

Work placement and graduate employment: New insights

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Universities have a key role to play in students' transition from higher education (HE) to employment. Recent employer surveys (e.g. UK Employer Skills Survey) report that graduates often lack employability skills, ranging from technical and 'real-world' application to interpersonal (e.g. self-management, leadership and teamwork). Work placements provide students with the opportunity to gain a year-long "trial" of the world of work, where they can develop these skills. Moreover, students on placements have the potential to build their professional network and acquire valuable information from employers about future graduate jobs, and, in some cases, secure permanent posts upon graduation. The evidence suggests that work placements have positive effects on academic performance, employability skills, and subjective (e.g. graduate satisfaction with their job) as well as objective graduate outcomes (e.g. chances of finding employment, salary). However, there is limited evidence on how work placements affect graduate outcomes. This study aims to improve our understanding of the transition from HE to graduate employment within the context of an economics work placement programme offered by a UK HE institution.

We match placement data, academic records, and graduate outcomes to compile a dataset that can offer new insights. So far, our dataset consists of two cohorts of economics students who graduated from the University of Surrey in 2017 and 2018 (academic years 2016/17 and 2017/18 respectively). Our econometric analysis has focussed on earnings and employment type, comparing these graduate outcomes for those graduates who participated in the placement programme with those graduates who did not participate in the placement programme. We control for demographic characteristics (e.g. gender, ethnicity, nationality), programme of studies (economics, economics and finance, business economics, economics and mathematics), academic performance (e.g. degree grade), and job characteristics (e.g. location, sector/industry). Two models have been employed to explore the interplay between placements and graduate outcomes. An OLS model where graduate salaries are regressed on a binary placement variable (whether a student went on placement or not) and the set of control variables mentioned above. Next, we estimate a probit model with employment type (fixed-term contract or not) being the response variable and the same set of explanatory variables.

The preliminary results show that students with placement experience enter the graduate labour market with higher salaries and are less likely to secure a fixed-term contract (either of twelve months or less) than graduates without the placement experience. These initial findings suggest a positive effect of the placement programme on graduate outcomes.

However, we acknowledge the endogeneity issue in our specifications, which is a typical concern in the literature. Specifically, unobserved variables confound our estimates and bias our results. These confounders may affect the likelihood of securing or pursuing a placement and affect graduate outcomes too. We aim to complement our regression analysis with methods that mitigate this concern.

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Apart from addressing endogeneity, the next steps of our analysis also involve including one more cohort of graduates, those who graduated in 2019 (academic year 2018/19); estimating placement effects on alternative graduate outcomes; and explore possible channels through which the placement programme can enhance graduates' position in the labour market. In this respect, we are interested in a possible foot-in-the-door effect, where placement students are fast-tracked by their placement employer during the recruitment process to secure a graduate job. Another, more subtle foot-in-the-door effect is capitalising on the experience students gain in the sector they are employed while on placement. The sector-specific knowledge and transferable employability skills developed by students during placement may result in better employment outcomes than for students with no placement experience. These are important mechanisms that have not been explored yet. Understanding them not only helps us appreciate the value of placements, but can also show us how we can further support students as they prepare for the graduate labour market.