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P E R F O R M A N C E

**We need to talk about graduates**  
**The changing nature of the UK graduate labour market**

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## **Editor's Foreword**

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## **Abstract**

The British graduate labour market attracts much attention with the popular media as well in policy circles. This monograph examines the extent to which these political and media discourses are congruent with the empirical realities. It will argue that the assumptions many policymakers and media outlets make regarding graduate work, skills and occupations are no longer valid within the changing educational and labour market contexts. To demonstrate this, the monograph will review seven trends that currently shape the British graduate labour market. These are: the fast expansion of higher education; the recession and the widespread effects on the general labour market; global economic integration; the emergence of new graduate occupations; new types of work organisations and technological change; the war for talent and the elite labour market; and increasing wage differentiation. The paper will show these seven trends and their effects contradict the conceptualisation of the graduate labour market which dominant within media and policy discourses.

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## 1 Introduction

No matter how great your qualifications are, if somebody else in your field graduates a year before you do, they will have a jump on you in the job market. So cast tradition aside – get ahead!

Sir Richard Branson, entrepreneur (Branson, 2012)

There is no denying it's tough out there, but I am reliably informed that there are still plenty of graduate opportunities to be had if you know where to look.

Boris Johnson, Mayor of London (london.gov.uk, 2009)

High unemployment is affecting graduates in the short-term, but as the economy recovers long-term demand will increase as the knowledge economy develops. Knowledge economy activities depend on the ability of workers to process, synthesise, interpret and communicate information – key graduate skills.

Charles Levy, economist (Memon, 2010)

Despite the lack of jobs for new graduates since the start of the last recession, there is no shortage in advice for them on how to approach the labour market. Indeed, the graduate labour market and in particular the labour market for graduate entrants has been the focus of much attention in media, policy and academic circles. This monograph aims to map these debates on graduate employment to consider how congruent they are with recent empirical evidence on the nature of the graduate labour market.

### *1.1 The graduate labour market in recession*

It is inarguable that, as a result of the economic downturn, employment opportunities have declined for most workers and particularly for labour market entrants. Workers with university qualifications are far from protected from the downturn, especially those who have only left university recently.

An analysis of data from the Higher Education Statistics Agency by the Local Government Association showed that the number of graduates in full-time work three months after graduating is at its second-lowest level since 2003, with just 51 per cent in

full-time employment in 2010 (compared to 57 per cent in 2003). New graduates have increasingly moved into part-time employment (from 7 per cent in 2003 to 11 per cent in 2010), indicating that the number who are underemployed has grown. Moreover, there is significant geographical variation in the number of employment opportunities for graduates. Tower Hamlets had the lowest proportion of graduates in full-time employment (36.3 per cent), while West Berkshire had the highest (60.9 per cent) (Metha and Rutt, 2012). A survey shows that two in three graduates who left university in 2012 headed straight back to the family home (Clark, 2012).

The Higher Education Careers Service Unit (2012) examined the career paths of graduates who left university in 2011, six months after graduation: 62 per cent of these graduates were employed, 9 per cent were unemployed, 14 per cent stayed on for further study and the remainder were in a mixture of training while working and undertaking other activities. A significant number of graduates (4.8 per cent) were/was self-employed. The regions providing most employment were London, where one in five of all recent graduates in employment worked, followed by the south-east of England. Around one in six (14.7 per cent) graduates were employed in retail, catering, waiting and bar staff jobs. We also know from Higher Education Statistics Agency figures that 22 per cent of graduates from the class of 2010–11 were in part-time work six months after graduation (HESA, 2012). Figures from the Office for National Statistics show that in 2011 one in five (20 per cent) 18-year-olds who left school with A-levels was unemployed, compared with one in four (25 per cent) of 21-year-olds who had left university with a degree. Graduate unemployment rates were almost on a par with those for young people leaving school with just GCSEs, with 26 per cent of 16-year-olds with these qualifications out of work. But the Office for National Statistics figures show that in 2011 it was easier for older graduates than school leavers to find work: at age 24 only 5 per cent of degree holders were unemployed compared with 7 per cent of those who finished their education after A-levels and 13 per cent of those with only GCSEs (Osborne, 2012). Finally, 44.1 per cent of graduates from the class of 2012–13 are predicted still to be unemployed or underemployed six months after leaving full-time education (AAT, 2013).

The labour market for graduate entrants has been problematic in the last few years. Certainly, the UK is not the only country in which entrants struggle to find meaningful employment – in the US graduate labour market, for example, entrants have similar experiences (Godofsky et al., 2011) – and this difficulty does not directly relate to the fortunes of more experienced graduate workers. It is not clear what the extent of the

impact of the recession on more experienced graduates is, nor whether the demand for graduate workers will ever return to pre-recession levels. Despite this, there remains constant attention to the growing group of workers with a university degree. They are considered to be saviours of the economy, innovative knowledge workers or unlucky victims, depending on the source and topic of discussion.

The recession has provided a reason to talk about graduates and their role in the labour market and society as a whole. But is this discussion about the fate and fortunes of graduates justified?

This monograph will examine some of the debates where the concept of graduates, or the graduate labour market, plays a central role; in order to provide a better understanding of the graduate labour market it will review seven trends that have either been embedded in or driven the current UK graduate labour market to examine how well they are reflected in the dominant discourses on graduates:

1. The fast expansion of higher education
2. The recession and the widespread effects on the general labour market
3. Global economic integration
4. The emergence of new graduate occupations
5. New types of work organisations and technological change
6. The war for talent and the elite labour market
7. Increasing wage differentiation

In Part 1 I explore a number of debates in which graduates and graduate labour play a central role. They fall within two areas: popular media and the political or policy domain. In Part 2 I outline these seven trends shaping the current graduate labour market. Using a wide range of literature and empirical data, I explain the contextual framework in which graduates are embedded. Part 3 examines to what extent these debates are influenced by the trends described and questions how well the narratives deal with the changing conditions that surround the graduate labour market.

## **2 Part 1: The representation of the graduate labour market: Media and political discourses**

The nature of the graduate labour market and the effect the recession has had on graduates are not expressed uniformly. Various actors and stakeholders will have their own understanding of how higher education and the labour market are related.

This first part reviews how the graduate labour market is represented within two distinct contexts. First, it will cover perspectives within the popular media on graduates, mostly focusing on the fate of recent graduates within the labour market. Then it will examine the political context, examining separate debates in which graduate skills and employment play a central role. I will show that within both contexts there are explicit and implicit foci and assumptions being placed regarding what constitutes graduate work, skills and careers, and how graduates should be rewarded.

### **2.1 *Graduates in the media: Doom and gloom***

The popular media is awash in news stories that the graduate labour market has been affected hard by the recession. Headlines such as ‘Graduate job opportunities shrink amid economic uncertainty’ (Walker, 2013) are frequently to be found in the major newspapers. Numerous studies and reports on the effect of the recession on the job opportunities of fresh graduates receive wide attention in Britain’s broadsheets, smaller newspapers and other news channels. Early in July 2012 the Guardian website dedicated a segment of the Comment is Free section to stories and opinions on the troubled prospects of new graduates. Titled ‘The graduate without a future’, it provided many stories of fearful graduates as well as stories of those who created a successful career. Paul Mason kicked off the series with an opinion piece titled ‘The graduates of 2012 will survive only in the cracks of our economy’ (Mason, 2012), arguing that the UK has created an economic model that does not provide a prosperous future for many new graduates. The more than 650 comments on this article remind us that the debate on the future of the graduate labour market is very much alive.

This pessimism is illustrated by the views of experts like Michael Barnard, product manager at Milkround:

Graduates can’t expect to just walk into a decent job any more. If you want to work in London – God forbid, it’s the hardest place to find a job in the world – you will have to accept that you probably need to live in a house-share with five strangers, work in a café to pay the bills and start at the bottom with a big employer (quoted in Peacock, 2012).

There have been frequent opinion pieces with alarming messages about the lack of jobs for graduates. For example, Nelson (2012) predicted that those in the current generation of graduates ultimately would feel extremely disillusioned when they found out that their degree was not worth what they thought it would be. Within an unequal and unmeritocratic educational system the lack of fairness combined with high fees will make the competition for graduate jobs a disastrous battle. The financial pressure of repaying increased university fees is also a common theme in news stories about graduates (e.g., Chesworth, 2012).

Other articles have described graduates having great difficulty finding any kind of employment (Taylor, 2011; Cohen, 2012; Langley, 2012; Mohamed, 2012; Smith, 2012) or carrying out unskilled work in order to survive. They range from University of Oxford graduates pulling pints (Henry and Ensor, 2011) to an arts graduate working as a living scarecrow (Garland, 2012) to a story of a desperate media graduate who, after hundreds of failed job applications, decided to pay for a billboard that read, 'I spent my last £500 on this billboard. Please give me a job' (Duggan and Hamilton, 2013). Other news articles with titles such as 'Graduates stuck in low-skilled positions' (Woolcock, 2012) or 'More graduates become shelf stackers as economy slides' (Patton, 2012) cover research or data on skills mismatch. The risk of skills mismatch is often linked to a particular degree, such as media studies, as there is little demand for graduates in these subjects. In one article an employer is quoted saying, 'Some degrees have no career opportunity at the end and the graduate ends up working in a coffee bar' (Wooding, 2012).

The court case of Cait Reilly, a University of Birmingham geology graduate who was required to work for free in a branch of Poundland in order to keep her unemployment benefits, was well publicised. Although her case centred on her claim that such back-to-work schemes are a form of slave labour, much of the media coverage emphasised the dissonant fact that a university student was stacking shelves. The problem of graduates moving into relatively unskilled occupations is deemed problematic without explicitly being linked to other issues such as social mobility.

The desperate situation of the graduate labour market is underlined by stories about students who decide to choose apprenticeships over a university degree after sixth form (Shepperd, 2011), or to pursue a professional degree in a specially designed alternative corporate programme such as exist, for example, within some accountancy firms (Dalton, 2012).

The stories of declining fortunes for graduates do not come out of the blue. Current research supports many of the stories that appear in the popular media. These studies have received wide attention in all types of media and rely on popular interest linked to a wider interest in the prospects of young people, the role of universities in the economy and the overall health of the UK economy as a whole. Yet the special attention to doom-and-gloom stories does paint a particular image of graduate labour market entrants. At least two distinct representations of graduates are put forward in the media stories: the graduate as a victim and the graduate as a responsible agent.

### 2.1.1 *Graduates as victims*

Some commentators see graduates as being basically unlucky (Mohamed, 2012). Many are seen to do everything right but fail to get a fair chance. One architecture graduate described her efforts to get a job: ‘I’ve made more than 250 applications for an entry-level position as a designer, architect’s assistant, surveyor or something in the housing construction sector but all I’ve managed is three unsuccessful interviews’ (Cohen, 2012).

This failure for graduates to get a fair chance to hold down a job is an essential part in many of the reports. The labour market lacks an efficient allocation process between human capital provided by graduates and employers looking for the staff with the right skills and characteristics. The labour market is failing to give those who want to work a fair chance of showing their potential and achievements because of the great number of applicants for every job.

As a result, unemployment for those who indeed try hard to obtain work is seen as unfair. Peter Box, leader of Wakefield Council, expressed his concerns as follows:

Young people who are trying to get on the career ladder are instead finding themselves without a job and potentially falling into long-term unemployment. This can have scarring effects that last a lifetime and have a huge cost to the taxpayer in welfare and benefits (quoted in Doward, 2012).

Graduates are sometimes seen to have made a wrong choice and chosen a career path that is no longer there or guaranteed. US college lecturer Patricia Park (2013) writes in the *Guardian* that the association between university degrees and well-paid white-collar jobs is no longer applicable. According to Park, blue-collar occupations give more rewarding employment opportunities than white-collar ones:

We cannot afford to ignore the reality that a college degree is becoming a luxury: one that no longer translates directly to success. It is time we shed

our stigmas towards “menial” workers. The irony is that their salaries – and accompanying lifestyles – are anything but.

### *2.1.2 Graduate as responsible agent*

In contrast to the stories that are generally supportive of graduates seeking work are those that hold graduates responsible for their failure in the labour market. Heawood (2012) writes that graduates do not need our pity and should be realistic about the labour market prospects of certain degrees (like those in the arts). Cooksely (2012) also links subject degree choices to UK graduate unemployment and wonders why ‘media, art, history and other related subjects cannot just be hobbies which you do in your spare time’; the author is convinced that graduates are not doing everything they can. Jackson (2012) writes that in harsh economic circumstances graduates need to lower their expectations: ‘Legions of bright young graduates now need to be more open-minded, less fussy, less precious and rather more energetic and ingenuous when it comes to applying for jobs.’

Entrepreneur James Caan (2010) tells students that they cannot expect opportunities to come to them on a plate. Instead graduates could work for free to obtain the desired work experience. Other advice usually involves advocating work experience, internship or extracurricular activities (Clark, 2013; Garner, 2013; I’Anson, 2013). One article tells graduates that in order to ‘bag’ a graduate job they should ‘stay positive, the graduate job market is fiercely competitive and don’t be too disheartened if you get rejected’ (Bonney, 2012).

## *2.2 The role of graduates in the labour market*

The angle of most media stories is that there is a deviation from the natural state of the labour market, in which those with a university degree make up the top segment and through their natural gifts and advanced training deserve and should expect high-skilled, well-paid jobs. The reality that many graduates cannot find the right jobs, do not have the right skills and do not earn high wages is seen to be the result of either employer decisions or market forces. Since the recession the demand for skilled labour has decreased, and there are signs of over-education in the labour market: graduate unemployment, graduates being over-skilled and individual experiences of hardship and disappointment.

Unlike other countries, in the UK there has not been a real backlash against the idea that participation in tertiary education is a desired goal for as many (young) people as possible. In the US, for example, a few sceptical academics and business people have questioned the expansion of US higher education and the real value of a college degree. These include economists Richard K. Vedder and Robert I. Lerman, political scientist Charles Murray, educationalist James E. Rosenbaum and venture capitalists Peter Thiel and James Altucher. These views have received considerable media attention in the US (e.g., Kaufman, 2010; Steinberg, 2010). In the UK the argument that there are too many graduates for the number of jobs available has been around for some time (e.g., Bowers-Brown and Harvey, 2004) but has never received any strong proponents in the media. In recent years occasionally there are news items that tentatively suggest support for this view. The Confederation of British Industry (CBI) stated in 2008 that there were enough graduate-level jobs for all graduates but suggested that there were not enough graduates with the qualities to take them (Curtis, 2008). In 2010 the Association of Graduate Recruiters stated that the government's push to get 50 per cent of people under 30 into higher education has 'driven down standards and devalued the currency of a degree and damaged the quality of the university experience' (BBC, 2010).

### **2.3 *Politics***

This section examines wider political debates on the role of education, skills and knowledge. Political and policy-focused discussions can overlap as the demarcation between the political and the policy domain is sometimes nebulous. I will outline three current debates and demonstrate how 'graduates' are applied and categorised within a discursive and polemical context.

#### **2.3.1 *Social mobility and the competition for livelihoods***

The first area in which graduate employment, career and employability are widely discussed is within the discussion around social mobility.

Social intergenerational mobility is low compared with other Western European countries<sup>1</sup> (OECD, 2010), and this can be attributed to more than one cause. Those in the Conservative Party believe they include family breakdown, ineffective schools, lack of

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<sup>1</sup> There is disagreement over whether Britain's social mobility is indeed as low as alleged (Gorard, 2008; Saunders, 2012).

skills development, welfare provision and lack of work ethic (Conservative Party, 2008);<sup>2</sup> those in the Labour Party might suggest that education and lack of access to it, ‘closed circles’ in elite professions and inequality are the main culprits (Miliband, 2012). Education is not only seen as an important barrier but also as a policy area in which politicians and political actors think the government can make a difference. Indeed, the idea that education is the means to social mobility has been around for a very long time. New Labour made education a key lever to provide opportunities to children of all social strata and to spur economic growth, summed up in Tony Blair’s oft-quoted slogan ‘education, education and education’. One of the functions of education in general is to promote equal opportunities. The idea that increasing access to higher education in particular can improve social mobility is therefore not strange but has been especially prominent in the last two decades and actively helped encourage the growth of higher education participation in the UK.

The central idea behind widening access to education is that it gives everyone able and willing the opportunity to reap its benefits, which are often defined in financial terms. The lifetime benefits of university education on the whole remain strong, as shown earlier. Participation in higher education therefore will give those previously unable to compete for better-paid jobs the skills and qualifications to do so and thus reduce social inequalities in society. Equality in opportunity rather than outcome is emphasised. Individuals are provided with the means to become socially mobile. The responsibility of becoming socially mobile is shifting to the individual, removing the government’s need to redistribute wealth and the need to maintain an extensive social safety net as citizens provide their own labour market security.

