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Department for Business, Innovation & Skills

## **Graduate Recruitment to SMEs**

### **Final Report**

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**Department of Business Innovation and Skills  
Graduate Recruitment to SMEs**

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## **Executive Summary**

### **The Report**

In June 2012, SFEDI and Newcastle University Business School (NUBS) were commissioned by the Department of Business, Innovation and Skills to undertake a research project into graduate recruitment to small and medium-sized enterprises (SMEs). This final report unpacks the key issues to emerge from the project.

### **Aims and Objectives**

The overall aim of the project was to undertake research into graduate recruitment to SMEs, to inform the development of a policy rationale and an associated set of policy options, which lead to greater levels of graduates working in SMEs.

In so doing, the project has:

- Developed an evidence based rationale for possible policy development around graduate recruitment to SMEs
- Assessed a set of policy options which could be used to encourage and enable higher levels of graduate recruitment to SMEs, including a web-based platform to support graduate recruitment to SMEs
- Assessed the challenges, risks and opportunities associated with the development and management of these options.

### **The Key Findings**

The key findings to emerge from the research into graduate recruitment to SMEs include:

- There is evidence to support the contribution of graduates to SME development. For example, at a qualitative level, a number of studies have suggested that the recruitment of graduates into SMEs is a way to enhance the skills levels and performance of SMEs, based on the argument that graduates add value in a number of ways. For example, Gillear and Reichwald (2008) suggest that graduates can increase the intellectual capacity of the workforce, fill existing and/or future skills gaps, provide fresh and innovative perspectives and contribute technical expertise and knowledge.
- Whilst there is agreement that graduate recruitment to SMEs has the potential to increase management and leadership capability and enhance growth in the SME sector, it is difficult to precisely determine the number of graduates currently employed in SMEs. The available evidence base around graduate recruitment to SMEs is limited and inconclusive, presenting a somewhat mixed picture. Overall, however, there appears to be a consistent view that graduates are under-represented in SMEs
- A recurring theme within existing research relates to the low level of recognition of a need for graduates within SMEs. The majority of SMEs do not see graduates as 'a natural source of recruitment', with owner managers having concerns about the need for graduates. This uncertainty over the need for graduates is seen to stem from a number of factors including:

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- A tendency for SMEs to undervalue the potential contribution of graduates to the organisation, which is particularly evident amongst smaller businesses
  - Cost of recruitment and associated salaries for graduates
  - Perceived appropriateness of the skills possessed by graduates
  - Limited work/practical experience amongst graduates
  - Perceived level of supervision that graduates would require.
  - The review of the current evidence base and consultations with key stakeholders suggests that sector or nature of business activity and the type of owner-manager influence perceptions towards the value of graduates to business development in SMEs.
  - The research suggests that where graduates are recruited to SMEs this often occurs in an incidental way and/or through informal networks and recruitment methods which can lead to the under-utilisation of the skills and attributes they do possess.
  - In addition, there are a set of issues around the attitudes and perceptions of graduates in terms of working in SMEs. These relate to levels of pay, career progression and working conditions. However, a number of studies suggest that the potential benefits and opportunities of working in SMEs exceeds graduates' expectations, particularly with regards to levels of autonomy, flexibility and input into the business.
  - Given data around the relatively large numbers of vacancies within SMEs, and the acknowledged skills gaps within SMEs, it is argued that there is a latent demand which remains unrealised and which could be addressed by greater numbers of graduates in working in SMEs. Issues related to awareness of the contribution of graduates to business development and/or access to resources to support the recruitment of graduates emerge as key challenges to converting latent into actual demand.

### **The Policy Case**

The review of the evidence base and stakeholder consultations identify that graduate recruitment to SMEs is affected by a wide range of issues.

In terms of policy development, there is evidence of market failures affecting graduate recruitment to SMEs on both sides of the market. Three types of market failure can be inferred from the analysis of the structure and dynamics of the demand and supply-sides:

- **Information failures** in terms of awareness of, and perceived value amongst: (i) graduates of the life-world of the small business and the associated career opportunities and (ii) small businesses of the abilities and skills of graduates, particularly in terms of commercial awareness and business understanding, and methods of recruiting graduates
- **SME capacity constraints** in terms of the resources available to recruit graduates through traditional recruitment techniques (including advertising in printed media, use of recruitment agencies) and support subsequent development to enhance the contribution of graduates to productivity.
- **Structural problems** inherent in linking large numbers of diverse and dispersed SMEs with large numbers of dispersed graduates.

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Given the existence of these market failures, there is a general consensus amongst key stakeholders that graduate recruitment to SMEs is an important issue that needs to be addressed and there is a role for Government policy in addressing these market failures. The development of policy interventions, including the option of developing a web-based recruitment platform, will address structural weaknesses in the demand and supply-side which result in either a lack of awareness of potential opportunities or a lack of perceived value.

The evidence from the project suggests that by bringing graduates and SMEs together, such interventions will encourage and enable SMEs to utilise abilities, skills and knowledge of graduates more effectively. This will lead to improvements in SME performance and growth.

Taken together, this evidence suggests that there is relatively robust rationale for policy interventions in supporting graduate recruitment to SMEs.

### **Policy Options – A Web-Based Recruitment Platform**

A key area of focus during the consultations was an assessment of the perceived need for a web-based recruitment platform, in complementing existing initiatives, and the opportunities and challenges around developing such a platform.

Three key issues emerged around the need for a web-based recruitment platform:

- First, there is a level of disagreement surrounding the need for a web-based recruitment platform. Whilst some suggested that a national platform was needed, others suggested that there was a need for policy interventions which related to providing graduates with **exposure** to SMEs and/or providing graduates with an **experience** of working in SMEs would be more appropriate.
- Second, if a web-based platform is to be developed, it needs to be part of a wider programme of activity around graduate recruitment to SMEs. A consistent theme across the consultations, as well as within current thinking, is that the challenge to graduates working in SMEs does not only relate a lack of awareness of appropriate job openings. Therefore, the web-based platform would be most effective if complemented by other measures.
- Third, the platform would need **support and buy-in from key stakeholders**.
- Fourth, if there is a need for a web-based recruitment platform with national reach this should **learn from existing initiatives** and good practice within the UK and comparator international economies.

In terms of benefits, three groupings emerged:

- A web-based platform could be a relatively cost-effective solution to bringing graduates and SMEs together around job opportunities.
- There are models which demonstrate that a web-based platform can be self-financing (e.g. Graduates Yorkshire), through developing appropriate charging strategies for businesses using the portal, but there are challenges in making a transition from a free service to a self-financing model.

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- There are certain groupings of SMEs which currently use web-based tools to support recruitment. These tend to be growth-orientated businesses and/or businesses run by younger people in sectors such as creative and culture and business services.

The key challenges associated with a web-based recruitment portal include:

- Engaging businesses with a national web-based platform, particularly those that would not normally recruit graduates or recruit them in this way.
- Understanding and use of online recruitment amongst SMEs.
- Routes to market in terms of working through trusted networks of SMEs.
- Engaging stakeholders which have credibility with target groups of SMEs.

The consultations with stakeholders provided an opportunity to explore other complementary policy options which would support graduates working in SMEs.

These can be grouped into four bundles:

- Those related to providing graduates with **exposure** to SMEs.
- Those related to **educating** graduates in the key aspects of working in a SME and vice-versa.
- Those related to supporting graduates to **engage** with SMEs.
- Those related to providing graduates with **experience** in SMEs.



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# 1. Introduction

## Background

- 1.1 There is an increasing body of evidence which shows that under-developed management skills and capacities are one of the most important constraints on SME performance and growth. For example, Bloom and Van Reenen (2010) note that management practices are an important factor in explaining the differences in productivity between businesses and countries. There is an established evidence base around the contribution of graduates to business and economic development at macro-economic level. However, the available statistics suggest that graduate recruitment to SMEs is proportionally low given the scale and net contribution of the SME sector to the economy (Hart and Barratt, 2009).
- 1.2 Although limited, the available evidence suggests that there are market failures on both sides of the market; for example, graduates tend to undervalue the benefits of working in SMEs and SMEs tend to undervalue the skills and attributes that graduates can bring to the business (Hanage et al., 1994; Archer and Davison, 2008; Kewin et al., 2010)
- 1.3 SFEDI and NUBS have been commissioned by BIS to undertake research into graduate recruitment into SMEs, to inform the development of policy rationale and an associated set of policy options, which might be used to lead to greater levels of graduates working in SMEs.
- 1.4 This report summarises the key issues to emerge from the project. It not only reviews the issues influencing the demand and supply-side but also the case for policy intervention in graduate recruitment to SMEs and the associated policy options. In particular, it reviews the potential contribution of a web-based recruitment portal.

## This Report

- 1.5 The structure of the final report is as follows:
  - **Section 2 – Project Aims, Objectives and Approach:** Outlines the overall aim and key objectives of the project as well as the approach and methodology used
  - **Section 3 – The Case for Graduates in SMEs:** Reviews the contribution of graduates to learning and skills development in SMEs, particularly in terms of management development
  - **Section 4 – The Current Landscape – The SME and Graduate Labour Market:** Reviews the dynamics of the SME community and the graduate labour market, as well as the role of higher education in supporting the employability of graduates
  - **Section 5 – An Assessment of the Demand and Supply-Sides:** Assesses the key issues impacting on graduate recruitment to SMEs, from the perspectives of both SMEs and the graduates

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- **Section 6 – The Case for Policy Intervention and Development of Policy Options:** Assesses whether there is a case for policy development related to graduate recruitment to SMEs and discusses the benefits and drawbacks of a set of potential policy options
  - **Section 7 – Summary and Reflection:** Summarises the key issues and implications for policy and practice which have emerged from the project.

1.6 Throughout the report, different sources of evidence are drawn upon. Sections 3 and 4 draw upon evidence and statistics from the review of the current evidence and knowledge base, in unpacking the case for graduate employment in SMEs and the dynamics of the demand and supply-side. In addition to this material, Sections 5 and 6 draw upon the findings from the stakeholder consultations and a survey of career and employability service professionals in higher education institutions.

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## 2. Project Aims, Objectives and Approach

### Aims and Objectives

- 2.1 The overall aim of the project was to undertake research into graduate recruitment to SMEs, to inform the development of a policy rationale and an associated set of potential policy options designed to lead to greater levels of graduates working in SMEs.
- 2.2 In so doing, the project has:
- Developed an evidence based rationale for possible policy development around graduate recruitment to SMEs
  - Assessed a set of policy options which could be used to encourage and enable higher levels of graduate recruitment to SMEs, including a web-based recruitment platform to support graduate recruitment to SMEs<sup>1</sup>
  - Assessed the challenges, risks and opportunities associated with the development and management of these options.

### Approach and Methodology

- 2.3 Given the above objectives and the limited nature of the evidence base on graduate recruitment to SMEs, a project approach was adopted which would generate both qualitative and quantitative data, from primary and secondary sources. This not only allowed issues related to graduate recruitment to SMEs from different perspectives to be explored, and in the language and terms used within different communities of practices (e.g. the notion of a graduate), but also to develop and test policy options which address any identified market failures.
- 2.4 To this end, the project used a range of different methods and engaged with different groups of stakeholder involved in graduate recruitment and SME learning and skills development.
- 2.5 Four stages of activity underpinned the research into graduate recruitment to SMEs. The four stages were:

<p><b>Stage 1 - Project inception and planning</b> <b>Stage 2 - Review of the current evidence base and statistics</b> <b>Stage 3 - Development and testing of policy options</b> <b>Stage 4 - Sensemaking and reporting</b></p>
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#### ***Stage 1 - Project inception and planning***

- 2.6 Activities undertaken as part of this stage included:
- Inception meeting with the project manager from BIS to agree the project approach, milestones and outcomes

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<sup>1</sup> This builds upon a suggestion in previous research undertaken by Hull University in 2006 (see Hart and Barratt, 2009).

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- Meetings with the project steering group to identify key resources and stakeholders, exchange experiences and reflect on key headlines and highlights emerging from the project.

### **Review of the current evidence base and statistics**

2.7 The review of the current evidence base was informed by the growing body of work on systematic literature reviews (Denyer and Tranfield, 2009). This is widely acknowledged as an effective method for coalescing and integrating knowledge on a subject which has been researched from a range of different disciplines and perspectives. This method helps to capture not only peer reviewed published work but also unpublished and institutional 'grey' literature.

2.8 Key activities undertaken as part of this review included:

- Agreement of key search words
- Review of academic articles and publications related to SMEs, graduates and recruitment
- Review of the policy and practice literature (i.e. the grey literature) related to supporting graduate recruitment to SMEs
- Review of statistics on the dynamics of the SME community and graduate labour market, particularly in terms of graduate destinations.

### **Development and testing of policy options**

2.10 Based on the outcomes from the review of the evidence base, a case for policy intervention and a number of potential policy options were developed. These were tested via a series of stakeholder consultations and a survey of career and employability service professionals in higher education institutions.

2.11 Activities undertaken as part of this stage included:

- Development of stakeholder discussion guide. There were three key sections to the discussion guide: unpacking perceptions of the graduate-SME relationship; reviewing the policy case for intervention; reviewing benefits and drawbacks of different policy options including a web-based recruitment platform (see Appendix 1)
- Identification of stakeholders via networks of the project team, BIS and the steering group. Stakeholders were grouped into one of three categories: business and enterprise representative networks; higher education institutions and networks; recruitment and people development networks
- Organisation and facilitation of stakeholder interviews. In total, 34 consultations were undertaken. A list of organisations consulted is provided in Appendix 2
- Survey of career and employability service professionals in higher education institutions. In partnership with the Association of Graduate Careers Advisory Services (AGCAS), a survey was developed which explored: (i) perceptions of the relationship between graduates and SMEs, (ii) scale and scope of institutional engagement with

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enterprise and SMEs and (iii) the need for different types of policy responses and options. The survey contained a number of open and closed questions, to enable an assessment of the level of interest in different policy options, as well as perceptions surrounding the benefits and drawbacks of these options. A copy of the survey is provided in Appendix 3. The online questionnaire was sent to 124 AGCAS members and generated 68 usable responses. This represents a response rate of 54 per cent which compares favourably for response rates to other online surveys.

### **Sensemaking and reporting**

- 2.12 Activities undertaken as part of this stage included making sense of the data from the consultations and AGCAS survey using appropriate qualitative data analysis techniques (e.g. content analysis), in order to identify key issues around the policy case for intervention, the benefits and drawbacks of different policy options and lessons from elsewhere.
- 2.13 The key issues to emerge from this process of sensemaking are summarised in this final report.

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### **3. The Case for Graduates in SMEs**

#### **Introduction**

- 3.1 There is widespread agreement around the contribution of SMEs to productivity and economic competitiveness in the United Kingdom. SMEs are not only a source of jobs and wealth, but also stimulate innovation, competition, market diversification and are the seedbed of future business activity. Therefore, there is an established evidence base that SME development has a key role in stimulating economic growth.
- 3.2 At the start of 2012, there were 4.8 million SMEs in the United Kingdom. These businesses employ 59.1 per cent of the UK workforce and account for 48.8 per cent of the total turnover in the UK private sector (BIS Business Population Estimates, 2012).

#### **Management and learning skills in SMEs**

- 3.3 The development of enterprising skills, such as taking decisions in uncertain conditions, negotiating and networking, is critical to the development of businesses, as they often provide a source of competitive advantage. There is evidence that suggests that under-developed management skills and capacities are a significant constraint on SME performance and growth (OECD, 2002; 2011; Bloom and van Reenen, 2010). McLarty (2001, p.254) notes that 'it is not only the environment surrounding SMEs or their managers' responsive actions that are important, it is managerial decision making, based on resources such as human assets. The poor survival and growth rates of SMEs reflect their lack of adequate management skills and capability for long-term strategic thinking'.

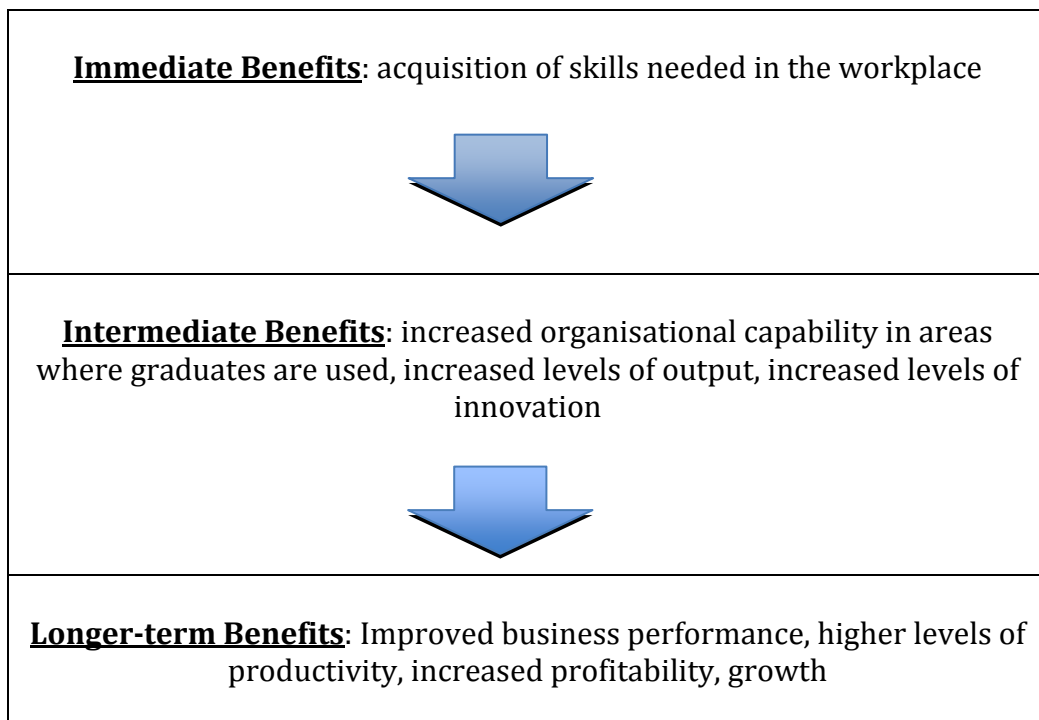
#### **The Value of Graduates for SMEs**

- 3.4 Since the late 1980s, there has been a consistent focus within government policy on the quality of management performance in ensuring improved UK competitive capability, both in the near and mid-term. A number of reviews and reports have questioned the management and leadership performance of businesses in the UK and emphasised the potential for improvement in management training and development. Such reviews have also highlighted a concern as to the absence of graduate qualified managers in SMEs compared with similar enterprises in competitor economies such as Germany and USA (Hart and Barratt, 2009). It has been suggested that the quality of the management in SMEs in the UK is lower than in competitor economies and this is manifested in the relative weakness of the medium business sector in the UK which is claimed to be at the heart of Germany's manufacturing success (CBI, 2010).
- 3.5 Since the mid-1990s, a number of reports have outlined the potential contribution and value of graduates to SME development. Hanage et al. (1994) argued that graduates employed in SMEs make a major contribution to the success of the organisations. Therefore, they

proposed that increasing the numbers of recent graduates employed in SMEs would lead to SME success, economic growth and the personal development of graduates. Harris and Reid (2005) argued that this contribution comes in the form of the 'human capital' that graduates bring to the SMEs. This is seen to add value through enhancing the skills level within the SME which leads to increased performance (Gilleard and Reichwald, 2008; McLarty, 1999; 2000a; 2001; O'Brien and Clark, 1997).

