

**Briefing on Graduate Retention  
in Bath & North East Somerset**

**Bath & North East Somerset  
Council**

**April 2012**

## Introduction

This briefing report largely contains the findings of an initial statistical investigation and analysis on the issue of Graduate Retention in Bath & North East Somerset (B&NES). The purpose of the briefing is to inform the Council's Graduate Retention Scrutiny day (to be held on Wednesday 18<sup>th</sup> April 2012). It does this by establishing the current statistical evidence base on graduate retention from official sources of data and intelligence. It also provides an economic case for supporting graduate retention by exploring the likely economic benefits of higher concentrations of graduates at the local level.

For the most part, the briefing is based on data from the Higher Education Statistics Agency's (HESA) Destination of Leavers from Higher Education Survey 2009/10 (the latest available).

The data in this report refers to what students who graduated in the 2009/10 academic year were doing six months after graduation. The analysis of this dataset is primarily concerned with graduates from the two Universities based in Bath & North East Somerset (the University of Bath and Bath Spa University).

This briefing covers only those graduates from Bath's two universities. However, it should be recognised that graduate retention studies also tend to cover two further groups of graduates. Firstly, there are those graduates originally from B&NES but who studied elsewhere and, secondly, there are those graduates who are not from B&NES, and who did not study in Bath, but who are working in Bath. It is recommended that further research on these two groups, and other intelligence gaps, are addressed should some form of retention strategy or action plan be forthcoming as an outcome of the Scrutiny Day.

The results of the analysis for Bath are also compared to those from Greater London and the 8 'Core Cities' in England. Throughout this report, the geography used for the Core Cities is an approximation to their Primary Urban Area (PUA). This is a geography created for the State of the Cities report which attempts to show the Cities' areas of economic influence rather than their administrative boundaries.

The author of this briefing would like to thank Nottingham City Council who has undertaken an on-going analysis of graduate retention in Greater Nottingham over the last few years. This work has proved essential in informing the development of this study briefing.

## Graduate Retention from the two Bath Universities

Please note that all of the data presented in this report refers to graduates who responded to the HESA Destination of Leavers survey. It does not, therefore, relate to the entire graduating population from each university. In the case of the two Bath universities, the response rate was in excess of 80%, from more than 5,200 leavers. In addition, data on where people are located after graduation is only available for those people who are either working or are undertaking further study and so graduate retention rates refer to those graduates are working or studying rather than the whole graduating population. However, the reader is advised that the overall graduate retention rate at the local level is mainly a result combination of 'working graduates' who find employment in the area' and 'further study graduates' who remain for further study. In fact, almost 90% of graduate retention comprises these two activities (the rest is explained by unemployment and economic inactivity such as caring responsibilities).

From a local economic development policy perspective, it should be pointed out that of the two main elements of graduate retention, working graduates are likely to have considerably greater local direct economic impact than further study graduates. This is not to dampen the significant economic contribution and impact of further study graduates in B&NES (particularly in the area of business start-up and 'spin-off' ventures). However, further study graduates, whilst they are studying, tend not to be directly involved in the production of local economic output to the same degree as a working graduate. This report is primarily concerned with graduate retention. Post-graduate retention and impact possibly represents an area for further research and investigation following the outcome of the Scrutiny Day into graduate retention.

### *The Current Position in Summary*

Table 1 shows the current position with respect to graduate in B&NES and its comparator areas in 2009/10. It shows Bath's position on the overall graduate retention rate as well as the two sub-category rates of working graduates and further study graduates.

Please note that by 'areas' we are referring to the Primary Urban Areas for the Core Cities, Greater London for London, and Bath & North East Somerset for Bath.

**Table 1: % of graduates from B&NES, London and the England Core City universities working or studying in the same area (6 months after graduation)**

PUA studied in	% of all Working Graduates from HEIs in PUA	% of all Further Study Graduates from HEIs in PUA	% of All Graduates Working or in Further Study
<b>Bath</b>	<b>13.8</b>	<b>52.4</b>	<b>24.0</b>
Birmingham	39.4	51.8	42.3
Bristol	20.2	50.0	26.3
Leeds	44.8	61.9	48.8
Liverpool	41.5	55.1	44.4
London	65.4	62.6	64.8
Manchester	50.3	59.3	52.3
Newcastle	47.0	63.8	50.3
Nottingham	28.0	46.8	32.4
Sheffield	38.0	60.1	42.5

