

RESEARCH

# The impact of Brexit on UK Graduate Recruitment

London – 16 June 2016



A survey of  
top graduate employers

## About This Report

The first UK study to measure the impact of Brexit on graduate hires from the viewpoint of those that employ them.

It is based on a survey of HR managers, partners and senior executives of 75 top UK graduate employers - including 50 of Guardian UK 300 Top Graduate Employers and 40 of Times Top 100 Graduate Employers - on the likely impact of Brexit on their organisation's graduate intake.

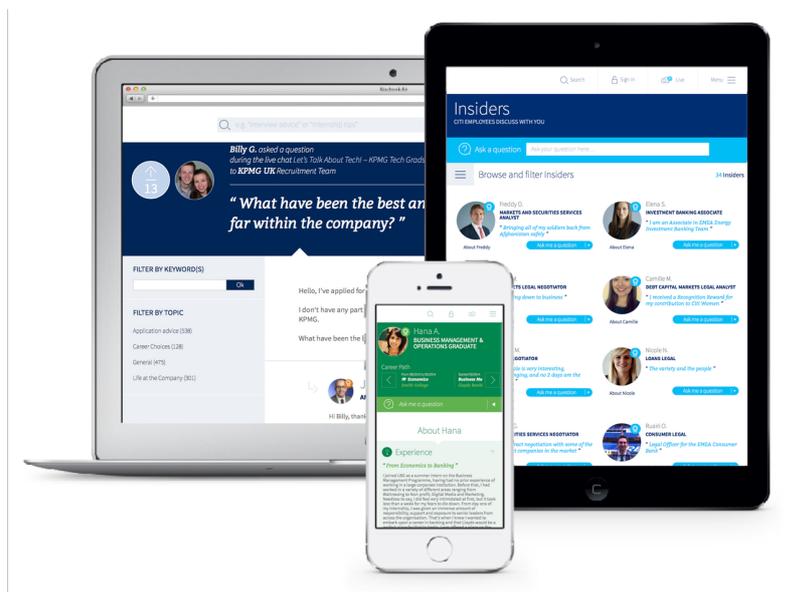
The surveys were conducted online (and some by telephone) between 8 and 13 June (except one on 20 May) 2016.

Statistics in this report are based on the responses of the 50 organisations in the Guardian UK 300 Top Graduate Employers that are expected to hire over 5,500 graduates in 2016 across 10 sectors.

## About PathMotion

PathMotion is the leading graduate recruitment engagement platform, where employees of organisations can discuss directly with graduates to help promote an authentic employer brand.

PathMotion is working with leading employers across the UK and France to help them leverage their employees in order to attract talent and is one of Top 5 most innovative HR Tech Solutions (HRO Forum Europe). Over 10,000 discussions have been generated between graduates and employees recently which generated close to 3 million views.



[www.pathmotion.com](http://www.pathmotion.com)

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<sup>1</sup> Source <https://targetjobs.co.uk/uk300>

<sup>2</sup> Source Millkround — <http://bit.ly/1LFSvIH>

# Executive Summary

## 1. If the UK leaves the EU

- ❖ **49% of top graduate employers** are likely to lower their intake of graduates whilst others would leave it unchanged, indicating an overall drop in graduate hires.
- ❖ The **5 sectors most at risk are Banking & Finance, Retail, Media, Technology and Law**, where most respondents in each of these sectors reported their firm is likely to downsize their graduate hires.
- ❖ These sectors, together with audit & professional services (where a large proportion of respondents reported an expected lower intake under Brexit) **employ over 50,000 graduates per year** or 25% of all graduates in employment.<sup>3</sup>
- ❖ The 3 key reasons cited for downsizing graduate hires under Brexit are (i) the impact of Brexit on the economy and therefore on the volume of business; (ii) general uncertainty; and (iii) a lower talent pool of EU graduates applying for jobs.
- ❖ Sectors whose graduate hires is expected to be unaffected by Brexit include the **Civil Service & other public bodies, Education, Oil & Energy, Engineering & Industrial and Consulting**. Respondents in these sectors believed the level of graduate intake was mostly driven by other factors, for example the growing population for Education and oil prices for Oil & Energy.
- ❖ But these least affected sectors are not immune to the potential impact of Brexit. For example, the level of Civil Service graduate hire would be affected in case Brexit significantly affected public finances. Similarly, many automotive and other industrial firms choose to locate some of their activity in the UK partly because of its access to the Single Market.

