

The Disconnect between Employers and Graduates

‘The Good – The Bad – The Ugly’
Research from Moloney Search LTD

INTRODUCTION

Since its founding 30 years ago, Moloney Search LTD has worked extensively in the graduate space. Over the last five years, we have witnessed a large number of changes in recruitment processes and graduate trends, leading to an increasing disconnect between graduates and prospective employers. For our 30th Anniversary, our Early Careers Practice have investigated and analysed these growing challenges within the graduate market and the wider sphere of Early Careers.

The survey conducted involved working with Early Careers Professionals in over 200 UK-based businesses spanning multiple sectors from global industry players to SMEs, including:

Professional Services

Financial Services

Retail and FMCG

Energy and Infrastructure

Technology

Public Sector

In addition, we interviewed nearly 500 graduates from a broad range of UK universities.

Incorporating the demand and supply sides of this market has allowed us to gain deep insight into its mechanics and understand why so many on both sides are dissatisfied with current processes and results.

TOP LINE FINDINGS

AI HAS DRASTICALLY CHANGED GRADUATE RECRUITMENT PROCESSES

Exacerbated by the COVID-19 pandemic, a focus on remote activity has changed how firms' recruitment processes work. This has resulted in a **disconnect between graduates and employers**.

30% of graduates are actively against the use of AI in hiring processes

That group also said that they would avoid applying to companies using it in their recruitment process. They often feel unfairly dismissed given that they are unable to show off their range of interpersonal skills to actual people and instead are required to convince a machine of their suitability for the role.

LARGE CORPORATIONS THAT INITIALLY ADOPTED AI TO STREAMLINE RECRUITMENT ARE NOW DOUBTING ITS EFFECTIVENESS

Over 75% of companies that extensively use AI in their hiring process are struggling with the quality of candidates appearing at the final stages compared to five years ago

We learned about a lack of range in applicants reaching the final stages. All had similar academic and industry experience, reducing the diversity of knowledge and skills in their intake. This is put down to the reality that AI is not able to spot the quirks in applicants that make them individually special and instead rules them out for not having "relevant experience."

64% of large companies we spoke to were unhappy with the overall quality of candidates reaching the final assessment centre stages

Our findings suggest that this may be partly due to applicants gaming the system during the earlier, technology-led stages of application processes. With the increasing public availability of AI interfaces such as ChatGPT, BERT or Claude, candidates can mask their real persona and instead use AI to write covering letters, answer psychometric and ability tests, and even assist them with pre-recorded interviews. Conversely, SMEs have yet to experience this problem, as they rarely use AI in their processes but are instead seeing a rise in struggles to gain the right talent at the early/mid-careers level.

QUALITY, NOT QUANTITY

The current economic climate is greatly affecting the graduate market. Decreasing budgets are leading to a reduction in graduate roles and, hence, increasing the number of applicants per role. While speaking with the ISE, we learned that the applications per role averaged 85 across all sectors, reaching up to 120 for financial and professional services firms; this is a significant rise since 2021. **This intense level of competition means that graduates are becoming less concerned with "what job?" and are more concerned about finding any job.**

Less than 50% of graduates are applying for roles they are actually interested in or believe they will excel at

The increase in AI use is having detrimental effects on the overall quality of applicants too. As mentioned above, firms are witnessing reduced quality of applicants in their final stages, whether it be the range of candidate skills or overall quality. Firms are increasingly aware of this and are starting to move away from these online processes and back to ones with a more personal touch.

71% of large firms are looking to reduce the amount of AI use in their processes

In the current economic climate, firms need faster financial returns on their graduate investments. There is a shift from firms to focus on skills-based hiring, such as coding or financial literacy, over soft skills. At the same time, over half of graduates are applying to roles and sectors based on their interests and soft skills,

88% of graduates believe their soft skills alone are enough to secure them positions

This disconnect is resulting in firms struggling to find the right talent for their current needs, and settling for whoever they deem fit, not wanting to waste the result of their costly recruitment processes and needing to fill the roles.

RETENTION RATES ARE FALLING

More than half of firms have seen a significant reduction in graduate retention rates.

Firms have seen retention rates drop as low as 1/3 of what they were in 2019

The most common reason for leaving a role in the first two years has shifted from “career development” to “Salary”.

64% of early career professionals said they would be tempted away from any role for a 5% increase in salary

Company loyalty is on the wane, starting from the moment of application. Graduates are applying to far more roles in the hugely competitive market, leading them to apply to roles that they do not see a long-term future in, viewing firms as a “number”.