- 3.6 Drawing on the work of Hogarth et al., (2007), Atfield et al. (2009) proposed that the value of graduates can be derived from immediate, intermediate and long-term benefits. Figure 1 below illustrates what Atfield et al. (2009) argued to be a causal chain between graduate deployment and organisational performance.

**Figure 1:** Benefits of graduate deployment in SMEs



*Source:* Adapted from Atfield et al. (2009, p. 43)

- 3.7 In a survey of the 100 businesses that had provided a graduate with a work placement, as part of the Graduates for Business Scheme in the South West<sup>2</sup>, 89 per cent claimed that there was an impact on performance. Research undertaken by Graduates Yorkshire on the impact of an internship programme offered by the organisation suggested that participating businesses could attribute an additional turnover of £20,000 to the activities of the graduate. Such figures need to be treated

<sup>2</sup> 91 of the employers surveyed had participated in the Graduates for Business Scheme. The remaining 9 had had recently provided graduate placements outside of the scheme.

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with a degree of caution reflecting the difficulties in quantifying the impact of graduates on business performance, particularly long-term impact on measures such as profitability and productivity (Atfield et al., 2009). But they are indicative of the potential contribution of graduates to the performance of smaller businesses.

- 3.8 At a qualitative level, a number of studies have suggested that the recruitment of graduates into SMEs is a way to enhance skills levels and performance of SMEs, based on the argument that graduates add value in a number of ways (Gilleard and Reichwald, 2008; McLarty, 1999; 2000a; 2001; O'Brien and Clark, 1997). These include:
- **Skill levels** – e.g. introduction of higher level skills related to core business functions such as marketing, developing people and managing finances (McLarty, 2000a)
  - **Productivity** - e.g. Galindo-Rueda and Haskel (2005) note that businesses with higher educated workers tend to be more productive
  - **Growth** – e.g. providing additional resource to address business development objectives (Lowden et al., 2011)
  - **Innovation** – e.g. introduction of new ideas and ways of doing things (Archer and Davison, 2008; O'Brien and Clark, 1997)
  - **Organisational culture** – e.g. bringing new perspectives on business structures and processes (McLarty, 2000a)
  - **Strategy formulation and development** – e.g. providing space for the owner-manager to work on, as well as in the business (Holden et al., 2007)
  - **Leadership and management** – e.g. providing potential opportunities for succession planning (Lowden et al., 2011).
- 3.9 Whilst there is agreement that graduate recruitment to SMEs has the potential to increase management and leadership capability and enhance growth in the SME sector, a number of studies have questioned the actual level of demand from SMEs for graduates. Pittaway and Thedham (2005) aimed to critically explore the argument that there is a skills gap within SMEs and the role of graduates in addressing this. Drawing on data collected from small and medium sized firms in the tourism, leisure and hospitality sector they identified a 'managerial skills gap' and highlighted that this gap varies according to the size of the business with little evidence of a gap in micro-businesses (up to 10 employees). Pittaway and Thedham (2005) found that only 20 per cent of the respondents identified a skills gap for a graduate and that this was more likely in medium to large SMEs with an orientation to growth. This highlights the need to recognise the heterogeneity of SMEs (e.g. developing approaches to segment the SME market).
- 3.10 The available evidence suggests that, to some extent, the lack of demand amongst SMEs may reflect a perceived mismatch between the requirements of businesses around the need for enterprising skills and the availability of skills within the labour market, particularly amongst young people and graduates. For example, recent reports by Archer and



Davison (2008), CBI and Universities UK (2009) and Lowden et al. (2011) identify a mismatch between the skills ranked as important to the performance of smaller businesses, such as persuasion, negotiation and networking, and those possessed by recent university graduates. More generally, there is evidence of market failures which mean that the value and potential contribution is either unrecognized or undervalued (Belfield, 1999).

- 3.11 Data from the Labour Force Survey indicates that SMEs continue to have large numbers of vacancies, despite there being a decline since 2001. Table 1 shows the vacancies by size of enterprise. In 2001 SMEs had a total of 310,000 vacancies compared to 384,000 in organisations with more than 250 employees. Although actual numbers of vacancies have reduced significantly in the time period, the proportion of total vacancies in SMEs has dropped from 44 per cent in June-August period 2001 to 40 per cent in the same period in 2012.
- 3.12 Given the large numbers of vacancies, and the acknowledged skills gaps within SMEs, it could be argued that there is a latent demand which remains unrealized and which could be addressed by greater numbers of graduates in working in SMEs.

**Table 1:** Number of vacancies by size of enterprise (thousands)

Size of Enterprise	1-9 employees	10-49 employees	50-249 employees	250-2499 employees	2500+ employees
June - August 2001	128	99	83	142	242
June - August 2012	65	61	64	87	196

Source: Labour Force Survey (2012)

### **The Value of SMEs for Graduates**

- 3.13 Although the focus of this report is to explore the value of graduates for SMEs, it is also important to consider the value that SME employment has for graduates.
- 3.14 Despite ongoing debates about the utilisation their skills and the prevalence of underemployment of graduates in SMEs (e.g. Holden et al., 2005), the available evidence suggests that graduates' expectations of employment in small businesses is often exceeded in terms of the high level of autonomy afforded to them on a day-to-day basis, ongoing skills development through learning by doing on-the-job and the opportunities

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for career progression that the employment offered them (Arnold et al., 2002). In addition, messages from AGCAS and university careers services claim that employment in SMEs provide graduates with opportunities to make an impact on the business that they may not have in a large organisation.

- 3.15 Whilst there is limited research which specifically explores the value of SME employment for graduates, Gibb (1997) notes that there are a number of potential benefits including:
- Hands-on experience across different areas of the organisation, often reflecting the lack of hierarchy within the majority of smaller businesses
  - Voice within the organisation given the closeness to key decision-makers
  - Opportunity to work with people at all levels including senior managers/owners
  - Flexibility in working hours and styles
  - Autonomy on a day-to-day basis, if there is trust in the relationship with key decision makers
  - Personal development through development of the business
  - Progression based on achievements as opposed to position in organisational hierarchies.

### **Summary**

- 3.16 In spite of the evidence on the potential benefits of graduate recruitment, SMEs and graduates are typically '*reticent beneficiaries*' of the potential opportunities available to them (Bowen et al., 2004, p. 385). This can be seen to arise from graduates being under-represented in SMEs which results in graduates typically under-valuing jobs in SMEs, despite the evidence highlighting the potential contribution they can make to the performance of smaller businesses. This suggests that there may be failures on both sides of the market. Walmsley et al. (2012) refer to these as ignorance and market barriers.
- 3.17 Before considering the specific nature of these market failures, the report reviews the dynamics of the demand (i.e. SME) and the supply (i.e. graduate) side in greater detail.

## 4. The Current Landscape: The SME and Graduate Labour Market

### The Dynamics of the Demand-Side – The SME Sector

4.1 There were an estimated 4.8 million private sector businesses in the UK at the start of 2012 (see Table 2), an increase of 251,340 (5.0 per cent) since the start of 2011. These businesses employed an estimated 23.4 million people and had an estimated combined annual turnover of £3,100 billion.

**Table 2:** Number of enterprises in the private sector and associated employment and turnover, start 2012

	Enterprises	Employment (0000s)	Turnover (£ millions)
All enterprises	4,794,105	23,893	3,131,549
SMEs (0-249 employees)	4,787,650	14,130	1,528,678
All employers	1,236,850	19,991	2,923,744
With no-employees	3,557,255	3,902	207,806
1-9	1,022,695	3,848	416,161
10-49	177,950	3,471	454,327
50-249	29,750	2,909	450,384
250 or more	6,455	9,763	1,602,780

Source: BIS Business Population Estimates (2012)

Notes:

1. All enterprises turnover figures excludes Section K (financial insurance activities) and Division 78 (employment activities) where turnover is not available on a comparable basis.
2. The 'no employees' category comprises sole proprietorships and partnerships comprising only self-employed owner-managers and businesses comprising only an employee director (BIS, 2012).

4.2 Table 2 shows that small and medium enterprises accounted for 99.9 per cent of the total number of United Kingdom enterprises in the private sector at the start of 2012. As with the wider business population, this was an increase of five per cent since 2011. The SME sector accounted for 59.1 per cent of total employment and 48.8 per cent of total turnover in the private sector at the start of 2012. Micro-enterprises, i.e. those enterprises with fewer than nine employees, accounted for 95.5 per cent of the total number of UK enterprises.

4.3 Other key characteristics of the SME business population included:

- The SME sector is dominated by businesses with less than 50 employees, with a relatively low proportion of medium-sized

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businesses (i.e. those with 50-249 employees) in comparison to comparator economies such as Germany (CBI, 2010)

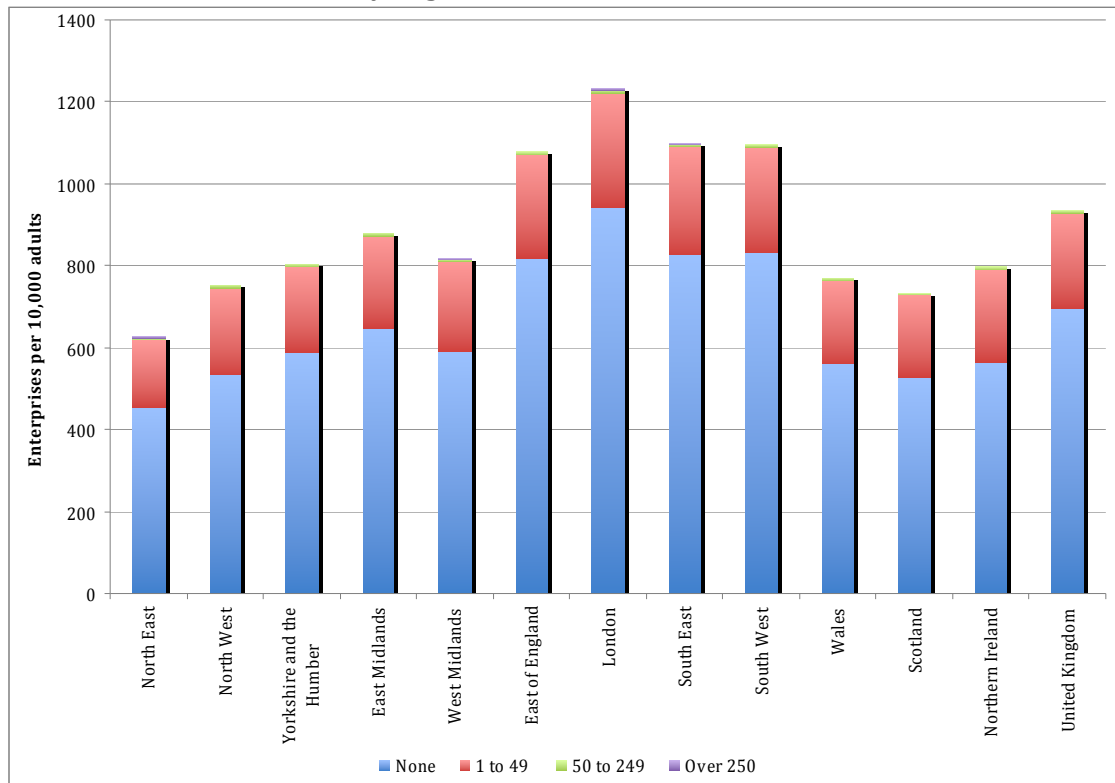
- There are 1,236,850 enterprises which employ at least one employee, of which 82.7 per cent employ less than 10 people and 97 per cent employ less than 50 people. There are 3.85m people employed in businesses with less than 10 employees
- The estimated number of private sector businesses in the UK has increased in each of the last eleven years. Whilst the estimated number of small, private sector businesses has increased over this period, the estimated number of large private sector businesses has decreased by 12 per cent
- Three sectors account for 44 per cent of all enterprises in the UK: construction; professional, scientific and technical activities; and, wholesale and retail (see Table 3). Whilst the proportion of SMEs is consistent across the majority of sectors, there are variations in the proportion of self-employed and micro-enterprises across these different sectors
- The geography of enterprise is somewhat uneven across the UK. With 806,430 private sector enterprises in 2012, London had more enterprises than any other region or country in the UK. London and the South East account for almost a third of all private sector enterprises in the UK. In addition, both of these regions have the highest number of enterprises relative to the adult population (i.e. enterprise density), whilst the North East has the lowest enterprise density rate in the UK (see Figure 2)
- The majority of private enterprises in the UK are sole proprietorships and partnerships, reflecting not only the scale of such enterprises but also the associated objectives and aspirations around development and growth.

**Table 3:** Number of enterprises in the private sector by industry and size, start of 2012

Industry		Size (number of employees)					All
		None	1-20	21-49	50-249	250+	
A	Agriculture, Forestry and Fishing	65.3	34.0	0.5	0.2	0.0	152,085
B, D, E	Mining, Electricity, Gas, Water	78.0	18.4	2.1	1.2	0.5	25,655
C	Manufacturing	61.3	31.8	3.9	2.6	0.5	230,970
F	Construction	83.3	16.0	0.5	0.1	0.0	907,480
G	Wholesale and Retail Trade, Repair	53.5	43.4	2.0	0.8	0.2	514,805
H	Transportation and Storage	86.4	17.0	0.9	0.4	0.2	269,945
I	Accommodation and Food Service	27.4	67.2	3.7	1.5	0.2	166,555
J	Information and Communication	78.6	19.9	0.9	0.4	0.2	289,075
K	Financial and Insurance	71.6	25.5	1.5	1.0	0.5	76,380
L	Real Estate Activities	60.1	38.2	1.0	0.5	0.2	91,810
M	Professional, Scientific and Technical Activities	76.0	22.7	0.9	0.4	0.0	666,625
N	Administrative and Support Service Activities	74.9	22.7	1.2	1.0	0.2	378,735
P	Education	93.1	6.1	0.4	0.3	0.0	243,220
Q	Human health and Social Work Activities	80.9	15.3	2.7	0.9	0.1	303,540
R	Arts, Entertainment and Recreation	89.0	10.0	0.5	0.3	0.1	209,430
S	Other Service Activities	75.1	24.3	0.4	0.1	0.0	268,805

Source: BIS Business Population Estimates (2012)

**Figure 2:** Number of enterprises per 10,000 resident adults (aged 16 or more), by region and size, start 2012



Source: BIS Business Population Estimates (2012)

- 4.4 Within the context of unpacking graduate recruitment to SMEs, there are two issues associated with the structure and dynamics of the SME sector. First, there are indications of challenges and opportunities for specific groups of SMEs engaging with graduates and vice-versa. For example, the number of small, private sector businesses in the economy is increasing whilst the number of larger, private sector businesses is decreasing. However, the evidence base highlights that smaller businesses are likely to be amongst those least concerned with people management and development issues. In addition, if the majority of private businesses are sole proprietors and partnerships there will be issues around their openness and/or capacity to engaging with graduates (Hanage et al., 1994; Hart and Barratt, 2009).
- 4.5 The second issue emerging from the data on the structure and dynamics of the SME sector is **its diversity**. A number of commentators highlight that there is no one-type of small business owner-manager. There are different approaches to managing the business, recruiting potential employees and managing staff, both amongst small businesses and in comparison to larger businesses. This recognition of diversity and difference has led to a number of approaches to segmenting the SME market.

- 4.6 A brief review of current thinking identifies a number of approaches and frameworks to segmenting the business enterprise market and working through the implications for the development of learning and skills needs for policy and practice (Atherton and Lyon, 2001). These vary from approaches using key demographic characteristics such as size, sector, location and age and gender of the owner-manager to more qualitative frameworks based on stage of business development, experiences of the owner-managers or behaviours and experiences of the business enterprise (see Table 4).
- 4.7 The majority of the available evidence suggests that SMEs tend to favour informal recruitment practices. However, as an organisation grows, it becomes apparent that there is a need for more formalized methods of recruitment, such as the use of recruitment agencies and portals, which may bring the small business in contact with graduates. Barrett et al. (2007) cite a study by Kotey and Slade of 1,330 micro, small and medium-sized firms that found that as firms grew, their HRM practices became more standardized and the documentation practices grew. Although informal practices may be appropriate for small firms, these informal practices can be problematic in periods of growth. Studies have shown that this is particularly an issue in growth oriented small firms.

**Table 4:** Commonly used bundles of segmentation strategies

Personal characteristics	Business characteristics	Business activities/ processes
Founder's experience Motivation to start	Pre-start Nascent Start-up New firm	Technology
	Growth	Technology and innovation Form of collaboration
Ethnicity Gender Age Disability Unemployed	Pre-start Start-up Self-employed Socio-economic sector	Location
Portfolio Serial	Start-up Growth	
	Origin Start-up Growth	
Personality		Take-up of support
	Entrepreneurial type Stage of development Industry classification	Performance

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Source: Atherton and Lyon (2001, p.6)

- 4.8 There are a limited number of studies which highlight that certain groupings of small business are likely to employ graduates. For example, Meager et al. (2011) highlight that businesses run by younger owner-managers and graduates are more likely to employ graduates, reflecting not only the experiences of the owner-manager but also the closeness of the owner-manager to the graduate experience and the networks they have retained with higher education institutions. These networks provide an opportunity to access graduates for either part-time or full-time employment opportunities, in a way which does not incur a great deal of time and/or cost.
- 4.9 Mukhtar et al. (1999) and Pittaway and Thedham (2005) highlight that uptake of graduates also varies by sector or nature of business activity. Technology based businesses, creative and cultural (e.g. digital media) and business services are likely to employ graduates, reflecting the focus on 'know-how' in offering value with the business model in these sectors.
- 4.10 Therefore, the review of the current evidence base suggests that sector or nature of business activity and the type of owner-manager may influence perceptions towards the value of graduates to business development in SMEs. This raises an issue around the targeting of any policy options related to supporting graduate recruitment to SMEs.
- 4.11 These issues are further unpacked in Sections 5 and 6 below, drawing upon the findings from the stakeholder interviews and the survey of career and employment professionals in higher education institutions.