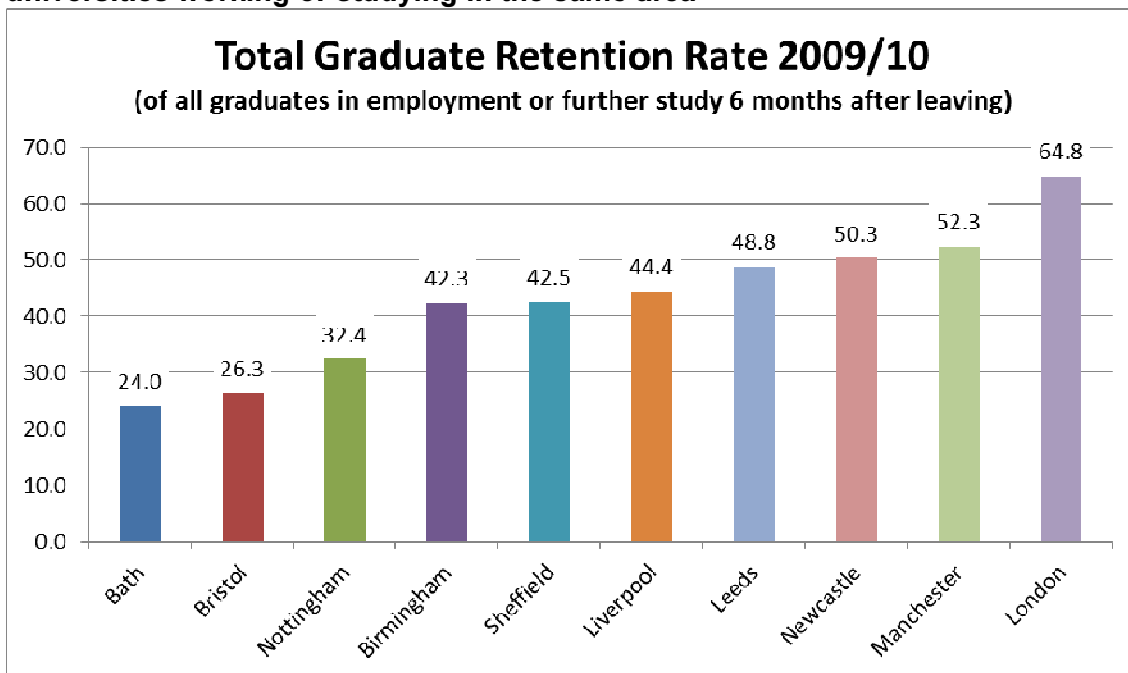
Source: HESA Destination of Leavers survey 2009/10. Copyright Higher Education Statistics Agency Limited, 2010. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

In summary, the Table shows that 24.0% of graduates from Bath's two universities, who were working or studying, were doing so in Bath and North East Somerset. 13.8% of working graduates from the universities were retained in the area as were 52.4% of those who continued to study. We explore each of the three graduate retention measures in more detail below.

### *Overall Graduate Retention Position*

As an aid to the visual interpretation of the findings, the B&NES overall graduate retention position is illustrated in Chart 1 below. The findings show that B&NES' overall graduate retention rate in 2009/10 was the lowest of all of the comparator areas, and with the exception of Bristol, this was by a very considerable margin.

**Chart 1: % of graduates from B&NES, London and the England Core City universities working or studying in the same area**



Source: HESA Destination of Leavers survey 2009/10. Copyright Higher Education Statistics Agency Limited, 2010. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