## 2. **95% of companies** find EU graduates beneficial

- ❖ Key reasons cited included:
  - (i) Languages and other skills to be able to cover global clients, for example for banks and law firms;
  - (ii) Specific skills sets, for example in Education and Health; and
  - (iii) The need to be able to tap into a wider talent pool.

## 3. If UK companies were no longer able to freely hire EU graduates

- ❖ **25% of employers are likely to increase the hiring of British graduates** to compensate for fewer EU graduates, whilst the majority would apply for work permits to maintain current levels of EU graduates and the rest would reduce operations in the UK to manage with fewer graduates.
- ❖ Whilst lack of free movement from EU workers would lead some employers to substitute British graduates for EU graduates, this effect does not appear to outweigh the overall reduction in graduate intake, indicating British jobs are also at risk under Brexit.



<sup>3</sup> Source [hecsu.ac.uk](http://hecsu.ac.uk) — <http://bit.ly/1XWEeNO>

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# 1. Impact of Brexit on overall graduate hire

49% of top graduate employers are likely to lower graduate intake as a result of Brexit. Others would leave it unchanged, indicating an overall drop in graduate hires.

Firms likely to drop graduate intake were expecting to hire over 5,500 graduates in 2016 and are predominantly represented in 5 key sectors that hire over 50,000 new graduates per year, or 25% of total graduate hires.

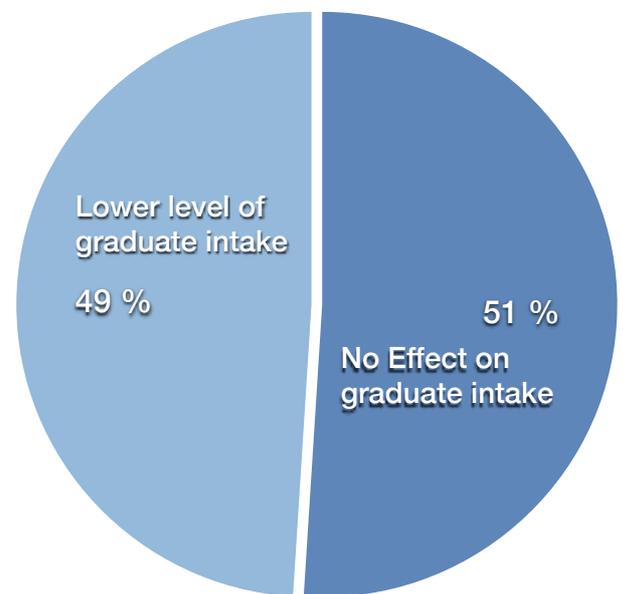
Two main reasons were cited as to why Brexit is expected to lead to a lower graduate intake.

First, the likely economic downturn and therefore drop in volume of business is expected to affect the demand for new graduates. Companies that appear most affected are those trading with the EU (e.g. banks), those who depend on the City (e.g. law firms) and/or those in cyclical sectors (e.g. Media).

Moreover, some reported that the uncertainty created by Brexit, even without immediate economic downturn, would be sufficient to slow down firms' expansion decisions and therefore graduate hire requirements.

Second, with the UK leaving the EU, there is likely to be a lower number of EU candidates applying for positions which in turn would affect the amount of talent UK companies are willing to hire.

*Proportion of graduate employers likely to lower graduate intake as a result of Brexit*



Source : © PathMotion 2016



## 2. Impact of Brexit on graduate hires per sector

Sectors most affected	Sectors partly affected	Sectors least affected
% who believed their organisation will lower graduate intake under Brexit		
50-100%	25-49%	0-24%
Banking & Finance	Audit & Professional services	Civil Service & public sector
Retail		Education
Media		Oil & Energy
Technology		Engineering & Industrial
Law		Consulting

Source : © PathMotion 2016

### Sectors most affected by Brexit

#### Banking and Finance

Two-thirds of Banks & Finance firms believed their company would lower their intake of graduate hires under Brexit, mainly because UK financial firms could lose their right to freely trade their services across the EU countries.