#### **The Dynamics of the Supply-Side – The Graduate Labour Market**

- 4.12 Up until this point we have referred to graduates without considering what a graduate is and without segmenting this group to reflect the heterogeneity of the populace. The majority of the research we have examined takes a graduate to be an individual who has recently graduated from higher education, with a degree level qualification, within a recent period (ranging from 1 to 3 years). Whilst this is appropriate given the increasing numbers that have emerged from higher education in recent years, this raises a more general point around segmentation of the graduate labour market, particularly in relation to time working since graduation.
- 4.13 This could be potentially problematic owing to the increased periods of unemployment and underemployment it is argued that graduates are currently experiencing (Scurry and Blenkinsopp, 2011a). Evidence suggests that there are significant numbers of graduates in non-graduates occupations, labelled as GRINGOs (Blenkinsopp and Scurry, 2007), that is employment for which they are over-educated. This is important particularly given the limited value of existing evidence in providing a picture of the representation of graduates in SMEs. For example it may be



that SMEs are employing graduates but neither the individual nor the business define them as a graduate as they graduated two years ago and have been in the labour market for this period of time. This raises important questions about when individuals are no longer identified as a graduate by themselves or SMEs.

- 4.14 Therefore, as we have acknowledged the diversity of SMEs, it is important to recognise that graduates are not a homogenous group, particularly as this will influence the scale and scope of potential interventions and policy options.

*Number of graduates*

- 4.15 In the past 20 years there has been a growth in the numbers graduating from UK HEIs. In 2010/11 over 330,000 individuals graduated with a first degree from a UK HEI. As Table 5 below illustrates over 83 per cent were UK domiciled and 56 per cent were female.

**Table 5:** HE first-degree qualifications (full-time) obtained in the UK, by domicile and gender

Type of Graduate	2010/11	2004/05
Female	158,310	134,840
Male	118,480	102,895
<b>Total United Kingdom domiciled</b>	<b>276,790</b>	<b>237,735</b>
Female	10,165	6,585
Male	8,725	6,520
<b>Total other European Union domiciled</b>	<b>18,890</b>	<b>13,105</b>
Non-European-Union domiciled		
Female	17,265	10,255
Male	17,775	10,250
<b>Total Non-European-Union domiciled</b>	<b>35,040</b>	<b>20,505</b>
<b>Total full-time</b>	<b>330,715</b>	<b>271,345</b>

Source: HESA (2012a)

- 4.16 The numbers of graduates has increased significantly since 1997/98 when HESA data shows that 233,610 graduated with a first degree (full time study). Between 2004/5 and 2010/11 there was a 22 per cent increase in the numbers graduating from full time study for a first degree (HESA, 2012a).

*Graduate destinations*

- 4.17 In terms of employment, the latest destinations data from HESA shows that 63 per cent of UK and EU domiciled graduates of full time first degrees in 2010/11 (224,045 - those for who destinations were know)

were in employment six months after graduation, with a further eight per cent combining work and further study (HESA, 2012b). This reflects data from the previous year as shown in Table 6. Of those 2010/11 qualifiers in full time employment or combining work and further study, the majority (69 per cent) were employed in full-time paid work. Approximately 40 per cent of those in full time paid employment were in the standard occupational class of Managers and senior officials or Professional Occupations (HESA, 2012b).

**Table 6:** Destinations of full-time first-degree qualifiers, by year (2005/06 to 2009/10)

Destination	% of graduates				
	2005/06	2006/07	2007/08	2008/09	2009/10
UK employment only	61%	61%	59%	57%	60%
Overseas employment only	3%	3%	3%	2%	3%
Combination of employment and study	8%	9%	8%	8%	7%
Further study only	16%	16%	17%	18%	16%
Not available for employment	5%	4%	4%	4%	3%
Assumed to be unemployed	6%	6%	8%	10%	9%
Other	1%	1%	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: HESA (2012a)

#### *Graduate Destination by Region*

- 4.18 Like the geography of enterprise, there are regional variations in the locations of graduates in the UK (see Figure 3). As in previous years, London has the highest percentage of graduates (49 per cent) with the lowest levels, at approximately 28 per cent, in Northern Ireland, the West Midlands and the North East (ONS, 2012). This variation is seen to reflect the type or employment available in the region. For example, in the North East, just 23 per cent of jobs were classified as high skill jobs compared to 34 per cent in London (ONS, 2011). This is arguably a motive for graduates to locate in London over other regions as there are more high skill jobs available.

#### *Graduate destination by employer size*

- 4.19 Within the academic and practitioner literature there is an acknowledgement that the proportion of graduates in SMEs is low given the scale and net contribution of the SME private sector to the economy (Hanage et al., 1994; Belfield, 1999; Holden et al., 2007; Hart and Barratt, 2009; Walmsley et al., 2012).

**Figure 4:** The percentage of the 21 to 64 population no longer in education that are graduates across the UK, 2011 (four quarter average)



Source: ONS (2011)

4.20 Using Labour Force Survey data to explore graduate employment in Northern Ireland SMEs, Harris and Reid (2005) found that the proportionate of graduates increased with company size. As Table 7 shows, recent Labour Force Survey Data also reflect this trend, which shows that large numbers are also employed in medium sized firms.

**Table 7:** Number of employees with a degree level qualification or higher, by workplace size

Workplace Size	No. of employees with a degree level qualification or higher	Total No. of Employees
1-10	1466 (20.1%)	7300
11-19	628 (16.6%)	3783
20-24	390 (24.9%)	1565
25-49	1242 (27.6%)	4498
50-249	3445 (43.1%)	7984
250-499	741 (30.6%)	2424
>500	3651 (58.0%)	6297
Don't know	360 (24.2%)	1485
<b>Total</b>	<b>9923 (28.9%)</b>	<b>34336</b>

Source: Quarterly Labour Force Survey (April - June, 2012)<sup>3</sup>

- 4.21 However, Holden et al. (2007) note that it is difficult to establish the representation of graduates in SMEs at a national level using existing statistics and datasets. For example, Labour Force Statistics use the number employed at the workplace as a proxy measure for business size. As a result, it is possible to highlight the number of employees with a degree level qualification by business size. However, at one level, this is problematic as it is unclear whether individuals are responding in terms of their site of work or their organisation as a whole. At another level, it does not provide insights about first employment destinations of recent graduates. Accordingly, there are challenges in making any inferences with regards to the point at which graduates commenced their employment in an SME – i.e. how long is it since they graduated (Holden et al, 2007). This is important as this can influence the scale and scope of the potential recruitment pool of graduates for SMEs.
- 4.22 Following a report by Holden et al. (2002), a recommendation was made to HESA to include a question about organisation size in the first destination survey. Since 2002 this question has been included. As with the Labour Force Survey, this is measured using the number of employees in the workplace as a proxy. However in lieu of alternative data, it is a useful starting point for exploring general trends. Data from the 2007/08 - 2010/11 HESA Destinations of Leavers Survey indicates that in 2010/11, 20.1 per cent of graduates were working for employers with 1-49 employees (see Table 8). Whilst this has grown steadily from 16.5 per cent in 2007/08, the majority (44.2 per cent) were working for employers who employed in excess of 250 people.

**Table 8:** Destination of full-time first degree qualifiers, by size of employer and by year (2007/08 to 2010/11)

Employer size	Academic Year			
	2010/11	2009/10	2008/09	2007/08
1 to 49	20.1%	18.8%	18.5%	16.5%
50 to 249	13.0%	12.3%	12.0%	11.6%
250 or more	44.2%	42.9%	42.6%	43.4%
Not known	9.7%	10.3%	11.0%	11.0%
Question not answered (default)	13.1%	15.7%	16.0%	17.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: HEFCE First Destinations (2011)<sup>4</sup>

<sup>3</sup> Degree level qualification including foundation degrees, graduate membership of a professional institute, PGCE, or higher degree.

4.23 When compared to the distribution of employment amongst different size categories of business, the picture of under-representation of graduates in smaller businesses is reinforced. For example, Table 8 highlights that 20 per cent of graduates were working in businesses with less than 49 employees. Table 2 highlights that 30 per cent of employment is in businesses with less than 49 employees. In comparison, 44.2 per cent of graduates were working in businesses with more than 250 employees. In the economy, 41 per cent of employment is in businesses with more than 250 employees.

*Graduate Destination by Sector*

4.24 In terms of the destination of graduates by sector, Table 9 highlights that 'health and social work', 'wholesale and retail trade/repair' and 'property development, renting, business and research activities' are the three areas of business activity with the largest numbers of full time first degree leavers. This has been consistently the case since 2006.

4.25 There is a degree of similarity between the destination of graduates and the nature of business activity in the UK economy (see Table 3 above). For example, approximately one in ten businesses are in wholesale and retail which is the second most popular destination for graduates. There is a similar pattern for professional, technical and business services.

**Table 9:** Industry of full-time first-degree leavers from all UK HEIs entering employment, by year (2006/07 to 2010/11)<sup>i</sup>

Industry of employment	2010/11	2009/10	2008/09	2007/08	2006/07
	Total	Total	Total	Total	Total
Agriculture, forestry and fishing	445	465	390	435	480
Mining and quarrying	560	390	330	500	540
Manufacturing	7005	6140	5095	5630	8805
Electricity, gas and water supply	1090	1010	870	1100	910
Construction	2210	1960	1770	2210	2515
Wholesale and retail trade/repair(2)	26080	24190	22295	18100	16170
Hotels and restaurants	10240	8985	8295	6595	5240
Transport, storage and communication	10460	9800	8035	9535	3550
Financial activities	8155	8375	6035	7955	9315
Property development, renting, business and research activities	24930	22585	19000	21105	26780
Public administration and defence/social security	5585	5655	8095	9160	7920
Education	16895	16510	16700	16615	14745
Health and social work	26825	27505	26135	25800	24245
Other community, social and personal service activities	10045	9070	8750	8360	10745
Private households with employed persons	120	125	110	105	125
International organisations and bodies	235	75	70	45	45
Not known	360	360	310	305	270
<b>Total</b>	<b>151245</b>	<b>143205</b>	<b>132290</b>	<b>133565</b>	<b>132400</b>

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Source: HEFCE First Destinations (2011)<sup>5</sup>

## Universities

4.26 In recent years there has been a growing emphasis on the role of higher education institutions in relation to graduate employment (Holmes, 2011). This is unsurprising given the policy in the UK to encourage and increase participation in higher education. Employment destinations of university graduates has become an important proxy measure of the value of a university education and institutions in the UK use their 'destinations' data to highlight their success in this area, and therefore increase their attractiveness to prospective students.

4.27 Whilst this is just one measure of performance, it has gained prominence in recent years, particularly given the increasing level of fees and higher levels of competition between institutions for attracting the highest performing students. As a consequence this has augmented the focus on the notion of employability and increased pressure on universities and their role in 'delivering employability'. A review of the literature has highlighted three key issues related to graduate employability:

- What is graduate employability?
- How to develop graduate employability?
- What is the role for universities in developing employability?

4.28 There is now widespread agreement that the concept of employability needs further development and analysis (Lowden et al., 2011; Holmes, 2011). Also, there are ongoing debates about the role and purpose of higher education as a 'provider' or 'developer' of employability. In addition, the effectiveness of higher education institutions in enhancing employability has also been subject to scrutiny (CBI and Universities UK, 2009; Gibb, 2010). In spite of this, there is a growing body of evidence that higher education institutions have a role to play in supporting the development of graduate employability, over and above CV and job interviewing training.

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<sup>5</sup> Please note that the figures supplied have been subjected to the HESA standard rounding methodology - see definitions for details <http://www.hesa.ac.uk/content/view/2510>. The percentages supplied are based on unrounded figures.

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## 5. An Assessment of the Demand and Supply-Side

### An Assessment of the Demand-Side – The SME Perspective

5.1 As previously discussed, questions have been asked about the demand for graduates within SMEs. Whilst there are acknowledged skills gaps amongst SMEs (Pittaway and Thedham, 2005), anecdotal evidence suggests that graduates are not being used to fill them. In this section of the report, the various barriers to graduate recruitment in SMEs are reviewed, according to a number of themes including:

- People management in SMEs
- Recruitment of graduates in SMEs
- Identifying the need for graduates
- Understanding graduates skills
- Management of graduates.

### People management in SMEs

5.2 In recent years there has been increased emphasis on the notion of talent management (Collings and Mellahi, 2009). Described as human resource advantage this arises from a combination of human capital advantage (attraction, recruitment, retention) and organisational process advantage (implementation and management) (Boxall and Purcell, 2011). This is not only about the policies and practices of HRM but how they are developed, implemented and managed within the context of the organisation.

5.3 The focus for people management has traditionally been on the experiences of large organisations. In recent years, however, it is increasingly being presented as a means to increase performance in small firms (Edelman et al., 2002). Despite a growing body of research there is a somewhat limited evidence base into the management and development of people within SMEs (Woodhams and Lupton, 2006; SFEDI, 2011).

5.4 A general assumption is that, owing to firm size, people management within SMEs is ad hoc and informal (Harney and Dundon, 2006) with little emphasis on a strategic approach to HRM. However it is argued that care needs to be taken not to homogenize SMEs in relation to their approach to HRM on the basis of firm size with scholars arguing that there are complex interactions of factors which influence HRM within SMEs and that a lack of formality in the approaches of smaller businesses to people management does not necessarily imply a lack of development activity (Cassell et al., 2002; SFEDI, 2011; Timming, 2011). Unlike larger organisations, more informal approaches are typically adopted by small business owners when looking to identify areas for business improvement and ways of developing business abilities. In reviewing approaches to training and development amongst its members, the Forum of Private Business (2010) noted that 'smaller businesses can also take a more informal look at staff training ... Micro businesses and small businesses are most likely to use informal methods to assess their skills

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needs, with larger SMEs more likely to use more formal methods such as skills audits’.

- 5.5 In addition, SFEDI (2011) noted that limited formal people management activities in smaller businesses should not be interpreted as a lack of awareness or understanding of formal people management processes and practices. The emphasis on more informal practices is a reflection of the challenges in maintaining a degree of fit between the internal operating environment and the day-to-day operating environment, in order to take advantage of any business opportunities (Gibb, 1997).
- 5.6 Although these informal practices may be appropriate for smaller firms, they can become problematic in periods of growth (Marlow, 2006), where limited engagement with more formal people management may act as a barrier to the recruitment and development of appropriate skills. This manifests itself in:
- A lack of awareness of skills needs within the organisation
  - Overlooking the potential of graduates to add value
  - A failure to attract and recruit graduates owing to inappropriate recruitment activities and limited opportunities for career development and progression.
- 5.7 The survey respondents and stakeholders involved in this study highlighted that the majority of SMEs will not have specialist personnel to assist them in selecting and recruiting new employees, or identifying recruitment needs and the potential value of graduates in addressing these recruitment needs. This was seen as a barrier to the recruitment of graduates.

### **Recruitment of graduates in SMEs**

- 5.8 In relation to the recruitment and management of graduates within SMEs, there is a somewhat limited evidence base with a number of calls for research to help develop an understanding of the recruitment and utilisation of graduates in SMEs (Holden et al., 2007).
- 5.9 As discussed in Section 4, it is difficult to ascertain the number of graduates currently employed in SMEs. The available evidence base presents a somewhat mixed picture. For example, research by Kewin et al. (2010), drawing on data gathered from a telephone survey with 502 SMEs (2-249 employees) in the East Midlands, concluded that the recruitment of graduates was ‘a minority pursuit’ with just 11 per cent of their respondents reporting that they had recruited a recent graduate in the past 12 months. As with previous studies the prospect of recruiting graduates increased with the size of the business. Contrary to these findings, research by Woods and Dennis (2009) found that the mean portion of graduate employees, in their sample of 389 SMEs (5-100 employees) in London, Leeds, Nottingham and Norfolk, was 47 per cent.



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- 5.10 Martin and Chapman (2006) found that SMEs that were considering hiring graduates faced difficulties around recruitment as a different approach was required than that they would normally use for non-graduate recruits. Surveyed owner-managers noted that ‘There is no list showing where we can get people from – could Business Link provide a matching service and maybe Business Link could act as a recruitment service for SME graduates’ (Martin and Chapman, 2006, p. 166). This reinforces concerns within the available evidence base which highlights the challenge SMEs face associated with the practicalities of recruiting this group (Tipple et al., 2012). Whilst there are opportunities for technology to support SMEs in addressing this challenge (e.g. web-based platforms), the available evidence suggests that certain groups of SMEs have a greater propensity to engage with technology than others (Wan Hooi, 2007).
- 5.11 The consultations with stakeholders highlighted a number of perceived barriers to certain groupings of SMEs being able to adequately use existing channels for graduate recruitment, particularly formal ones such as careers advisory services from universities and private recruitment businesses. This was seen to arise from several factors:
- SMEs may not perceive the recruitment need
  - SMEs may not know where to look for information about graduates
  - Certain groupings of SMEs may fear mistakes in recruitment as graduate recruitment is a major step function.
- 5.12 In addition, stakeholders suggested that organisations that provide formal mechanisms for graduate recruitment into industry may not fully understand the life-world of the SME and the constraints upon its likelihood to engage with graduate recruitment. It was highlighted that private sector careers services and personnel recruitment agencies are used mostly by larger businesses, reflecting issues around economies of scale in recruitment. This position was summarised by one private sector recruitment agency who noted that *‘in terms of effort it makes sense to work with [name of a large employer] who want tens of people in batches rather than us trying to place one graduate here and one graduate there in small businesses’* (Stakeholder interview).
- 5.13 Although changing with shifts in higher education policy, a number of reports have noted that University departments that influence graduate career aspirations generally have limited interface with SMEs. This was highlighted by the survey of career professionals in higher education undertaken as part of the project, with a number of comments around the lack of engagement with, or the challenge in working with SMEs:
- “As a member of Russell Group our University tends to see itself on a global stage and as a leader in research in academia - so resources are not well directed centrally into working with SMEs. We find SMEs frustrating to deal with because of their general lack of resources and commitment to follow up after meetings. If they can get everything they need from one encounter,*

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*that's great. But if they need to commit over a period, then few actually manage it. But we recognise they are of interest to many students and persist in trying to find the right formula" (Survey respondent).*

### **Identifying the need for graduates**

- 5.14 Unsurprisingly, a recurring theme within existing research relates to the recognition of a need for graduates within SMEs. Westhead and Matlay (2005, p. 354) argue that the majority of SMEs do not see graduates as 'a natural source of recruitment', with owner managers having concerns about the need for graduates. This uncertainty over the need for graduates is seen to stem from a number of factors including:
- Size of the organisation
  - Cost of recruitment and associated salaries for graduates
  - Lack of knowledge about the qualities of graduates
  - Appropriateness of the skills possessed by graduates
  - Limited work/practical experience amongst graduates
  - Perceived level of supervision that graduates would require (Bowen et al, 2004; McLarty, 2000b).
- 5.15 Kewin et al. (2010) identified that of the 11 per cent of respondents who recruited graduates, 45 per cent did so as graduate level skills were required for the role. Despite this recognition, just nine per cent of their respondents were recruiting graduates as part of formal graduate recruitment strategy, with 38 per cent unintentionally recruiting graduates – graduates had applied for the jobs and were simply the best candidate. For the majority of their respondents who had not employed recent graduates, the most cited reason was a lack of vacancies (48 per cent) and not requiring graduate level skills (39 per cent). Therefore, this suggests that when graduates are recruited by smaller businesses their status as a graduate may well be incidental.
- 5.16 In contrast, Woods and Dennis (2009) identified that 59 per cent of their respondents disagreed with the statement 'we don't really need graduates in this firm'. However, this was more likely to be the case for larger SMEs and for those already employing graduates. Woods and Dennis (2009) argue that smaller firms that agreed with the statement may not have had the experience of graduates to appreciate the potential need and benefits or it may be that their business operates successfully without them. Rae (2007) comments that certain groupings of SME often learn through experience that they need graduate capability which suggests that they may therefore need to be motivated in the first instance to try out a graduate as a potential employee. This was echoed in the stakeholder consultations and builds upon the discussion above related to the need to consider graduate recruitment in SMEs in relation to people management and development more generally.
- 5.17 Furthermore it emerged from the stakeholder consultations that many smaller businesses are looking for immediate utility in recruitment, in that new recruits can add value to the business from a comparatively

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early stage. Stakeholders were of the opinion that SMEs did not see that graduates would be able to do this as they did not perceive graduates as possessing the 'right skills' or be 'work ready'. This has been reinforced through a number of recent surveys of employers related to perceptions of graduates and young people, more generally (see, for example, CBI and Universities UK, 2009).