The current government has continued to support the link between education and social mobility. Deputy Prime Minister Nick Clegg in particular promotes the idea that ‘social mobility is the central social preoccupation of the Coalition Government’ and believes that removing unfair barriers to access (top) universities is key in this (Clegg, 2012). As part of his social-mobility strategy, launched in April 2011, Clegg created a partnership between business and government to ‘spread opportunities across our society and, crucially, to create culture change in other companies’ (Libdem, 2012). Clegg states that ‘ability and drive should trump connections and privilege’ (Cabinet Office, 2012). At

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<sup>2</sup> An academic report recently listed social and cultural capital, early-years influence, education, employment and labour market experience, health and well-being and area-based influences as the major factors influencing mobility, though others could be mentioned (Nunn et al., 2007).

both ends of the economic spectrum there is a special interest in the role higher education can and should play in promoting social mobility. Independent reviewer on social mobility Alan Milburn wrote about universities:

They are the gatekeepers of opportunity and the main pathway into careers in the professions. As the British economy becomes ever more knowledge-based and professionalised, the role universities play will assume greater importance. Who gets into university, and how they get on once they have left, will have a critical role in determining whether Britain's sluggish rates of social mobility can be improved (Milburn, 2012, p.14).

In the debate, fair access to professional careers and the role of internships in particular are scrutinised and highlighted in various media stories about how unpaid interns gain access to particular graduate occupations (e.g., Snowdon, 2011; Bright, 2012). The coalition government intends to remove all barriers impeding graduates from the professional careers they deserve. Milburn claims it is the government's job to try to allow as many people as possible 'with intellect, talent and potential' (Milburn, 2009, p.104) to get a foot on the ladder and rise to a professional, economically rewarding career.

Various people have criticised the government's efforts to increase social mobility. For example, the general secretary of the University and College Union, Sally Hunt (UCU, 2012), and Sir Peter Lampl, chairman of the Sutton Trust (Stewart, 2011), have fiercely attacked the coalition's education policy (in particular for raising the cap on tuition fees), arguing that this will reduce rather than increase social mobility. Yet both government and critics agree that higher education can and should increase social mobility.

In much of the political debate university degrees play the role of the means to good employment, and graduate work is equated with professional and managerial employment and is thus the ultimate end goal. Graduate work is expected to be well paid and high-skilled. Rather than being a neutral category of employment, the graduate labour market has a normative function of providing desired occupational destinations. When a university degree does not lead to these great jobs, social mobility is at risk. The relationship between graduate qualifications and graduate employment is still seen as solid. By giving everyone able enough access to (elite) higher education institutions and, subsequently, access without barriers to the graduate labour market, social mobility is thought to be achieved. Yet this relationship is tenuous as the relationship between qualifications, skills and jobs might not be that straightforward, especially when labour

market demand is slack. The idea that graduates are vehicles of social mobility is in line with the dominant supply-side policy tradition, but completely neglects well-established barriers to inequality such as the rent-seeking behaviour of those better positioned in the labour market, in which their personal capital is rewarded through rent-seeking or the role of networks.

Geoff Payne reminds us that for there to be upward mobility there has to be downward mobility. This downward mobility would occur naturally if it were not for consistent inequalities:

The alleged lack of mobility, to which all major parties also subscribe, is not simply due to lack of achievement of the lower classes, but also due to the capacity of the higher classes to out-compete them. There can be no substantial increase in upward mobility unless current blockages are removed: in other words, steps have to be taken to increase downward mobility by reducing social inequalities from the top. It is not the case that more mobility will reduce social inequality: rather reducing social inequality will increase social mobility (Payne, 2010, p.69).

Within the debate the graduate labour market again becomes the gold standard, a uniform employment space where those from less privileged backgrounds as well as those from more privileged backgrounds can attain well-paid professional jobs.

In contrast to the coalition government, Labour has recently emphasised alternative routes to social and economic mobility. The party's leader, Ed Miliband, unveiled proposals for a new qualification – the technical baccalaureate – in his keynote address to the Labour Party Conference in Manchester in 2012. The technical baccalaureate would be taken at 18 and presented a clear vocational route to obtain a top qualification. Miliband emphasised that it could transform the lives of the 'forgotten' 50 per cent of young people in England who do not go to university. He hinted at a future Britain 'where kids aspire not just to go to Oxford and Cambridge but to excellent technical colleges and elite vocational institutions'. This suggests there may be a new political narrative in which social mobility might be achieved through other than traditional types of education. Yet this ideal perhaps only confirms that the educational system remains the main conduit through which social mobility can be achieved.

### 2.3.2 *The skills race*

The second area in which the perceived capabilities of graduates are of key importance is in the debate about how the UK can remain prosperous within an increasingly globalised economy.

A guiding principle for economic and educational development in advanced industrial countries has been moulded on the notion of the knowledge-based economy (see Casey, 2012b). Western advanced economies are thought to rely increasingly on innovation to generate wealth and jobs. The value of corporations is now derived primarily from their intangible assets – such as their workers’ human and social capital and the intellectual property that they create. As a consequence, a country’s long-run productivity and economic growth are seen to depend heavily on the education, training and skills possessed by its labour force, as well as a good information and communications technology infrastructure, a favourable economic and institutional regime, and an efficient innovation system (Wordbank, 2012).

The Left and the Right both realised that Western and non-Western countries have rapidly expanded their higher-education sector, leading to an injection of skilled workers into the workforce, which has subsequently led to a global high-skilled production regime. In particular the emergence of China and India as economic powers has scared and fascinated those in the political arena. These countries have succeeded in producing high value-added, high-technology products, competing with Western companies (see Brown et al., 2012). Equipping as many within the (future) workforce as possible with world-class skills is assumed to be the only way to keep up with these countries and the ultimate route to economic prosperity. In addition innovation and entrepreneurship within the workforce, especially among new graduates, must be supported and encouraged.<sup>3</sup>

Over time many British policymakers have expressed an explicit belief that in an intensifying global competition the talent, skills and know-how of the workforce determine global competitiveness and thus national and corporate prosperity (e.g., DTI, 1998; Lord Sainsbury of Turville, 2007; BIS, 2009). Importantly, the Leitch Review published in 2006 recommended that more people should be trained in all levels of skills in the UK in order for the country to remain competitive in an increasingly globalised economy:

Productivity is increasingly driven by skills. The ability of firms to succeed in the face of growing international competition depends increasingly on the skilled labour force they can draw from. Skilled workers are better able to adapt to new technologies and market opportunities. Higher levels of skills drive innovation,

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<sup>3</sup> Recently Facebook founder Mark Zuckerman has given voice to the knowledge-economy project. He writes that ‘the better educated and trained we all are, the more productive we become, and the better off everyone in our nation can be. A knowledge economy can scale further, create better jobs and provide a higher quality of living for everyone in our nation’ (Zuckerman, 2013).

facilitate investment and improve leadership and management. For innovation to be effectively implemented, businesses must be able to draw on a flexible, skilled workforce (Leitch, 2006, p.8).

Although the term ‘knowledge-based economy’ has often been poorly defined (Fuller and Unwin, 2010), the idea that the supply of education and skills plays a key role in both long and short-term economic success of a country remains strong.

The coalition government has in many ways upheld the ideal of the knowledge-based economy. Next to making the UK more business friendly, it continues to forecast that the UK will stay internationally competitive through increased focus and investment in creative and technical advancement. It continues to link an increase in skills with an increase in productivity (Payne and Keep, 2011). The latest skill strategy paper from the Department for Business, Innovation & Skills (BIS) emphasises the need to upskill in order to compete successfully with other nations:

By 2020 it is projected that China and India will account for 40% of the world’s university graduates. OECD data show that Shanghai now tops the international league table in maths for 15 year-olds, closely followed by Singapore and Hong Kong. India has set a target of raising the skills of 500 million people by 2022, and is investing heavily in vocational training. This transformation in education will strengthen their economic growth, because higher skill levels translate directly into higher labour productivity and enable countries to adopt new technologies (BIS, 2013).

This idea that countries are in direct competition with other economies, and that this race can be won by equipping the workforce with more and better skills, is common in many Western nations. In US politics the menace of workers abroad threatening the jobs and livelihoods of skilled and unskilled workers is used for multiple purposes within the political discourse. Sometimes it is coupled with pleas for measures of protectionism; at other times it is associated with the need to invest further in education (e.g., Cooper et al., 2012). In the US, where a declining share of young people attend college, the news that the US has slipped to the fourteenth spot on the OECD graduation rate table (OECD, 2012a) has sent shockwaves throughout the country. US Secretary of Education, Arne Duncan explained in 2010 that President Barack Obama has made it his priority to ‘regain our spot as the world leader in college graduates. We have to educate our way to a better economy. It’s the only way we’re going to get there’ (quoted in King, 2010).

Obama has been a firm believer that education is key for the US to be competitive, noting that ‘countries like China and India and Brazil [are] investing heavily in their education systems and in infrastructure. And where we used to be ranked number

one, for example, in the proportion of college graduates, we now rank number 12' (quoted in White House, 2010). In 2011 he pointed out to high-school graduates; 'You're competing against young people in Beijing and Mumbai. Those kids are hungry, they're working hard and you'll need to be prepared for it' (Sinha, 2011). The OECD also warns its members that India and China now produce great numbers of graduates. Western labour markets can continue to absorb the increased supply of higher-educated workers so there remain strong incentives to build the skills of their populations through higher education. Skilled workers can continue to be well off if countries keep investing, making their economies knowledge-based, science-based and technologically advanced (OECD, 2012b). Andreas Schleicher the OECD's Deputy Director for Education and Skills, and Special Advisor on Education Policy to the OECD's Secretary General stresses the need for skills as follows:

You have two choices. You can go into the race to the bottom with China, lowering wages for low-skill jobs. Or you can try to win in innovation and competitiveness [...] In the past, monetary policy and fiscal policy could be seen as a way to growth, but today, what remains is human capital. You can no longer bail yourself out of a crisis, you can't stimulate your way out of a crisis, the only way is to provide better skills (Coughlan, 2013).

In the UK, a similar narrative that brings together output of higher education and national competitiveness has gained considerable strength. In 2008 Prime Minister Gordon Brown observed that in future the competition between nations in human capital investment will become of increasing importance. In this 'global skills race' countries that succeed in educating their workers to the fullest extent will obtain a competitive edge and be protected from the global race to the bottom that characterises the low-skilled production cycle:

Already our Asian rivals are competing not just in low-skilled manufacturing, but in high-tech products and services. Once, we worried about a global arms race. The challenge this century is a global skills race and that is why we need to push ahead faster with our reforms to extend education opportunities for all... Globalisation dictates that the nations that succeed will be those that bring out the best in people and their potential. And this is the new opportunity for Britain. Put simply: in the past, we unlocked only some of the talents of some of the people; the challenge now is to unlock all the talents of all of the people (Brown, 2008).

From 2008 onwards, others were quick to follow suit and declare that creating more and better skills is paramount in any potentially successful economic strategy. In 2012 Minister for Universities and Science David Willetts stated: '[We are still at the early stages of globalisation. Educating citizens to a higher level is the crucial challenge

for all nations wishing to modernise' (Willetts, 2012). International comparative benchmarking is often used to make the relationship between skills and economic growth explicit:

Education and skills are the foundation of economic success and yet the UK has been falling behind. The UK working age population has lower skills than the workforces in France, Germany and the USA. This is a major contributing factor to the 15 per cent productivity gap with the UK's main competitors (HM Treasury and BIS, 2011, p.36).

From both spectra of the political scale, various politicians have shown their support for this political axiom. Perhaps unsurprisingly for conservatives, state involvement goes hand in hand with people's responsibility to educate themselves and find the right employment. Emphasising the Conservatives' traditional view on progress, in 2012 Prime Minister David Cameron said in a speech:

Right now Britain is in a global race. It is a moment of reckoning for every country. Sink or swim. Do or decline. The critical question is this. How does Britain compete and win in a world where all around us new countries are on the rise? Now I believe that Britain can make it in this global race... So let me turn to how. Helping to sell Britain abroad is a vital part of the answer. But winning abroad actually begins at home. Our country will only rise if we let our people rise if we back aspiration and those who want to get on in life. That means sorting out welfare and education. Because the most powerful natural resources we have are our people (Cameron, 2012).

Those on the left emphasise that there should be a collective and inclusive effort to make Britain competitive again. David Miliband explained:

It's a sign we just don't get it that we are even debating whether to keep the 50 per cent target for 18–30-year-old participation; over the next 15 years the leading economies of the world are going to head for 60 per cent and we should too. The idea that other countries have enough students able to benefit from higher education, but we don't, is just insulting. In truth, this needs to be the first plank of a serious economic growth strategy for the future (quoted in IPPR, 2010, pp.4–5).

Likewise, Shadow Higher Education Minister Shabana Mahmood has argued that more graduates would help Britain compete with emerging economies and that further expansion would serve the economy as well as those participating in it (Burns, 2012).

Graduates continue to provide growth, innovation and prosperity. This stance moves beyond the argument that those who are highly skilled yield high returns to individuals, organisations and the national economy, and are desirable. It places graduate skills and workers at the centre of a global economic competition between nations. In

other words, university graduates do not supply the increasingly more complex and technological workplaces of the future but collectively form a strategic asset within a global economic structure.

### 2.3.3 *The lack of STEM graduates*

Closely related to the previous debate on the role of skills and education within the global economy is the discussion on the need for an increased number of science, technology, engineering and maths (STEM) graduates. The lack of STEM graduates is seen as problematic in policy as well as political circles.

The idea that, after the economic crisis, economic growth must be based on technological innovation and the skills of STEM graduates is widespread. In the US this belief has indeed become gospel. Senator Bob Casey, Chairman of the US Congress Joint Economic Committee, argues: ‘Improving access to quality STEM education will strengthen the caliber of the U.S. workforce, drive economic growth, and keep the U.S. competitive’ (Casey, 2012a, p.1). Casey uses international comparisons on the output and quality of STEM education to predict the skills gaps of future workforces. Similarly Máire Geoghegan-Quinn, European Commissioner for Research, Innovation and Science, claims:

The key to competitiveness for just about any economy in the world right now is knowledge, and that means research and innovation. For Europe, research and innovation are critical. We have seen that those EU member states that have invested in research have largely weathered the current crisis better. Our research-intensive companies tend to be our most resilient and retain their staff (Geoghegan-Quinn, 2012).

Many assert that the UK economy needs an increase in STEM graduates injected into the labour market, and that the lack of STEM graduates is one of the major hurdles to overcome in making Britain internationally competitive in a post-recession economic landscape.

In his previous role of secretary of state for business, innovation and skills, Lord Mandelson argued that ‘science, technology, engineering and mathematics skills are crucial in securing future prosperity’ (Parliament, 2010). Likewise Sir Mark Walport of the Science and Learning Expert Group wrote:

It is a truism to state that the future of the UK depends critically on the education of future generations. Science, technology, engineering and mathematics (STEM) must be at the forefront of education in order for the UK to address some of the most important challenges facing society. The UK does not have large stores of

natural resources or a low-cost workforce. Our economy is highly dependent on our ability to add value, through scientific, engineering and technological innovation – and through advanced manufacturing skills (BIS, 2010, p.3).

Secretary of State for Business, Innovation and Skills Vince Cable (Cable, 2010; BIS, 2012) has expressed serious concerns about the lack of STEM graduates and has initiated a series of interventions to increase the number of young people choosing STEM subjects.

Employers have also made it clear that more STEM graduates are needed. The CBI warned that a failure to increase the number of science and technology graduates – to one in five of all degrees – risked jeopardising growth in the sectors that hold the key to economic recovery. The number of those studying degrees in these areas ‘must increase by over 40% on current levels if this demand is to be met’ (CBI, 2010, p.4). Surveys among employers point to skills shortages among graduates across STEM areas (CBI Pearson, 2012).

Others argue more or less the same. According to the Royal Academy of Engineering report *Jobs and Growth: The Importance of Engineering Skills to the UK Economy*, the UK needs an extra 10,000 STEM graduates every year in order to meet the demand (Harrison, 2012). A report by the Social Market Foundation, *In the Balance: The STEM Human Capital Crunch*, argues that there is an annual lack in domestic supply of as many as 40,000 STEM graduates. The number of UK STEM graduates needs to be increased by 50 per cent to solve this (Broughton, 2012). There have been many other alarming reports and opinions regarding the alleged lack of engineers, information technology staff and technicians (e.g., Peacock, 2011; Richardson, 2012).

More specifically, it is assumed that the future of UK innovative capability is directly related to the share of STEM graduates higher education produces. For example, in 2011 the Higher Education Funding Council for England reported that the growth in international students taking up postgraduate places in STEM subjects is much larger than in competing economies (HEFCE, 2011). Matthew Harrison, director of education at the Royal Academy of Engineering, responded by saying there is a threat to the UK’s next generation of innovators in cutting-edge industries if home postgraduate numbers did not keep pace. According to Harrison, this reduces the UK’s ability to innovate, set up companies and create high-added-value goods to sell abroad (Baker, 2011).

In contrast to the firm language of those proclaiming that the UK labour market suffers or will suffer from an imbalance in STEM skills, there is little reliable data on the

supply and demand for STEM graduates and postgraduates. This makes it very difficult to assess whether there is a shortage of STEM graduates and postgraduates and in which sectors (House of Lords, 2012). Despite the reported shortages there is evidence that there are too many STEM graduates rather than too few. Smith and Gorard (2011) show that the majority of science graduates do not take up jobs in their own field after graduation, suggesting there might not be a great shortage of scientists after all. Producing more graduates in STEM areas does not necessarily help this problem. Many STEM graduates choose not to work in the area they studied at university for a variety of reasons. The real problem lies in attracting them to work in STEM areas. Research has shown that other fields are seen to be of more interest, although more practical and career-related reasons are also significant (BIS, 2011). Some have observed that the ‘relationship’ between a nation’s economic growth rate and the number of STEM students it produces is not straightforward (e.g., Morgan, 2010).