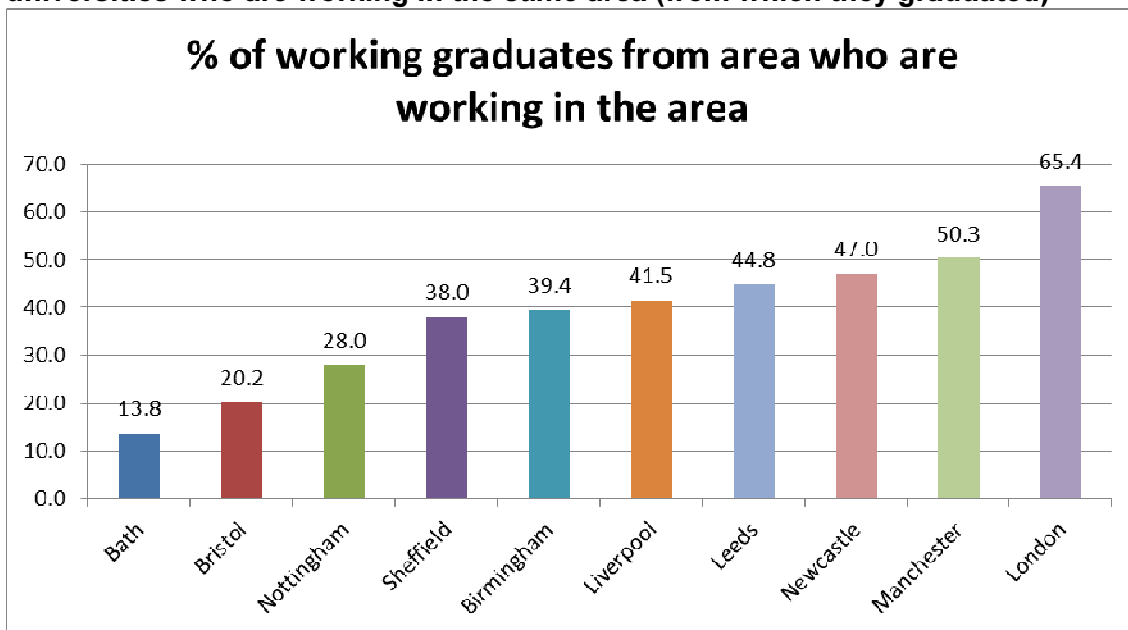
### *Working Graduate Retention*

The current position with respect to retention of working graduates is shown in Chart 2 below.

As can be seen, the B&NES rate of working graduate retention, at just 13.8% of its working graduates, is very significantly lower than any of the comparator areas, including Bristol.

The Chart also shows the extent of variation in the working graduate retention rate that exists between the ten different comparator areas. For example, in comparison to Bath and Bristol, London manages to retain almost two thirds (65.4%) of its working graduates!

**Chart 2: % of working graduates from B&NES, London and the England Core City universities who are working in the same area (from which they graduated)**



Source: HESA Destination of Leavers survey 2009/10. Copyright Higher Education Statistics Agency Limited, 2010. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

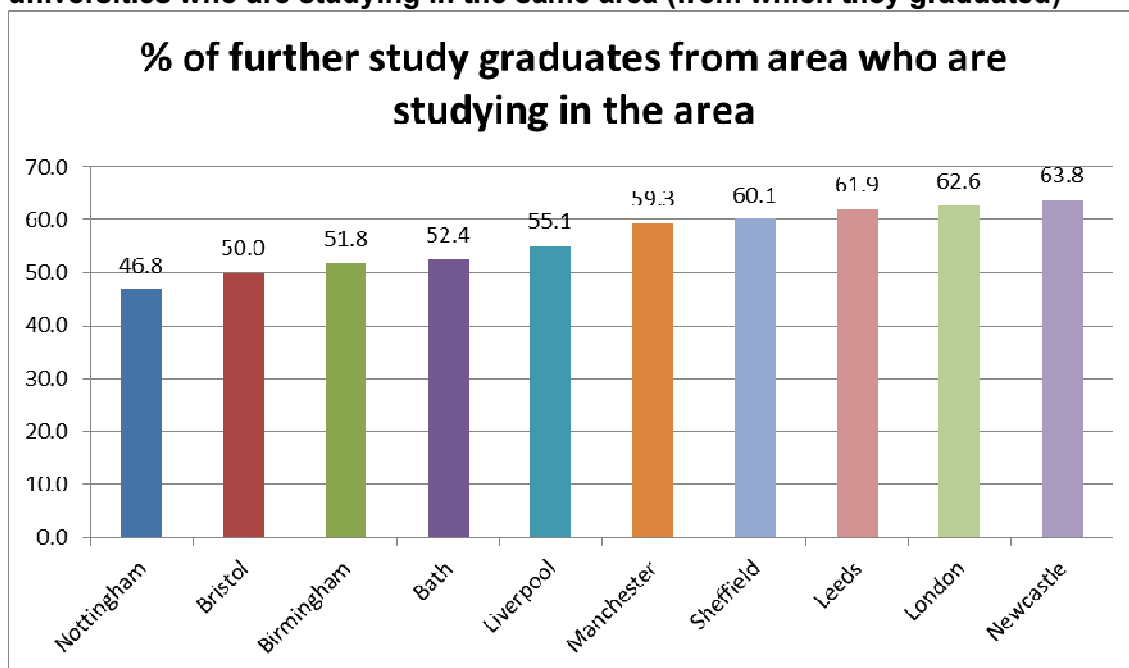
### *'Further Study' Graduate Retention*