### **Skills level of graduates**

- 5.18 As discussed in Section 3, there is available evidence to support the contribution of graduates to SME development from both quantitative and qualitative perspectives.
- 5.19 In terms of the former, whilst somewhat patchy, there is evidence to quantify the economic impact of graduates on the financial performance of SMEs. At a qualitative level, there is evidence that graduates make a contribution in a number of areas (See Section 3 for a discussion). For example, Gilleard and Reichwald (2008) suggest that graduates can increase the intellectual capacity of the workforce, fill existing and/or future skills gaps, provide fresh and innovative perspectives and contribute technical expertise and knowledge.
- 5.20 At the same time, however, there is also some evidence of a mismatch between the perceptions of skills and knowledge that graduates possess and those that are required by SMEs. Overall, the evidence suggests that SMEs perceive graduates as not having the necessary skills, both in terms of level and type of skills needed. This appears to derive from two factors. First, it is perceived that graduates have limited practical experience of work generally and SME environments more specifically (McLarty, 2001). References to the need for 'work-ready' employees are prevalent within existing research. Marks and Huzzard (2010) found that prior experience was a significant factor in making recruitment decisions as this demonstrated the ability to work autonomously and creatively. Furthermore work experience can be a criterion used by smaller businesses for short listing (McLarty, 2000b).
- 5.21 Second, SMEs have questioned the appropriateness of the skills that are developed in university programmes (O'Brien and Clark, 1997). In seeking to examine SMEs attitudes to employing marketing qualified graduates specifically, Martin and Chapman (2006) found that there was a perceived mismatch between the skills required by SMEs and those that graduates developed from the programme content. This is echoed in research into the hospitality and tourism sector that concluded there are doubts regarding the employability and readiness of graduates (Nolan et al., 2010). This reinforces available evidence that SMEs tend to undervalue external knowledge and formal qualifications (SFEDI, 2011). In part, this reflects a lack of formal qualifications amongst SME owner managers, particularly at Level 3 or above, and a lack of appreciation of differences between levels of education, especially within higher education and degree classifications.

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- 5.22 It has been argued that there is a need to expand notions of employability and skills (Hinchliffe and Jolly, 2011; Holmes, 2011), in particular recognising that there are different notions of employability amongst SMEs than larger organisations.
- 5.23 One of the key themes to emerge from the stakeholder consultations was a concern that SMEs may not easily recognise the skills that they are getting with a graduate or understand the significance of the process of undergraduate education and of the grading of degrees. For example, a recent report has highlighted that employers have different perceptions around what constitutes a 2:1 degree classification, particularly given the number of graduates leaving University with such a grading<sup>6</sup>. Some suggested that this may arise as a result of SMEs fear of, or prejudices against formal education and its value in preparing learners for the world of work (CBI and Universities UK, 2009).

### **Managing graduates**

- 5.24 A number of studies suggest that the actual and potential benefits and opportunities of working in SMEs exceeds graduates expectations, particularly with regards to levels of autonomy, flexibility and input into the business (see, Arnold et al., 2002). However there is limited empirical research exploring the experience of graduates in SMEs, particularly those which provide for comparative analysis with, for example, graduates working in large organisations (Holden et al., 2002). Within the existing research there is a level of concern regarding the utilisation of graduates in SMEs.
- 5.25 Belfield (1999, p. 257) suggested that 'we cannot reject the stark conclusion that the rewards for and utilisation of graduates in SMEs are sub-optimal compared to larger companies'. In addition, Belfield (1999) concluded that policies to stimulate graduate recruitment in to SMEs would need to consider this disparity if they were to be effective. This relates to discussions of talent management, which focus on the need for organisations to consider the career management, training and development and performance management of individuals recruited to the organisation. This would suggest that SMEs would need to ensure that they consider how they use graduates within the organisation to ensure that they are realising their full potential and making a valuable contribution.
- 5.26 Moy and Lee (2002) argue that SMEs could use such strategies to attract graduates to apply. Within the wider HRM literature, it is suggested that SMEs need to recognise the importance of a talent management strategy, particularly in the hospitality and tourism sector where they are competing with large and sometime multi-national organisations (Scott and Revis, 2008). Szamosi (2006) also identifies effective supportive

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<sup>6</sup> <http://www.hefce.ac.uk/whatwedo/lt/enh/highereducationachievementreport/>

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management as a means to attract and retain graduates, arguing that SMEs management structure lends itself to this. SMEs therefore need to consider how they will manage the career of graduates if they are to attract, retain and utilise the potential talent.

- 5.27 The available research seems to suggest that where graduates are recruited to SMEs this often occurs in an incidental way which results in the under-utilisation of the skills and attributes they do possess (Lowden et al., 2011). This reflects two key issues. First, the skills of the graduates tend to be undervalued or misunderstood by the SMEs. Second, the graduates are often not managed in a way that provides them with the opportunity to utilise and develop their skills. This may be a contributing factor to the general tendency for SMEs to undervalue the potential contribution of graduates to the organisation and accordingly why graduates do not consider SME employment as a career option.

### **Summary**

- 5.28 A number of themes emerge from the available evidence base around the perceptions of graduates amongst SMEs and the extent and nature of recruitment of graduates. In terms of the former, graduates are generally, and to some extent inappropriately, perceived as not having awareness of commercial business environments and/or lack the enterprising skills required to effectively operate within a smaller business. These perceptions are compounded by the approaches of smaller businesses to identifying skills needs and recruiting and managing people. These are characterised by being informal, opportunistic and transaction-driven. However, as the business grows, these approaches hinder the recruitment of people and skills required to achieve growth aspirations and goals.
- 5.29 As a result, graduate recruitment into SMEs is proportionately low given the scale and net contribution of the SME sector to the economy (Hart and Barratt, 2009) and where graduates are recruited to SMEs this often occurs in an incidental way which results in the under-utilisation of the skills and attributes they do possess (Lowden et al, 2011).

### **Assessment of the Supply-Side - The Graduate perspective**

- 5.30 Whilst it is important to consider the perspective of SMEs as the employer (actual or potential) of graduates, it is also important to consider the perceptions and attitudes of graduates (and undergraduates). Walmsley et al. (2012) argue that this perspective is currently neglected within existing research, with the main focus being on the attitudes of SMEs as employers. Despite ongoing debates about the changing nature of the labour market, research indicates that graduates expectations do not appear to fully align with this reality (Scurry and Blenkinsopp, 2011b). This gap in expectations may reflect a number of issues related to:
- Definitions of 'graduate' jobs
  - The attractiveness of working in SMEs vis-à-vis larger organisations
  - Exposure to the life-world of the SME
  - Career management skills development.

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5.31 The stakeholder consultations identified a set of issues affecting graduate engagement with SMEs. These range from a lack of awareness of career opportunities in SMEs, to a lack of opportunities to experience the life-world of the small business owner-manager through work experience. The remainder of this section of the report unpacks each of these issues in greater detail.

*Defining a graduate job*

5.32 In recent years, the graduate labour market has changed significantly with an increasing diversity in the labour market outcomes of graduates, and a subsequent blurring of the boundaries between 'graduate' and 'non-graduate' employment (Elias and Purcell, 2004). Traditional views of graduate occupations were associated with the entering of a 'profession': medicine, the law, teaching or high level management being typical examples (Elias, McKnight, Pitcher, Purcell and Simm, 1999) and popular perceptions of graduate jobs remain wedded to images of prestigious professions, fast-track management training programmes, and a significant labour market premium.

5.33 In addition to debates about what constitutes a graduate job, evidence indicates that graduates have unrealistic expectations about job prospects and their own employability (Westhead and Matlay, 2005; McKeown and Lindorff, 2011). It is argued that this stems from societal and individual level expectations of the kind of employment that individuals should be entering upon graduation from Higher Education (Scurry and Blenkinsopp, 2011). Higher Education, now more than ever, is underpinned by assumptions of investment in human capital. This is founded on a 'conventional wisdom among politicians, parents and students alike that all education remains "a form of investment" and that it will in a sense "deliver the economic 'goods'" (Brown and Scase, 1994, p. 16).

5.34 Underlying these expectations is an unexamined assumption of there being objective levels that can be used to validate the 'graduateness' of a job. In situations where a degree is not an entry requirement for employment, or when graduates are entering employment not traditionally associated with graduates (e.g. SMEs), wage level and opportunities for progression and development will be important in individual's identity formation and sensemaking. Therefore, there is a need to consider the positioning of SME employment within this context.

5.35 Furthermore as the cost of the investment in higher education increases due to the raising of fees, there is a need to consider what is being sold, particularly by universities. As they compete for the 'brightest and the best' it could be argued that they are selling a promise – and that many individuals are 'buying' the particular type of labour market outcome being sold. For example, a brief search of University prospectuses and promotional material highlights the prominence of success stories which

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highlight the graduates who obtained employment with a large multinational organisations. Within this context, little consideration has been paid to SME employment as a 'new' graduate career path (Walmsley et al., 2012), although there are some studies in which graduates have identified SMEs as possible career paths for the realisation of their career goals (Szamosi, 2006).

*Attractiveness of SMEs*

- 5.36 Although there is suggestion that increasing numbers of graduates are entering SME employment it is proposed that this is 'by default rather than by design' (Walmsley et al., 2012, p. 200), as a consequence of the effect of economic circumstances and increased numbers of graduates in the labour market. This is a concern as it is likely to result in the under-utilisation of skills (Blenkinsopp and Scurry, 2007). Research has shown that graduates tend to see SMEs as a back-up option, stemming from negative perceptions about pay, benefits, working conditions and opportunities for career development and progression (Moy and Lee, 2002).
- 5.37 This aligns with the findings of Westhead and Matlay (2005) who argued that market forces rather than ignorance resulted in the low level of graduate employment in SMEs. They proposed that there was a need for policy makers and SMEs to highlight the benefits of SME employment for graduates. The stakeholders consulted echoed this concern and felt that SMEs are generally not well versed in finding the best ways of appealing to graduates around issues such as career development opportunities in the business, the benefits of working in a smaller rather than a larger business and progression routes when working in a small business.
- 5.38 The consultations also identified that many of the trade and professional associations (e.g. sector skills councils) who could influence the career aspirations of students tend to be dominated by the concerns of larger organisations and that working with larger organisations is presented more positively than working in smaller businesses, particularly in terms of smaller businesses being unable to offer the same facilities as themselves:

*Graduates want to work for Apple, Google, Microsoft but how many jobs do these businesses have in the UK (Stakeholder interview).*

*The culture in the majority of Universities is geared towards working with big businesses. Opportunities focus on generating corporate relationships – why work with 100 when you can work with one. So Universities don't do anything to challenge [these] perceptions of brand (Stakeholder interview).*

- 5.39 In turn, such behaviours are likely to influence parents who are more likely to have aspirations for their children which are formal/corporate sector focused (Herrmann et al., 2008).



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*Limited engagement with SMEs*

- 5.40 The research suggests that graduates have limited engagement with SMEs during their time at university with the focus being on large organisations. For example, one of the interviewed stakeholders commented that *'in certain universities, a student can go through their three years without ever engaging with a small business owner, be that work experience, a placement or guest speaker at a lecture'* (Interviewed stakeholder). A key theme to emerge from the stakeholder consultations was that there was a general lack of engagement with SMEs around the development of curricula, placement opportunities and the use of guest speakers. A number of studies have also suggested that university careers services are orientated more to the needs of large employers than smaller businesses. In a recent HEA study, Tipple et al. (2012) found that the structure and operations of university careers services may be acting as a barrier to developing engagement with SMEs. For example, the hours of business, and in particular recruitment fairs, were not suited to SMEs as it was identified that SMEs work outside of standard core hours. Furthermore there was a sense that careers services are more oriented to interacting with large organisations.
- 5.41 Other research from Universities UK (2011) identified a number of barriers to interactions between SMEs and HEIs which included:
- A lack of information about opportunities for engagement
  - A difficulty in identifying who to speak with
  - Limited dialogue between HEIs and local businesses.

*Career management skills*

- 5.42 Recent research found that graduates displayed limited understanding of job search strategies and skills (Scurry and Blenkinsopp, 2011b). Given the previous barriers discussed above, it is important to consider undergraduate/graduate job search skills and behaviours, as well as approaches to career more generally (Walmsley et al., 2012)
- 5.43 McLarty (2001) argued that there was a need to ensure that graduates were able to demonstrate their employability to prospective SME employers. McLarty found that graduates were not providing enough information when making applications, failing to articulate and emphasise their strengths and experiences to employers. In addition, McLarty identified a range of mentoring needs for graduates that HEIs could incorporate into their programmes to help address this. These are outlined in Table 10 below.



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**Table 10:** Graduate mentoring needs

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**Mentoring needs**

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CV Preparation Skills  
Letters of Application  
Interview Techniques  
Job Targeting  
Job Search Procedures  
Internet Search Procedures  
Market Information

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*Source:* Adapted from McLarty (2001, p. 263)

5.44 Interestingly, McLarty (2001) identified that market information about job opportunities and openings was the least preferred mentoring need. More emphasis was placed on the need for skills related to CVs, cover letters and interview techniques. This aligns with the call by Walmsley et al. (2012) to consider graduate SME employment in relation to the career decision making of graduates.

5.45 The stakeholder consultations felt that this lack of information may arise from a structural problem, whereby these two groups (SMEs and graduates) are not linked and able to access each other. Although facilitating the links between these two groups should arguably be encouraged as a way to stimulate the latent demand, the research has highlighted a need to also consider cultural issues. Any interventions need to be embedded in a wider context which not only facilitates exchange between the two groups but also supports a journey to awareness or exposure to the SME life-world, then education and experience of working in SMEs.

**Managing the interface of demand and supply –Careers service professionals perspective**

5.46 In conducting the review of the existing evidence and consultations with stakeholders it emerged that there was a pivotal role for higher education institutions in managing the interface between the demand and supply side. Over the last five years, higher education institutions are increasingly working on stimulating the latent demand between the two groups, although the effectiveness of such activities varies between institutions (Wilson, 2012).

5.47 A large majority of work related to the ‘employability agenda’ happens within careers services. As a result of consultations with the Steering Group, there was an opportunity to distribute a survey through the Association of Graduate Careers Advisory Services (AGCAS), to its members (career professionals in higher education Institutions). The survey was developed in partnership with AGCAS and explored: (i) perceptions of the relationship between graduates and SMEs, (ii) scale

and scope of institutional engagement with enterprise and SMEs and (iii) the need for different types of policy responses and options.

*Profile of respondents*

5.48 Tables 11 to 13 provide an overview of the respondents to the survey. The majority of respondents (64 per cent) were heads of careers/employability service and the majority of respondents were located in institutions in the south of the United Kingdom.

**Table 11:** Primary Role of the Respondents (Number of responses = 50)

<b>Role</b>	<b>Response (percentage)</b>
Head of careers/employability service	64%
Deputy head of careers/employability service	4%
Careers adviser	4%
Employer liaison manager	8%
Placement/work experience manager	2%
Other	18%

**Table 12:** Location of Institution of the Respondents (Number of responses = 52)

<b>Location</b>	<b>Response (Percentage)</b>
East Midlands	9.6%
East of England	1.9%
London	9.6%
North East	1.9%
North West	9.6%
Scotland	5.8%
South East (excluding London)	19.2%
South West	13.5%
Wales	11.5%
West Midlands	11.5%
Yorkshire and Humber	5.8%

**Table 13:** Membership of University Association or Coalition (Number of responses = 46)

Association/network/coalition	Response (Percentage)
Million+	6.5%
1994 Group	15.2%
Russell Group	10.9%
University Alliance	21.7%
Association of Colleges	2.2%
Guild HE	8.7%
Don't Know	17.4%
No membership	10.9%
Other	6.5%

*Perceptions of the relationship between graduates and SMEs*

5.49 The overwhelming majority of respondents (95.6 per cent) agreed that there was an issue to be addressed in terms of the number of graduates recruited to SMEs, with the consensus (72.7 per cent) being that there was a need to equally encourage graduates to consider and apply for employment in SMEs as well as encouraging SMEs to consider and recruit graduates. In addition, 92.5 per cent of the respondents thought that there was a role for government in helping to address this. The key issue identified was a need to increase communication between SMEs and graduates and instigating this before graduation. Respondents highlighted a need for communication to go beyond advertising vacancies and provide information about SMEs to graduates about what SMEs are and what they can offer in terms of development, reward and experience. In addition there is a need for graduates to be able to communicate, and universities on their behalf, what graduates have to offer SMEs.

*Engaging with SMEs*

5.50 The survey identified that there were a range of strategies and practices in place for engaging with SMEs. Many institutions had formalised programmes, the majority of which were focused on the development of internship and placement opportunities for students/graduates within SMEs. An overview of a number of these initiatives is discussed in greater detail below in this section (for example, see Table 14 below), with specific programme details provided in Appendix 4.

5.51 The majority of institutions had multiple areas/activities focused on engaging with SMEs. These could be grouped into three key areas: (i) developing relationships with SMEs, (ii) recruitment services for SMEs and (iii) placement/internship services. The majority of initiatives outlined by respondents were operating at the local or regional level. This was considered to be the most appropriate given the nature of SMEs. A large number of respondents highlighted the importance of funding, in

particular for more structured initiatives such as placements and internships.