In conclusion, the three debates elucidated here are only described very briefly and require a more in-depth analysis in order to do justice to their complexities. Nonetheless I have tried to illustrate how graduates, *sui generis* or as products of higher education, are aligned with different political projects that rely on a performative discourse that positions university-educated workers as a central force in improving social justice and economic prosperity.

Because of the specific political motives and symbolic colouring found in these discourses, the imageries of graduates within these discourses are not necessarily in line with how the graduate labour market is developing or is experienced by its constituents. In other words, these imagined versions of graduate labour and the graduate labour market can be discursively upheld independent from empirical reality.

The remainder of the monograph is dedicated to show that the assumptions these discourses make are not in accordance with some of the social and economic changes that constitute, as well as accompany, the current UK graduate labour market. The next section will outline seven trends that are affecting the UK graduate labour market fundamentally in order to show that both media and political discourses on the graduate labour market are not adequate.

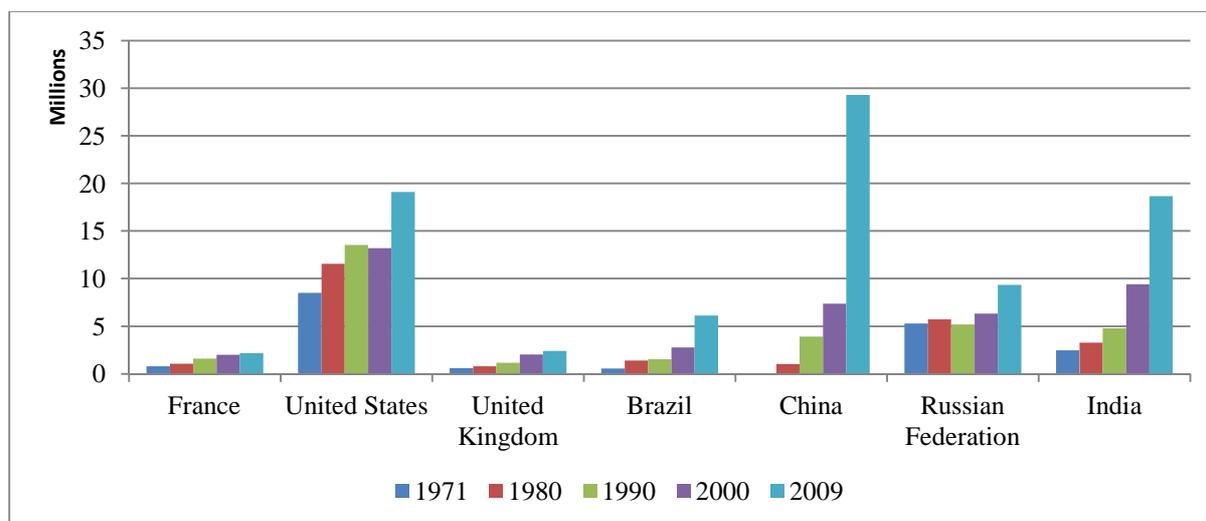
### 3 Part 2: Seven trends shaping the UK graduate labour market

This section explores seven trends that alter and drive the current UK labour market for graduates. This list is far from exhaustive,<sup>4</sup> but all seven are of high significance in understanding the current graduate labour market, including its dysfunctional aspects.

#### 3.1 Trend 1: The fast expansion of higher education

No observer of education will have missed the staggering growth in the numbers participating in tertiary-level education. In the last decades there has been enormous expansion of investment and output. Figure 1 shows the growth in enrolments in tertiary-level educational institutions for 1971 to 2009 for seven major economies. It demonstrates that although enrolments in tertiary-level educational institutions have rapidly increased in the two European countries included, France and the UK, compared with the rate of growth of countries like China and India the increase seems moderate.<sup>5</sup>

**Figure 1: Full-time enrolments in tertiary-level educational institutions in selected emerging and developed economies, 1971–2009**



Source: World Bank (2013)

The British Council (2012) recently revealed that, according to UNESCO data, tertiary enrolment was over 170 million globally in 2009, with just four countries (China, India, Russia and the US) accounting for 45 per cent of the total. In 1990 the global enrolment was estimated at 65 million, so, in 20 years, there was a growth of 160 per cent

<sup>4</sup> Salient trends that are not discussed here include migrational and demographic changes, the increase of parental power in education and the rise in wealth inequality.

<sup>5</sup> Whether the completion rates are comparable remains another question.

(5 per cent per annum). The study forecasts that there would be 21 million additional tertiary enrolments by 2020, with India (7 million), China (5 million), Brazil (2.6 million), Indonesia (2.3 million) and Nigeria (1.4 million) the largest contributors to this growth. Whether these predictions will prove accurate remains to be seen, yet there is likely to be even larger growth in both the absolute number and relative share of graduates in the labour force over the next decades, continuing the existing trend.

The increase in participation has led to the expansion of graduates in the labour force and thus the labour market. Between 1999 and 2010 the figures for 25–64-year-olds with tertiary education increased substantially (as shown in table 1).

**Table 1: Share of 25–64-year-olds with tertiary education**

	<b>1999</b>	<b>2010</b>
<b>France</b>	21	29
<b>Germany</b>	23	27
<b>UK</b>	25	828
<b>US</b>	35	42

Nearly one in two – 46 per cent – of UK 25–34-year-olds in 2010 had completed tertiary education, compared with just over one in four – 27 per cent – in 1999 (OECD, 2001, 2012).

The effect of the global expansion of higher education is equally impressive when expressed in numbers: in 2000 there were 51 million 25–34-year-olds with higher education (tertiary) degrees in OECD countries and 39 million in non-OECD G20 countries (Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia and South Africa). Ten years later 66 million 25–34-year-olds in OECD countries and 64 million in non-OECD G20 countries had a tertiary degree (OECD, 2012b).

There has also been impressive growth of online higher education courses, in particular open online courses, demonstrating a further increase in and widening of higher education learning. Putting aside concerns about matters such as quality, effectiveness, rigour, certification and fragmentation, the possibilities are far-reaching and significant. For example, to date more than 700,000 individuals use online courses provided by edX, a not-for-profit online learning enterprise founded by MIT and Harvard University. Likewise Coursera, the largest provider at the moment (for profit), has registered 2.8 million students (Empson, 2013). Its mission is to provide world-class

courses to anyone at any location, and a selection of top universities has provided the online modules on its open-source platform.

The vast increase in supply of so-called skilled workers in the UK and worldwide has fundamentally changed the labour market. Whether the demand for graduates has kept up with the supply of graduates will be investigated in more detail later. For now it is important to reflect on the consequence of the growth of graduate skills within the labour market. The growing availability of people with advanced skills domestically and globally has helped create new graduate occupations and made graduate skills widely available, and has impacted the non-graduate labour market in various ways. The next six trends relate to some of the effects of the growth of higher education.

### ***3.2 Trend 2: The recession and the widespread effects on the general labour market***

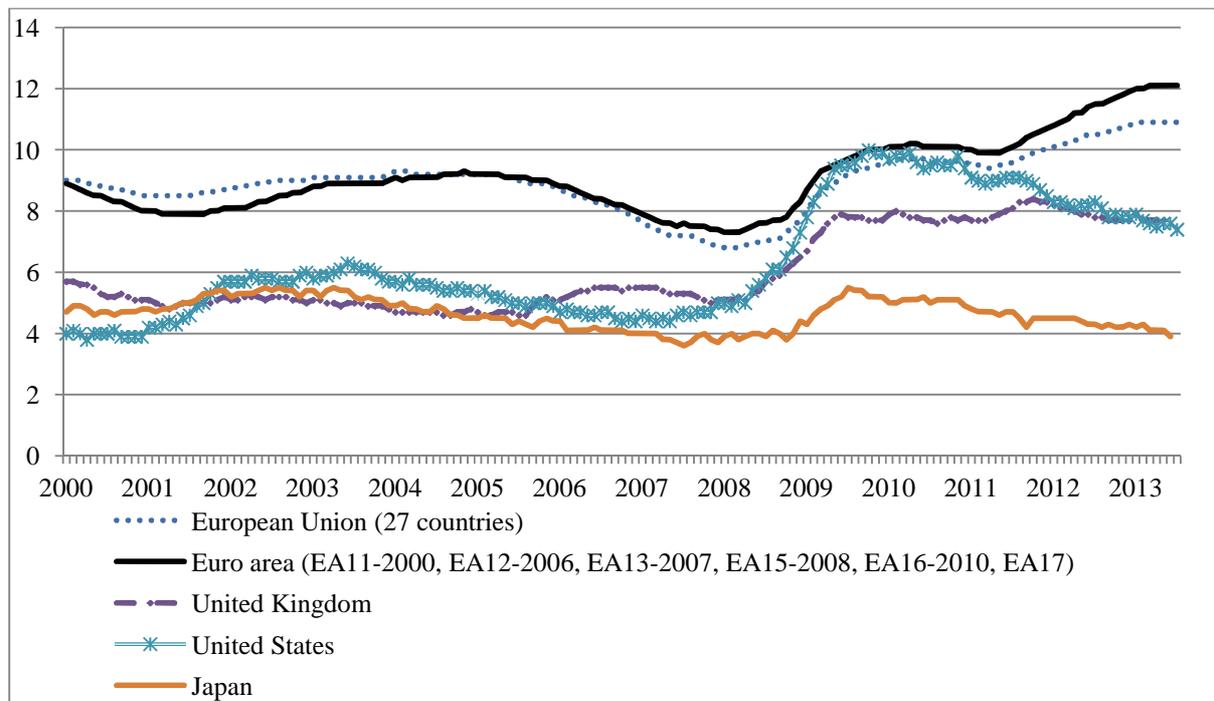
Many countries, though far from all, entered economic recession at the end of 2008. Although we cannot talk about a ‘global’ economic downturn as some countries maintained strong economic growth, the recession had a strong adverse impact on the world economy. Recessions result in higher unemployment, lower wages and incomes, and lost opportunities more generally. Education, private capital investments and economic opportunities have all suffered in the current downturn, and the effects are likely to be long-lived in many ways. The long-term damage still prevents a full recovery.

This recession, dubbed the Great Recession, has been created and accompanied by a meltdown of various financial institutions in Western economies. As Europe’s financial centre, the damage in the financial sector has had an adverse impact on the UK, as has the persistent lack of demand within the eurozone following numerous sovereign debt crises that have followed the turmoil in the banking sector. The impact of the financial crisis on labour markets has varied considerably across countries – irrespective of the loss to the gross domestic product – and the magnitude, timing and composition of stimulus efforts have helped to mitigate its effects. There is reasonable consensus among commentators and experts about the ineffectiveness of the UK coalition’s austerity approach; to date economic growth has been disappointing and the employment recovery is fragile at best.

There have been increases in unemployment in most OECD countries. Figure 2 shows the unemployment rates in EU-27 countries, the Euro area, the US, the UK and

Japan from 2000 to 2013. Whereas unemployment in the US and Japan declined in 2011 and 2012, it has sharply increased in eurozone countries, although the UK seems an exception.

**Figure 2: Unemployment rates in EU-27 countries, the Euro area, the UK, the US and Japan, seasonally adjusted, January 2000 – July 2013 (percentages)**



Source: Eurostat (2013)

Amable and Mayhew (2011) report on unemployment in the eurozone and aim to make sense of the vast heterogeneity in the effects the recession has had on individual countries. Their analysis suggests that countries with stricter employment-protection legislation, more collective bargaining and more forms of work-sharing have managed to keep unemployment down better than other countries. The authors predict that the recession is likely to have a lasting impact in some countries. The need for effective active labour market policies to deal with increased unemployment caused by the recession is supported by other research, for example, Eichhorst et al. (2010).

The UK's unemployment rate was 5.3 per cent in 2007 and 7.8 per cent in March 2013. Considerable unemployment has been persistent during and after the recession and could be attributed to the lack of economic growth, which according to many observers (such as the IMF) is negatively impacted by the government's austerity programme. Yet unemployment has not been as high as we might have expected. Bell and Blanchflower (2011) have argued that the high incidence of underemployment could have moderated

unemployment. They show that there has been a sharp increase in the number of workers who work part-time because there are insufficient full-time jobs available, and suggest that these part-time workers would prefer to work more hours.

### *3.2.1 The effects*

In the last century there have been numerous recessions and subsequent recoveries. They have all had lasting effects on the labour market. In addition, there is evidence that the current recession will have particularly strong effects because of its nature and severity. Reinhardt and Rogoff (2009) have shown that systemic banking crises tend to be deep and extensive, and that this pattern is evident throughout history and across countries. Others disagree (e.g., Taylor, 2012), but whatever the cause of the recession the latest recession's effect on employment has been remarkable and long-lasting.

A well-known consequence of recessions on individuals is the so-called 'scarring effect': negative long-term consequences of early unemployment. Unemployment tends to bring future unemployment (Gregg, 2001) as well as decreased future earnings (Arulampalam, 2001; Gregg and Tominey, 2005). Bukodi and Goldthorpe (2011) found that the UK's 1958 birth cohort that went into a depressed labour market failed to achieve the increases in income or status of other cohorts.

A classic example of scarring occurred during the 1990s in Japan. Long-term youth unemployment in this so-called 'lost decade' persisted even after the recovery began, because Japanese employers preferred to hire recent graduates rather than those trapped in long-term unemployment or persistent inactivity. A growing body of literature (e.g., Gartell, 2009; Kahn, 2010b) now recognises the scarring effect of unemployment on graduates, as cohorts that graduate when economies are in recession tend to end up in lower-level occupations.

There are other scarring effects for many years after the initial period of unemployment, for example, on happiness, job satisfaction and health. Irons (2009) suggests that the US recession will have a lasting negative impact on childhood nutrition, health services and struggling families, leading to reduced educational performance and participation. He points out the other societal costs of poverty and the long-term effect of the drop in investment:

[W]e must also consider the interaction between human and physical capital. Technology is often embedded in new physical equipment: as production and

employment is reduced, there is less purchasing of newer equipment. As a result, workers are less able to utilize their skills, and there is less need to “up-skill” current employees or hire additional employees with new skill.

### 3.2.2 *Systemic changes*

The recession has been such a decisive economic landmark that some have seen it to have changed the economic order and working of capitalism as a whole. Unstable working conditions are likely to lead to hostile and unbalanced employment relations (ACAS, 2010). In the past some social theorists argued that Western nations had entered an age of insecurity, which affected unemployment relations (e.g., Beck, 1992, 2000; Bauman, 2000; Castells, 1996; Giddens, 1998).<sup>6</sup> Some have observed that the recession has triggered a growth in precarious labour market conditions. Low-quality jobs seem persistent (Warhurst et al., 2012) and one in five British workers is being paid less than the living wage (Weaver, 2012). Standing (2011) observed the emergence of a new class of precarious workers and Rubery (2011) has provided an insightful account of how EU governments’ neo-liberal policies to deal with the economic crisis have undermined social protection. These policies include ‘increased requirements to work and to take any job available; the promotion of flexible employment; and efforts to reduce costs of public provision, whether through lower service costs, more private funding or the minimization of benefit levels’ (p.667). At the same time there is an ever-growing need to extend social support within society.

The recession has also had an impact on the UK job structure. An analysis by Eurofound (2011) of employment change using job–wage quintiles shows that between Q2 2008 and Q2 2010 there was a strong increase in polarisation (growth in employment at the lower and upper ends of the wage spectrum, but contraction in the middle) compared with the decade before. An analysis by the TUC showed that 77 per cent of net job creation between June 2010 and December 2012 has taken place in industries where the average wage is less than £7.95 an hour (in particular retail and residential care). The authors found a marginal net increase in employment in high-paid sectors (TUC, 2013).

Predictions of the future state of the economy or labour market are invariably tricky as they must consider uncertain environments with many relevant factors. Such a task is often spurred by false expertise rather than genuine ability (Kahneman, 2011), and I will refrain from attempting to make such a forecast. It is worth noting that we cannot

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<sup>6</sup> These authors have been criticised for not having empirical evidence on which to base their observations (e.g., Fevre, 2007).

assume eternal stable but positive economic growth leading to increasing income per capita. There have been long periods of economic stagnation in economic history, and new technological inventions to generate enhanced productivity may not materialise. Demographic and environmental factors could also diminish future prosperity. More specifically, there are some signs that the economic downturn will affect the UK labour market in a lasting way. The political response to the recession has been extreme. The perceived need to improve state finances has resulted in a decline in employment in the public sector as well as an overall decline in social expenditure, including social security. John Lanchester (2013) observes that the political desire of the coalition to shrink the UK public sector and social security has been obscured by a political narrative which identifies austerity measures as much-needed conditions for a healthy economy. He reminds us that the overall spending of the government has increased and is expected to increase in the future.

