a job. Everyone's in the same position. We just seem to be up against people who just have so much work experience, who've done internships every single summer.

JOHNSON: Have you done anything like that, work experience, that sort of thing?

STUDENT: No I haven't. I did lots of lab work.

JOHNSON: So you were so busy throughout the course on your degree and you thought that would be enough for one stage.

STUDENT: I did think that would be enough, yea. It's been a bit of a shock.

LAMB: Mike Johnson reporting. Now Marcia Roberts is with me. She's deputy chief executive at the Recruitment and Employment Confederation which represents recruitment professionals and employers. Marcia, do you agree with Fiona Tracey from London Metropolitan University there that lots of students are over estimating how good a job their degrees will get them?

ROBERTS: Yes I think they are. I think there is a general assumption that all degrees are of equal currency in the job market and clearly from an employer perspective, that simply is not the case.

LAMB: Do they still perceive themselves, do you think, to be part of an élite, even though they're not really by definition because there's so many of them?

ROBERTS: I think they do and as you said at the start of the programme, we've almost a third of young people going to university, you've raised the bar in other mechanisms to find that élite and it's not always the degree that gives you that.

LAMB: I was struck by what the ICI recruiter, Elise Hunt, had to say about students being more commercially aware than they were a couple of years ago. That was clearly what she was looking for. She didn't talk about academic rigours, obviously she was an Imperial College, they all had good degrees, but she was very focused on that. Does that reflect your experience?

ROBERTS: It does. I think that employers today are looking for a combination of a degree in a relevant discipline from a good university, coupled with relevant work experience.

LAMB: And that point was highlighted by the woman who had a first in bio-chemistry but no job offers because, I mean her understanding was she had no offers because she had no work experience.

ROBERTS: I think that's a rather sad indictment of our society in a way. It's almost the fact that employers will have a cut off point, maybe arbitrarily at a 2:1 and maybe the firsts are what you might expect of academia. In order to get a job you probably have to show that you have more practical application.

LAMB: So she might actually, in today's world, have been better off sacrificing her first for a 2:1 and going and getting an internship?

ROBERTS: Sadly, I think that's right. So what sort of jobs do students get when they graduate? Well Mike Hall is chief executive officer of the Higher Education Careers Services Unit which as part of its work publishes an annual report on what students are doing six months after they leave university. Now Mike, you published your latest report today. It covers graduates I think who left in 2003. What were they doing six months down the line?

HILL: Well my name's Mike Hill and it's about people....

LAMB: I beg your pardon.

HILL: It's okay. It's about people who graduated in 2004 who were surveyed in January of 2005, and what it shows is that the rebound in the number of jobs which are available to graduates has increased year-on-year and we have now very low unemployment rates, round about the 6% mark. We have a lot of students graduating and going on to doing secondary degrees, either because it's their route into the next stage of their career, such as doing a PGC or a law qualification, and we also see that there are certain areas which have been of concern over the last few years which have come back very strongly. So, for instance, IT is on the rebound from the decline round about 2000/2001. We've also got an increase in the number of people doing civil engineering at university and they are finding it very easy to find good employment afterwards with a very low unemployment rate of round about 3.3%.

LAMB: Okay. Well Kate Purcell is professor of employment studies at the University of the West of England. She's been tracking graduates even further into their working lives. Kate, you've followed more than 8,000 graduates from universities all over the UK who graduated in 1999 and tracked them for four years. What did they get up to?

PURCELL: Well, what we find is that it certainly takes a significant proportion of them quite some time to find a job that uses their skills and qualifications. By the time

they've got four years on, most of them actually are in that position. So we find that four years on something like 80% of them say they're satisfied with their career development to date and 60, more than 2/3 of them, are in jobs which are related to their long-term career plans.

LAMB: So they are doing what one might term graduate jobs by that stage?

PURCELL: Well they are. I mean I think partly this reflects the difficulty of getting the kind of jobs that they want and employers concerned with people who have work experience. But it also of course reflects a change in culture where the transition from youth to adulthood is taking somewhat longer than it used to. Some of this is not involuntary employment in appropriate jobs. It's employment to fund travel after finishing their degree, for example.

LAMB: Well, even though employers are now recruiting graduates to do jobs which wouldn't perhaps have called for a degree in the past, others are struggling to find enough people to fill posts which have always demanded graduates. Phillip Whiteman is chief executive of SEMTA, the sector skills council for science, engineering and manufacturing technologies. He spends a lot of his time talking to universities about the sort of graduates that industry wants to recruit, and earlier he told me about the problems he faces.