The current position with respect to the retention of graduates who go on into some form of further study is shown in Chart 3 below.

On this measure, the B&NES position is far more 'mid-table' than the overall graduate retention rate or the working graduate rate..

Chart 3 shows that the variation between further study retention rates between all comparator areas is far less pronounced than the overall retention rate and the working retention rate. For example, at the upper extreme, almost 64% of Newcastle's further study graduates stay in the area for this compared to almost 47% for Nottingham, at the lower extreme.

**Chart 3: % of working graduates from B&NES, London and the England Core City universities who are studying in the same area (from which they graduated)**



Source: HESA Destination of Leavers survey 2009/10. Copyright Higher Education Statistics Agency Limited, 2010. HESA cannot accept responsibility for any inferences or conclusions derived from the data by third parties.

### Explaining Bath's low rate of graduate retention

Comparison of the employment retention rate trends and the further study rate trends reveals that most of the variation in the overall retention rates comes from the variations in the percentage of working graduates who stay in the City where they graduated (as opposed to variations in the percentages of graduates who go on into further study). For those who do continue to study, familiarity with the institution and/or the area in which it lies seem to be the main factors in deciding where to go.

The above analysis shows very clearly that it is Bath's low rate of working graduate retention that very much explains its low overall rate of graduate retention. Explaining Bath's low overall rate therefore means explaining its low rate of working graduate retention. Unlike further study, the factors influencing where people go to work are far more varied and complicated, and require an analysis and understanding of the supply of graduates from Bath's two universities, and the demand for graduates from these two universities by the local economy / businesses.

Firstly, on the supply-side, the Nottingham Graduate Retention study<sup>1</sup> has shown that most working graduates, regardless of which university they attended, find work in their home region. It showed that the two other major workplaces for graduates from English Universities are the English region where they studied, and in the specific English regions of London or the South East.

The study also showed that, where two of these three factors combine, the effect on the location of employment increases. 'For example, if a student attends a university in their home region, they are more likely to find work in the same region. This means that cities with a large percentage of students drawn from their own region are likely to retain more graduates. Similarly, if a university has a large percentage of students from London and the South East, it will probably lose a larger percentage of students back there as it has the added draw of being the graduates' home region as well as the country's largest jobs market.'

<sup>1</sup> Graduate Retention in Greater Nottingham 2007/08, Nottingham City Council, 2010

Whilst there has not been time to explore if these issues hold true with certainty in Bath, we advise that it is highly likely that Bath is similar to Bristol and Nottingham in terms of the original domicile of their graduates and similarly low retention rates. If this is the case, then Bath's relatively low retention rate will be partially explained by a low percentage of graduates who lived locally before going to university and a relatively high percentage of those who lived in London or the South East before moving to Bath to study.<sup>2</sup>

Secondly, and turning to the demand-side, the Nottingham study suggests that it is a lack of demand for graduates locally which will explain the lion's share of Bath's gap in retention with the Core Cities. In particular, it suggests that the size of the Bath universities in relation to the local jobs market is a key reason for the relatively low graduate retention rate. This means that the main way of increasing Bath's retention rate will be to expand the local economy (and particularly in those sectors which employ higher concentrations of graduates). In short, Bath currently has a huge over supply of graduates.

In the next section of this briefing we attempt to provide the economic case for increasing the volumes and concentrations of graduates in B&NES.

## **What are the economic benefits of retaining more graduates in an area?**

In this section we attempt to answer the fundamental question as to why a City economy, such as Bath and North East Somerset, would seek to raise its graduate retention rate. In particular, we seek to establish the economic benefits of an increased retention rate, and/or within the overall rate, are there particular benefits to a local economy from retaining higher proportions of certain types of graduates?