When the full recovery comes, the labour market may not return to its previous state. This recession has been distinctively different from other recessions. For most the recovery has been very slow and painful. In effect the labour market has recovered in a fragmented way, with a high incidence of long-term unemployment and failing job growth, especially for the US (Grusky et al., 2011, p.4).

The graduate labour market is not independent or protected from the changes that the recession has brought. Graduates are situated in a volatile economy that has proven to provide little stability and guarantees. The recession will have a lasting effect on many graduates and the future of graduate employment depends on how well the UK can recover.

### **3.3 *Trend 3: Global economic integration***

The UK graduate labour market has never really been an isolated economic structure and can certainly not be seen that way in 2013. Wages, employment opportunities and labour conditions are fundamentally influenced by the demand and supply of labour markets abroad. The UK labour market has always been open in various degrees to foreign competition as well as immigration, yet in the last decades this process has increased exponentially and has impacted many sectors. Through declining costs and increasing opportunities in transportation and communication, increased efforts to adopt labour-saving technologies and continuous transfer of technologies, the production of more goods and services is less bound to location.

An important change in the global economy is the ease of relocating parts of company production processes. Many potential factors can affect a company's decision about where to locate its business, for example, labour costs, market access, proximity to customers, availability of scarce natural resources, government incentives and regulations, the desire to be part of a wider innovation cluster and the availability of a highly skilled workforce (Finegold et al., 2009).

The extent to which the global competition for skills has developed has been convincingly described by Brown et al. (2012), who investigated the skill-formation strategies of 30 leading companies operating across seven countries. They found that skills and human resources issues had become more important to corporate competitive advantage, and that managers reported that the skills quality and productivity gap between developing and developed economies was narrowing rapidly. The increasing supply of highly educated workers in the global labour market, especially in China and India, provides multinational corporations with a growing number of suitable production locations. High-skilled work that used to be exclusively performed in Western economies can now be undertaken in a multitude of places. The home base remains a key location for developing and coordinating corporate strategies, but the trend is towards greater movement of other high-end work to lower-cost locations. Because of the availability and transferability of skills, a competition on wages has started between the white-collar middle class in advanced industrial economies and low-paid graduates in countries such as India and China. In particular in the US, there is now a fear that competition for jobs among highly skilled workers might lead to some of those jobs being carried out offshore. Numerous media commentators and politicians (e.g., Obama, the French Minister of Industrial Renewal Montebourg, and the US economist Paul Craig Roberts) have claimed that the increase in offshore outsourcing (when a company buys a good or service from a supplier overseas) and offshoring (when a multinational company moves or expands operations and work to overseas locations) will have negative consequences for their national economies and workers alike. The realisation that high-skilled jobs might be offshored, similar to traditional low-skilled routine jobs, is a frightening prospect. The OECD (2006) used occupational employment data estimating that 20 per cent of employment in OECD countries could potentially be affected by international services outsourcing.

Many studies explore the extent of current and possible future offshoring, which types of industries and jobs will be most affected, and the implications of this for labour

demand and job displacement within OECD countries (see Chang, 2012, for an overview). Alan Blinder's (2009) analysis of the share of jobs that potentially could be performed offshore has received considerable attention. Using detailed information on the nature of work undertaken in over 800 US Bureau of Labor Statistics occupational codes, Blinder ranks those occupations according to how easy and how hard it is to offshore the work — either physically or electronically. He estimated that 22–29 per cent of all US jobs are or will be potentially 'offshorable' within a decade or two.

Finegold et al. (2009) studied the role that skills play in the strategy and global organisation of work of some of the highest-skilled employers – early-stage bioscience companies. They found that, in contrast with a decade ago, when typically all the workers of these New Jersey-based high-tech start-ups were co-located, these firms are today offshoring some parts of their research and development operations to a graduate workforce in India and China. They are doing this not because the skills were unavailable in the local labour market, but because they could obtain similar skills for roughly one-quarter of the direct labour costs, conserving their scarce cash while they strive to develop their first product and to become profitable.

AT Kearny's (2011) annual Global Service Location Index gives a sense of the relative weight of these different factors in the service sector. The index evaluates the 50 countries that are the primary locations for offshoring of back-office functions on 39 different indicators of location attractiveness grouped in three broad categories.<sup>7</sup> The countries ranked in the top 10 in 2011 were China, Egypt, India, Indonesia, Malaysia, Mexico, the Philippines, Thailand, Chile and Vietnam. Depreciating currencies and rising wages in emerging economies make the cost benefit smaller for companies to offshore.

### *3.3.1 The impact on graduates*

Offshoring does not necessarily lead to a decline in employment opportunity (Ottaviano et al., 2012) but in many Western economies, jobs in manufacturing have been lost either through offshoring or technological change. To determine the impact of globalisation and offshoring on graduates we need to understand the relationship between skills and offshoring. Blinder (2009) found that there is little or no correlation between an

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<sup>7</sup> Financial attractiveness makes up 40 per cent of the index (consisting of compensation costs, infrastructure costs, and tax and regulatory costs), followed by skills quality and availability (30 per cent) and business environment (30 per cent).

occupation's 'offshorability' and the skill level of its workers (as measured either by educational attainment or wages).

Yet it is important to realise that tasks within jobs as well as whole jobs are susceptible to offshoring. Blinder (2009) notes that the offshorability of a UK job depends on whether the worker— whether highly skilled or with mid-level skills – needs to be physically close to a work unit (e.g., a factory) or to a specific UK work location. Recent evidence suggests that impacts of offshoring are worse for workers who perform routine tasks (Ebenstein et al., 2011).

There is increasing evidence that Western multinationals have expanded the amount of high-tech investment and innovative activities carried out offshore (OECD, 2008; Brown, et al., 2012). Offshoring expert Winston Chang (2012) has commented that offshoring tends to narrow the wage gap for workers of the same skill level between advanced and developing countries. Consequently, the appeal of offshoring diminishes as the gap continues to contract. Already the wages of Chinese workers have increased rapidly (Boston Consulting Group, 2011). There are likely to be short-run costs of adjustment as workers may not quickly leave one type of employment for another. The extent to which offshoring has impacted UK (skilled) employment is unclear at best (Rüdiger, 2007).

Although the majority of jobs are non-tradable (Jensen, 2011), tradable and non-tradable tasks tend to be performed together across occupations and jobs (Lanz et al., 2011). As a result of constant skill upgrading around the globe as well as constant technological advances, more complex tasks can be performed elsewhere. In other words, what we consider to be non-tradable is not a fixed concept. The tradable part of jobs might become easier to extract as a separate function from the non-tradable part.

This has at the very minimum potential to change job content alongside cost-effectiveness. Potentially price competition may affect wages on those jobs that face competition from abroad, for better and worse, depending on where you are located. As many high-skilled occupations such as information technology and finance work are already tradable, there could be a change in future within the organisational structure and production and supply chain (see Huws and Podro, 2012). The wages and employment of skilled workers will depend on how well UK companies are able to compete with foreign competitors in the future. Eliasson et al. (2012) observe that for highly skilled tradable workers it is 'reasonable to expect higher job turnover and that the conditions will be more and more similar to those which are prevalent in manufacturing' (p.599).

The global labour market for graduate skills is impacting graduates based in the UK, either directly or indirectly. Their opportunities, wages and labour conditions are increasingly connected to graduates abroad.

### ***3.4 Trend 4: The emergence of new graduate occupations***

Traditionally there has been a reasonably well-defined understanding of what a graduate occupation constitutes. Before the increase in the numbers going into higher education, those who graduated from universities or polytechnics generally would enter conventional and established graduate occupations. Yet the graduate labour market has expanded with the rapid growth of higher education. More jobs have been created in traditional graduate occupations, new graduate occupations have been created and graduates have moved into non-graduate occupations.

In a key study, Purcell and Elias (2004) examined the nature of graduate work as well as the changing UK occupational structure. They produced a taxonomy of graduate jobs based on a survey of 4,500 graduates from 38 UK higher-education institutions who gained their first degrees in 1995. The authors identify four groups of graduate occupation: traditional graduate occupations, modern graduate occupations, new graduate occupations and niche graduate occupations. The authors suggest that graduate occupations are those that combine expertise, strategic and managerial skills and interactive skills, albeit in different degrees for different occupations. Recently Elias and Purcell (2013) have more or less abandoned this classification. Instead, graduate occupations are now defined by to what extent they utilise specialist, orchestration and communication expertise, leading to three types of graduate occupations:

- Experts: Those in knowledge-intensive occupations that require specialist higher-education knowledge and skills
- Orchestrators: Those who use knowledge to evaluate information, assess options, plan, make decisions and coordinate the contributions of others to achieve objectives
- Communicators: Those who draw on advanced interactive skills

Those that do not fall in these categories are considered non-graduate occupations.

Despite Purcell and Elias's best efforts we actually know very little about what makes a graduate occupation. According to the author's occupational analysis, about 40

per cent of British full-time employees are in so-called graduate occupations. Almost two-thirds of the 'experts' have a first degree or higher. This is much lower for the 'communicators' and orchestrators, with respectively approximately 50 and 30 per cent. Likewise full-time employees with first degrees or higher constitute more than 10 per cent of those employed in what the authors call 'non-graduate' occupations.

We know that graduates have moved into a growing number of occupations, yet we do not know whether this was by choice or because of the intensification of the competition for traditional graduate occupations.

It has become far less easy to establish which jobs require advanced skills and which do not. As Brynin (2013) recently describes it, 'While some occupations have become wholly graduate and others remain wholly non-graduate, many occupations are now partially graduate' (p.285). The fact that a growing pool of graduates finds jobs within the labour market does not necessarily mean that these jobs could not have been performed by workers without a tertiary education. One important trend is the 'graduatisation' of the labour market. This term is used to describe the growing pool of graduates entering occupations that were traditionally not pursued by graduates. Using Labour Force survey data, the Office for National Statistics found out that in 2013 as much of 47% of recent graduates work in non-graduate roles, compared to 37% in 2001 (ONS, 2013). Research on the skills use of British estate agents (James et al., 2012, 2013; Tholen, 2012) suggests that some employers do indeed hire graduates for reasons other than their university-related skills and knowledge. Whereas estate agents were once predominantly non-graduates, now an increasing number are graduates. In interviews, employers and estate agents agreed that graduate skills related to higher education were not needed to perform the job, but that they attached importance to the soft skills and experiences which they assumed would be developed at university. In a growing number of occupations, such as estate agency, the relationship between skills and jobs is much more diverse than in traditional graduate occupations. Attaching value to these soft skills, as opposed to the skills and knowledge developed in formal learning, could be the driving factor in the increasing graduatisation of many professions, although this is an area for further research. The extent to which the experience of higher education and the possession of a degree is a good proxy for a relatively high level of social skills remains to be proven.

Other evidence confirms that there is a fading line between graduate and non-graduate work and the role of formal qualifications in the recruitment process

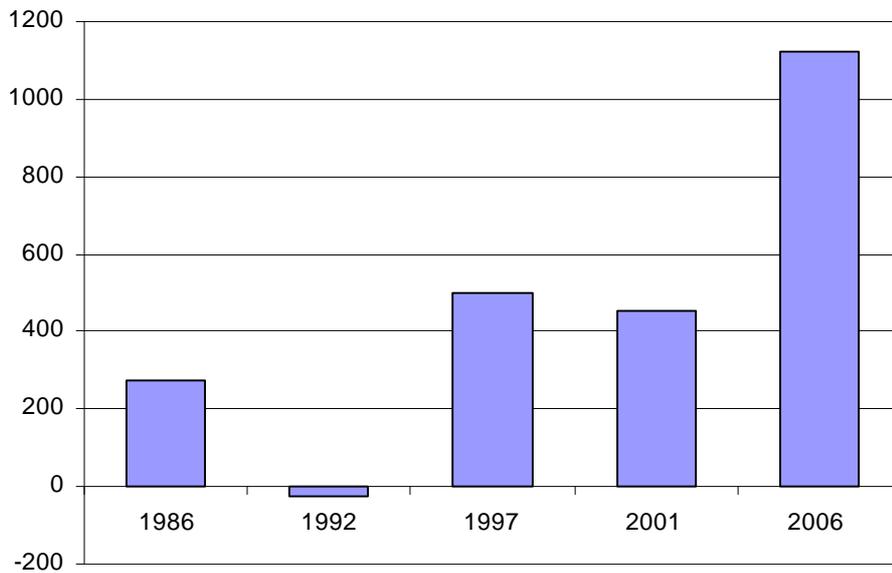
(Blenkinsopp and Scurry, 2006). Jephson's (2012) work on professionalisation and accountancy outlines a trend that accountancy firms increasingly recruit from non-graduates (school leavers). Again formal qualifications are deemed of lesser importance.

It is also important to note that the skills developed in institutes of higher education are in many occupations not the skills that employers value. A survey commissioned by Santander (2012) of 400 businesses in the UK revealed that 60 per cent of senior managers stated that it made no difference whether a candidate had a degree or not when considering them for a job, and between 66 per cent and 80 per cent would prefer to hire a school leaver with two or three years' work experience over a recent graduate. Whether employers always know exactly what they want can be questioned, yet these findings show that there is considerable fluidity in what we count as graduate work, as the skills graduates possess cannot be reduced to skills acquired while attending university or college.

#### *3.4.1 Overqualification*

Despite this ambiguity of what the educational requirements for a job actually are, there is a growing body of work that indicates that in the UK overqualification – when a job-holder has a qualification above that which would currently be required for someone to get the job (rather than to perform the job) – is significant and increasing over time. Using national surveys to analyse trends in UK qualifications and skills use over the last several decades, Felstead et al. (2007) found that general skills demands have risen significantly since the mid-1980s. But the growth has slowed in the last five years, while the supply of graduates has continued to grow. Figure 3 shows that, except in 1992, the supply of graduates has outnumbered the demand for graduate jobs. In 2006 there was a surplus of as many as 1.1 million graduates. The authors note that this does not necessarily lead to an increase in underutilisation of skills, but their findings suggest that even before the recession the balance of supply and demand made obtaining graduate-level jobs increasingly competitive.

**Figure 3: Trends in the balance of supply and demand for degrees in the UK, 1986–2006 (000s)**



Source: Felstead et al. (2007, p.80)

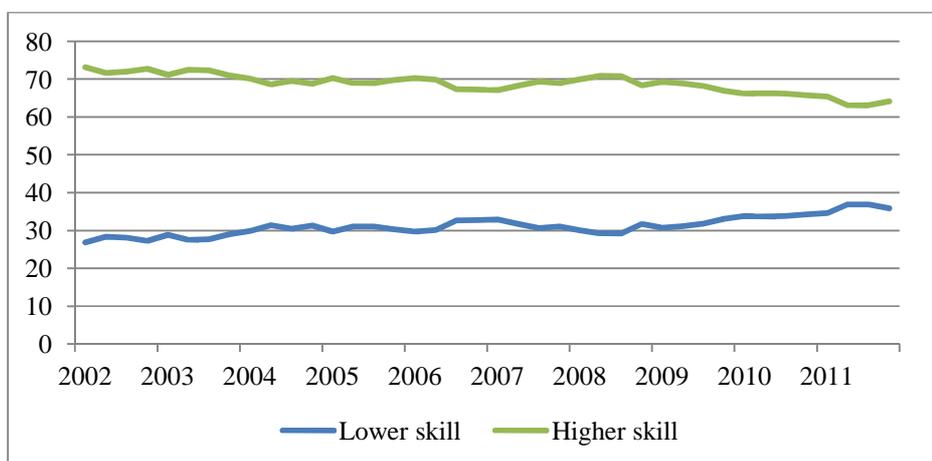
Yet a recent update to the authors' skills survey showed that between 2006 and 2012 overqualification for graduates has slightly declined. The number of graduates increased by 2.2 million, while the number of graduate jobs rose by 1.9 million, making the graduate overqualification rate fall from 28 per cent to 22 per cent. The graduate unemployment rate rose from 3 per cent to 4 per cent (Felstead, 2013, p.4).

Other studies show that overeducation for the jobs they hold is widespread among new graduates, in particular those in the UK. Verhaest and van de Velden (2010) examined the incidence of overeducation in relation to the jobs held among graduates six months and five years after graduation in 15 European countries and Japan (using REFLEX data). After Spain, the UK has the highest incidence of overeducation in relation to jobs held for new graduates (41 per cent, compared with the European average of 26 per cent), but, after 4.5 years, far fewer UK graduates reported being overeducated in relation to their job (20.4 per cent compared with the European average of 15.6 per cent). Likewise, in a comparison of European countries conducted in 2000, the UK reported the highest rate of job mismatches – overskilling was estimated at 8 per cent of the workforce (Bevan and Cowling, 2007).

Recent evidence suggests that new UK graduates increasingly end up in non-graduate or low- or middle-level jobs. The ONS (2012a) has observed an increase in the

share of graduates in the last six years who are employed in lower-skilled jobs. Figure 4 shows that in 2001 the proportion of graduates in lower-skilled jobs was 26.7 per cent, and the figure had grown to 35.9 per cent in the final quarter of 2011.

