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Issued by Mattison Public Relations on behalf of Incomes Data Services (IDS)

Graduate starting salaries to fall in real terms for third straight year

- Cost of living outpacing graduate starting salaries
- 70% freezing salary rates for new graduates this year
- Graduate recruitment projected to stall in 2011 as public sector shuts its doors

Starting salaries for graduates are projected to decline in real terms for the third consecutive year in 2011 according to the latest report into graduate pay and progression by Incomes Data Services.

IDS explains that the rising cost of living (as measured by RPI) means that graduates entering the workforce this summer will find themselves worse off than their predecessors as starting salary rates for graduates lag further behind inflation. **(See graph below)**

The report shows that the average starting salary for graduates increased by just 1% to £25,166 in 2010, while the retail price index has not dipped below 3.7% all year.

According to IDS, starting salaries are projected to rise by a further 1% this year, reaching an average of £26,045, which remains below the current rate of inflation (RPI 5.5% in February 2011).

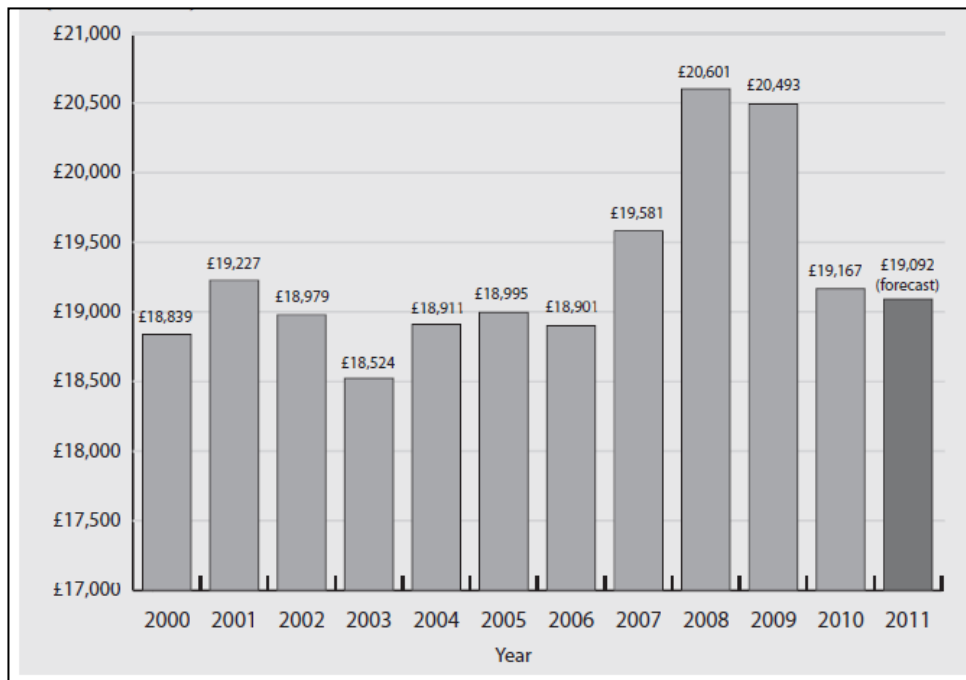
IDS also report that 70% of employers said they would be freezing their recruitment rates this year.

Jessica Evans, Senior researcher of IDS's ['Pay and progression for graduates 2011'](#), comments: "With employers maintaining a guarded approach to setting starting salaries in 2011, there seems to be no let-up in the squeeze on graduate pay packets as employers continue to keep a lid on costs."

"Even though the demand for graduate recruits is showing some signs of revival, the competition for places means that employers are under little pressure to increase current rates despite high inflation."

IDS explain that there were 44 applicants for every graduate vacancy in 2010, up 25% from 35 in 2009. They warn that this could increase in 2011 as a backlog of unemployed graduates have a second attempt at gaining employment in their preferred areas.

Inflation adjusted average graduate starting salaries 2000 to 2011 (Source: ECR)



Graduate recruitment projected to stall

IDS forecast a rise of just 1% in graduate recruitment in 2011 as the public sector closes its doors to new graduates.

IDS forecast that the public/not-for-profit sector will reduce intake by 5% this coming year. This follows a 6.4% rise in graduate intake last year.

IDS' research also showed that 'golden hellos' are on the decline. At the beginning of 2009 more than half of companies said that they paid financial incentives for signing on, in 2010 just under a third plan on using financial incentives. 'Golden hellos' range from as little as £500 to £8,000, with companies in the financial sector typically offering the highest rewards.

Across the entire workforce, graduate recruitment leapt 16% in 2010, led by the private sector ramping up its recruitment of graduates as the economy emerged from recession.

Explains Jessica Evans: "After a difficult recession companies once again turned their minds to expansion in 2010. However, economic uncertainty still lingers and we expect to see a considerably more muted intake of graduates throughout the workforce in 2010."

"Putting graduate programs on hold is an obvious way to reduce costs, and with the public sector slashing costs in order to plug the black hole in the public finances, graduate recruitment is likely to be low on the list of priorities at public sector organisations."

In the private sector, a resurgence in the Law and Accountancy sectors was good news for graduates, as the sector ramped up its recruitment by 19%. Starting salary also remained the most generous in these firms last year, with the average starting salary for a graduate reaching an average of £30,700.

ENDS

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