*“ Banks with EU presence will have less need for graduates from continental Europe as they will be recruited in regional European offices ”*

Senior executive at a global bank

This respondent illustrated that his bank, which employs over 10,000 people in the UK, has recently decided to locate a new operation (that necessitates free EU access) to Germany given the uncertainty over the EU referendum.

A number of financial institutions including J.P. Morgan<sup>4</sup> and Goldman Sachs<sup>5</sup> publicly stated that Brexit would affect their UK operations.

*“ One realistic outcome is that we lose the ability to passport our banking and trading services into Europe. But our clients will still need us to trade within what will then be the EU. So if the UK leaves the EU, we may have no choice but to re-organise our business model here. Brexit could mean fewer JP Morgan jobs in the UK and more jobs in Europe ”*

Jamie Dimon, chief executive of J.P. Morgan (in a public statement<sup>4</sup>)



<sup>4</sup> Source telegraph.co.uk – <http://bit.ly/1S5bREn>

<sup>5</sup> Source uk.reuters.com – <http://reut.rs/1ZQyqT5>

## Retail

All retailers stated their business and therefore graduate hire will be adversely affected under Brexit given the likely negative impact on the economy.

*“ The impact on the economy will be significant which will have some effect on our company and on graduate hires ”*

Senior executive at a leading food retailer

Global online retailers with UK operations also specified that their UK graduate intake would be impacted as a result of less EU talent being available to serve their global markets.

## Media

The majority of media companies – advertisers, news service providers and news agencies – reported that on the basis Brexit will negatively affect the economy, it would affect their business and therefore the number of graduate hires.

*“ Media is a cyclical sector and so UK operations would inevitably suffer under Brexit, which will affect the number of graduates we hire ”*

Managing Director at a global advertising company

## Technology

Technology companies who service the UK market will be affected.

*“ Decrease in GNP will directly affect success of our local sales organisation. Size of graduates hire is directly related ”*

Senior Executive at a global software solution provider

Technology companies who service global markets stated the impact of Brexit on graduate hires is likely to be unaffected.

*“ Our business is based on advertising from international companies, so it is unlikely that an economic downturn on UK will significantly affect spending ”*

Senior executive at a global internet-related service provider

## Law firms

The majority of law firms responded that Brexit would negatively affect their graduate hire as a result of its impact on business. Firms that particularly stand to lose are those who work with the City or who have links to EU businesses.

*“ The graduate intake under Brexit would be lower due to the negative impact on the economy, especially in the City ”*

Senior partner at magic circle law firm

The impact of Brexit appears less severe for law firms who depend less on the City or on the EU. Respondents of regional law firms for example believed their graduate hire levels would be largely unaffected as a result of a vote to Leave the EU.



## Sectors whose graduate intake will be partly affected by Brexit

### Audit and professional service firms

The impact of Brexit on audit & professional service firms is more mixed. Whilst their volume of business is relatively resilient to economic swings, a Brexit is likely to affect some part of their more diversified businesses including those with links to the EU.

*“ Our company could potentially lower the intake should UK slip into sort of an economic recession after Brexit, but then again we are a professional services firm and the impact of Brexit could result in more work for us (especially in Tax and Advisory) ”*

Senior advisor at a Big 4 audit

## Sectors whose graduate intake will be unaffected under Brexit

Graduate hires in a number of sectors are reported to be unaffected by a Brexit because recruitment decisions in these sectors are less sensitive to the economy and are instead driven by other factors. Many also believed that it will take a while for Brexit to be implemented and therefore to affect hiring decision in their firms. But respondents stated that graduate hires in these sectors are not immune to the potential impact of Brexit.

### Civil Service and other public sector bodies

*“ Civil Service headcount is not linked to short-term economic impact; it could even increase slightly the headcount for some types (e.g. people with knowledge of EU). However to the extent there will be a medium term fiscal hit in public finance (due to economic impact of Brexit) then it will imply fewer civil servants hires ”*

Senior civil servant

The graduate intake of public service bodies is not directly linked to economic conditions, and so respondents believed they would be immune under Brexit. However for some this is so long as potential economic impact of a Brexit does not significantly affects the public finances.