**Figure 4: UK graduates by skill level of occupation (%), Q2 2001 – Q4 2011, seasonally adjusted**



Source: ONS (2012a)

Notes: 1. Skill levels for 2001 to 2010 based on SOC2000 and skill levels for 2011 based on SOC2010. The best fit possible to determine skills between the two classifications has been used. 2. Looks at everyone who has graduated within six years of the survey date for those aged 21 to 64. 3. People who are no longer in education.

Recent graduates are, perhaps unsurprisingly, more often either overskilled or not in a job that matches their university degree(s). In a survey of graduates the Chartered Institute of Personnel and Development found that 59 per cent of those with jobs who had graduated within the preceding two years were not working in a field or profession related to the degree they studied. For more experienced graduates the figure was between 36 per cent and 40 per cent. The main reason given by 58 per cent of mismatched recent graduates was that they could not find a suitable job in the field in which they had graduated (CIPD, 2010). For many humanities, arts or social science graduates it might be hard to establish to which extent jobs match their degrees or question whether they should expect to find them. Yet a high incidence of so-called horizontal mismatches do indicate that higher education and the labour market are often not aligned or coordinated, leading to greater varieties of labour market outcomes for graduates.

Purcell et al. (2013) undertook an elaborate study of recent UK graduates and likewise found that large numbers of new graduates (mainly 18 or 30 months after graduation) work in so-called non-graduate jobs. Up to 40 per cent of the graduates were in non-graduate employment. There is a sharp increase in the share of graduates working

in non-graduate jobs after graduation compared with a cohort that graduated in 1999 (26 per cent). The large difference varied according to the subject studied.

It needs to be noted that overeducation and overskilling, while correlated, are not the same. Green and Zhu (2010) observed that:

[T]he rising extent of over-qualification has not been accompanied by a rising sense of skill underutilization... [E]ven though more graduates are finding themselves in jobs where their qualifications are not formally required, these same graduates nonetheless are able to make use of their skills (p.15).

Yet other evidence suggests that the incidence of skill underutilisation seems extraordinarily high throughout the UK labour market (at all skill levels). Using the Work Foundation's Knowledge Worker Survey, Brinkley et al. (2009) concluded that around a third of the UK workforce can be considered knowledge workers, who perform many 'knowledge tasks' as part of their job. Of these, most (57 per cent) were graduates, and 36 per cent reported that their jobs underutilised their skills and experience. For non-knowledge workers, reported skills underutilisation was higher, at 44 per cent. Almost 19 per cent of those whose work included few 'knowledge tasks' (the lowest-skill jobs) comprised individuals with a university diploma or equivalent. This group was 'very unlikely to make much use of their qualifications', which is 'potentially worrying' (ibid., p.39). There is currently a lack of data on skills utilisation, in particular within the growing graduate labour market (see Buchanan et al., 2010, for an overview). A growing number of graduates are working in intermediate-level jobs in which there is likely to be significant overqualification. Okay-Sommerville and Scholarios (2013) found that British graduates working in associate professional and technical occupations had a lower incidence of good skill utilisation as well as job control, opportunity for skills development, job security and pay compared to those in traditional graduate occupations.

The graduate labour market is not a fixed entity. What counts as graduate jobs and the type of jobs graduates move into change over time and may coincide with significant underutilisation of skills.

### **3.5 *Trend 5: New types of work organisation and technological change***

The fifth trend relates to the changing organisation of (graduate) work. Organisational restructuring, technological change and globalisation have had a dramatic impact on the organisation and experience of work over the past 30 years, changing the way in which jobs are designed and how workers are used in the labour process. These trends have also affected the graduate labour market and therefore warrant investigation.

As space is limited I will focus on two of them: the rise of flexible labour relations and the nature of knowledge work.

### *3.5.1 The rise of the flexible labour market*

Many workers in Western economies have experienced a shift towards more flexible contracts, diminishing social protections and a decline in their bargaining power due to political shifts, globalisation and other factors. This has hit young workers in particular. Chung et al. show empirically that young workers are:

[...] now exposed to higher risks of unemployment after completing their training and education. Even when finding jobs, these are often temporary and low-paid, with no guarantee of a transition to better jobs in the future. In addition, it seems that the recession is hitting younger generations much harder than other age groups (2012, p.314).

The UK has a flexible labour market (Lloyd et al., 2008). British employers have relatively more room to adapt and respond to economic changes than other European countries where employment protection legislation or collective agreements prevent this (Kahn, 2010a). There are multiple ways of defining and measuring labour market flexibility (Monastiriotis, 2005). In general, next to wage flexibility (how freely wages can be adjusted) labour market flexibility can be achieved through changing the number of workers in employment (input), through changes in working time or through changes in the range of tasks that employees perform, among other measures. In 2003, Her Majesty's Treasury concluded that the UK has a high level of relative wage and employment flexibility, and that this has improved since 1997 (HM Treasury, 2003).

There is much uncertainty about the exact benefits of a flexible labour market on UK economic performance (Coats, 2006). Gregg and Wadsworth point out that there is no relationship between a country's degree of labour market flexibility and employment losses in this recession (2010, p.4). Yet the coalition government has a strong ideological reason to remove rather than establish barriers to labour market flexibility: its commitment to free markets. Within the context of a struggling economy, this has resulted in specific labour relations that emphasise economic survival and short-term profitability, which include buying in labour such as temporary agency workers and freelancers from external sources. It can affect existing workforces through the introduction or extension of flexible working hours required by the employer, for example, shift working and regular overtime. It can also lead to alternatives to open-ended full-time employment, for example, part-time working, and fixed-term and

temporary contracts for employees. A recent UK survey revealed that in 2011 the use of shift working and annual-hour contracts increased significantly compared with 2004, but the use of fixed-term and temporary contracts, contracting out and agency workers did not increase much (Van Wanrooy et al., 2013, pp.10–11).

One example that has received some media attention is the use of zero-hour contracts in the labour market: workers do not work a set number of hours per week, but are given work and subsequent pay only as and when required, and are only paid for the hours worked (see Pennycook et al., 2013). The rationale behind these contracts is that there is increased flexibility for employers, who may have no use for workers on certain days or during some weeks and make significant savings by employing staff on zero-hour contracts. The disappearance of the mutuality of obligation defines the zero-hour contract. Although these contracts have been used since the 1980s, since the start of the recession they have increased significantly in number – between 2004 and 2011, the UK incidence of zero-hour contracts doubled from 4 per cent to 8 per cent (Van Wanrooy et al., 2013, p.10). Estimates of the number of workers employed in zero-hour jobs range from 250,000 (ONS, 2013) to one million (CIPD, 2013). Brinkley (2012) warns us that the incidence of zero-hour contracts might be underreported in the Labour Force Survey because not everyone might know the difference between ‘zero-hour’ and ‘on-call’ contracts. In 2011, 440,000 workers had the latter type of contract. Where in the past these arrangements were exclusively used for low-skilled work, highly skilled and white-collar workers are being denied traditional contracts. For example, there has been much concern about the use of zero-hour contracts in the National Health Service (Cusick, 2012), and there has been a marked rise in the use of zero-hour contracts in the education sector (from 1 per cent in 2004 to 10 per cent in 2011 (Van Wanrooy et al., 2013, p.10).

Insecurity and casualisation of the workforce go together with underemployment (when workers want to work more hours but cannot). The Office for National Statistics (2012b) reports that, in 2012, the number of underemployed was 3.05 million (one in 10 workers). This figure has risen by an estimated one million since the start of the economic downturn in 2008. Around one in four of all part-time workers wanted to work more hours. Underemployment was particularly high for the lowest-paid and youngest workers. However, we also know that the share of part-time workers over time has been relatively stable. In 2011 the share of part-time employment of total employment was 24.6 per cent compared to 22.3 per cent in 1995 (OECD, 2012).

We need to be careful of making sweeping generalisations about the effect of these trends on the general labour market. The empirical evidence of some theorists suggesting that we have entered an age of individualisation and insecurity is mixed at best; aggregate labour market trends seem to reveal little or none of this (Fevre, 2007; Doogan, 2009). Yet some ideological changes have altered the relationship between education, skills, rewards and careers. Some identify these changes as the ideologies of new capitalism (Boltanski and Chiapello, 2005; Sennet, 2006), where perceived job and labour market insecurity are symptoms of a structural shift that preceded the recession but has been made more explicit since its start. Insecurity at work is created not so much by increased risk of job loss but by a lack of stable working relationships, flexible working conditions and fragmented formal career paths. Job insecurity is a result of one's interpretations of signals in the environment (Sverke et al., 2002).<sup>8</sup> What this environment consists of is a topic of debate within the research literature, although recent evidence suggests that differences in economic and labour market conditions matter more than institutional factors (Chung and van Oorschot, 2011). We know that employees who hold contracts with a time limit experience more job insecurity than permanent or full-time employees (Näswall and de Witte, 2003). Part-time employment, temporary employment and their combination tend to increase several measures of an individual's subjective economic insecurity (Burgoon and Dekker, 2010). In the UK as many as 40 per cent of workers did not feel their jobs were secure (although this proportion has changed little since 1994, when it was 36 per cent (van Wanrooy et al., 2013, p.9). In the UK (and Ireland), since the start of the recession workers have been increasingly suffering from job insecurity, which has not occurred in other countries (e.g., Nordic countries) (Gallie, 2013).

The flexible labour market hits the unskilled and the low-skilled hardest, yet graduates and the variety of workplaces graduates occupy are and will be subjected to these flexible arrangements. This also may, of course, suit certain graduate workers. One group that is known to 'thrive' on flexible labour relations are the so-called knowledge workers. The next section will examine this group of workers.

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<sup>8</sup> It is important to distinguish two aspects of job insecurity: the 'prospects of finding another (more or less equivalent) job and access to sources of income (livelihood) that do not depend on finding another job' (Anderson and Pontusson, 2007, p.215).

### 3.5.2 *The nature of knowledge work*

Technological advances are seen by some as facilitators and cultivators of knowledge work and the knowledge worker (Drucker, 1993). Technology is thought to be biased towards more skilled workers. The bias makes technology complementary by nature to skilled workers and a substitute for unskilled workers, hence increasing the relative productivity and demand for more educated workers.<sup>9</sup>

Knowledge work tends to be associated with creativity, job autonomy and employee power (Alvesson, 2004; Frenkel et al., 1995). This has been associated with a more flexible, proactive and personal career management process within adaptive and responsive work organisations (Arthur and Rousseau, 2001; Hassard et al., 2008). Yet some have observed that knowledge work does not necessarily lead to autonomous, creative or self-managed work environments. They claim that technological control can deepen the bureaucratic control that many white-collar workers experience. Technological control has been explored extensively by labour-process theorists (e.g., Knights and Willmott, 1988) and some have given specific attention to knowledge work (e.g., Burris, 1993; Jian, 2008). Vandenburg (2004) observes that so-called knowledge work increasingly mirrors standardised low-skilled work as the labour process fragments and standardises any creative potential: ‘The knowledge worker adds and transforms information in a manner almost entirely prescribed by the system, which, in turn, takes this information to the next work station and so on’ (p.331).

Some have reported on the low levels of control and autonomy that knowledge workers face. Researchers have looked at a wide array of knowledge-intensive occupations such as research and development engineers (Gleadle et al., 2012), management consultants (Donnelly, 2006) and software engineers (Marks and Scholarias, 2008) and the organisations they work in. Their studies do not find much evidence that knowledge workers have high levels of control over their work. The

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<sup>9</sup> Skills-biased technical change is a shift in the production technology that favours skilled over unskilled labour by increasing its relative productivity and, therefore, its relative demand (e.g., Bound and Johnson, 1992; Berman et al., 1994; Acemoglu, 1998; Conte and Vivarelli, 2007; Acemoglu and Autor, 2010). This bias applies at both the top and the bottom of the labour market as it makes technology complementary to skilled (educated) workers and a substitute for the unskilled. It is often explicitly linked to the importance of computer skills (Autor et al., 1998) or the destruction of jobs through automation (e.g., factory robots replacing assembly line workers or optical character recognition technology replacing data-entry workers). Some believe that technology, or to others trade (e.g., Wood, 1998) or organisational change (e.g., Osterman, 1994) has fundamentally changed the Western labour market in such a way that the demand for skilled workers has been persistent over time.

dependency on the company remains high in the work process. Also, cultural control increases compliance, subordination and conformity (Kärreman and Alvesson, 2009). Some have pointed to the role of technology in the changes to the creativity and autonomy of the knowledge worker. Brown et al. (2012) described a global process where companies standardise and routinise high-value intellectual work. Where Taylorism enabled complex, integrated, highly skilled artisanal work to be transformed into repetitive work carried out by unskilled labour in factories, this ‘digital Taylorism’ does the same for white-collar knowledge work by standardising knowledge. Companies looking for cost-saving technologies and practices can now reduce costs and increase profits by using global pools of educated labour, rather than Western graduates who can easily be used to perform tasks. Yet knowledge work itself is transformed as companies aim to integrate their operations globally and to break complex tasks into smaller components so they can be performed at other work locations ‘reconfigured in response to changing customer requirements, strategic initiatives, or competitive pressures’ (p.78). This fragmentation of functions and jobs is benefited by flexible labour relationships, which cause certain types of knowledge to become more dispensable and interchangeable. Brown et al. stress that only a limited number of high-skilled, highly paid creative jobs will be protected from this digital Taylorism (leading to increasing polarisation of income and rising inequality). The reliance on a rather small segment of so-called knowledge workers is actively enforced through managerial and human resources practices.

Likewise, Christopher Newfield (2010) observed that knowledge-intensive companies need fewer rather than more knowledge workers. A minority of workers will engage in free and creative work, often falsely attributed to all knowledge workers. The remaining majority of knowledge workers are also highly educated but are deemed to be interchangeable to various degrees. Their skills are gradually less valuable because of the expansion of higher education. Based on Stewart’s (1997) study on knowledge companies, Newfield described a two-tier system of knowledge workers: those with proprietary knowledge and those without:

Only satisfied knowledge workers could satisfy the firm’s need for proprietary knowledge that would allow rent-like profits, and yet self-management, the central source of knowledge workers’ satisfaction – as for all workers – could not be permitted in any general way. Self-managed workers posed permanent loyalty problems; they needed knowledge managers as much or even more than, in this view, industrial workers had needed Taylorization. Management in the knowledge economy consisted of separating employees with proprietary knowledge from the

vast majority of knowledge workers, and then minimising this latter group's independence and social protections as thoroughly as had happened to industrial workers in an earlier age (2010, p.179).

When (or if) the UK economy recovers, the incidence of underemployment and flexibility and insecurity might return to relatively low levels. But cost savings and rationalisation of labour processes may not depend on general economic output or labour market demand. Indeed, most of these trends became visible throughout the 1990s and 2000s.

Liberalisation, technological innovation and mobile production systems have turned markets in which even smaller companies operate into volatile, ever-evolving globally competitive arenas. Those graduates who work in non-tradable sectors such as healthcare, law and the public sector will notice that their work will also be subjected to the same rationales. Management systems are in place that change the content of many graduate-level jobs and careers. A relatively small number of workers whose functions are highly valued by the employing organisation enjoy relatively secure employment and decent working conditions, while significant numbers of seemingly lesser-valued workers scramble for ever more insecure jobs.

To sum up, the rise of the flexible labour market as well as the changing nature of the traditional knowledge occupations are examples of how new types of work organisations and technological change have altered the workplace of many graduates. The traditional image of the stable, secure, high-skilled, knowledge-intensive graduate occupational is an ideal and perhaps nothing more.

### **3.6 *Trend 6: The 'war for talent' and the elite labour market***

The sixth development relates to the separation of the upper part of the graduate labour market from the rest of it. Due to increasing internationalisation, management and organisational changes within companies, and particular recruitment strategies that focused on individual talent, the competition for the best graduate jobs is progressively more demarcated from the rest of the graduate labour market. More importantly, its access and rules are only accessible to the few who are deemed to be special and unique.

In 1997, McKinsey & Company coined the term 'war for talent'. They suggested that what separates winning companies from the rest is having *better talent* (Michaels et al., 2001). Since then the idea of attracting exceptionally able workers in order to stay

ahead of the competition has become widespread and is discussed in the management literature (Tariq and Schuler, 2010).

At an early stage Brown and Hesketh identified the importance of this ‘war for talent’ on the graduate labour market in *The Mismanagement of Talent* (2004). The authors interviewed private organisations and public sector (multinational) companies to discover their recruitment strategies (among other issues). Their study confirmed that attracting, hiring and managing talent were of immense importance to companies, and having talented employees was seen as a great competitive advantage. Companies will offer those they regard and define as talented great rewards and attractive fast-track career routes. This has led to a dichotomy within companies’ graduate career structures. There are elite, fast-track jobs for those graduates who are considered to be talented, and second-rate graduate jobs with less attractive prospects and rewards for others.

The downturn has arguably somewhat diminished this valuation of the talented. Yet according to American recruitment expert John Sullivan companies should ‘begin planning for this next round of talent wars, because once the intense competition begins, there simply won’t be time to catch up with, no less get ahead of your talent competition’ (Sullivan, 2012). Deloitte (2010) warns us that there is a ‘paradox of scarcity amidst plenty. Today’s high unemployment rate does not mean the talent will be there when you need it’ (p.1).