WHITEMAN: I think there are a shortage of all science graduates as far as the engineering industry is concerned, particularly physics graduates and maths graduates because maths is the sort of subject that you can use, particularly in the electronics industry, which is one of the industries that's growing.

LAMB: Am I right in thinking there are actually fewer maths and physics graduates now than there were ten years ago?

WHITEMAN: That's correct, yea.

LAMB: That's amazing, isn't it, given the proliferation of student numbers that we've seen.

WHITEMAN: It is amazing and most of the assembly work that used to happen in this country in the engineering industry in bygone years, has now ended up in China or India or will soon. Our jobs need to be at the higher level so they will be an increasing demand for graduates. For example, a company like Rolls Royce is trying to have 50% of their intake each year to be graduates, it's currently 36, 37%.

LAMB: That's a big gap, isn't it? They just don't have the people they need?

WHITEMAN: Yea.

LAMB: Do you think part of the reason that school leavers aren't choosing science and maths degrees specifically, is that they don't have a picture in their heads of the sort of jobs that they could go and do once they got the degree, and if they do have a picture, it's not a very glamorous one, but of course other jobs are, aren't they, and presumably they're winning at your expense.

WHITEMAN: They are yes. Forensic science is an example of a subject which has been very successful, piggybacking on the success of Silent Witness which was a series featuring a female forensic scientist, and there's been an extraordinary increase in the number of students applying for that course and of course they've started graduating now. But what we're finding is that the employers who would like to recruit them are finding them deficient when they graduate, particularly in maths and physical sciences. They're not what the employers want.

LAMB: So not enough students are doing degrees which meet the demands of industry and some of them will also discover that the degree they've chosen will do very little to boost their earning potential. Across the board, graduates do earn considerably more during their working lives than non-graduates, but as Professor Peter Sloane of Swansea University explained to me, there are exceptions.

SLOANE: The very recent evidence suggests that for the new graduates, there may be some decline in earnings relative to those who left school with two 'A' levels, and for those who make the decision to undertake a degree, then there's some modest downturn in relative earnings.

LAMB: In the past if you went and did a degree you could expect to earn a premium over and above those people who didn't. You're now saying that there's some evidence that gap is narrowing.

SLOANE: Yes. Some students come into higher education with good 'A' levels, but as the number increases, then students with not so good qualifications are going to undertake degrees and for this group, although some of them are going to do reasonably well, for others the game may be marginal.

LAMB: I think it's probably fair to say that most school leavers who go off to university with a view to getting a degree expect to earn more than they otherwise would do.

SLOANE: Yes.

LAMB: And it sounds from what you're saying, that unless they do a rigorous degree, that may not be the case.

SLOANE: They may not do as well as one might have expected some years ago. If I give you some figures for the difference in lifetime earnings, for a man undertaking a degree in maths and computing, one can expect to earn £220,000-odd more over the working lifetime.

LAMB: So a lot of money.

SLOANE: A man doing an arts degree, the figures only £22,000. So a dramatic difference.

LAMB: That's interesting. So once you'd actually paid off the debts associated with a degree, I can imagine that men in that situation might actually find themselves in the red.

SLOANE: That's correct.

LAMB: Of course the big question here is, if there are to be more and more graduates, surely it's a supply and demand question, this, isn't it? If there are more of them, they must become less valuable to employers?

SLOANE: Yes. What has been happening over time is that at the same time as the supply of graduates has increased the demand has been increasing and that's maintained some sort of equilibrium. But now there should be a degree of caution.

LAMB: Professor Kate Purcell from the University of the West of England, I know Professor Sloane drew on your research there. Would you agree with what he said? It is about supply and demand, simply because employers have more graduates to choose from, they don't have to pay them so much?

PURCELL: Well that's certainly the case, but it's important to note, as Professor Sloane said, that it still is an advantage to have a degree. The premium has got smaller than it was in the past.

LAMB: Do you think it will become smaller still in future?

PURCELL: Well if the graduates supply increases and becomes a higher proportion of the population it will. But the real question is, do those who complete degrees get better jobs than they would have done if they hadn't done degrees, and are employers ceasing to value degrees? And they still are paying a premium for people with degrees.

LAMB: Do you think that undergraduates really understand the difference in salary terms paid to graduates from different academic institutions and for different degrees. We have Professor Sloane talking about a maths graduate earning a quarter of a million pounds more than a male arts graduate over the course of their working life. Do you think that 18 year-olds really understand that?

PURCELL: Well yes I think they do. They certainly do at the point at which they're graduating.

LAMB: Bit late by then though, isn't it?