**Table 14:** Areas and strategies for engagement with SMEs amongst the surveyed institutions

Focus of engagement	Strategy for engagement
<b>Developing relationships with SMEs</b>	<ul style="list-style-type: none"> <li>• Mailshots to make SMEs aware of career services</li> <li>• Invitations to events for SMEs to present or exhibit</li> <li>• Business networking events for SME employers and students</li> <li>• Involvement of SMEs in skills development of students</li> <li>• Engage individuals from SMEs as employer mentors or to assist with events for our students</li> <li>• Offering consultancy about the graduate labour market</li> <li>• Dedicated teams working with SMEs.</li> </ul>
<b>Recruitment services for SMEs</b>	<ul style="list-style-type: none"> <li>• Advertising graduate job vacancies (Free of charge)</li> <li>• Graduate recruitment services to SMEs</li> <li>• Organisation of recruitment fairs with a focus on SMEs</li> <li>• Recruitment agency for student temporary work - 'try before you buy'</li> </ul>
<b>Placement/internship services for SMEs</b>	<ul style="list-style-type: none"> <li>• Internship programmes aimed specifically at SMEs</li> <li>• Sourcing placement opportunities for students and graduates</li> <li>• Work Shadowing opportunities for undergraduate students</li> <li>• Funded wage subsidies for graduate internships</li> </ul>

5.52 Whilst the majority of initiatives were aimed at engaging SMEs with the university and graduates, one respondent outlined an approach which also reflected the need for HEIs to engage with SMEs in order to learn about tailoring their service to the needs of SMEs:

*... Employer Partnership Board, chaired by a staff member in the careers service, made up of approx. 25 mainly local employers where we basically work through how businesses can work better with the institution and vice*

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*versa. This has enabled us to consider how working with SME's differs from bigger companies, for example, many of them don't have HR departments and so are clueless about recruiting students or graduates. By bringing them into the institution and making it more familiar, we have been able to develop partnerships that previously did not exist (Survey respondent).*

- 5.53 This is important as there is a concern within the literature that careers services in higher education institutions need to develop their services to align with the needs of the SME sector (Tipple et al., 2012).

#### ***Barriers to Careers Services engaging with SMEs***

- 5.54 Whilst the majority of respondents were engaging with SMEs, at some level, many identified a lack of or limited dedicated resource and a need for increased/dedicated resourcing from both the institution and external sources. Another emergent theme was the need for efforts to be proportionate to the opportunities on offer. This was for both the careers services and the SMEs. As one respondent stated: *'these companies tend not to have enough recruitment flow to warrant extended interface with students'* (Survey respondent).
- 5.55 In addition, several respondents highlighted the difficulties in sustaining relationships, which were perceived as being one-sided, with SMEs. As discussed above, this can be for a number of reasons including: (i) SMEs not knowing who to contact in careers services and higher education institutions, (ii) SMEs having limited or no awareness about the opportunities for engaging with higher education institutions the services provided and (iii) the lack of recognition of graduates as potential employees.

#### ***Barrier to SMEs employing graduates***

- 5.56 The perceived barriers to SMEs employing graduates identified by the respondents reflected those discussed above in Sections 4 and 5. These included: (i) not recognising the need for or potential value of a graduate, (ii) a lack of strategic planning about recruitment and skills needs of the business and (iii) not knowing how to access the graduate labour market particularly given resource constraints. In addition the careers service professionals perceived that SMEs see their size as a barrier for attracting graduates as they were unable to compete with large employers that offer structured graduate development programmes and higher salaries.
- 5.57 Overall there was consensus that there is a need to develop the understanding that SMEs have of the value that a graduate can bring to the business. Also, in recognition of the limited resources SMEs have for recruitment activities, there is a perceived need to facilitate increased interaction between SMEs and graduates.

#### ***Possible strategies to overcome barriers to SMEs employing graduates***

- 5.58 Respondents were asked to select three national strategies that they perceived would be most effective at addressing the barriers they had

identified to SMEs employing graduates. Table 15 lists the strategies in order of perceived importance. Whilst strategies associated with funding were selected by the majority of respondents, the top three initiatives that were not specifically related to funding sources were about: (i) increasing awareness of graduates as employees to SMEs, (ii) facilitating the communication of vacancies and (iii) provision of SME specific careers events. These map onto services which could be offered by a web-based resource platform,

**Table 15: Possible strategies to overcome barriers to SMEs employing graduates**

<b>National strategies to address barriers to SMEs employing graduates</b>	<b>Response (Percentage)</b>
• Subsidised paid internships in SMEs	74.1%
• Tax incentives for SMEs to employ graduates	65.5%
• Advertising and media campaign aimed at SMEs	25.9%
• Ring-fenced funding for HE careers services	25.9%
• Collection of case studies to illustrate to SMEs the benefits of employing graduates	22.4%
• National interactive portal / website on which SMEs could advertise vacancies	17.2%
• SME specific careers events	17.2%
• Further research into the needs of SMEs	12.1%
• Liaison between SME representatives and university representatives at a national level	12.1%
• Increase interaction with careers services - involvement in career development workshops (Mock interviews, CV writing etc)	10.3%
• Involvement in curriculum development Interaction with students through student projects and guest lectures	6.9%
• National interactive portal / website on which students /graduates could advertise themselves to SMEs	5.2%
• Electronic careers information materials aimed at SMEs	1.7%
• Printed careers information materials aimed at SMEs	1.7%
• Audio video material to illustrate to SMEs the benefits of employing graduates	1.7%
• Others	25.9%

5.59 Within the qualitative comments there was strong sense of the need to be able to market graduates to SMEs and opportunities in SMEs to graduates. One individual responded that the *'biggest problem is finding SMEs and their contacts - we can do the rest so anything that could be done nationally to help here would be good'* (Survey respondent). It was also suggested that there *'needs to be more linkages with national and local business networking groups e.g. Chambers of Commerce, LinkedIn, Federation of Small Businesses, Business in the Community combined with promotion*

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*from Government Department representatives and local authority economic development departments' (Survey respondent).*

- 5.60 However, there was a level of disagreement as to how to achieve these linkages, particularly in terms of the value of web-based platforms vis-à-vis more interactive interventions:

*Regional graduate recruitment portals (most of which are supported by local university partnerships) already have strong relationships with SME's and the local graduate labour market. We would strongly recommend a campaign to raise awareness of these regional services such as Gradsouthwest.com. Graduates Yorkshire, Grads East, Graduate Jobs South, GO Wales, Grad Central etc - all of whom are working closely with SME's to recruit graduates' (Survey respondent).*

- 5.61 A common theme in the qualitative responses was the lack of a need for a national recruitment portal. As one respondent stated: *'Please let's not have yet another recruitment website'* (Survey respondent). However, the issues raised were associated with a concern about the purpose and focus of such a platform. In particular concerns were raised regarding the integration of the platform with University Careers Services, and other existing models, combined with a need for segmentation, particularly at the regional level. For example:

*It is important that engagement with SMEs is at a local level and offers a wider support network. A national portal will be a waste of taxpayers money. There is a strong network of regional graduate recruitment sites who meet the needs of their local market place. We have seen powerful results and business growth through a well targeted and supported incentive programme (Survey respondent).*

*A national interactive portal would simply replicate - and detract from - the work that is already happening at regional level and add another layer of complexity for recruiters and candidates (Survey respondent).*

- 5.62 It is important to consider here that the majority of survey respondents have a local or regional focus. Within this context, whilst certain regional initiatives may have been successful, this does not necessarily mean that they would be able to be scaled-up and/or that a national initiative would replicate activity at a regional level, as there may be a focus on different groups of SMEs and/or graduates.

- 5.63 A key issue to emerge from the survey was a need for any potential strategy to adopt a multi-faceted approach which aimed to address awareness raising, engagement with HEIs and students and stimulate communication of both vacancies and what is the potential value of working in an SME. It was highlighted that it was key to involve a range of key stakeholders in order for anything to get purchase and momentum within the SME sector.

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*Barriers to graduates considering an SME as a career choice*

5.64 Participants were asked to comment on the barriers that they saw to graduates considering working with an SME as a career choice. There were two main themes in the responses to this question. First, the lack of awareness of SMEs as employers generally and second as a graduate career option more specifically. These barriers were seen to arise from limited understanding of the opportunity for career development in SMEs but also on a more practical level the graduates having little or no awareness of vacancies and specific employment opportunities for SMEs. The respondents identified a need to communicate to graduates the benefits and opportunities of working in SMEs.

*Barriers to graduates making successful application to SMEs*

5.65 Respondents were also asked to consider the barriers that they saw to graduates making successful application to SMEs. Two main areas were identified in the responses: (i) graduate knowledge of vacancies and the visibility of vacancies and (ii) the inability of graduates to articulate/present their skills and competence in a way that demonstrates value and/or meets the needs of SMEs. This aligns with arguments previously outlined by Scurry and Blenkinsopp (2011a; 2011b) that there is a need to consider the ways in which undergraduates and graduates engage with job search activities and behaviours.

*Strategies to overcome barriers to graduates considering SMEs as career choice and making successful applications to SMEs*

5.66 Respondents were asked to select three national strategies that they felt would be most effective at addressing the barriers they had identified to graduates considering an SME as a career option and graduates making successful application to SMEs. Table 16 shows the strategies in order of perceived importance.

5.67 Again the three strategies with the highest level of perceived importance response, aside from those associated with funding, were associated with: (i) increasing awareness of SMEs amongst students/graduates (both specific opportunities and as a sector), (ii) encouraging engagement with SMEs and (iii) facilitating communication.



**Table 16: National strategies to address barriers**

<b>National strategies to address barriers to graduates considering an SME as career choice and making successful applications to SMEs</b>	<b>Response (Percentage)</b>
• Subsidised paid graduate internships in SMEs	60.7%
• Undergraduate work experience programmes aimed at SMEs	50.0%
• Brokered networking opportunities with SMEs	26.8%
• National interactive portal / website on which SMEs could advertise vacancies	26.8%
• Advertising and media campaign (including social media) aimed at students/graduates	25%
• Ring-fenced funding for HE careers services and employability services	23.2%
• Programme of student projects and guest lectures to bring students and SMEs together	21.4%
• Training to ensure graduates have the skills SMEs need	17.9%
• Collection of case studies to illustrate to students/graduates the benefits of working in an SME	16.1%
• SME specific careers events	14.3%
• National interactive portal / website on which students /graduates could advertise themselves to SMEs	7.1%
• Audio video material to illustrate to students/graduates the benefits of working in an SME	5.4%
• Printed careers information materials aimed at students/graduates	3.6%
• Electronic careers information materials aimed at students/graduates	1.8%
• Others	16.1%

### **Review of approaches for stimulating demand and supply in the UK and elsewhere**

5.68 The review of the existing evidence base, the stakeholder consultations and the AGCAS members survey identified that there are a number of initiatives currently in place in the UK that are aimed at encouraging SMEs to employ graduates. Resourced from both public and private sector organisations, initiatives range from funding to subsidise employment (see for example the Commonwealth Graduate Fund in Glasgow<sup>7</sup>), paid or part subsidised internships/placements (Santander SME Graduate placement scheme<sup>8</sup> and Graduate Advantage Programme in the West Midlands<sup>9</sup>) and subsidised work experience programmes (e.g.

<sup>7</sup> <http://www.glasgow.gov.uk/NR/rdonlyres/FC717898-147E-4376-9789-7D8F340828DE/0/GlasgowCommonwealthGraduateFund.pdf>

<sup>8</sup> <http://www.guardian.co.uk/money/2012/jul/05/santander-launches-sme-graduate-placement-scheme>

<sup>9</sup> [http://www.graduateadvantage.co.uk/who\\_we\\_are/graduate\\_advantage\\_achievements](http://www.graduateadvantage.co.uk/who_we_are/graduate_advantage_achievements)

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Newcastle University Work Experience Programme<sup>10</sup>). Full details of the programmes and initiatives identified are in Appendix 4.

- 5.69 It is perhaps important to note here that it was challenging to identify initiatives that were currently running in the UK, in itself this is a somewhat challenging testament to their effectiveness, and as such raises concerns that SMEs and graduates may not be able to find information that would help to address the barriers we have previously identified. This is an area for concern as previous research has highlighted undergraduates displayed limited understanding of job search strategies and skills (Scurry and Blenkinsopp, 2011b). This adds to our earlier discussions and highlights further the need to consider undergraduate/graduate job search skills and behaviours, as well as approaches to career more generally (Walmsley et al., 2012).
- 5.70 At a general level, the review highlights that graduate-SME initiatives tend to be somewhat small-scale, limited in scope and geographical coverage. In addition, there is a lack of summative evaluations of initiatives, particularly in terms of the benefits, impact and value added of different types of intervention, particularly in terms of the impact on the employability of the graduate and the performance of SMEs. However, the stakeholder consultations and the survey of careers advisers and employability professionals in higher education did identify a number of examples of good practice in bringing graduates and SMEs together. A number of the surveyed stakeholders suggested that these examples could form the basis of potential policy/practice developments in the near-term to address some of the areas for development in current provision.
- 5.71 Encouraging the recruitment of graduates to SMEs is not limited to the UK with policy makers and industry bodies in various developed market economies promoting the value of hiring graduates in SMEs as part of business development and growth policies. .
- 5.72 Based on the review of the practitioner and policy literature, a selection of policy interventions and programmes from a variety of international contexts are have been reviewed and summarised in Appendix 5.

### **Moving from practice to policy**

- 5.73 Hanage et al. (1994) note that there is no one simple solution to increasing the employment levels of graduates in SMEs. They highlighted the need for a '*jigsaw of interlocking programmes and activities*' (Hanage et al., 1994, p.2). They outlined the following as the aims for these programmes and activities:
- Influence the perceptions of graduates by SMEs
  - Encourage more graduates to consider a career in an SME
  - Assist the recruitment of graduates by SMEs

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<sup>10</sup> <http://www.ncl.ac.uk/careers/develop/workExperience/nwe.php>

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- Help graduates make a significant contribution to their SME
  - Feedback the successes to SMEs and to graduates.
- 5.74 By bringing graduates and SMEs together, the evidence from the project suggests that such interventions will facilitate bringing forward economic benefit and growth for SMEs through being able to utilise the abilities, skills and knowledge of graduates in progressing specific business plans (CBI and Universities UK and CBI, 2009).
- 5.75 The review of the evidence base and consultations with stakeholders identified a number of distinct, yet complementary potential policy objectives in terms of support graduating recruitment to SMEs (see Table 17). Four key bundles emerge:
- The preparation of graduates for more entrepreneurial (or intrapreneurial) careers, where working in smaller organisations forms part of the career journey. This has been made more important by the substantial restructuring, downsizing, decentralising and divestment of larger businesses and their consequent disengagement with the graduate labour market. Within the UK, for example, over the last three years the number of larger businesses has consistently declined resulting in fewer employment opportunities amongst 'traditional' graduate employment destinations (Walmsley et al., 2012).
  - The creation of more enterprising graduates (in a behavioural sense). The importance of 'core' or key skills in a flexible labour market is increasingly being emphasised by employers of all sizes (Kewin et al, 2010). The rationale here is that the development of enterprising abilities, behaviours and skills amongst graduates enables them to shape their own career path upon leaving higher education, particularly in terms of the potential to add value to the development of small businesses.
  - The attraction of better qualified, ambitious and more able young people into the SME sector, particularly into high add value sectors such as manufacturing SMEs or export-based SMEs in the service sector (CBI, 2010).
  - The attraction of more ambitious and more able young people into the SME sector either as entrepreneurs or managers in existing businesses to improve both the quality of existing management and start-ups (Kewin et al., 2010). The available evidence here suggests that graduates have an important contribution to play in terms of the introduction of new ideas and ways of doing things, providing space for the owner-manager to work on, as well as in the business and providing potential opportunities for succession planning.

### **Summary**

- 5.76 This section of the report has assessed the issue of graduate recruitment to SMEs, from a number of different perspectives – the SME, the graduate, higher education institutions, practice and policy.

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5.77 This assessment identified a number of issues relating to the lack of engagement between SMEs and graduates and the impact and value added of initiatives and programmes of support targeted to support graduate recruitment to SMEs. The next section of the report reflects upon these issues in terms of a case for policy intervention and the associated policy options.

**Table 17:** Review of policy drivers and issues by stakeholder group

	<b>SMEs</b>	<b>Graduates</b>	<b>HEIs –career services</b>	<b>HEIs -general</b>	<b>Stakeholders</b>
<b>Increase interaction of students/graduate s/HEIs with the SME sector</b>	Work with universities to inform curriculum and provide internships and work experience opportunities	Students to facilitate networking events for SMEs	Promote SME work experience and internship opportunities	Departments to encourage guest lectures, live case studies, consultancy projects etc. specifically from SMEs	Promote events for networking between SMEs, students and HEIs.
<b>Increase awareness of SME employment opportunities amongst graduates</b>	Single/site portal for posting employment opportunities	Engage with careers services throughout degree programme.	Hold SME specific careers/ recruitment events.  Promote SME employment opportunities to students/graduates.	Invite SMEs to talk to students about opportunities.	Advisory groups, industry bodies to sponsor SME recruitment events.
<b>Increase attractiveness of SME employment for graduates</b>	Explicitly highlight potential for career development and progression in	Consider wider notions of graduate employment outcomes.	Develop SME work experience scheme. Provide success case studies of	Promote SMEs as successful labour market outcomes in recruitment and	Advisory groups, Industry bodies to promote careers in SMEs.

	<b>SMEs</b>	<b>Graduates</b>	<b>HEIs –career services</b>	<b>HEIs -general</b>	<b>Stakeholders</b>
	recruitment.		graduates working in SMEs.	course material.	
<b>Develop people management within SMEs</b>	Develop policies and practices which focus on developing and supporting graduates. Need to develop employability through training and development)	Be prepared to be proactive in their career management.	Run advisory sessions for SMEs about the need to present a package of development and progression.	Offer appropriate management development programmes for SMEs.	Business advisory organisations to provide guidance on the need for development and skills identification.
<b>Develop attractiveness of graduates to SMEs</b>		Sell skills and competences for SME environment. Build up SME experience through internships and work experience.	Encourage work experience and internships. Events to promote the value of graduates to SMEs.	Develop skills and competences for SME environment. Work with SMEs to develop curriculum to align with demands of SMEs.	Business support organisations and industry groups to promote the value of graduates to SMEs

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## 6. The Case for Policy Intervention and Development of Policy Options

### Background

- 6.1 The above assessment of the demand and supply-side has identified a number of issues impacting upon the dynamics and effectiveness of the market supporting graduate recruitment to SMEs.
- 6.2 There is an existing evidence base showing that under-developed management and leadership skills are a key constraint on the performance and growth of SMEs in the UK. For example, Bloom and Van Reenen (2010) note that management practices are an important factor in explaining the differences in productivity between businesses and countries.
- 6.3 Alongside this evidence base, there are studies which have highlighted the contribution of graduates to improving management skills in smaller businesses. Whilst there is limited quantitative data on the economic contribution of graduates to SME development (e.g. enhanced levels of turnover or profitability), there are a number of qualitative studies of the contribution of graduates to SME performance through increasing the intellectual capacity of the workforce, filling existing and/or future skills gaps, providing fresh and innovative perspectives and contributing technical expertise.
- 6.4 However, available data suggests that graduates are under-represented in the smaller businesses, both absolutely and in comparison to levels of employment of graduates in larger businesses. The discussion above has unpacked a number of factors leading to this under-representation, from the perspective of the SME (e.g. perceptions surrounding the work-readiness of graduates), the graduate (e.g. expectations of work conditions in SMEs) and the contribution of intermediaries (e.g. Universities and the challenges for higher education in bringing together SMEs and graduates).
- 6.5 In addition, there are a number of recent studies which suggest that many graduates employed in smaller businesses are either employed in non-graduate jobs or were employed because they were the best candidate for the job, not because they were a graduate.
- 6.6 Taken together, the current evidence base and the outcomes from the stakeholder consultations highlighted that graduates are not only under-represented in the SME sector but that also when in employment in smaller businesses their abilities and skills are often not being fully utilised.
- 6.7 Given such evidence, a range of initiatives and programmes has been introduced to bring SMEs and graduates together. These initiatives vary in:
  - **Emphasis** – Some of the initiatives work with SMEs to enhance their awareness and understanding of the contribution of graduates to business development. Others work with graduates to provide them with an experience or exposure of the life-world of the small business and/or

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enhance awareness of job opportunities in smaller businesses. Other initiatives have been introduced to enhance the capabilities of intermediaries to bring together graduates and SMEs.