Many graduates can aspire to access top jobs but only a few can realistically do so. The Wilson Review of Business–Industry Collaboration (2012) notes that there are major problems with graduate recruitment practices to top graduate jobs with ‘blue chip’ companies, in particular with their screening practices. There is a growing body of work that examines the occupational elites and their relationship with education. There has been renewed sociological attention paid to elites and their influence on society and the labour market (see Kahn, 2012). For those whose wealth and superior talents enable them to get into elite universities, where the talent hunters trawl for the best and brightest, the sky is the limit. Ho’s (2009) ethnography of Wall Street investment banks observed a distinct tiered organisation within the labour process along educational lines. The front-office workers were almost exclusively recruited from elite institutions such as Harvard and Princeton, and were physically separated from middle- and back-office workers, who had been educated at less prestigious universities. Another very valuable contribution was made by Rivera (2011), who interviewed 120 US recruitment professionals at prestigious investment banks, consultancies and law firms and served as a participant

observer at one of these elite employers. Her study showed that educational credentials were by far the most important criterion used by elite employers to solicit and screen résumés. Specifically the prestige of the degree (rather than its length or content, for example) was imperative. Graduates from only about 20 universities were considered and a few were actively targeted and recruited. Evaluators were confident that the possession of an elite credential was a sufficient signal of a candidate's ability to perform the analytical aspects of a job. Rivera also pointed out that cultural capital plays a salient role within the recruitment process. Cultural conceptions of value were 'intimately intertwined with evaluators' own identities and their socio-economic position' (p.89). Recruitment practices for elite graduate positions may not deliberately be unmeritocratic, but the inequality between those from privileged backgrounds seems to be maintained and reproduced within the elite labour market, most likely through selection on cultural similarity (Rivera, 2012).

At the same time the competition for these prize graduate jobs is fierce. A London-based economics professor recently described the brainwashing of his students by financial intuitions to compete:

It's striking how quickly they get trapped in the nets cast by the financial industry. Student associations organise CV classes, literally from the first week. Students come under intense peer pressure to apply for internships, all highly competitive. I speak to students who are beginning to realise they won't get the grades necessary to even apply. They literally think their lives are over, 21-year-old kids who have been led to believe that either you get into a top paying bank, or it's a cardboard box under London Bridge. It's crazy but they've heard little else for three years (Luyendijk, 2012).

In the competition for elite jobs, education remains crucial. A recent study led by Phillip Brown and Sally Power looked at the way talent, merit and employability are viewed by elite students in England and France (Power et al., forthcoming; Brown et al., forthcoming). Students in both countries were well aware of the increased pressure to find good jobs and attain a decent standard of living. It was also understood that a bachelor's degree from an elite university could help them remain competitive because of its reputational power. Yet to be successful in obtaining top jobs additional rules come into play. One student said that those who pass through Oxford and Cambridge 'get the skills, the experience, the connections, the label to go on and succeed in whatever field of society [they] want to go into', but the credential only 'gets you above the threshold, above the cut off point', whereby elite recruiters will take your application seriously

because an Oxbridge degree offers a ‘guaranteed standard’. Their study also showed that the role of networks and connection is very considerable in finding elite employment (Tholen; forthcoming).

At the same time we know class and race mediate access to elite universities (e.g., Sutton Trust, 2008, 2010). Based on data from around 49,000 UK university applicants over the period 1996–2006, Boliver (2013) shows that state school applicants were less likely to seek places at Russell Group universities than candidates from private school applicants with the same grades at A-level, and when they did apply to Russell Group universities they were less likely to be offered places.

The evidence presented above suggests not only that the competition for elite graduate jobs is still fought to a certain degree on the prestige of credentials, but it is also very much closed off to most graduates, regardless of their skills, knowledge and abilities. Specific types of capital are required of those who do manage to compete for them, often linked to educational and family history. The segmentation at the top has been strengthened over time, and there is no reason why the rest of the labour market would not at least feel some degree of horizontal segmentation. With graduatisation and continuous growth of the graduate labour pool, it is likely that the differentiation within the graduate labour market will continue, clearly distinguishing positions requiring top talent from the rest of graduate work. In other words, there is no ‘graduate labour market’ as a single entity, only a set of highly stratified labour markets working under different rules of competition.

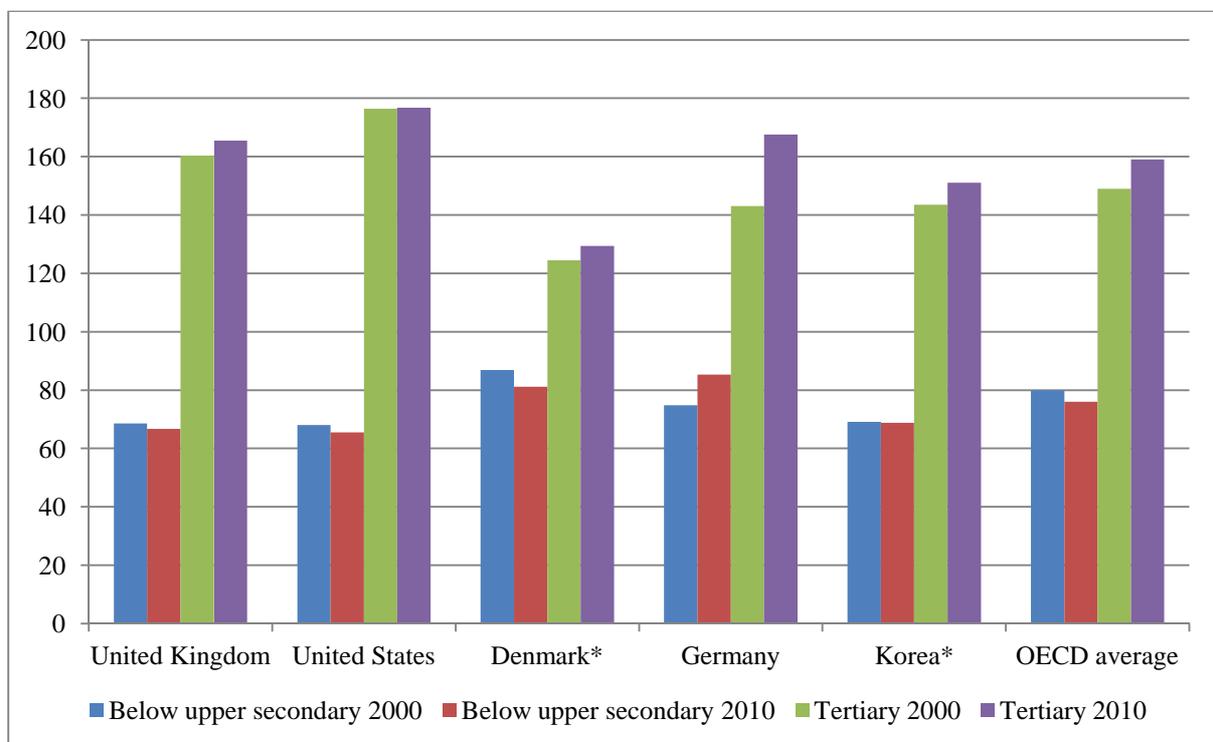
### **3.7 *Trend 7: Increasing wage differentiation***

This seventh and final trend that shapes the graduate labour market relates to the rewards that UK graduates receive for their labour. Despite signs that the supply of skilled labour is outstripping demand, wages for UK graduates have, on average, held up. The literature on graduate premia and rate of return to tertiary education is vast and expanding (see Pscharoupoulos, 2009; Hout, 2011). What follows highlights a few studies that are representative of this body of literature and presents some data that shows that inequality within the graduate workforce is sharply increasing.

In the last few decades the OECD made continuous efforts to show empirically that the returns on education at all levels are significant within its member states and beyond. As a consequence further investment in education is deemed desirable. The OECD annual publication, ‘*Education at a Glance*’, provides a multitude of measures of

earning premia for different levels of education. Figure 5 shows the relative earnings for those with tertiary education and those educated to below upper-secondary-level education in selected OECD countries, the US and Korea in 2000 and 2010. Except for Germany, there is only a small increase in graduates' relative earnings between those two years. We can also see that the gap between the earnings of college graduates and those educated to below upper-secondary-level remained relatively high and stable over the last decade.

**Figure 5: Trends in relative earnings for below upper-secondary and tertiary-level educational attainment of 25–64-year-olds in selected OECD countries, the US and Korea (upper-secondary and post-secondary non-tertiary education = 100), 2000 and 2010**



\*2001

Source: OECD (2012a)

Figure 5 also shows that UK graduates receive a relatively large premium compared with graduates from other countries. This is confirmed by research elsewhere (e.g., Boarini and Strauss, 2007; Glocker and Steiner, 2011).

A report commissioned by the Department of Business, Innovation & Skills (BIS, 2011) estimated that the mean net graduate premium over a lifetime associated with an undergraduate degree *on average* is approximately £108,000 (£121,000 for men, £82,000 for women). This is a rate of return of 14.9 per cent (relative to an individual in

possession of two or more GCE A-levels). The mean net graduate lifetime premium for those with a doctorate (relative to possessing an undergraduate degree) is approximately £76,000 for men and £36,000 for women, and £59,000 for men and £42,000 for women for those with a master's degree. The BIS report showed there are large variations in graduate premiums depending on subjects studied. The highest lifetime earnings are for graduates who studied medicine and dentistry at undergraduate level, giving men and women a net graduate premium of £403,000 or £340,000 over a lifetime (a rate of return of 19 per cent for men and 20.2 per cent for women). At the other end of the distribution are creative arts with net graduate premiums of -£15,000/£27,000 over a lifetime. In between there are subjects that offer significantly greater than average net graduate premiums such as law (£215,000/£108,000), architecture (£170,000/£81,000), veterinary sciences (£165,000/£128,000), engineering (£157,000/£99,000) and mathematical and computer sciences (£152,000/£123,000). For other subjects, the payoff over a lifetime is on average less impressive.<sup>10</sup> We need to be very critical about what these rates of returns and graduate premia can actually tell us. Past earnings are no guarantee for the future. And too often these data have been deemed to be sufficient evidence to show the supposed increase in demand for skills and, subsequently, the need for more graduates in the labour market, and the existence of skills-biased technological change. We cannot assume it is skill that is being rewarded. Yet what they do indicate is that the rewards are far from spread evenly between those with higher degrees. Even without considering the heterogeneity within these groups there is a large variation in earnings among graduates.

This variety in rewards to graduate labour is particularly noticeable for starting graduates. An interesting outcome of a comprehensive study on the labour market outcomes of those recently graduated is that there was a 22 per cent decline in earnings between May 2003 and November 2011 (Purcell et al., 2012, p.60). Decline in real earnings was measured relative to the increase in the index of average weekly earnings for the whole economy. Again those with degrees in law, medicine and related subjects experienced much less of a decline, whereas the decline in real earnings of those graduating in an arts subject and those graduating from universities with low-tariff access

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<sup>10</sup> Opinion is largely split on whether students will be better off in the long-term by attending university. A recent poll of the UK general public showed that 42 per cent of those polled think that most graduates will be worse off as their increased earnings will be outweighed by the cost of going to university, in comparison to 41 per cent who think they will be better off (Grove, 2012).

has been much larger. Indeed, starting salaries have not increased much in recent years. A survey of 100 large graduate UK employers found that starting salaries at these companies in 2012 were expected to remain unchanged for a third consecutive year – at a median of £29,000 (High Fliers, 2012). Again the study found significant differences between sectors and industries, with those working in investment banking and law earning £43,000 and £38,000 annually, respectively. At the other end of the scale those working in retail industries and the public sector earned £24,000 and £23,000 annually, respectively. Other research confirmed that there are large earning differences for starting graduates between industry sectors (e.g., IDS, 2012).

All this data show that the wage differential between graduates is substantial, making the relationship between graduate qualifications and rewards on average strong but, for many individual graduates, fragile. Brynin (2013) shows that due to the increase of graduates in the labour market, graduate-dense occupations no longer are necessarily well-paid. There is an increasing overlap between wages for graduates and school-leaver. For those at the bottom of the wage distribution, learning has not led to earning. The next section shows that the inequality within the graduate labour pool is only growing.

### *3.7.1 The wage differentiation has increased over time*

This section examines the differentiation in earnings within the graduate sector in more detail. Graduate workers have experienced growing wage inequality. Figure 6 shows the differential between the 10th and 90th earnings ratio of graduate men and women between 1977 and 2010, taken from a study by Lindley and Machin (2011). The figure shows there has been a significant growth in wage inequality for both male and female graduates, especially from the mid-1990s. The authors also found that the growing inequality over time was driven by the earnings of workers with a postgraduate qualification.

**Figure 6: The 90:10 log full-time earnings ratio for graduate men and women, 1977–2010**



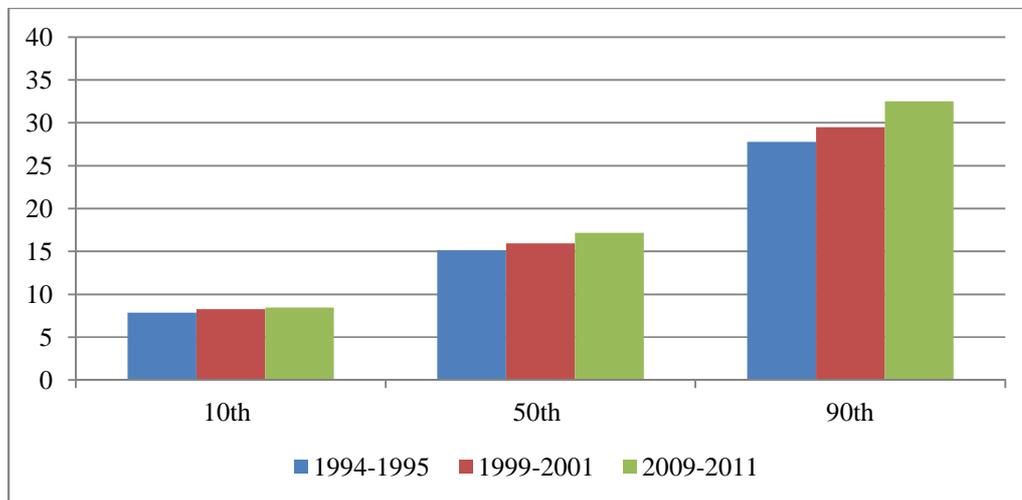
Source: Lindley and Machin (2011, p.35)

As overall UK wage inequality has increased over time, the growth in graduate wage inequality might not be surprising. Yet the growth in earning inequality is unlike the rest of the labour market. Let us look more specifically at what has happened in the last two decades. If we distinguish graduate from non-graduate workers we can compare how the earnings within these groups have changed over time. Figure 7 shows the 10th, 50th and 90th hourly-wage percentiles for full-time workers (working more than 30 hours weekly) with graduate degrees for three time periods: 1994–1995, 1999–2001 and 2009–2011. Figure 8 shows the 10th, 50th and 90th hourly-wage percentiles among non-graduates. Using these rather undifferentiated groups does no justice to the great variance within them. The groups comprise different workers with different age and job profiles, yet comparing them shows two interesting differences. The 10th percentile for graduates stays stable over time whereas there is a growth in earnings for this percentile in the non-graduate group. The growth at the other end of the distribution is larger in an absolute sense but more or less the same in a relative sense. For non-graduates there is modest growth for all groups over time with some greater growth for the relative high earners.

Given that even low-wage non-graduates experienced real wage growth over this time period, this makes the lack of growth for the tail end of graduates problematic for

the standard human capital/skills-biased technical change explanation. The graduate skills of those at the bottom of the distribution do not seem to get rewarded.

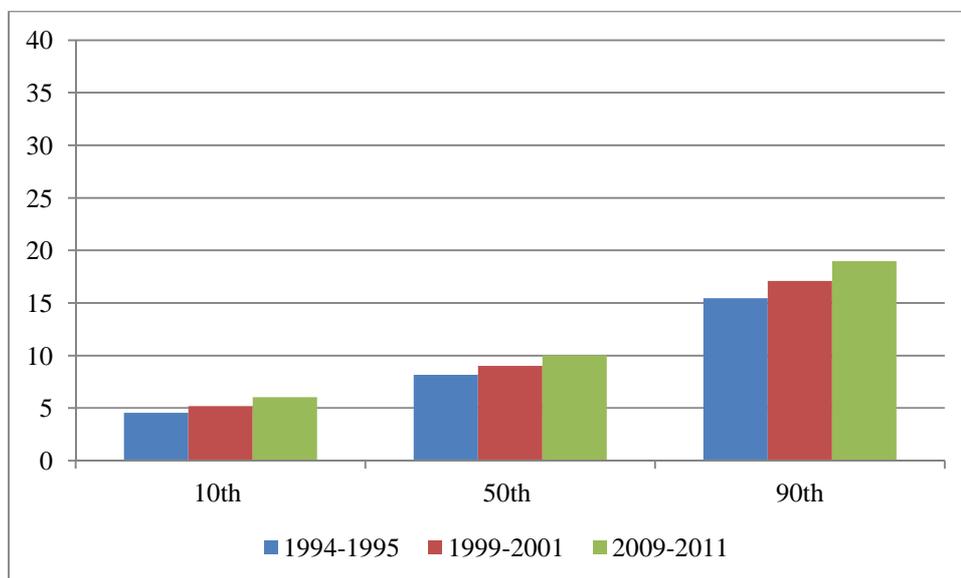
**Figure 7: Hourly gross earnings (gross, 2011 pound) of full-time workers with tertiary education qualifications, 10th, 50th and 90th percentiles, 1994–1995, 1999–2001 and 2009–2011**



Source: Labour Force Survey

Notes: 1. Only workers who work more than 30 hours a week. 2. Weighted data.