70% of applicants could not name more than half the firms they applied to when asked

Rather than putting thought into fit and company culture, they are then shocked that it is not what they expected or wanted only once they join. Concurrently, the increase in use of AI, and number of technology-based rather than personal stages to application processes are making graduates feel like “just a number” to firms. **The processes are not inspiring candidates to love the firms they may soon join, but instead are frustrating them with the process.**

For firms with all in-person hiring processes, 88% of candidates said they enjoyed the process and would apply again despite being rejected. For roles with less than 50% personal contact during the process, only 36% of applicants said they would apply again

Once employees join firms, the ever-increasing “work from home” culture impacts company loyalty.

Firms don't understand that graduates and early career professionals are not actually that interested in remote working.

Only 6% of graduates and early career hires say that remote work is essential, whereas 73% of firms believe that graduates think it is

For graduates and early careers, working from home harms the additional enjoyment found in the workplace, forming proper connections with peers, spending time learning from inspiring managers and workplace seniors, as well as developing a proper company culture that draws employees to stay. At the same time, **only 7% of senior managers work a full week in the office**. Firms must find a balance that keeps the connection and loyalty between graduates, early career employees, and the senior management team.

MASSIVE UPTICK IN EARLY CAREER RECRUITMENT

Another trend we have observed is the growing interest in hiring early career professionals with six months to three years of experience.

45% of firms said they would consider moving away from their traditional graduate schemes and hand-selecting already trained early careers professionals to fill middle management positions

Despite many job seekers (as seen with the falling retention rates), finding these candidates has become increasingly challenging. **Early career workers are prioritising monetary compensation over job purpose and development, leading to lateral moves within industries rather than across them. This is because the hard skills developed in their initial roles are often not, or are believed not to be, valuable in other sectors.**

Since 2019, there has been a 31% reduction in early-career employees moving cross-sector. Instead, they are progressing within the same industry, as they believe this is how to maximise salary

This trend is particularly impacting SMEs, with many candidates "pricing themselves out" of smaller companies' budgets. SMEs face stiff competition from large brands that have both the funds and reputation to attract top talent.

63% of grads would move for an identical salary for the chance of a big brand on their CV

However, many smaller businesses remain committed to finding early career hires, recognising the long-term value of investing in their future. According to Wharton Business School professors, a worker's average tenure **significantly increases from two years to eight years after they make their first move**. This suggests that early-career hires, once settled, can become long-term assets to the companies that invest in their development.

APPRENTICESHIPS ARE ON THE RISE

Apprenticeships have drawn significant interest in recent years, given the increasing awareness of their mutual benefit to both the employer and employee.

77% of large firms have either implemented or are planning on putting in an apprenticeship programme

Firms are interested in hard skills and use apprenticeships as an affordable way to address their skill shortages. For example, the technology industry offers apprenticeships with annual salaries ranging from £16,000 to £20,000, taking in talented individuals and upskilling them throughout the apprenticeship. This solves not only short-term skill issues but also longer-term retention rates.

79% of apprentices who started in 2019 are still at the same firms

Additionally, more students are turning to apprenticeships given the benefits of financial and career growth. The benefit of no student debt, combined with immediate hands-on experience, is appealing. Apprenticeships provide a pathway to the start of careers and are increasingly being taken up by top-tier students as an alternative to university.

UNIVERSITY CAREER SERVICES ARE FAILING STUDENTS

The increase in job applications can be attributed to students applying unfocusedly to a wide range of roles.

80% of students have no proper guidance before joining the workforce

At the same time, students only identify what they like or are good at after joining a company, decreasing retention rates. Consequently, students often apply indiscriminately, resulting in a surplus of applications for employers to sift through and a higher likelihood of rejection for the applicants.

Graduates are applying to twice the number of roles compared to 2019, and only have actual interest in 30% of those applications

Without proper career guidance, many students enter roles that do not match their skills or interests, leading to job dissatisfaction and high turnover rates. This trial-and-error approach is costly for employers, who must repeatedly invest in recruitment and training, and frustrating for students, who face career instability.

SURVEY DATA FROM GRADUATES

In this survey, we spoke to almost 500 graduates with a gender split of 52% Female and 48% Male, of which 21% identified as an ethnic minority. We found these graduates from:

CARDIFF UNIVERSITY - DURHAM UNIVERSITY - LONDON SCHOOL OF ECONOMICS -
LOUGHBOROUGH UNIVERSITY - NEWCASTLE UNIVERSITY - OXFORD BROOKES UNIVERSITY -
QUEEN'S UNIVERSITY BELFAST - UNIVERSITY COLLEGE LONDON - UNIVERSITY OF ABERDEEN -
UNIVERSITY OF BATH - UNIVERSITY OF BIRMINGHAM - UNIVERSITY OF BRISTOL - UNIVERSITY OF
CAMBRIDGE - UNIVERSITY OF DUNDEE - UNIVERSITY OF EDINBURGH - UNIVERSITY OF EXETER -
UNIVERSITY OF GLASGOW - UNIVERSITY OF KENT - UNIVERSITY OF LEEDS - UNIVERSITY OF
LEICESTER - UNIVERSITY OF LIVERPOOL - UNIVERSITY OF MANCHESTER - UNIVERSITY OF
NOTTINGHAM - UNIVERSITY OF OXFORD - UNIVERSITY OF PLYMOUTH - UNIVERSITY OF READING -
UNIVERSITY OF SHEFFIELD - UNIVERSITY OF SOUTHAMPTON - UNIVERSITY OF ST ANDREWS -
UNIVERSITY OF STRATHCLYDE - UNIVERSITY OF SUSSEX - UNIVERSITY OF THE WEST OF ENGLAND