- **Scale** - the majority operate at a local or regional level (e.g. Go Wales), whilst others have been introduced at a national level (e.g. Graduate Talent Pool).
- **Resource intensity** – some of the initiatives have been developed using European funding to assist in developing an intensive and multi-layered support service for graduates and/or SMEs, whilst others have been developed on limited resource to provide an information or brokerage service.

6.8 At a general level, the review highlights that graduate-SME initiatives tend to be somewhat small-scale, limited in scope and geographical coverage. In addition, there is a lack of summative evaluations of initiatives, particularly in terms of the benefits, impact and value added of different types of intervention, particularly in terms of the impact on the employability of the graduate and the performance of SMEs. However, the stakeholder consultations and the survey of careers advisers and employability professionals in higher education did identify a number of examples of good practice in bringing graduates and SMEs together. However, it should be recognized that the status quo remains problematic despite these initiatives. A number of the surveyed stakeholders suggested that these examples could form the basis of potential policy/practice developments in the near-term to address some of the areas for development in current provision.

### **Rationale for intervention**

6.9 The review of the evidence base and the key issues to emerge from the stakeholder consultations show that graduate recruitment to SMEs is affected by a wide range of issues. In terms of policy development, there is evidence to suggest that there are clear market failures affecting graduate both sides of the graduate labour market.

6.10 Three types of market failure can be inferred from the analysis of the structure and dynamics of the demand and supply-sides:

- **Information failures** in terms of awareness of, and perceived value amongst: (i) graduates of the life-world of the small business and the associated career opportunities and (ii) small businesses of the abilities and skills of graduates, particularly in terms of commercial awareness and business understanding, and methods of recruiting graduates.
- **SME capacity constraints** in terms of the resources available to recruit graduates through traditional recruitment techniques (including advertising in printed media, use of recruitment agencies) and support subsequent development to enhance the contribution of graduates to productivity.
- **Structural problems** inherent in linking large numbers of dispersed SMEs with large numbers of dispersed graduates.



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- 6.11 Given the existence of these market failures, there is a general consensus amongst key stakeholders that there is an important issue that needs to be addressed and there is a role for Government policy in addressing these market failures. The development of policy interventions, including the option of developing a web-based recruitment platform, may have a role in addressing structural weaknesses in the demand and supply-sides which result in either a lack of awareness of potential opportunities or a lack of perceived value.
- 6.12 The evidence from the project suggests that by bringing graduates and SMEs together, such interventions will encourage and enable SMEs to utilise abilities, skills and knowledge of graduates more effectively. This will lead to improvements in SME performance and growth.
- 6.13 Taken together, this evidence suggests that there is relatively robust rationale for policy interventions in supporting graduate recruitment to SMEs.

#### **Policy Options: Assessment of a Web-based recruitment platform**

- 6.14 The review of the evidence base and stakeholder consultations identified a range of potential policy options, with the suggestion that these policy options are likely to be useful but individually insufficient to provide a response to the scale and scope of the issues influencing the dynamics of the market, on both the demand and supply-side.
- 6.15 Within the review of these policy options, there was a particular focus on the development of a web-based recruitment platform. In part, this focus reflected suggestions with earlier reports about the potential role for a web-based solution in bringing SMEs and graduates together (see, for example, McLarty, 2000; Barratt and Hart, 2009). It was suggested that a web-based solution would not only assist in raising awareness of behaviours and expectations on both sides of the market, thereby assisting to address the information asymmetries outlined above, but would also provide a degree of flexibility in terms of access and entry points and a relatively low cost solution.

#### *Overview*

- 6.16 At a general level, four key issues emerged. First, there is a level of disagreement surrounding the need for a web-based recruitment platform. Whilst some key stakeholders suggested that a national platform was needed, others saw more merit in policy interventions designed to provide graduates with **exposure** to SMEs and/or provide graduates with an **experience** of working in SMEs. As one survey respondent noted '*A national interactive portal would simply replicate - and detract from - the work that is already happening at regional level and add another layer of complexity for recruiters and candidates*' (Survey interview).
- 6.17 Second, if a web-based recruitment platform is to be developed, it needs to be part of a wider programme of activity around graduate recruitment to SMEs. Therefore, the web-based platform would be most effective **if complemented by other measures**. A consistent theme across the consultations, as well as

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within current thinking, is that the challenge to graduates working in SMEs does not only relate a lack of awareness of appropriate job openings. A set of other issues need to be addressed including:

- Developing an understanding of enterprising careers and employment within SMEs as part of such a career whilst studying at University
- Providing an opportunity for students to experience the life-world of the small business, whilst at University and after graduation
- Encouraging Universities and SMEs to develop closer relationships around people and learning and skills development.

6.18 There is a range of interventions and programmes designed to address these issues in the United Kingdom, with some being more successful than others (HECFE, 2011). Both the consultations and surveys suggested that specific institutions and localities have made more progress than others in addressing these issues, which provided a more fertile landscape for a web-based recruitment platform to be sustainable in the near to mid-term.

6.19 Third, and given this other activity, the platform would need **support or buy-in from key stakeholders**. Within Section 4, it was highlighted that there is diversity amongst both the SME and graduate market. A key implication of this diversity is that different groups of SMEs and graduates will engage with the platform in the near and mid-term. This will influence the stakeholder engagement strategies required. For example, in the near-term, there are certain types of businesses within specific sectors which will be more likely to use a web-based platform to recruit graduates. There will be existing networks within these sectors (e.g. sector skills councils, sectoral centres of excellence) which may provide useful routes to engaging with SMEs. In comparison, a number of the mainstream business representative groups (e.g. the FSB, FPB, Chambers of Commerce) and people development/learning networks (e.g. CIPD) will need to be engaged over a longer-time period to engage other groupings of small businesses who not only face issues with engaging with graduates but also need support in using web-based platforms in recruiting people.

6.20 Fourth, if there is a need for a web-based recruitment platform with national reach this should **learn from existing initiatives** and good practice within the UK and comparator international economies. The consultations identified that there are successful portals at a local and regional level but were constrained in addressing failures in provision in other areas due to a lack of resource. The experiences of these initiatives would provide a useful resource in developing the specification for the platform, developing collaborative relationships and exchanging experiences around critical success factors such as charging strategies and user engagement.

### ***Benefits***

6.21 A platform, with the right specification, could be a relatively cost-effective solution to bringing graduates and SMEs together around job opportunities. For example, one stakeholder noted that a portal could be developed by a web design business for approximately £30,000 with a relatively low ongoing

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support cost, particularly if managed by organisations involved with some other aspects of recruitment and/or working with small businesses

- 6.22 There are models which demonstrate that a web-based recruitment platform can be self-financing (e.g. Graduates Yorkshire), through developing appropriate charging strategies for businesses using the portal, but there are challenges in making a transition from a free service to a self-financing model. These include: demonstrating ability to add-value (e.g. the portal does more than just provide information), developing pricing strategies which are appropriate for different groups of SMEs using the platform; providing links to other recruitment and people development resources which are appropriate to the needs of different groups of SMEs, as opposed to generic links to national websites. This places an emphasis on the platform doing more than just matching; therefore, care is needed that a national platform does not compete with both private and other publicly-funded provision. This places an emphasis on a mapping existing provision and identifying a competitive position for a national platform.
- 6.23 Certain groupings of SMEs will be more disposed to using a web-based platform to support recruitment. These are likely to be growth-orientated businesses and/or businesses run by younger people in sectors such as creative and culture, business services and retail. Therefore, the platform has a potential benefit to such businesses in finding talent to support future development of the business

### **Challenges**

- 6.24 The key challenges associated with a web-based recruitment platform include:
- Identity with a national platform – Both the stakeholder interviews and survey highlighted issues around identity of regional vis-à-vis national platforms. If one aspect of the platform is to involve businesses posting vacancies, it is important that businesses have some sort of connection or share some sort of identity with the platform. Identity translates into perceived quality of the postings onto the platform as well as levels of engagement with potential routes to using the portal. As one stakeholder noted that *'local knowledge is important in that you have to understand the market. Businesses hand out in different groups and networks in different markets. Regions will have unique networks and it will be a challenge for a national portal to engage with these networks'* (Stakeholder interview). This implies that the national platform will need to explicitly link with, and add value to existing regional graduate recruitment portals.
  - Understanding and use of online recruitment amongst SMEs – The review of the current evidence base highlights that use of online recruitment methods is somewhat limited amongst SMEs, particularly smaller businesses. Whilst social networking sites, such as LinkedIn, are increasingly being used for recruitment, this tends to be within certain segments of the SME community, such as within cultural and creative and business services. This position was summarised by one stakeholder interview who reflected that *'there are a number of challenges to SMEs in recruiting people, let alone graduates. They tend to rely on more on informal*

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*networks. Most wouldn't think about or let alone use online methods'* (Stakeholder interview). As a result, this raises an issue for the focus of the platform in terms of the balance between providing an information service (e.g. how to guides on how to recruit graduates which are tailored to the needs and requirements of different groups of SMEs) and providing a matching and recruitment service, through the posting of live services. If the latter, it is important that platform builds upon or provides links to existing services in the market.

- Routes to market – There were a number of comments across the interviews and services that there was a danger that a web-based recruitment platform would duplicate as opposed to complement existing online recruitment services: *'I believe that rather than a national site/portal for advertising vacancies, funding should be allocated to regional websites (of which there are already many in existence) to help them reach SMEs and advertise jobs on their behalf (and for staff to have the time to contact SMEs proactively). There is little money for these sites at present but they are successful in engaging SMEs because if SMEs engage with HEIs it is most likely to be their local one'* (Survey interview). As a result, it was argued by some respondents that the platform needs to be positioned to add value to these existing services by focusing on regions that are not effectively addressed through regional initiatives and/or using existing networks to address the needs of businesses not met by existing provision. Stakeholder views acquired through interviews and the survey suggests that there is scope to use existing networks to reach growth-orientated SMEs (e.g. through the Growth Accelerator Programme), focused sectors with growth potential (e.g. through Science City networks, through Centres of Excellence) and medium-sized businesses (e.g. through local entrepreneurial networks). By developing relationships with such networks, it would assist in developing credibility for the portal and allowing services to be tailored to the needs of specific groupings of SMEs. This position was summarised by one survey respondent who suggested that: *'Do not spend a fortune on mass marketing to SMEs - if anything works, it's a personal approach and services that can be tailored to their specific needs/sector'* (Survey interview). However, as discussed above, this group of stakeholders do have a local and regional focus, which may not assist in identifying how national initiatives could add value to their activity. In addition, there is evidence from a number of the stakeholder interviews that by retaining the status quo, graduates underrepresentation in SMEs will continue to be problematic.

6.25 A summary of the issues around the need and feasibility of a web-based recruitment platform are summarised in Table 18. The available evidence would suggest that there are certain issues that need to be worked through further before the development of a web-based recruitment platform. These include:

- Identification of the key segments amongst the graduate and SME community as target markets. For example, it is likely that more growth-orientated businesses are proactively searching for new skills and knowledge to support growth and if a portal is linked to sectoral initiatives

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(e.g. Manufacturing Advisory Service) and/or growth development initiatives (e.g. the Growth Accelerator) this may encourage engagement. However, there will be a need to identify and engage with other groupings who are harder to reach (e.g. micro-businesses).

- Keep it simple and don't over-complicate the specification for development of the platform.
- Test it with a key target group before roll-out. This will not only assist in initial targeting but also manage initial cost of development and management. This may also provide an opportunity to test different models for sustainability and identify an appropriate host for the platform
- Develop other resources for the platform, including links to other recruitment sites, which add value to the posting of job vacancies.

**Table 18:** Overview of an Inter-based Recruitment Portal

Features	Benefits	Challenges	Key next steps
<ul style="list-style-type: none"> <li>Information on recruitment activities and processes</li> </ul>	<ul style="list-style-type: none"> <li>Cost-effective solution to linking graduates and SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Avoiding duplication of existing portals</li> </ul>	<ul style="list-style-type: none"> <li>Identify and agree key target groups</li> </ul>
<ul style="list-style-type: none"> <li>Recruitment resources – e.g. how to guides</li> </ul>	<ul style="list-style-type: none"> <li>Proven models for financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Overcoming the lack of use of online recruitment methods</li> </ul>	<ul style="list-style-type: none"> <li>Identify key networks for routes to markets</li> </ul>
<ul style="list-style-type: none"> <li>Tailored signposting</li> </ul>	<ul style="list-style-type: none"> <li>Coverage of gaps in regional provision</li> </ul>	<ul style="list-style-type: none"> <li>Building upon existing routes to market</li> </ul>	<ul style="list-style-type: none"> <li>Conduct market positioning mapping</li> </ul>
<ul style="list-style-type: none"> <li>Posting of vacancies</li> </ul>	<ul style="list-style-type: none"> <li>Additional recruitment resource for certain groupings of SME</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Develop detailed specification</li> </ul>

### Other Policy Options

- 6.26 The consultations with stakeholders provided an opportunity to explore other policy options which would support a greater number of graduates working in SMEs. Whilst stakeholders were presented with a number of options, others emerged from the discussions and can be grouped into four bundles:
- Those related to providing graduates with **exposure** to SMEs
  - Those related to **educating** graduates in the key aspects of working in a SME and vice-versa
  - Those related to supporting graduates to **engage** with SMEs.
  - Those related to providing graduates with **experience** in SMEs.

- 6.27 Within each of these bundles, there were a number of suggestions as to what activities could be promoted and supported to encourage more graduates to engage with SMEs and vice-versa. Against such a background, a national portal was perceived as having a role to play in raising **awareness** and **supporting** engagement. However, it was perceived as part of the solution or graduate-SME 'canvas'. By itself, it was suggested that the portal would have somewhat limited impact:

*For the portal to be effective, there is a need for an educative intervention before and/or at the same time so that there is a greater understanding of graduates and SMEs on both sides. If they don't understand each other, then they won't think about visiting a portal (Stakeholder interview).*

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6.28 The review of the evidence base and the outcomes from the interviews and survey would suggest that key elements of the graduate-SME 'canvas' could include:

- **Exposure** – The first stage in supporting graduates to work in SMEs relates to raising awareness of the potential contribution of graduates to SMEs, such as the contribution of their skills, and the value of SMEs as a career opportunity for graduates. At a qualitative level, there are a number of studies which demonstrate the value to both graduates and SMEs which could be used to develop a set of information-based resources which could be used by business and enterprise networks, higher education institutions and recruitment networks. These information resources could include case studies (e.g. stories from SMEs where graduates have added value to the development of the business), video stories from graduates where they reflect on the value of working in SMEs and signposting guides for different groups of graduates and SMEs which demonstrate how to move from awareness to action. These resources could form part of a national internet-based recruitment portal as they would support education and engagement activities.
- **Education** – Within this context, education relates to converting awareness into understanding of the value of graduates to SMEs and vice-versa. The evidence base suggests that higher education institutions have a key role here, particularly in terms of embedding SME and enterprise development in the curriculum and supporting the CPD of career and employability professionals, in order that being enterprising is promoted as an important part of the employability skills set. There are a number of examples of good practice within this element of the SME-graduate canvas. The challenge here is about structures to support experience exchange between providers and embed graduates and SMEs into the design and development of educational offerings.
- **Engagement** – As discussed above, there are a number of mechanisms which assist engagement between graduates and SMEs. The effectiveness of these mechanisms varies, not only in terms of local and regional coverage but also the extent to which SMEs have used these initiatives, particularly on an ongoing basis. This is where a national internet-based recruitment portal could add value, particularly if using an existing portal to provide national coverage. This would not only assist in addressing concerns with duplication but also building on one or two initiatives which have demonstrated financial sustainability in the near to mid-term. Engagement could also be supported through Universities facilitating access between SMEs and graduates through targeted initiatives (e.g. 'Meet the SME' events where students are invited to a drop-in workshop which is attended by a range of SMEs from the locality. Students have time to spend with SMEs, not only discussing potential opportunities within the specific business but also ways in which to communicate their contribution and value to smaller businesses more generally). In addition, an internet-based recruitment portal needs to develop relationships with key networks within the target markets, as the evidence base shows that certain



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groupings of SMEs will be more likely to use internet-based resources for recruitment and people development.

- **Experience** – Over the last two to three years, there have been a number of local, regional and national initiatives focused on providing graduates with an experience of working in SMEs. The focus here has been on providing internships and work placements to graduates in SMEs, in order that: (i) graduates develop an understanding of what it is like to work in a SME and the associated career development opportunities and (ii) SMEs develop an appreciation of the value to graduates to different aspects of business and enterprise development. Whilst there has been an ongoing debate within the national media as to the value of the internships and work placements, a number of recent reviews and studies, including the Wilson Report (2012), have highlighted the benefits, impact and value added of such interventions. The consultations and survey highlighted that such interventions will be required alongside initiatives to address the three other E's, including an internet-based recruitment portal, to assist in converting awareness and exposure into a positive experience.

6.29 It is important to highlight that there is a range of activities being undertaken against each of the 4Es above, particularly in terms of education and engagement (see Appendix 4 and 5). However, there is a need for greater linkages between this activity, in terms of explicit connections between each level of the SME-graduate canvas, and supporting the professional development of professionals and networks influencing perceptions of the SME-graduate relationship. An internet-based recruitment portal could play a part in addressing these two issues.