PURCELL: Well it may be but they may not be purely extrinsically orientated, they may not be purely in it for the money.

LAMB: Indeed, absolutely. That's an important point.

PURCELL: We talked to arts graduates who are in their ideal jobs earning half the amount of money that maths and computing graduates routinely expect to be able to earn.

LAMB: But I suppose ideally you'd want them to make an informed choice, wouldn't you?

PURCELL: Well I think they do, but I don't think they make it necessary on the basis of earnings. I think that now we're being encouraged to think of high education as an investment, and it certainly is, but it's also a social good in itself and something that is of great value in itself, and one of our most important findings, I think, on the class of 99 study, was that only 3% of those who were in the sample said that given their time again, they wouldn't go on and do higher education.

LAMB: That is even most encouraging.

PURCELL: Most of them wanted to do the same course as they'd done already.

LAMB: Now Marcia Roberts, Phillip Whiteman of SEMTA complained to me that universities are designing their degree courses to appeal to 18 year-olds, not employers and that's why so many graduates coming out of science degrees, particularly his area of expertise, with gaps in their knowledge. Would you agree with that?

ROBERTS: I would indeed and I think there needs to be a seismic shift in the ways that universities are thinking and are funded so that at the end of the day the economy and the UK grows according to the demand for the degrees that employers want as opposed to the degrees that students want to do because at the moment there is quite a big mismatch between the two.

LAMB: What's your feeling about whether 18 year-olds actually understand the financial implications of their degree choice? I mean I completely take Professor Purcell's point that that is not the only motivator here and it shouldn't be the only motivator about where you choose to go in higher education. But for those who want to consider that aspect of it, do you think they really do?

ROBERTS: No I don't and I think they're very ill advised both at school and indeed the marketing of degrees I think portrays a picture of the economy and what you can do with a degree that simply isn't there, and when they get to 21 and come to recruitment agencies looking for work, they have very unrealistic expectations.

LAMB: Are we going to go down the American model where teenagers need to start building up their CVs literally when they're still at school against a time when they're going to have to impress employers with all the things they've done apart from getting a degree in order to get a job?

ROBERTS: Yes I think we are and I think to some extent that is already happening.

LAMB: Employers of course are having to sift ever greater numbers of graduate applicants. They're being quite tough about it, aren't they? I've talked about some of them won't look at anyone without a 2:1. Some of them will only look at certain universities, won't they, certain courses?

ROBERTS: Yes. I think that reflects the fact that there are so many graduates out there with degrees that do not meet the demand of the economy in a British industry and you have to be very careful in relation to what you're sifting on. In addition, with the new age discrimination legislation coming into place in October of next year, it will be very difficult for an employer to specify a degree in a discipline that isn't strictly vocational without potentially breaching the law.

LAMB: Because older people are intrinsically less likely to have a degree?

ROBERTS: That's correct, which means that graduates then are pitching themselves amongst a much different working population and may find it even more difficult to get that job that they're looking for.

LAMB: Well one big employment sector which is determinedly focusing on business potential, rather than purely academic qualifications, is the fashion industry. It's just founded the Fashion Retail Academy in London to teach 16 to 18 year-olds the skills they'll need to be effective at work. The brain child of Retail Phillip Green, a man incidentally who's made billions without going to university, it opened in the autumn and Julia Gaimster is the woman in charge. I asked her how the students are taught.

GAIMSTER : They spend about 60% of their time in the academy learning the theory and a lot of case studies, a lot of role plays. It's very hands on, very focused on the students actively getting involved and then 40% of the time out in the work place putting into practice what they've learnt, working with a mentor.

LAMB: Who's teaching them? Do you have a permanent staff or are you drawing on people from the industry?

GAIMSTER : We're drawing on people who have industrial experience and some of them have previous teaching experience as well and we're also running master classes. We have people like creative directors and human resource managers from Arcadia, Burton Group, Top Shop, Wallace, coming in and working with the students on master classes and that's what has attracted the majority of them. They would have that opportunity to go into the work place to engage with senior managers in retail and to really put what they're learning into practice. It's the practical.

LAMB: Ah, that's interesting. So it's the real experience of seeing what the business is like, rather than the academic end.

GAIMSTER : Yes, absolutely. This is a blue print for the future of vocational education where industry and education are working really closely together, and the key thing about the curriculum is that it was developed by academic staff at the London College of Fashion, who are experts in the area, and managers from Arcadia. So they

work very very closely on developing the curriculum to ensure that it's both academically sound and also meeting the needs of the industry.

