

2 March 2009

Graduate salaries hit the wall

- Half of major employers implementing a freeze on starting salaries
 - Public sector a much better prospect for graduates
- Manufacturing hardest hit sector with 11.1% decrease in new recruits

Employers say that they will increase the average graduate salary by just 0.5% in 2009, reveals the latest survey on graduate pay and progression by Incomes Data Services' (IDS) *Executive Compensation Review*. IDS says that with inflation (CPI) currently at 3%, this is a significant reduction of graduate salary in real terms.

Graduates starting work this year can expect a median starting salary of £24,500.

Says Jessica Evans, author of IDS's *Pay and Progression for Graduates 2009* report: "This is the lowest forecast increase that we have seen since IDS started reporting comparable data on graduate pay in 1999. Not even during the dot-com crash was there such a small increase in graduate salaries."

IDS found that the private sector is reacting far more aggressively to the recession, with half of employers surveyed freezing 2009 starting salaries. Across the private sector, the median salary increase for 2009 registered as zero, suggesting that companies are adopting an extremely cautious stance about the months ahead.

This compares to the significantly higher average increase of 2.7% for professional and managerial staff in 2009, recently published by IDS's *Executive Compensation Review* in January.

Says Jessica Evans: "This shows that graduate salaries really will be lagging behind those of their more senior colleagues."

Graduate recruitment for the private sector forecast to be up by 2% overall, but big variations by sub-sector

IDS's research reveals that the private sector will increase graduate vacancies by 2% this year, a figure largely pushed up by an 11.8% rise in expected service sector recruitment. This year's figure is higher than the 1.5% drop in graduates actually recruited in 2008.

Says Jessica Evans: "Our data suggests that employers are making a trade-off this year by keeping the talent pipeline flowing by controlling wage costs. Young talent is crucial for many sectors wishing to avoid a skills shortage a few years down the line, so the outlook is not completely bleak for the next year."

There are many differences sector by sector, however.

Services firms, such as supermarkets, rail and IT services, will see an increase in vacancies by 11.8%.

Finance firms will see a much smaller rise in recruitment compared to last year, as they are predicting a 0.6% increase in vacancies in 2009, compared to a 22% rise in 2008.

Hardest hit will be the law, accountancy and manufacturing professions, who are not forecasting any upwards movement in recruitment in 2009. Law and accountancy firms are reducing recruitment by 0.4% and manufacturing firms will reduce recruitment by 11.1%.

Says Jessica Evans: "It is logical that the private sector, compared to the public sector, will be the one that is the most cautious about staff costs amidst a recession, as companies are under a lot of pressure from shareholders to cut costs. Public sector jobs are not affected in this way."

Public sector safest bet

Public sector organisations surveyed reported the biggest projected increase in recruitment at 30.1%, although it had experienced a decrease of 12.6% in the year before.

Says Jessica Evans: "It appears that a career in the public sector is going to remain an attractive option for new graduates this year, although the problems of the private sector will almost certainly increase competition for the posts available."

"Graduates of 2009 are unlucky to be graduating amidst the bleakest job market in recent years, but our research reveals that overall the situation is not as bad as might be expected. Some sectors are faring better than others, with salaries at some companies still increasing and vacancies also up in some sectors on average."

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