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## 7. Summary

### Context

- 7.1 In June 2012, SFEDI and Newcastle University Business School (NUBS) were commissioned by the Department of Business, Innovation and Skills to undertake a research project into graduate recruitment to small and medium-sized enterprises (SMEs). This final report unpacks the key issues to emerge from the project.
- 7.2 The overall aim of the project was to undertake research into graduate recruitment to SMEs, to inform the development of a policy rationale and an associated set of policy options, which lead to greater levels of graduates working in SMEs.
- 7.3 In so doing, the project has:
- Developed an evidence based rationale for possible policy development around graduate recruitment to SMEs
  - Assessed a set of policy options which could be used to encourage and enable higher levels of graduate recruitment to SMEs, including a web-based platform to support graduate recruitment to SMEs
  - Assessed the challenges, risks and opportunities associated with the development and management of these options.

### The Key Findings

- 7.4 The key findings to emerge from the research into graduate recruitment to SMEs include:
- There is evidence to support the contribution of graduates to SME development. For example, at a qualitative level, a number of studies have suggested that the recruitment of graduates into SMEs is a way to enhance the skills levels and performance of SMEs, based on the argument that graduates add value in a number of ways. For example, Gilleard and Reichwald (2008) suggest that graduates can increase the intellectual capacity of the workforce, fill existing and/or future skills gaps, provide fresh and innovative perspectives and contribute technical expertise and knowledge.
  - Whilst there is agreement that graduate recruitment to SMEs has the potential to increase management and leadership capability and enhance growth in the SME sector, it is difficult to precisely determine the number of graduates currently employed in SMEs. The available evidence base around graduate recruitment to SMEs is limited and inconclusive, presenting a somewhat mixed picture. Overall, however, there appears to be a consistent view that graduates are under-represented in SMEs
  - A recurring theme within existing research relates to the low level of recognition of a need for graduates within SMEs. The majority of SMEs do not see graduates as 'a natural source of recruitment', with owner managers having concerns about the need for graduates. This uncertainty over the need for graduates is seen to stem from a number of factors including:

- A tendency for SMEs to undervalue the potential contribution of graduates to the organisation, which is particularly evident amongst smaller businesses
- Cost of recruitment and associated salaries for graduates
- Perceived appropriateness of the skills possessed by graduates
- Limited work/practical experience amongst graduates
- Perceived level of supervision that graduates would require.
- The review of the current evidence base and consultations with key stakeholders suggests that sector or nature of business activity and the type of owner-manager influence perceptions towards the value of graduates to business development in SMEs.
- The research suggests that where graduates are recruited to SMEs this often occurs in an incidental way and/or through informal networks and recruitment methods which can lead to the under-utilisation of the skills and attributes they do possess.
- In addition, there are a set of issues around the attitudes and perceptions of graduates in terms of working in SMEs. These relate to levels of pay, career progression and working conditions. However, a number of studies suggest that the potential benefits and opportunities of working in SMEs exceeds graduates' expectations, particularly with regards to levels of autonomy, flexibility and input into the business.
- Given data around the relatively large numbers of vacancies within SMEs, and the acknowledged skills gaps within SMEs, it is argued that there is a latent demand which remains unrealised and which could be addressed by greater numbers of graduates in working in SMEs. Issues related to awareness of the contribution of graduates to business development and/or access to resources to support the recruitment of graduates emerge as key challenges to converting latent into actual demand.

### The Policy Case

- 7.5 The review of the evidence base and stakeholder consultations identify that graduate recruitment to SMEs is affected by a wide range of issues.
- 7.6 In terms of policy development, there is evidence of market failures affecting graduate recruitment to SMEs on both sides of the market. Three types of market failure can be inferred from the analysis of the structure and dynamics of the demand and supply-sides:
- **Information failures** in terms of awareness of, and perceived value amongst: (i) graduates of the life-world of the small business and the associated career opportunities and (ii) small businesses of the abilities and skills of graduates, particularly in terms of commercial awareness and business understanding, and methods of recruiting graduates
  - **SME capacity constraints** in terms of the resources available to recruit graduates through traditional recruitment techniques (including advertising in printed media, use of recruitment agencies) and support subsequent development to enhance the contribution of graduates to productivity.
  - **Structural problems** inherent in linking large numbers of diverse and dispersed SMEs with large numbers of dispersed graduates.

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- 7.7 Given the existence of these market failures, there is a general consensus amongst key stakeholders that graduate recruitment to SMEs is an important issue that needs to be addressed and there is a role for Government policy in addressing these market failures. The development of policy interventions, including the option of developing a web-based recruitment platform, will address structural weaknesses in the demand and supply-side which result in either a lack of awareness of potential opportunities or a lack of perceived value.
- 7.8 The evidence from the project suggests that by bringing graduates and SMEs together, such interventions will encourage and enable SMEs to utilise abilities, skills and knowledge of graduates more effectively. This will lead to improvements in SME performance and growth.
- 7.9 Taken together, this evidence suggests that there is relatively robust rationale for policy interventions in supporting graduate recruitment to SMEs.

### **Policy Options – A Web-Based Recruitment Platform**

- 7.10 A key area of focus during the consultations was an assessment of the perceived need for a web-based recruitment platform, in complementing existing initiatives, and the opportunities and challenges around developing such a platform.
- 7.11 Three key issues emerged around the need for a web-based recruitment platform:
- First, there is a level of disagreement surrounding the need for a web-based recruitment platform. Whilst some suggested that a national platform was needed, others suggested that there was a need for policy interventions which related to providing graduates with **exposure** to SMEs and/or providing graduates with an **experience** of working in SMEs would be more appropriate.
  - Second, if a web-based platform is to be developed, it needs to be part of a wider programme of activity around graduate recruitment to SMEs. A consistent theme across the consultations, as well as within current thinking, is that the challenge to graduates working in SMEs does not only relate a lack of awareness of appropriate job openings. Therefore, the web-based platform would be most effective if complemented by other measures.
  - Third, the platform would need **support and buy-in from key stakeholders**.
  - Fourth, if there is a need for a web-based recruitment platform with national reach this should **learn from existing initiatives** and good practice within the UK and comparator international economies.
- 7.12 In terms of benefits, three groupings emerged:
- A web-based platform could be a relatively cost-effective solution to bringing graduates and SMEs together around job opportunities.

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- There are models which demonstrate that a web-based platform can be self-financing (e.g. Graduates Yorkshire), through developing appropriate charging strategies for businesses using the portal, but there are challenges in making a transition from a free service to a self-financing model.
  - There are certain groupings of SMEs which currently use web-based tools to support recruitment. These tend to be growth-orientated businesses and/or businesses run by younger people in sectors such as creative and culture and business services.

7.13 The key challenges associated with a web-based recruitment portal include:

- Engaging businesses with a national web-based platform, particularly those that would not normally recruit graduates or recruit them in this way.
- Understanding and use of online recruitment amongst SMEs.
- Routes to market in terms of working through trusted networks of SMEs.
- Engaging stakeholders which have credibility with target groups of SMEs.

7.14 The consultations with stakeholders provided an opportunity to explore other complementary policy options which would support graduates working in SMEs. These can be grouped into four bundles:

- Those related to providing graduates with **exposure** to SMEs.
- Those related to **educating** graduates in the key aspects of working in a SME and vice-versa.
- Those related to supporting graduates to **engage** with SMEs.
- Those related to providing graduates with **experience** in SMEs.

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## **Appendices**

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## **Appendix 1: Stakeholder Discussion Guide**

**DEPARTMENT OF BUSINESS, INNOVATION AND SKILLS  
RESEARCH ON GRADUATES INTO SMEs**

**STAKEHOLDER CONSULTATIONS  
DISCUSSION GUIDE**

**Section 1: Introduction**

- SFEDI and Newcastle University Business School have been commissioned by BIS to undertake a research study focused on graduate recruitment to SMEs
- A key element of the current industrial policy of the Coalition Government is improving the management and leadership capabilities of business owners and managers. This reflects evidence which shows that under-developed management skills and capacities are one of the most important constraints on SME performance and growth.
- There is also an established evidence base around the contribution of graduates to business and economic development. However, available statistics highlight that graduate recruitment into SMEs is proportionately low given the scale and net contribution of the SME private sector to the economy. This may reflect a market failure on both sides of the market.
- We have been commissioned by BIS to provide a fuller understanding of these issues and to develop and test a set of policy options targeted at increasing levels of engagement between graduates and SMEs.
- We are currently undertaking consultations with different groups of stakeholders, via face-to-face and telephone consultations, to explore perceptions of the SME-graduate relationship and the potential policy and practice responses related to encouraging a greater uptake of graduates as employees of SMEs
- Focus for the consultations – perceptions of the relationship between SMEs and graduates, evidence of market failure in the relationship, responses to the market failure, the feasibility of an internet-based recruitment portal and experiences from elsewhere
- Duration – 30 to 45 minutes (telephone) to 45 to 60 minutes (face-to-face)
- Confidentiality – All responses will be treated in the strictest confidence and will not be used to identify you or your organisation.

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## **Section 2 – Background Characteristics**

This explores the background characteristics of the individual and organisation being consulted, particularly in terms for the nature of the relationship with SMEs and graduates.

Issues to be covered:

- Details of the organisation – rationale, nature of activity, size, sector
- Market – SMEs, graduates, recruitment, other
- Previous activity in the SME-graduate market – extent and nature

## **Section 3 - SME-Graduate Relationship**

This section explores current perceptions and experiences around the dynamics of the SME-Graduate relationship.

Issues to be covered:

- Extent and nature of the SME-Graduate issue
  - Is it an issue?
  - If yes – to what extent, evidence supporting the issue
  - If – no, why not, evidence supporting the lack of an issue
- Perceptions of the relationship between SMEs and graduates
  - Perception of the SME perspective
  - Perception of the graduate perspective
- Evidence of a market failure
  - Is there a market failure(s)
  - If yes, what type(s) of market failure exist?
  - If no, why not?
- Comparative perspectives
  - What is happening in other developed market economies?
  - Availability of statistics around the SME-graduate relationship
  - The nature of the policy responses

## **Section 4: Policy Case and Policy Options**

This section explores the policy case and policy options associated with the SME-graduate relationship, in particular the feasibility of an internet-based recruitment tool

Issues to be covered:

- What is the case for policy intervention in the SME-graduate relationship

- 
- What are the potential policy options
    - [include suggestions here from the review]
    - What are the advantages and disadvantages of these options?
  - What is the role for technology in these options
  - Is there a need for an Internet-based recruitment tool
    - Focus – what would be the aims?
    - Form – what would it look like?
    - Function – how would it work – key stakeholders/partners, routes to market, type of engagement, type of content
    - Fit – value added to other provision
    - Critical success factors

### **Section 5: Summary**

Issues to be covered:

- Thank participants for their contribution and time
- Ask if any questions
- Summarise next steps – use of data from the interview, keeping up to date with the project and further involvement

## Appendix 2: List of Stakeholder Consultations

The following organisations were consulted as part of the project:

<b>Grouping</b>	<b>Organisation</b>
Business and enterprise organisations	British Chambers of Commerce Confederation of British Industries Culutral and Creative Skills Federation of Small Business Forum of Private Business Google Institute of Family Business Peter Jones Foundation National Enterprise Network Princes Trust Unlocking Cornish Potential Young Enterprise
University networks	Association of Graduate Careers and Advisory Services Council for Industry and Higher Education Entershops Enterprise Educators UK Higher Education Funding Council for England i-graduate Institute of Small Business and Entrepreneurship Life After Uni National Association of College and University Entrepreneurs National University of Students University of Derby University of Leeds University of Sheffield UK Careers Sector Strategic Forum Universities UK
Recruitment and people development networks	Association of Graduate Recruiters  Council for Administration Gradcore Northern Recruitment Group Parity

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## Appendix 3: Online Survey of Career and Employability Professionals

### SME survey

**1. Do you think there is an issue to be addressed with the numbers of graduates working in SMEs?**

Yes

No

Don't know

**2. If so, broadly speaking which of the following do you think most needs to be addressed?**

Encouraging graduates to consider and apply to SMEs?

Encouraging SMEs to consider and recruit graduates?

Both equally

Other (please expand below)

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## SME survey

### A. Engaging SMEs

**3. To what extent and how do you engage with SMEs? (Please give details of what you do and approximately how much time your service spends on these activities.)**

**4. What, if any, barriers do you see to SMEs employing graduates?**

**5. What, if anything, is your service doing to help overcome these barriers?**



## SME survey

**\*6. Of the options below, please select the THREE national strategies which you feel would be most effective at addressing the barriers you have identified:**

- Advertising and media campaign aimed at SMEs;
- Collection of case studies to illustrate to SMEs the benefits of employing graduates;
- Electronic careers information materials aimed at SMEs;
- National interactive portal / website on which SMEs could advertise vacancies;
- National interactive portal / website on which students /graduates could advertise themselves to SMEs;
- Ring-fenced funding for HE careers services;
- Subsidised paid internships in SMEs;
- Printed careers information materials aimed at SMEs;
- Tax incentives for SMEs to employ graduates;
- Involvement in curriculum development Interaction with students through student projects and guest lectures;
- SME specific careers events;
- Audio /video material to illustrate to SMEs the benefits of employing graduates;
- Increase interaction with careers services -involvement in career development workshops (Mock interviews, CV writing etc);
- Further research into the needs of SMEs;
- Liaison between SME representatives and university representatives at a national level;

Other (please specify)

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## SME survey

### B. Encouraging students and graduates to work in SMEs

**7. What, if any, barriers do you see to graduates considering working with an SME as a career choice?**

**8. What, if any, barriers do you see to graduates successfully applying to SMEs?**

**9. What strategies are you currently employing to overcome these barriers?**

## SME survey

**\*10. Of the options below, please select the THREE national strategies which you feel would be most effective at addressing the barriers you have identified:**

- Advertising and media (incl social media) campaign aimed at students / graduates;
- Audio /video material to illustrate to students/graduates the benefits of working in an SME;
- Brokered networking opportunities with SMEs;
- Collection of case studies to illustrate to students/graduates the benefits of working in an SME;
- Electronic careers information materials aimed at students / graduates;
- National interactive portal / website on which SMEs could advertise vacancies;
- National interactive portal website on which students /graduates could advertise themselves to SMEs;
- Printed careers information materials aimed at students / graduates;;
- Programme of student projects and guest lectures to bring students and SMEs together;;
- Ring-fenced funding for HE careers and employability services;;
- SME specific careers events;;
- Subsidised paid graduate internships in SMEs;
- Training to ensure graduates have the skills SMEs need;;
- Undergraduate work experience programmes aimed at SMEs;

Other (please specify)

## SME survey

### C. About your service/institution

#### 11. Where is your institution based?

- East Midlands
- East of England
- London
- North East
- North West
- Northern Ireland
- Republic of Ireland
- Scotland
- South East (excluding London)
- South West
- West Midlands
- Wales
- Yorkshire and Humber

#### 12. Is your institution a member of any of the groups below? Please tick all which apply.

- Million +
- 1994 Group
- Russell Group
- University Alliance
- Association of Colleges
- Don't know
- Other (please specify)

## SME survey

### D. About you

#### 13. My primary role is:

- Head of careers / employability service
- Deputy head of careers / employability service
- Administrator
- Careers adviser
- Employer liaison manager
- Information manager
- Lecturer / tutor
- Placement / work experience manager
- Other (please specify)

#### 14. Do you have anything to add?

**15. You are welcome to complete this questionnaire anonymously but it would be useful if you could provide an email address, if you are happy to be contacted individually about the project.**

## Appendix 4: Review of Practices in Supporting Graduate Recruitment to SMEs

Programme/ initiative	Outline	Details
Birmingham Skills for Enterprise and Employability Network (BSEEN) – Now Closed <sup>11</sup>	The BSEEN project was designed to promote entrepreneurship among recent graduates at three Birmingham universities – Aston, Birmingham City and University of Birmingham, whilst also meeting regional priorities including increasing higher skills, enhancing innovation and enterprise and supporting SMEs.	<p>The targets were to provide entrepreneurial support to a minimum of 350 graduates, supporting 90 emerging businesses and creating at least 30 new graduate businesses, these were all met or exceeded in a 15 month period. The independent evaluation report also identified that over 47% of the businesses supported were fully trading and profitable.</p> <p>BSEEN was made possible by a successful bid to the Working Neighbourhood Fund. The aim of effecting an entrepreneurial culture change across the three institutions was fully met, as evidenced by the partner institutions' decision to embed and continue delivering the programme beyond March 2011.</p>
E-placement Scotland <sup>12</sup> (Not only aimed at SME's but majority of IT companies are SME)	E-Placement Scotland is an IT industry-backed programme which helps match talented students with employers offering IT-related work placements. They cover everything from software development and mobile apps, to telecoms and digital technologies – in a variety of industries.	<p>E-Placement Scotland offer placement opportunities all year round to university and college students who will return their studies after the placement. Placements are flexible with 3, 6, 12 months full or part-time options.</p> <p>All placements are paid. Employers pay a minimum salary of £12k per annum, pro rata. Some employers will pay more, at their discretion, based on skills and experience - this can mean up to £20k per annum, pro rata.</p>
Glasgow Commonwealth	A Glasgow City Council initiative designed to	Targets recruitment of unemployed Glasgow graduates offering financial incentives to

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<http://www.birmingham.gov.uk/cs/Satellite/bseen?packedargs=website%3D4&rendermode=live>

<http://www.agcas.org.uk/articles/468-BSEEN-to-be-a-winner-in-Birmingham->

<sup>12</sup> <http://www.e-placementscotland.com/default.aspx>

Graduate Fund <sup>13</sup>	encourage employers to create new graduate level jobs in and around Glasgow.	<p>employers, mainly SME's, to take on new workers.</p> <p>The fund opened for recruitment 30 November 2011. The total funds available are limited, therefore the scheme will operate until resources are fully committed or until 31st March 2015.</p> <p>The programme includes</p> <ul style="list-style-type: none"> <li>• Financial contribution towards salary costs of graduates 50% of actual salary costs for up to 12 months, up to a maximum of £10,000 per person. This is based on a 35-hour week.</li> <li>• Organisations in the private and voluntary sectors may employ graduates through the initiative, but the jobs must be additional to any other graduate recruitment.</li> </ul>
GO Wales <sup>14</sup>	The project is managed by the Higher Education Funding Council for Wales (HEFCW) the project is delivered by University Careers Services in Wales. GO Wales receives funding from the Welsh Government and the European Union Social Fund (ESF).	<p>The project aims to provide almost 6,741 students and graduates with training and development opportunities to prepare them for their future careers during 2009-2014.</p> <p>GO Wales encourages SMEs to employ graduates on 10 week programmes. Employers are offered a subsidy of up to £950 towards salary costs. The Graduate Training and Development strand can help subsidise training up to £1500 per graduate employed with a SME.</p> <p>2009-2011 outcomes:</p> <ul style="list-style-type: none"> <li>• 1413 students and graduates have secured paid GO Wales work placements with businesses in Wales.</li> <li>• 65% of students and graduates on placement were offered longer term work with the host placement company or another SME once the</li> </ul>