LAMB: So do you think that your graduates will end up as successful in terms of where they get to and their earning potential as their counterparts who come into retailing via the university route?

GAIMSTER : Absolutely, it's just a different road to get there, but we expect them to end up in the same place. Arcadia definitely see this as a very positive route through, an alternative route but it's an equivalent. I mean the real advantage is for the employer, the student will be able to fit in seamlessly at whichever level they aim to go into the industry.

LAMB: I was talking there to Julia Gaimster of the Fashion Retail Academy in London. I'm joined now by Rebecca Clake, who's from the Chartered Institute of Personnel and Development. Rebecca, we heard there obviously about the retail trade, but are you getting a sense of other employers are perhaps more willing now to recruit skilled non-graduates than they used to be, is there a sense that they're missing out on a wider pool of talent if they don't?

CLAKE: At the Chartered Institute of Personnel and Development, what we've heard from our members is that they still value graduates because they're bright people and they've got some kind of track record in terms of their capability to learn and to absorb information quickly. But what we are seeing is that there's more of an expectation that they need to hit the ground running in terms of really being able to get to grips with working in a business environment rather than an academic one. And what we have seen is some employers out there actually shrinking the number of graduates they take on each year, potentially looking to identify talent outside the organisation earlier. For example, through schemes with school leavers or college leavers, and also that they're looking at the whole concept of talent management where they get their high potential people from in a more broad way.

LAMB: Marcia Roberts, the Fashion Academy is the first of 12 national skills academies planned by the government, isn't it? Is this what industry has been looking

for, practical training that prepares young people for work in a way that perhaps university doesn't always do?

ROBERTS: Yes, I think certain sectors are going to do that in order to get the mixture of vocational and academic qualifications entwined together and I think that that's something that universities could hopefully learn from. My concern with the sector skills academy is how transferable those qualifications may be outside the sector at which they're aimed at.

LAMB: It's a big point that, isn't it, because a generic business degree takes you into a whole range of industries. These vocational qualifications absolutely don't, do they?

ROBERTS: Well I think in theory they should, but I think the UK has never really breached the divide between vocational and academic qualifications and I think that's something that we still need to do more work at.

LAMB: Do you think employers will come to see young people from academies like those as equally valuable to a graduate?

ROBERTS: I think within the sector in which they're applying, definitely so.

LAMB: Mike Hill, assuming that the skills academies deliver really good training, as the government is hoping, do you think that we might see perhaps disappointed graduates who've ended up in jobs that aren't perhaps as exciting and well paid as they'd hoped, telling their younger brothers and sisters, go off to an academy instead of a university and then you won't have any student debt and you can start work younger?

HILL: I think there's a more difficult and deeper question than this because training is fine, as Marcia said, that's maybe not transferable, and many of the jobs in 2020 don't exist at the moment. So how do you train people for the jobs that don't already exist? Imagine you'd set up an academy in say 1990 but didn't know about the advent of the internet and many of the jobs which have developed over the last five or ten years. It's that transferability of skills and it strikes me that the difference between

education and training is educating is understanding the essence of things, the why, training is about the how. And I think you have to understand the underlying essence of things before you've got transferable skills.

LAMB: So are you suggesting that perhaps the next generation will have to do both, they'll need a degree and then they'll need vocational training on top?

HILL: Yes, or you have an education and training system which is a blend of both and becomes therefore instruction. It has to involve both.

LAMB: Marcia Roberts, what do you think about that?

ROBERTS: I would agree with those comments entirely and I think that what we're not doing very successfully at the moment is the how.

LAMB: Traditionally, as Mike said, Marcia, Britain has been a little, well snooty, for want of a better word, about vocational training. Do you think that will disappear over time and that we will come to see it as acceptable for even very bright youngsters to go down that road instead of going to university?

ROBERTS: Well I think that's been a debate that's been occurring amongst educationalists for the past 20 years and when you have ministers going on the tele suggesting that plumbers should get degrees, then I think we're a long way to go to actually resolve that debate.

LAMB: That's a fair point. I'm afraid that's all we have time for today, it's a very interesting subject. Many thanks to all my guests. If you'd like more information, or indeed to listen to all or part of the programme again, follow the links to Nice Work on the Radio 4 website, here's the address. It's bbc.co.uk/radio4. Now a couple of weeks ago on Nice Work we discussed what working life would be like 20 years from now and in next week's programme we're going to be looking at what sort of jobs will exist then. Will estate agents and travel agents really be replaced by technology? It's an interesting thought, isn't it? Find out at 4 o'clock next Tuesday. Join me then.