OUR QUESTIONS INCLUDED

HOW MANY JOBS HAVE YOU APPLIED TO SINCE GRADUATING FROM UNIVERSITY?

40 (on average)

WHAT SECTORS HAVE YOU APPLIED TO?

Professional Services: 65%

Commercial Graduate Schemes: 55%

Finance: 32%

Law: 14%

Other: 27%

WHY HAVE YOU APPLIED TO THESE AREAS?

Long-Standing Interest: 32%

Parental influence: 28%

Suitability of Skillset: 26%

High Starting Salary: 24%

Other: 19%

WHAT IS IMPORTANT TO YOU WHEN LOOKING FOR A ROLE?

Salary: 83%

Cultural Fit: 77%

Interest: 50%

Location: 43%

WHAT IS THE MOST ESSENTIAL ASPECT OF A ROLE?

Salary: 37%

Cultural Fit: 19%

Enjoyment: 14%

Responsibility and Remit: 10%

Flexibility: 3%

Other: 17%

WHAT ARE/WERE YOUR SALARY EXPECTATIONS?

£31,500 (on average)

IS THERE ANY FACTOR THAT WOULD DRIVE YOU TO ACCEPT A LOWER SALARY?

Only 33% of graduates said that they would accept a lower base salary, even if there was guaranteed or a clearly defined plan for career progression.

WHAT ARE YOUR OPINIONS ON WORKING REMOTELY?

Essential: 6%

Preferred but not Necessary: 66%

Strongly Against: 28%

IN THE PROCESSES YOU APPLIED FOR, WHAT STAGES DID YOU FAIL AT?

Initial Stages: 21%

Psychometric or Competence Testing: 22%

Automated Interview: 31%

Online Interview: 18%

In-Person Interview/Assessment Centre: 8%

IN YOUR PREVIOUS PROCESSES, DID YOU RECEIVE FEEDBACK?

Yes: 14%

No Feedback but Message: 55%

No Communication: 31%

IF YOU DID RECEIVE FEEDBACK, WAS THE FEEDBACK YOU RECEIVED USEFUL?

Yes: 28%

No: 72%

IF YOU ARE NOT CURRENTLY IN A ROLE, WOULD YOU ACCEPT ANY FULL-TIME JOB AT THIS POINT IN TIME?

Yes: 67%

No: 33%

WHAT ARE YOUR LEAST FAVOURITE PARTS OF A RECRUITMENT PROCESS?

Initial Stages: 27%

Automated Testing: 29%

Automated Interviews: 46%

Online Interviews: 8%

In-person Interviews/Assessment Centres: <1%

DID YOU UTILISE FACILITIES OR CAREER SERVICES PROVIDED BY YOUR UNIVERSITY WHEN SEARCHING FOR ROLES?

Yes: 52%

No: 48%

IF YOU DID USE FACILITIES OR CAREER SERVICES PROVIDED BY YOUR UNIVERSITY, DID YOU FIND THEM HELPFUL?

Yes: 17%

No: 83%

SURVEY DATA FROM EARLY CAREERS PROFESSIONALS

For this survey, we investigated the thoughts of over 200 professionals across multiple sectors. These were:

Energy and Infrastructure
Financial Services
Professional Services
Public Sector
Retail and FMCG
Technology

We spoke to professionals with direct or indirect exposure to the graduate and early careers market. These included:

Business Owners
Head of Early Careers
HR Directors
Talent Acquisition Managers

OUR QUESTIONS INCLUDED

HOW MANY GRADUATES DO YOU CURRENTLY HIRE EACH YEAR, AND ARE YOU EXPECTING THAT NUMBER TO CHANGE?

SMEs look to hire between 3 and 10, and 90% aren't expecting that number to change given their current business circumstances and economic climate.

Large corporations average 40-100, and this has stayed consistent over the past 5 years.

HAVE YOU CHANGED THE TIME OF YEAR AT WHICH YOU LOOK TO HIRE GRADUATES, AND DOES TIMING HAVE ANY IMPACT ON YOUR GRADUATE RECRUITMENT PROCESS?