**Figure 8: Hourly gross earnings (gross, 2011 pound) of full-time workers, non-graduate 10th, 50th and 90th percentiles, 1994–1995, 1999–2001 and 2009–2011**



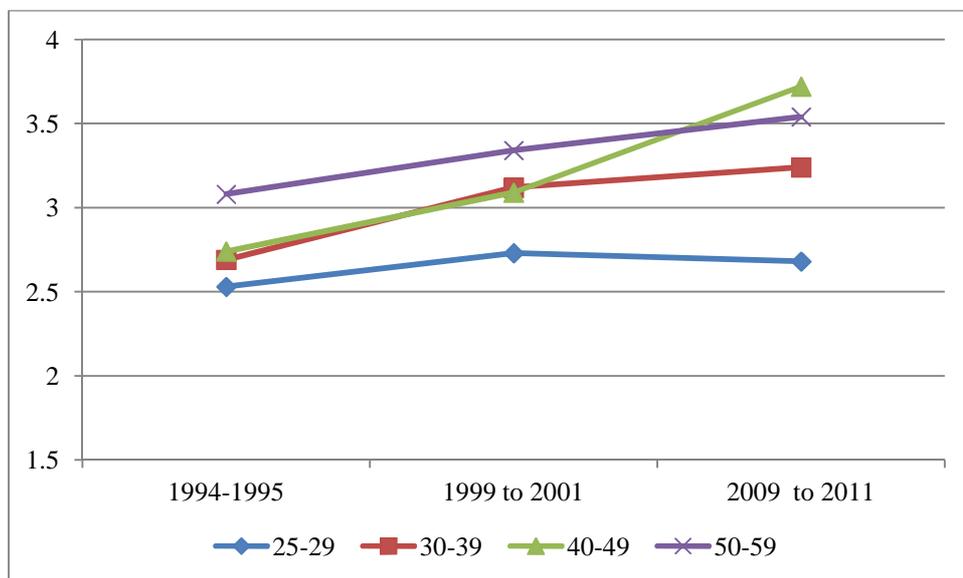
Source: Labour Force Survey

Notes: 1. Only workers who work more than 30 hours a week. 2. Weighted data.

The result of a stable 10th percentile and growing earning at the end of the distributions leads to greater within-group earnings inequality for the graduate group than

the non-graduate group. This becomes clearer when we split the graduate and non-graduate groups into age groups. Figures 9 and 10 show the 90:10 percentile ratio for graduates and non-graduates for the three periods for four age groups, clearly showing the growth in earnings inequality within the graduate category. The ratio increases for all graduate groups (Figure 9), most rapidly for 40–49-year-old workers. The earnings of younger graduate workers (aged 25–29) are more dispersed but relatively slowly. So the growing within-group inequality has an age dimension – it is older graduates who have largely experienced the high-end wage growth, while the distribution of pay for younger graduates has remained more compressed.

**Figure 9: Hourly gross earnings 90:10 ratios (gross, 2011 pound) for full-time workers with tertiary qualifications in four age groups, 1994–1995, 1999–2001 and 2009–2011**

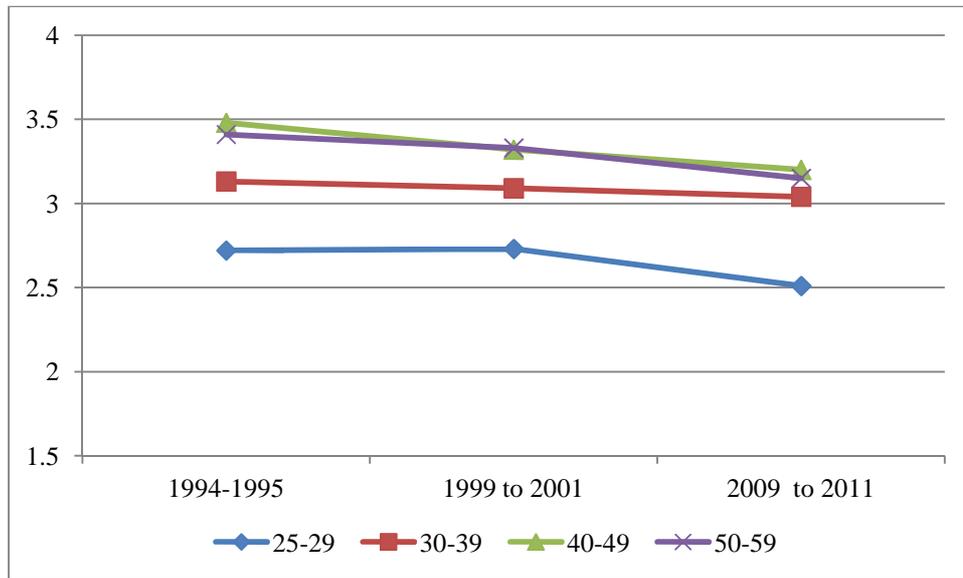


Source: Labour Force Survey

Notes: 1. Only workers who work more than 30 hours a week. 2. Weighted data.

It is important to note that, among non-graduate workers (Figure 10), the earnings inequality diminishes for all age groups. Figures 9 and 10 are consistent with the idea that increasing numbers of new graduates are replacing non-graduates in lower-level jobs. It needs to be stressed that many group differences within the whole group go unnoticed. Yet it seems that earnings inequality mostly arises from graduate workers being paid more than other workers. The growth in wage dispersions of graduates was also found by Green and Zhu (2010).

**Figure 10: Hourly gross earnings 90:10 ratios (gross, 2011 pound) for full-time workers, non-graduates in four age groups, 1994–1995, 1999–2001 and 2009–2011**



Source: Labour Force Survey

Notes: 1. Only non-graduates who work more than 30 hours a week. 2. Weighted data.

A recent report by the Resolution Foundation (Commission on Living Standards, 2012) shows that most workers in the UK have experienced income stagnation and that this is likely to continue. As a result of the often-mentioned polarisation of the labour market (the hollowing out of the middle) (e.g., Goos and Manning, 2007), high-paid top jobs as well as low-skilled, low-status service sector occupations are increasing in number and middle-skilled jobs are declining. The growing dispersion of graduates in the labour market might cause a growing inequality among the graduate population, but some, notably Anderson (2009) and Holmes and Mayhew (2010), have challenged a simplistic ‘hourglass’ economy thesis.

We know that the occupational structure of the workforce changes over time and this has an impact on wage inequality. We also know that there is a strong relationship between pay and occupation (e.g., Stolzenberg, 1975; Tachibanaki, 1980; Weeden, 2002) and that rising earnings inequality is increasingly driven by the between-occupation component of inequality, although the within-occupation component is also growing, albeit at a slower rate. This development is now well established in the US (e.g., Weeden et al., 2007; Acemoglu and Autor, 2010; Mouw and Kalleberg, 2010). Williams (2012) demonstrates the growing importance of between-occupation inequality in the UK to explain the growing wage inequality in the last decades. The author shows that

between-occupation inequality in the UK cannot be explained away by fundamental labour market changes such as rising educational attainment and the decline in collective bargaining, suggesting the strengthening of big-class structures on wage inequality.

Carbonara (2007) examined empirically how much the possession of education and skills influences earnings differences among workers within the same occupation (among other issues), using (US) National Adult Literacy Study data. The existing literature suggests that the role of job-level sorting (a structuralist explanation), or productivity differences among workers in the same jobs (human capital theory), explains why education and skills may be important predictors of earnings in the same occupation. The author found that skills demands at the occupation and job levels have effects on earnings regardless of a worker's education and skill levels, demonstrating the importance of occupational sorting (although returns on education and skills within occupations are significant when level skill demands are controlled for). Although the study applies a rather crude measure of skills and does not include non-cognitive skills, it does show that the labour market rewards some occupations better than others, regardless of the skills and education of those in them. Carbonara observes:

Labor markets are more than simply the intersection of aggregate supply and demand for labor; rather, labor markets are institutional structures with important boundaries that shape how attributes like education and skill are linked to economic rewards. These findings suggest that growing earnings inequality over time cannot be reduced to shifting supply and demand, as the “skill biased technology” explanation suggests. Instead, structural forces within labor markets provide an institutional context that shapes how changing supply and demand are linked with economic rewards. My research suggests that workers in different locations within the labor market may feel different levels of “pain” or “gain” in response to changing supply and demand for education and skill (Carbonara, 2007, p.70).

As occupations generate inequality, the graduate labour market could experience a widening shift in occupations, with graduates being involved in a wider selection of occupations, and some occupations providing more rewards than others. This suggestion, which is consistent with the previous analysis of within-group inequality, is even more plausible when we look at recent work on the relationship between skills and earnings.<sup>11</sup>

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<sup>11</sup> Carnevale et al. (2011) showed that university graduates usually earn considerably more than their less-educated counterparts in the same occupation.

### 3.7.2 *Skills and earnings*

What creates the increase in skill premium remains an issue of debate. It was once generally accepted that accelerating technical change has increased the demand for skilled workers. This has increased the financial returns to skill, and subsequently the earnings inequality (Goldin and Katz, 2008; Acemoglu and Autor, 2010). Yet within the orthodox economic explanation of how skills and earnings are related there is no real differentiation of precisely which skills of the educated are increasingly in demand and/or rewarded. Liu and Grusky (2013) observed: ‘The conventional SBTC [Skill Biased Technological Change] account does not identify particular types of skill for which demand is increasing, and instead it presumes, if only by default, that technological change will uniformly increase demand for all types of skill’ (p.1335). The authors empirically examined the relationship between workplace skills and skill premia between 1979 and 2010, using occupational ratings from the Occupational Information Network (O\*NET) and US current population surveys. The authors separated analytical, verbal, quantitative, creative, science and engineering, computer, managerial and nurturing skills. They found a growing demand for most types of skills but that not all translate into a rising payoff. Only for analytic skills was there a stark rise in returns, and a modest growth of managerial and nurturing skills. The other skills have remained stable or declined. In their models the authors distinguished between the skills learned in school and those learned in the workplace. The increase in income inequality is a consequence of changing returns to workplace skills rather than, as is typically supposed, changing returns to skills learned or selected in school. The authors concluded that changing demand for skills often originates in institutional change rather than technical change, including potential forms of social closure.

These results are partly confirmed by Barone and van der Werfhorst (2011), who linked the use of cognitive (linguistic, financial and technical) skills at work with earnings for the US, Britain, Germany and the Netherlands, using data from the International Adult Literacy Survey. They find that a considerable share of the education effect on earnings can be linked to cognitive skills (between 32 per cent and 63 per cent, depending on the country and operationalisation of cognitive skills). In Germany and the Netherlands a larger fraction of the schooling effect is being captured by work-specific cognitive skills. This is in line with Carbonara’s earlier research (2005), which found that occupations with greater cognitive and interpersonal skill demands have increased returns

for those skills, while those with greater manual skill demands decrease the skills–earnings relationship. The author also found that the share of public sector workers decreases the importance of skills for earnings within an occupation. Unionisation and self-employment within an occupation modestly increase returns to skills for workers.

In short, the wages graduates receive have dispersed in the last decade. It is most likely that some graduate occupations have seen their rewards increase rapidly, whereas others have stagnated. The role of graduate skills is not straightforward. We cannot assume that the increase in rewards for some occupations is necessarily caused by an increasing demand for advanced academic skills. Here the role of institutions, organisational change and closure strategies of certain professions are major forces.

This ends the second part of this monograph. I have provided a context of the UK graduate labour market by outlining seven important trends that embed or co-construct the demand and supply for graduate workers. These trends are in many ways intertwined and interrelated. For example, the fast expansion of higher education has had a significant effect on occupational structure, work organisation and recruitment practices. It is important to realise that what is demanded by employers and supplied by graduates is shaped by economic, educational, organisational and political forces. The nature of the UK graduate labour market, or any labour market, cannot be seen independent from these forces. It also showed that the UK graduate labour market has not only grown in size but has changed through internal and external influences and remains in flux. This is in sharp contrast to how both the media and the political discourses portray the graduate labour market: as an idealised and fixed entity. The next and final section will analyse to what extent the assumptions of these discourses correspond with the empirical trends explored.

#### 4 Part 3: Where has it gone wrong?

This third and final section examines why the perceptions of the nature of graduate labour in the political and media domains (as portrayed in Part 1) are often not aligned with labour market outcomes and consequently cause ambivalence and unease. I will argue that there is a general misunderstanding of the changing nature of the graduate labour market by returning to the seven trends described earlier. I will also give a few suggestions of ways to improve representations of the graduate labour market, in accordance with the realities of economic and social circumstances that embed the graduate labour market.

First of all it is important not to conflate the different views that were put forward in Part 1 or construct some kind of overarching master discourse. Different actors express different arguments and opinions. Yet there are some shared assumptions that underlie many of the policy initiatives, expert statements and messages within the media, policy or political debate. I will elucidate three of them, and explain why these no longer accord with current labour market realities.

##### 4.1 *Assumption 1: The graduate labour market is an isolated phenomenon*

Too often the graduate labour market is represented as independent from a wider socioeconomic context<sup>12</sup> and instead as a well-defined, closed-off section of the labour market preserved for those with greater skills, abilities, productivity and innovative powers than others.

Within the political and policy arena, the best example of this isolation is the debate around whether the activities, tasks, roles and occupations of graduate workers are distinct from those of all other workers, as described in Part 1. This segment of the labour market is depicted as high-skilled, professional or managerial, and innovative, setting it apart from other types of labour. Depending on the human capital of their graduates, economies can foresee either failure or success in the knowledge era. In these global “knowledge wars” (Brown et al., 2008) expansion of graduates in the labour market is seen as a growth strategy. The idea that graduates *together* give organisations that employ them a comparative as well as a competitive advantage within an increasingly global economy remains one of the pillars of current political thought on how to lift

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<sup>12</sup> This is in accordance with those who have argued that the labour market is fundamentally segmented and there might be little or no competition between those within different segments (Doeringer and Piore, 1971; Blossfeld and Mayer, 1988).

economic performance. Similar sentiments are present in the debate around and the need for STEM graduates, in which specifically advanced STEM skills are linked to economic development, although many actors acknowledge the need for STEM skills at all levels.

The isolation of graduate labour as the forefront of innovation, national productivity and competitive advantage resonates with the media discourse on graduate underemployment and unemployment. As the media shows, graduates are positioned in opposition to adverse labour market effects. The fact that new graduate labour entrants are unable to find relevant employment is seen as not only problematic but also puzzling. Again the graduate labour market is considered to be distinct from the rest of the economy and placed at the top of a labour market pyramid. It is assumed that those workers with a university degree together constitute the elite of the labour market and have jobs in which special skills are required, and they are rewarded with high salaries.

#### *4.1.1 Rebuttal: The graduate labour market is not an isolated phenomenon*

Part 2 of this monograph showed that the UK graduate labour market is in flux. Through developments like the rapid growth of the share of graduate workers in the UK labour force as well as a structural shift in occupational structure, organisational change and global integration, the relationship between jobs, skills and rewards is fundamentally altered from the past:

1. *Jobs*: Graduates increasingly take employment in traditional non-graduate occupations. The definition of what constitutes a graduate occupation is rapidly changing
2. *Skills*: Many organisations that recruit graduates no longer focus on hard skills and knowledge, so many associate graduates with higher learning; instead soft skills such as interpersonal skills are of increasing importance. These skills are not exclusively formed while people are studying at an institute of higher education. In other words, the skills that graduates possess are not always exclusive to graduate workers. It is therefore better to talk about the skills of graduates than about graduate skills (Tholen et al. 2012)
3. *Rewards*: The section on graduate wages has shown that the earnings of graduates are diverging. Why wage inequality among graduates is increasing remains unclear. It could be due to occupational change or shifting demand and supply for certain skills or characteristics

There is great overlap between the jobs, skills and rewards of the graduate and non-graduate labour market. Isolating the work that graduates carry out from that performed by the rest of the labour market may be interesting from a conceptual or explorative angle but makes less and less sense within the current socioeconomic context. The reliance and emphasis of policymakers, media commentators and journalists on the strong association

between skills, jobs and rewards and university qualifications creates fissures between expected labour market outcomes and contrasting experiences of graduates, empirical research findings and available data.