<sup>13</sup> <http://www.glasgow.gov.uk/NR/rdonlyres/FC717898-147E-4376-9789-7D8F340828DE/0/GlasgowCommonwealthGraduateFund.pdf>  
[http://www.glasgow.gov.uk/en/Residents/LearningEmployment\\_Training/CommonwealthGraduateFund](http://www.glasgow.gov.uk/en/Residents/LearningEmployment_Training/CommonwealthGraduateFund)

<sup>14</sup> [www.gowales.co.uk](http://www.gowales.co.uk)

		<p>work placement had ended.</p> <ul style="list-style-type: none"> <li>• 1128 students and graduates have taken part in a Work Taster to improve their employability.</li> <li>• 1650 businesses have taken part in GO Wales.</li> </ul>
Graduate Acceleration Programme Northern Ireland (GAPNI) <sup>15</sup>	<p>Business in the Community, in partnership with Queen's University Belfast and the University of Ulster have created a programme centred on giving Northern Ireland's graduates meaningful work experience and a valuable qualification in a time they may have otherwise been struggling to gain employment.</p>	<p>Launched in January 2010, with the objective to help hundreds of Northern Ireland graduates gain six months of invaluable work experience whilst obtaining a postgraduate qualification that will help boost their employability and improve their career prospects.</p> <p>GAPIN is a work placement programme, lasting up to 26 weeks, designed to improve employability skills and to help accelerate job prospects. As well as the opportunity to gain meaningful work experience, it also provides the chance to study for a qualification at no cost to the graduate. This study element is an EDI Leadership and Management Certificate and has been specially designed for GAP. The graduate will complete a business improvement project or a piece of work. The graduate will receive current benefit plus an additional training bonus/top-up of £15.38 per week. They may also be eligible to get housing benefit and assistance towards childcare costs.</p>
Graduate Advantage Programme in the West Midlands <sup>16</sup>	<p>Graduate Advantage work with local SMEs in the West Midlands to deliver a range of industry-specific internships so that graduates get work experience.</p> <p>The project is funded and supported by a consortium</p>	<p>The project aim to narrow the graduate recruitment and retention gap, improve leadership and management skills in the workforce and to provide graduate level work experience to help individuals find roles in the future.</p> <p>The project runs both paid and voluntary internships. Voluntary internships run from between 4 and 16 weeks, with option of</p>

<sup>15</sup> <http://www.gapni.com/>

<sup>16</sup>

[http://www.graduateadvantage.co.uk/who we are/graduate advantage achievements](http://www.graduateadvantage.co.uk/who-we-are/graduate-advantage-achievements)



	<p>of universities and university colleges. Graduate Advantage is based at Aston University and part-funded by the European Regional Development Fund.</p>	<p>getting help towards travel costs. Paid internships are of any length up to 12 months, depending on what companies are looking for, and will always be above minimum wage (most tend to be somewhere between 16-17K.). Graduates will be working on a specific short-term project, such as rebuilding a website or providing some fresh marketing ideas for a re-brand.</p> <p>Graduates must have a West Midlands address, either at home or university.</p> <p>The programme also provides FREE Payroll and HR Service to the participating SMEs</p>
Gradsouthwest.com <sup>17</sup>	<p>Gradsouthwest.com works pre-dominantly with SME's to advertise approximately 15,000 graduate level vacancies in the South West of England per annum. They have advertised graduate level roles for about 6,000 SME's.</p> <p>Gradsouthwest.com is part funded by local universities and part of the graduate network - an informal network of other regional graduate recruitment services</p>	<p>They offer a graduate recruitment guide plus one to one advice for employers about how to attract graduates and comply with equalities and employment legislation, for example by assisting with the copy writing of their advert.</p>
INTRO Programme - Graduate Programme Belfast <sup>18</sup>	<p>The INTRO programme has been developed by Talent Management experts Parity Solutions, in conjunction with the programme funder, the Department for Employment and Learning (DEL). Intro has been designed to support and develop management and</p>	<p>INTRO is for ambitious, talented and highly driven individuals who are currently unemployed, or those who wish to re-skill, re-train or move career/jobs.</p> <p>INTRO A is designed to introduce NEW TALENT to Northern Ireland SME Companies.</p> <p>INTRO B is designed to up skill EXISTING TALENT within Northern Ireland SME Companies.</p>

<sup>17</sup> <http://www.gradsouthwest.com/>

<sup>18</sup> <http://www.introprogramme.com/>

	leadership capability in Northern Ireland (NI).	<p>Graduates must have third level qualification in any discipline (degree, HND or equivalent) are eligible to apply for INTRO.</p> <p>Intro is a paid management internship programme which include 15 days personal and professional skills development, 21 weeks industry experience, a management qualification and coaching an mentoring throughout the programme</p>
Knowledge Transfer Partnership <sup>19</sup> (Not only aimed at SME's)	A part Government funded programme to encourage collaboration between universities and businesses. A Knowledge Transfer Partnership (KTP) is a three-way project between a graduate, an organisation and a university/research organisation/further education institution	<p>KTP works across a wide range of academic disciplines and industry sectors, and any degree subject is considered.</p> <p>The graduate play a key role in managing and implementing tactical or strategic development in the business and transferring knowledge between the business and the knowledge base (university). KTP Associates (Graduate) own their project and are supported by experienced staff from the business and the knowledge base</p> <p>The project lasts for a period of between 10 weeks to three years with approximately 70% of associates (graduates) are offered employment by the host business.</p> <p>Most graduates become members of the professional body most relevant to their field.</p>
Graduate Jobs South (GJS) <sup>20</sup>	GJS is a partnership between Southampton Solent University, the University of Chichester and the University of Winchester.	<p>GJS is open to any graduate or student interested in working in the Southampton, Winchester or Southern (including Hampshire, Isle of Wight, Dorset, Wiltshire, Sussex, Surrey, Berkshire) area after graduation or on a work placement whilst studying.</p> <p>GJS works primarily with SMEs from the Hampshire region. They have around 4,000 SMEs registered with the site and many post their vacancies to our site on a regular basis.</p>
Newcastle Work Experience <sup>21</sup>	Newcastle University programme giving graduates work experience	Develop students commercial Acumen, Personal Enterprise, Planning & Organising and Communication and build up business

<sup>19</sup> <http://www.ktponline.org.uk/>

<sup>20</sup> [www.graduatejobssouth.co.uk](http://www.graduatejobssouth.co.uk)

	in order to increase their employability NWE offers paid work experience opportunities in local SMEs to bright and enterprising students.	contacts in the North East of England.  Students receive a training bursary of £600 upon completion of a term-time placement and £2400 for a summer placement
Nottingham Trent University/Future Factory <sup>22</sup>	The Future Factory project offers small to medium sized companies (SMEs) in the East Midlands an opportunity to draw on the expertise they need to develop more efficient and sustainable ways of doing business. The project offers this support for free or at a heavily subsidised rate support as the project is 40% funded by the <a href="#">European Regional Development Fund</a> and 60% funded by <a href="#">Nottingham Trent University</a> .	The project includes funded graduate placements, offering a 25% subsidy towards the salary of a graduate employed. The post graduate students combine this level of employability with the intellectual, technical, and academic expertise necessary to: <ul style="list-style-type: none"> <li>• engage with the business</li> <li>• commit to project work</li> <li>• Assist it on its journey towards a more sustainable future.</li> </ul> This subsidy is available to all graduates, not just graduates of Nottingham Trent University.
Plymouth University/ Plymouth Graduate Internship Programme for Graduates <sup>23</sup>	Working closely with employers across the South West region, the Plymouth Graduate Internship Programme (PGIP) creates short-term paid internships for graduates of any UK university or further education college.	Interns are appointed for a short term contract to focus on a particular project or to take on specific responsibilities. Internships also provide an ideal opportunity for graduates to enhance their CVs and to gain real work-place experience. The positions are developed specifically as graduate-level internships where the graduate is given the opportunity to apply a range of skills, assume real responsibilities, make an impact and progress quickly into a successful professional.  A commitment of £300 (minimum) a week salary for the intern is required.
Queen Mary, University of	<i>Start Up Stand Up</i> , held in May 2012, was a joint	The event was structured like a comedy club and aimed at inspiring students to consider

<sup>21</sup> <http://www.ncl.ac.uk/careers/develop/workExperience/nwe.php>

<sup>22</sup> [http://www.ntu.ac.uk/future\\_factory/about\\_us/project\\_aims/index.html](http://www.ntu.ac.uk/future_factory/about_us/project_aims/index.html)

<sup>23</sup> <http://www.plymouth.ac.uk/pages/view.asp?page=35254>

London: Start Up Stand Up <sup>24</sup>	event coordinated by the QM Entrepreneurship Society and Queen Mary Careers, part of the Careers Group, University of London, and supported by the National Association of College & University Entrepreneurs (NACUE).	<p>working in an SME or starting their own business. Held in the student bar, four SMEs (and a stand-up comedian) told the attending students about a particular aspect of the start-up scene, from what it is like to be in an Accelerator Programme, and the differences between working for a large and small organisation, to what it is like to sleep on a couch for six months while you develop a smart phone app.</p> <p>Several of the students who attended have ended up in mentoring relationships with speakers and some of the organisations attending are now looking to establish formal placements for QMU students. QMU now has a waiting list of organisations to speak at the next event, which will take place in October 2012.</p>
Renewable Energy Supply Chain Opportunities (Resco) <sup>25</sup>	Through association with Staffordshire University, RESCO is able to offer West Midlands SMEs subsidised graduate placements to work on a variety of projects.	These placements receive 80% subsidy, which means the costs to the company amount to only about £55 per week. Management of the placements, including matching of appropriately qualified graduates to company specified projects, is carried out partly by the University's Careers Office. These placements last four weeks (if full-time), and graduates can help your company in a variety of areas such as marketing, IT, web design, business planning, finance, and engineering
Salford University/Unit e with Business <sup>26</sup>	The project seeks to work with SMEs to identify real business issues and from this create short, focused projects that last for 20 days (over a flexible term, if worked part-time). A project is created that will deliver a business benefit and Unite with Business will match students with the right skills and	<p>Final year students, postgraduate students, and graduates can get paid work experience, and projects can be worked on a full- or part-time basis and are offered throughout the year.</p> <p>Benefits for students:</p> <ul style="list-style-type: none"> <li>• Work on real projects with real business improvements that will boost your employability prospects</li> <li>• £960* paid upon successful completion of the project (*subject to</li> </ul>

<sup>24</sup> <http://www.agcas.org.uk/articles/586-Queen-Mary-University-of-London-Start-Up-Stand-Up>

<sup>25</sup> <http://www.resco.org.uk/supportavailable/>

<sup>26</sup> <http://www.unitewithbusiness.co.uk/>

	experience into the most appropriate project.	tax and National Insurance)
Santander SME Graduate Scheme <sup>27</sup>	Place graduates from UK universities on internships with small- and medium-sized firms	<p>Aimed at encouraging "entrepreneurialism" and promote the benefits of working for an SME to final-year and recently graduated students.</p> <p>500 new internships, a link-up between the bank and 58 partner universities Santander will work with the universities to find the individuals and companies that will benefit most from the scheme, and is promising to help with placement and administration. Crucially, it will fund 50% of a basic salary for those who participate. The firms, and in some cases the universities, will pick up the rest of the cost.</p>
Semta (the Sector Skills Council for Science, Engineering and Manufacturing Technologies) Undergraduate and Graduate SME placement scheme <sup>28</sup> (Seems to be from July 2012)	Semta provides a free service for SMEs, matching SMEs with graduates.	<p>Semta can help SME employers engage with Higher Education by:</p> <ul style="list-style-type: none"> <li>• Finding a suitable undergraduate/graduate for work experience within the business</li> <li>• Help integrate a undergraduate/graduate within business</li> </ul>
Shell Technology Enterprise Programme (STEP) <sup>29</sup>	This scheme offers 600 second or penultimate-year undergraduates the chance to undertake eight-week project-based assignments in July and August for small and medium-sized businesses and other organisations over the summer vacation.	<p>The students are responsible for their own project during the placement. The aim is for students to put theory into practice and to use their own initiative to perform key tasks for the organisation, which often involves regular contact with the managing director or a senior member of staff</p> <p>Placements may be with businesses, charities or community organisations. The scheme includes an induction course</p>

<sup>27</sup> <http://www.guardian.co.uk/money/2012/jul/05/santander-launches-sme-graduate-placement-scheme>

<sup>28</sup> <http://www.nwautoalliance.com/wp-content/uploads/2012/07/Graduate-Leaflet-July-2012.pdf>

<sup>29</sup> <http://www.step.org.uk/>

		<p>covering business procedures, project management and time management, and prizes are awarded for the best projects nationally.</p> <p>Typical projects may include the design of a web site; developing marketing plans; HR initiatives; environmental audits; cost analysis studies and financial projects. The students are paid.</p> <p>Students who successfully completed a STEP project are eligible to be entered on a database which is made available to employers looking to recruit the best graduates</p>
Talent Scotland <sup>30</sup>	The programme can offer an opportunity to work on a short-term project with an established business or social enterprise.	<p>The programme is open to all graduates who:</p> <ul style="list-style-type: none"> <li>• Have graduated at degree or postgraduate level from a higher education institution within the past two years</li> <li>• Have no more than one year's relevant (graduate level) work experience since their last graduation</li> </ul> <p>Organisations of all sizes participate, the graduate receive a minimum salary of £14,000 (pro rata) whilst on placement. A supplement of £1,500 is already included to placements based in the Highlands and Islands.</p> <p>Projects last from three months to one year and must be quantifiable and measurable.</p>
Teesside University/ DigitalCity Innovation <sup>31</sup>	Led by Teesside University, and funded by the University, European Regional Development Fund and the private sector	An opportunity for companies to apply fresh thinking and graduate level skills to particular business issues through three to six month placements. Our graduates and companies are supported throughout the placement by a DigitalCity mentor
The University of Hull Internship Programme <sup>32</sup>	The Careers Service secured University funding to continue to offer internships to the local	The University of Hull Internship Programme offers both students and graduates the opportunity to apply for a paid internship. The internships advertised

<sup>30</sup> <http://www.talentscotland.com/students.aspx>

<sup>31</sup> <http://www.tees.ac.uk/sections/about/dci.cfm>

<sup>32</sup>

[http://www2.hull.ac.uk/hiddenplan/strategic\\_plan/connections\\_stories/engaging\\_through\\_internships.aspx](http://www2.hull.ac.uk/hiddenplan/strategic_plan/connections_stories/engaging_through_internships.aspx)

	business community. Small and Medium Enterprises (SMEs) in particular are able to tap into the University's broad base of talent – often for the first time – and trial graduate skills within their organisation.	under this programme can be anything up to 12 weeks. Some opportunities may even lead to full-time permanent employment for graduates. As a result, Hull's allocation of internships to small businesses exceeded their target by over 600%, with internships allocated over a range of industry sectors.
Unlocking Cornish Potential (UCP) <sup>33</sup>	The UCP Graduate Placement programme offers short-term, accessible and practical help for Cornish companies by placing graduates to undertake projects which are seen as key to the company's growth and progression.	UCP help identify the company's specific needs and scoping the project, source a group of suitable candidates and interview them with alongside the company.  UCP projects can be flexible to fit the company, lasting between 6 and 12 months. The company must be able to pay a minimum graduate salary of £16,000 pro rata.
University College London/SME Placement Scheme <sup>34</sup>	This summer (2012), UCL Advances are offering 50 students the exciting chance to work in SMEs across London.	The project aim to give graduates credible work experience and pick up entrepreneurial skills directly from small business owners. The internships are open to any UCL students or very fresh graduates (students due to finish their course this summer 2012) and will last for 8 weeks over the summer.  In addition to new skills and experience the graduate will also be paid a tax-free training allowance of £250 per week for the full time internship with the SME.
University of Liverpool/Graduate Internship programme <sup>35</sup>	Programme Merseyside-based SME (small or medium-sized enterprise) looking to recruit local talent, or a recent graduate who would like to work in the Merseyside area.	The Careers & Employability Service at the University can help. The Graduate Internship Programme aims to facilitate the recruitment of Merseyside graduates into roles within local small and medium sized companies. Placements can last from three to six months, but many employers choose to

<http://www.agcas.org.uk/articles/488-Hull-targets-SMEs-for-internships>

<http://www2.hull.ac.uk/student/careers/paidinternships/graduateinternships.aspx>

<sup>33</sup> <http://www.cornwall.ac.uk/ucp/index.php?page= Home>

<http://www.gradcornwall.co.uk/>

<sup>34</sup> <http://www.ucl.ac.uk/advances/support/internship-programme/students>

<sup>35</sup> <https://alumni.liv.ac.uk/NetCommunity/SSLPage.aspx?pid=1010&frcrld=1>



		employ the graduate full-time after only a couple of months.
University of Sunderland/ Graduate Development Programmes 36	Graduate development programmes are opportunities for new and recent graduates to work for small to medium sized employers (SMEs) in the North East.	Graduates gain six months paid work experience and the chance to apply your knowledge and skills. In many cases the programme leads to the offer of a permanent job, although this cannot be guaranteed. The University recommends to companies that graduates are paid a salary that reflects the average graduate salary for the North East. In previous years, 88.5% of graduates completing a six month project were offered a permanent contract with their employing company

#### Endnotes:

<sup>i i</sup> The 2010/11 Destinations of Leavers from Higher Education (DLHE) data includes all those students whose study was full-time or part-time (see Definition 5) and who obtained relevant qualifications (see Definition 4) reported to HESA for the reporting period 1 August 2010 to 31 July 2011.

The HESA DLHE Target Population contains all UK and European Union domiciled HE students for whom destinations data is expected and sought (see Definition 6). The figures presented in this SFR are based on information obtained by institutions and returned to HESA. Where the category 'unknown' appears, the data relates both to non-respondents and to those leavers who have explicitly refused to answer the survey. Data on the number of unknowns is obtained by cross-checking the actual respondents with the total expected to reply, as returned in the 2010/11 HESA Student record. In 2010/11, 331,050 full-time qualifiers responded from a target population of 414,290, which amounts to an overall response rate of 80% the same as in 2009/10. 83,680 part-time qualifiers responded from a target population of 112,010, an overall response rate of 75%, again the same as in 2009/10. These response rates include explicit refusals and are calculated separately from this SFR. They will be presented in a reference volume published by HESA in July 2012. In this SFR the figures for whom destinations are known exclude explicit refusals, for which no other information is available. It can be seen from Table 1 that the percentage of records returned for full-time HE students is 77% (77% in 2009/10) and from Table 2 for part-time HE students 70% (71% in 2009/10).

Please note that the figures supplied have been subjected to the HESA standard rounding methodology - see definitions for details <http://www.hesa.ac.uk/content/view/2510>. The percentages supplied are based on unrounded figures.

<sup>36</sup> <http://sfs.sunderland.ac.uk/ces/graduates/graduate-jobs/dev-prog/>



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