The answer to both of these questions lies very much in the practical application of economic theory regarding the factors of production to the real world of business at the local level. In the real business world the three inter-related factors of production in economic theory (land, labour and capital) become as follows:

- 1. Enterprise and entrepreneurship (including such factors as start-up, management, investment and innovation)**
- 2. People & skills**
- 3. Land and premises and the hard transport and communications infrastructure**

Graduates are themselves a key element of the second of these factors (People & skills). In the most simple of terms, higher graduate volumes locally raises the quality of the local workforce, which is generally 'better' for employment purposes by local enterprises (in both management activities and operations).

Clearly, it is only 'better' for local enterprises if they have a need for the higher level skills of local graduates! However, it is generally understood that knowledge and skill give competitive advantage over rival firms. As a result, the knowledge-intensity and skills-intensity of most industrial sectors and activities increases over time as firms continuously innovate to survive and grow and compete in an increasingly global environment. In turn, this means that the proportion of local firms with higher level skills requirements within the average local economy is likely to rise over time. It also means that the proportion of higher level jobs within the average UK firm will tend to rise over time. Firms with a need for these higher level skills will be attracted to local areas which possess those higher level skills in sufficient quantity.

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<sup>2</sup> If a retention action plan is developed as a result of the Scrutiny Day, this issue should be fully investigated

The advantages of more graduate availability at the local level will be felt most by those businesses, and in those business start-up and inward investment sectors, which have higher level skills requirements, particularly where these are related to the skills profile of local graduates.

## Conclusions and Recommendations

Higher volumes and concentrations of graduates at the local economy have the considerable economic benefit of supporting graduate start-ups, inward investment of more knowledge-based firms, and the growth and competitiveness (productivity) of existing businesses across all sectors, but especially in more knowledge-based sectors.

The main way of raising Bath's graduate retention rate will be to focus on the demand-side for graduates. The Council's Core Strategy and Economic Development Strategy make provision for additional 9,000 or so jobs in B&NES to 2026. Both these documents make specific provision for the creation of higher concentrations of higher added value jobs in B&NES to take advantage of its highly skilled and qualified workforce. The development of Bath Western Riverside and the City of Ideas concept will no doubt make hugely significant contributions to the creation of graduate jobs in B&NES (and thereby raising the retention rate).

If further research reveals the (highly likely) situation that a low ratio of jobs to graduates in Bath exists, as with the Nottingham work, then this presents B&NES with a potential advantage. 'It suggests that if the local economy expands, particularly in the Knowledge Intensive sectors in which it is hoping to expand, then there is already a good supply of potential graduate employees. This means that, in terms of the supply of graduate labour, the local economy has room to expand without a need to attract large numbers of qualified graduates from outside the region or for the universities to expand.'

The Nottingham work also concluded that the 'relatively low competition for graduate employees could represent a way of attracting businesses working in these sectors to the area, which in turn would help improve the retention rate. This will particularly apply in those sectors where Nottingham has strength with regard to the number of students looking for work but a weakness in the proportion who find work locally. This should be done in conjunction with raising awareness in both the business and graduate communities as to the availability of skilled workers and appropriate jobs respectively'. A similar situation probably exists for Bath.

The final issue highlighted by the Nottingham study is that, in some sectors (such as Health and Education), there are strong links between the local universities and local employers as work placements form an important part of the students' training. This means that students in subjects such as medicine, nursing and teaching establish links to the local labour market before they leave university and this seems to lead to higher retention rates in these areas. This finding suggests that raising the work placement element of courses at Bath's universities may well help improve retention rates.

Should an outcome of the Scrutiny Day be the development of some form of retention strategy or action plan, then further study and analysis of the Bath graduate market will be required. This is not least as several important graduate groups relating to that market have not been included in this study briefing. Further research is also required to provide a greater understanding of the relative retention rates of the Core Cities, and should suggest industries in which Bath could potentially try to expand to take advantage of the current over supply of graduates.

Should supportive measures in the Bath graduate market be forthcoming, it should be remembered that intervention should only take place where there is clear evidence of market failure. There is no evidence of market failure in Bath & North East Somerset in terms of the functioning of the market for graduates. It is the view of the author of this report that the main areas of market failure in the graduate market lie in such areas as inward investment and start-up.