Policymakers have argued as well as assumed that the share of degree holders within the workforce is a direct measure of national competitiveness and economic strength within the global era. This analysis has not been created out of thin air. Emerging and developing economies all over the world have indeed expanded their tertiary educated workforce but, equally importantly, have created an infrastructure and adopted policies and initiatives that make the expansion part of their national economic development. Western governments cannot escape the fact that high-skilled sectors face competition from abroad. Countries are furthermore positioned in different ways to be able to compete. The type of skills and level of skill possessed by those in the labour force obviously play a role in this, but the expansion of graduates in the labour market does not necessarily lead to increased productivity, innovation or increased incomes. Throughout the last 15 years, SKOPE and others have pointed out the tenuous association between educational expansion, skills and economic performance (e.g., Keep and Mayhew, 1999; Felstead et al., 2002; Holmes, 2013) as well as the failure of the UK's simplistic skills policy (e.g., Keep et al., 2006; Keep and Mayhew, 2010; Payne and Keep, 2011). These contributions in particular emphasise that successful impact of skills within the economy depends on an array of institutional, economic and policy factors. Governments in emerging economies and Asian nations such as South Korea, Singapore and Taiwan certainly have understood that the expansion of graduate skills needs to be embedded within a whole set of policies in order to be successful. This is not to say that there are no skills imbalances and utilisation issues in these countries. Those who isolate graduate skills and the (potential) economic and social benefits fail to see that the work and impact of graduates depend on the labour market as a whole.

The media discourse on the distressing signs of a saturated graduate labour market places the graduate labour market within the wider economic context of economic contraction and the UK's current low economic performance. But yet again 'graduates' are presented not as a 'neutral' educational grouping but as a distinct labour market segment for highly skilled workers waiting in line to move into high-skilled, well-paid positions. The evidence of graduatisation, the Taylorisation of graduate jobs and growing wage inequality suggest that the jobs graduates move into have similar job titles and rewards, and require similar skills, as others in the labour market.

In Part 2 of this monograph I demonstrated that many of the trends that have had an impact on the graduate labour market have also had an effect on the whole labour market. For example, the financial crisis has impacted low-skilled and highly skilled workers (for example, those in the financial sector). Occupational change has made graduate and non-graduate work blurred and technological and organisational changes have transformed many workplaces for better or worse. The graduate labour market, especially since the start of the recession, is fragmented and comprises a wide set of economic and social forces.

#### **4.2 Assumption 2: *The graduate labour market is a purely economic phenomenon***

There is also a tendency in media and policy circles to consider the graduate labour market merely the interplay of market demand and supply for skilled labour. This is in line with neoclassical economics, which suggests that the labour market is like any other market and like traditional labour economics, which dictates that employment opportunities and potential wages depend on the need for particular types of human capital. Human capital will be valued in the labour market because it increases an organisation's profits (or output). Here human capital means any type of knowledge or characteristic (either innate or acquired) that enhances productivity. After the collapse of the financial sector, recession followed and the overall demand for goods and services declined, leading to a decline in the demand for labour.<sup>13</sup>

In the various media stories highlighted in Part 1, it is suggested that the high incidence of graduate unemployment, underemployment and skills mismatches have various causes. In some cases the overall state of the economy is to be blamed; in others it is the lack of relevant human capital that creates the lack of opportunity for labour market entrants. Commentators who think graduates need to try harder suggest that these individuals lack abilities that are not directly measured by level of education and can be then seen what economists call 'unobserved heterogeneity' in the workforce (see Chevalier and Lindley, 2006). Alternatively these individuals are unable successfully to signal their labour market worth (Spence, 1973). News media tend to frame the labour market-related problems of graduates as occurring within a conventional economic model.

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<sup>13</sup> This has been (arguably) exacerbated by the coalition government's fiscal-austerity programme, which aims to cut public spending through lowering public sector employment.

Within the political debates on the knowledge-based economy, the human capital of graduates will ultimately be rewarded as the demand for advanced skills is a given within an economic climate where technology, innovation and advanced thinking is demanded. Their labour market output trickles down to benefit other individuals, organisations, state and society. Within debates of social mobility, skills competitiveness and the need for STEM graduates there is an assumption that advanced qualifications equal productive skills that still lead to wage premia and thus continuous investment in increasing higher-education output will benefit social mobility and economic competitiveness.

#### *4.2.1 Rebuttal: The graduate labour market is deeply social*

Both political economists and sociologists have pointed out that labour markets are distinct from other markets (Polanyi, 1944; Kalleberg and Sorensen, 1979). In particular those involved in socioeconomics have long understood the embeddedness of the labour market (e.g., Grannovetter, 1992; Rubery and Grimshaw, 2003; Wood and James, 2006) and the close relationship between higher education and the labour market (e.g., Andersen and van Werfhorst, 2010; Busemeyer and Jensen, 2012). More radically, Fleetwood (2009) understands labour markets to be socioeconomic phenomena themselves, not just a coordination mechanism of demand and supply.<sup>14</sup>

Next to the role of institutions there is the inherent social nature of labour markets. Streeck (2005) noted that within sociology the labour market is not seen as a universal, impersonal or colour and gender-blind mechanism matching supply and demand. Whereas economists are concerned with labour market efficiency, employment is affected only by those characteristics of workers that are relevant to the performance of a job. Sociologists have argued that labour markets are inherently driven networks and social relations led by social rather than economic rules (Streeck, 2005, pp.254–255). Fleetwood suggested that in labour economics the possibility that social structures might actually dominate, or even completely negate, the ‘economic’ forces of wages, supply and demand is never seriously considered (Fleetwood, 2006, p.62).

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<sup>14</sup> From a critical realist position Fleetwood (2009) argues that ‘labour markets just are, are made out of, or are constituted by, socio-economic phenomena’ and that ‘different sets of socio-economic phenomena constitute different labour markets’ (p.18). These socioeconomic phenomena are to be interpreted widely and include political economic, social, spatial, cultural historical, artefactual and demographic forces as well as institutions, social structures, organisations and mechanisms.

In relation to the political and media discourses described earlier, the omission of institutional embeddedness of the graduate market is noteworthy. We know that institutions are of deep significance in understanding how jobs and rewards are organised. For example, Basso et al. (2011) found that institutional arrangements such as employment protection, unemployment insurance benefits and minimum-income support, working-time flexibility and wage setting decide the extent the economic crisis led to higher unemployment, wage cuts or income losses and rising poverty in European countries.

In addition we know that the educational and labour market context influences the skills graduates supply and develop before entering the labour market (Tholen, 2012, 2013). This is demonstrated in a comparative study on graduate employability in Great Britain and the Netherlands. Based on semi-structured interviews with final-year students the study found that there were distinct differences in how students understood the competition for jobs and subsequently in their skills development and labour market strategies. The Dutch students understood the competition for jobs to be based on absolute performance, an unclear relationship between skills and the labour market, and the development of human capital in experience, skills and abilities. British students thought it to be based on relative performance, ranking of candidates and the importance of signals. The study also shows that these principles are aligned to national labour market and educational contexts (Tholen, 2012). Here the assumed association between productivity and human capital is compromised. It also shows how the institutional context shapes the labour market.

The evidence of a so-called 'war for talent' has shown that the creation of a limited number of attractive, high-paid creative jobs has resulted in a competition that seems to be about more than the skills, knowledge and characteristics that contribute to a worker's 'productivity' (human capital). The competition is open for those with the right knowledge, understanding and cultural background (and academic achievement). If indeed human capital is what links the demand and supply for labour in this segment, then the association between human capital and those characteristics that are not necessarily meritocratic, such as cultural capital and networks, needs be made explicit. This is likely something that classical economic analysis would struggle with and perhaps classify as market failure. Instead a conceptualisation that focuses on the reproduction of social position through intense social stratification within educational and cultural

contexts would be more fruitful in understanding the allocation of jobs within this top segment of the graduate labour market.

#### **4.3 Assumption 3: *The graduate labour market is a normative phenomenon***

The final assumption that shines through policy and media depictions of graduates is that graduate workers' skills and jobs are inherently valuable and desirable entities. As described earlier, the graduate labour market is regarded not only as the top layer of the labour market, incorporating the high-skilled and better-paid jobs, occupations and professions, but also as the saviour of the economy and the route to a more just society. In addition, higher education is privileged as a skills-acquisition route. Keep and Mayhew (2004) argue that there is an implicit assumption in UK skills policy that workers with a Level 4 education (that is, higher education) will outperform workers with a Level 3 education (such as those with apprenticeships) in the workplace as Level 4 is above Level 3 in an abstract hierarchy.

In the knowledge-economy discourse the graduate labour market is considered an aggregate of skilled workers distinguishable from the rest of the labour force. Their skills, knowledge and innovative progress are seen as fundamental in the creation of an economy that relies on value-added skills and services. Non-graduate workers are likely to have bad-quality jobs, low pay and/or declining employment opportunities in contrast to university-level workers, for whom opportunities are expanding. In addition, graduate skills are seen to move companies up the value chain, and increase productivity or innovative prowess. They are at the forefront of where the economy needs to go and are a crucial condition in creating a knowledge-based economy and future economic prosperity.

In the political debate on social mobility, higher education is considered the means to be socially mobile. Although ultimately labour outcomes such as occupational positions or wages are the main constituent on the socioeconomic scale on which social mobility is measured, educational attainment is seen as the most important mechanism through which social mobility is achieved. Growing participation in all forms of education is therefore seen as a sign that absolute social mobility is rising. As workers with degrees tend to attain professional and managerial positions more often than those without them, educational attainment seems to be a logical step towards creating a more socially mobile Britain. Denying anyone the right to participate in the gold standard of

social mobility seems therefore morally objectionable. The growth of the graduate labour force hence becomes a normative evaluative tool in the debate on social mobility.

Within the media discourse of graduates, the normative character is present in the active construction of graduate unemployment. In many of the individual stories on graduate unemployment the most important element is the fact that they concern a graduate vis-à-vis a non-graduate. Similar stories about those with lower-level qualifications do not appear as frequently, or these people's educational background is less emphasised. The relatively high rate of youth unemployment is not supposed to affect graduates, who expect to be employed after their investment in advanced education. Underneath this lies the implicit assumption that the experiences, knowledge and skills (human capital) of the brightest and best-educated should interest employers.

#### *4.3.1 Rebuttal: The graduate labour market presents no normative imperative*

Traditionally, in particular before the rise of mass higher education, the UK graduate labour market was relatively small. Those graduating from university would typically enter well-defined and identified jobs, which are now referred to as traditional graduate jobs (such as doctors, lawyers and engineers). With the growth of many new graduate occupations, graduates have moved into wider areas of the labour market. As a result of this graduatisation and the consequences of the ongoing recession, labour market outcomes are diverging. As explained before, jobs, wages and employment conditions are increasingly uncharacteristic of what is expected. Within the economic and social context described in Part 2, there is diminishing need to emphasise the normative character that seemed valid in the past.

As the labour outcomes of graduates vary so do the perceptions of those who are yet to enter higher education. The debate about the increase in tuition fees has already made potential university entrants think about the economic value of higher education. This is perhaps reflected in lower university application figures (Sutton Trust, 2012). Despite the efforts of the UK government to present apprenticeships as meaningful alternatives to higher education, many might feel they are caught in the opportunity trap (Brown, 2003), unable to opt out of higher education if they are to be considered employable for well-paid and/or high-quality jobs. The idea that there are genuine alternatives to higher education is still underdeveloped but is slowly gathering pace (Fazackerley, 2013).

This is not an argument for individuals to stop participating in higher education. Many young people find it hugely rewarding to do so, for many intrinsic and extrinsic reasons. In particular, those from non-traditional backgrounds find a higher education qualification to be a major achievement, and value their time at university or college far beyond their academic accomplishment. Yet the work graduates perform, how it is organised and how it is rewarded does not necessarily warrant admiration or to be taken as exceptional (any more) in comparison with the rest of the labour market.

The depiction of higher education as the ultimate instrument in promoting social mobility is inadequate. We must not forget that through higher education those from privileged backgrounds can and do establish an advantage over others as they will be better positioned to be accepted to the more prestigious universities or be able to pay for exclusive educational opportunities (e.g., Lucas, 2001; Boliver, 2013). Despite the increase in university graduates in the labour market, better-off parents still have the means to give their children superior chances in life by using their resources in various ways to supplement their children's educational attainment.

The relationship between university education and social class is not clear-cut (and perhaps never has been); whereas in the past social class was narrowly linked to occupation and education, social class has become more complex. Based on the finding of the BBC's Great British Class Survey Experiment, a research team from the LSE and the University of Manchester (Savage et al., 2013) devised seven (compared with the previous three) social classes to do justice to the fragmenting lower and growing middle classes and the importance of cultural and social capital. They showed that participation in higher education is certainly linked to class position. For example, in the UK's elite class – comprising 6 per cent of the population, with average savings of over £140,000, good social contacts and highbrow tastes – 56 per cent are graduates, typically from the most prestigious universities. At the other end of the scale, 15 per cent of the population make up the 'precarious class', with low earnings and savings and few social contacts; only 3 per cent of this class are graduates. The classes in between all have a significant proportion of graduates. In the 'established middle class', comprising 25 per cent of the population, 43 per cent are graduates; typical professions are town planners, midwives and occupational therapists. The 'technical middle class', comprising 6 per cent of the population, has 26 per cent graduates, often from prestigious science universities. 'New affluent workers' comprise 15 per cent of the population, of whom 11 per cent are graduates (often from new universities); typical professions are plumbers, sales

assistants, electricians and housing officers. In the ‘traditional working class’, comprising 14 per cent of the population, 11 per cent are graduates (often after part-time or home study); typical professions include care workers, lorry drivers, cleaners and legal and medical secretaries. Perhaps most interestingly, the ‘emergent service workers’, comprising 19 per cent of the population, have no less than 19 per cent graduates (many arts and humanities); typical professions are bar staff, chefs, customer services operatives and call centre workers. This group is relatively young, urban and ethnically diverse. Graduates are certainly overrepresented in particular, more affluent classes, yet in no way is the residue insignificant.

#### **4.4 *A better way to understand the graduate labour market***

The reason the graduate labour market has been the origin of so much discussion is because it has often been misunderstood. This has happened to a great extent because of an outdated vision of the graduate labour market and the type of jobs and workers in it.

So far I have argued that unlike most of the rhetoric in the media and political domains, the graduate labour market is embedded, and socially and normatively uncertain. The graduate labour market is not an insular, independent or isolated social, political or economic phenomenon. The state of the UK’s post-recession graduate labour market currently depends and will depend on how work is organised; how and which skills are being developed, supplied, demanded and used; how rewards are distributed; and how capitalism itself is developing, among other developments. The UK graduate labour market has suffered under a struggling economy. Yet many of its defining features (for example, graduatisation, global integration, inequality in rewards) are exacerbated but not caused by (the effects of) the recession.

The protected isolated elite segment of the general labour market we predicated as ‘graduate’ still exists, albeit within a fast-changing socioeconomic context. Yet this part of the graduate labour market is not where many graduates will be working. Or as Furlong and Cartmel (2005) put it:

In many respects, the term “graduate labour market” may be something of an anachronism. The “graduate labour market” has become segmented into secure and less secure zones as well as into segments that have a looser correspondence to graduate skills. In this context we can either define the graduate labour market in a traditional, narrow way and argue that most graduates will never manage to work in this sector, or, recognising the ways in which the labour market has changed, we can adopt a broader definition of graduate work (p.11).

The authors are correct to consider the graduate labour market as an anachronism. New categories, terms and concepts that are more in line with current labour market outcomes are very much needed. As these do not exist, we will have to reshape our current understanding of what a graduate looks like or could look like.

The fast increase in the numbers participating in higher education has made the ‘graduate labour market’ and ‘graduate employment’ large container categories that disguise many underlying trends and demarcations.

The overlap between the work of graduates and non-graduates within and between industries, sectors and workplaces makes it necessary to come up with new ways of differentiation and categorisation as new types of analysis of the labour market. These must eschew the ideological content of much political polemic to make sense of the graduate labour market. Once we talk about the skills, jobs and opportunities of tertiary-level-educated workers in more neutral ways we might develop more sophisticated ways to analyse the relationship between work and education in a 21st-century labour market context.

Differentiation of the graduate category of the labour market might also give a better understanding of social congestion around graduate occupations. With an increasing number of graduates looking for good labour opportunities, rational decisions by individuals may lead to irrational outcomes at the macro level. An extreme example of the graduate labour force colonising the labour market is South Korea. Yoon (2012) reports on the social problem of there being too many graduates, leading to high graduate unemployment and declining opportunities for young people as well as high levels of personal debt. Nearly 84 per cent of high-school graduates enrolled in college in 2008, leaving many disappointed at not being able to find suitable work.

With 38 per cent of 25–64-year-olds having earned a university diploma (OECD, 2012) and roughly half of young people entering higher education, the UK graduate labour market is still very large. It is continually growing in size as well as complexity, producing outcomes of marked dissimilarity. If we do not find better ways of talking about graduates and their work, careers and skills; if we keep relying on outdated axioms and keep producing undifferentiated accounts of the graduate labour market, we will do so at our peril. It will be more difficult to understand other societal developments such as the transformation of the middle classes and the UK’s economic opportunities and weaknesses. For social scientists such as sociologists and economists the diminishing

utility of the 'graduate' label represents a challenge but ultimately an opportunity for conceptual and empirical renewal.

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## **6 Acronyms and abbreviations**

AAT	Association of Accounting Technicians
BIS	Department for Business, Innovation & Skills
CBI	Confederation of British Industry
HESA	Higher Education Statistics Agency
LGA	Local Government Association
STEM	Science, Technology, Engineering and Maths