85% of firms look for an Autumn intake, with applications running the November – April before.

Recently, there has been a shift in general hiring processes towards hiring year-round. This has benefitted both sides, as students undertaking masters or Ph. Ds or taking some time out before starting work, and firms are benefitting from this.... However, it is costly and timely to do, thus being found more commonly within larger corporations.

HOW MANY STAGES ARE THERE IN YOUR HIRING PROCESS, AND WHAT PERCENTAGE OF THOSE STAGES HAVE PERSONAL CONTACT?

SMEs: almost all have 100% personal stages, whether it be an actual person filtering through CVs, or the interviews.

Large corporations average five stages within their processes. 67% have more than half their process, with graduates having no in-person contact.

HAVE YOU SEEN YOUR GRADUATE RETENTION RATE CHANGE OVER THE LAST FEW YEARS?

Yes, it has dropped 57% of firms have seen retention rates reduce up to 1/3 of what they were 5 years ago.

Yes, it has increased (9%). 95 of these are partnered with either a reduction in quantity of grads onboarded, or an increase in starting salary.

No (20%)

Unwilling to share? (14%)

HOW ARE YOU CHANGING OR OPTIMISING YOUR PROCESS TO ATTRACT DIVERSE CANDIDATES?

Relaxing requirements. Now only firm requirement is 2:1. Broad look at unis and much more about personality/cultural fit.

Not sure what to say here.

WHAT DO YOU THINK ABOUT THE STATEMENT: 'GRADUATE HIRING HAS HAD ITS DAY'?

20% agree. Their main reasoning is that it's much more productive to have early careers. They already trained and learned what it's like to work. When quizzed on why they don't just hire early grads, the most common answer was the pay barrier. This was closely followed by a concern that they would be unable to find malleable people who haven't already been formed (links well with the fact that grads are staying in the sector).

80% disagreed with the statement, and 23% of those reinforcing the need for grads agreed that "graduate talent is our future."

HAVE YOU SEEN A DIFFERENCE IN THE NUMBER OR CALIBRE OF YOUR APPLICANTS (POST-COVID)?*

Only 3% have seen a decline in applications since covid

78% have seen a rise in the number of applicants

19% have seen no significant change

83% of firms using AI have seen a rise in applicants, but 40% of those suggested that their overall calibre of intake has declined. 20% of AI users in their process are planning on descaling it from their application process.

WHAT DO YOU STRUGGLE WITH WHEN HIRING GRADUATES?

Quality 70%

Retention 58%

We don't struggle

HOW BIG IS YOUR EARLY CAREERS TEAM?

SMEs: between 1-4

Large corporations: up to 30

CONCLUSION

Through this extensive survey, we have been able to identify the current challenges in graduate recruitment.

University Careers Services in their current form do not prepare graduates effectively to enter the professional workplace. The lack of personal interaction and even communication from employers leaves many recent graduates entering their professional careers dissatisfied, disillusioned, and unhappy with their roles. The desperation to find a job, exacerbated by the economic climate, has led to graduates accepting whatever offer they can before moving into their preferred sector and company after 1 – 3 years of experience.

Finding and retaining top-tier talent remains the most pressing issue for employers in Early Careers. Instead of finding and building the archetypal pyramid structure every company aspires to, underwhelming graduate intakes and a lack of loyalty to the company see the same graduates leave and waste an employer's investment of time, money, and effort.

For companies to find a solution to their problems, it will be essential to shift the focus of recruitment processes towards actively finding the ideal candidate instead of hoping to find a suitable candidate out of the hundreds who apply. Graduates are the future of the company they join, so why are high-flying top-tier graduates not recruited and treated in the same manner as mid-level professionals or even executives?

At the same time, changing recruitment processes to emphasise personal interaction, which enables companies to ascertain those exceptional candidates properly, also stimulates loyalty amongst graduates and thereby increases retention. For larger organisations, shifting recruitment processes back towards personal interaction will help with the retainment of candidates, as shown by the (nearly double) retention rates that SMEs have through their processes, which are reliant on personal interaction.

Our survey data highlights the pressing need for reform in graduate recruitment processes. Employers must balance the use of AI with personal interactions, focus on skill-based hiring without neglecting soft skills, and enhance support systems to guide graduates effectively. Resolving this current disconnect, in which graduates hold no loyalty and where companies are not attracting the superlative talent they are looking for, will benefit all concerned.

Moloney Search

As our 30th Anniversary approaches, we have tracked and spent time with talent cohorts at various levels in the firm's history. As the talent market changes, having access to an extensive network is an unparalleled asset for bringing in the right people throughout an organisation who are flexible, innovative, and keen to embrace and drive change.

For more information or to follow up on this article, please email info@moloneysearch.com