### Education

*“ Demand for teachers is mainly driven by growing population ”*

Executive in one of the largest teachers' employer organisation

### Oil & Energy

*“ Most of the effect on our business and so on graduate hire, depends on the oil price and general market developments ”*

Senior manager at a top 3 global Oil & Gas company



## Engineering & Industrial

Companies in this sector usually serve global markets are also less likely to be affected by an economic downturn that could be triggered by Brexit.

*“ The impact of Brexit, even if it affects the economy, will be minimal as we serve global markets ”*

The head of graduate HR at a leading aeronautics firm

However it is widely reported that global automobiles, aeronautics and other Engineering & Industrial groups have established operations in the UK in part thanks to its free access to the Single Market. To the extent a Brexit would affect these location decisions, this would in turn impact employment.

*“ The house would not fall down overnight. But it would become harder [under Brexit] to win inward investment, competing with other nations would become more and more difficult. The combination of our flexible labour market and access to Europe makes us attractive to international investors ”*

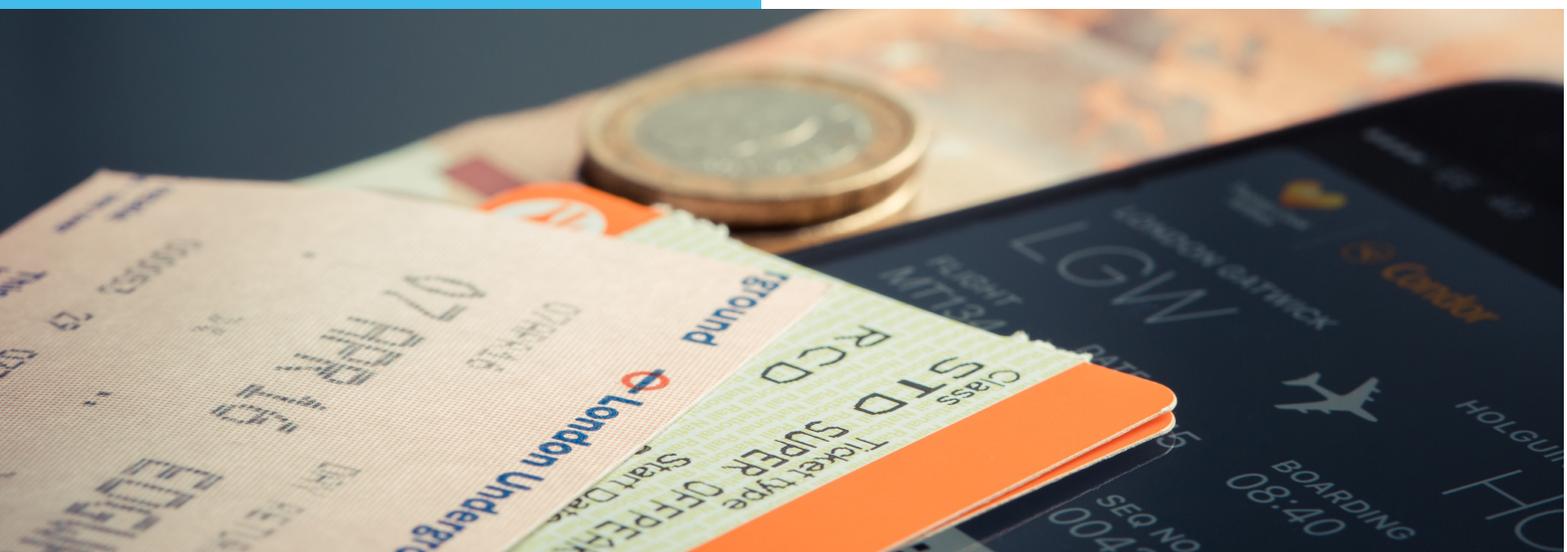
Paul Everitt, chief executive of ADS  
(in a public statement<sup>6</sup>)

## Consultancies

*“ No major impact expected on the type and volume of work we do (although some of the topics might be influenced) ”*

Senior consultant at a top 3 global management consultancy

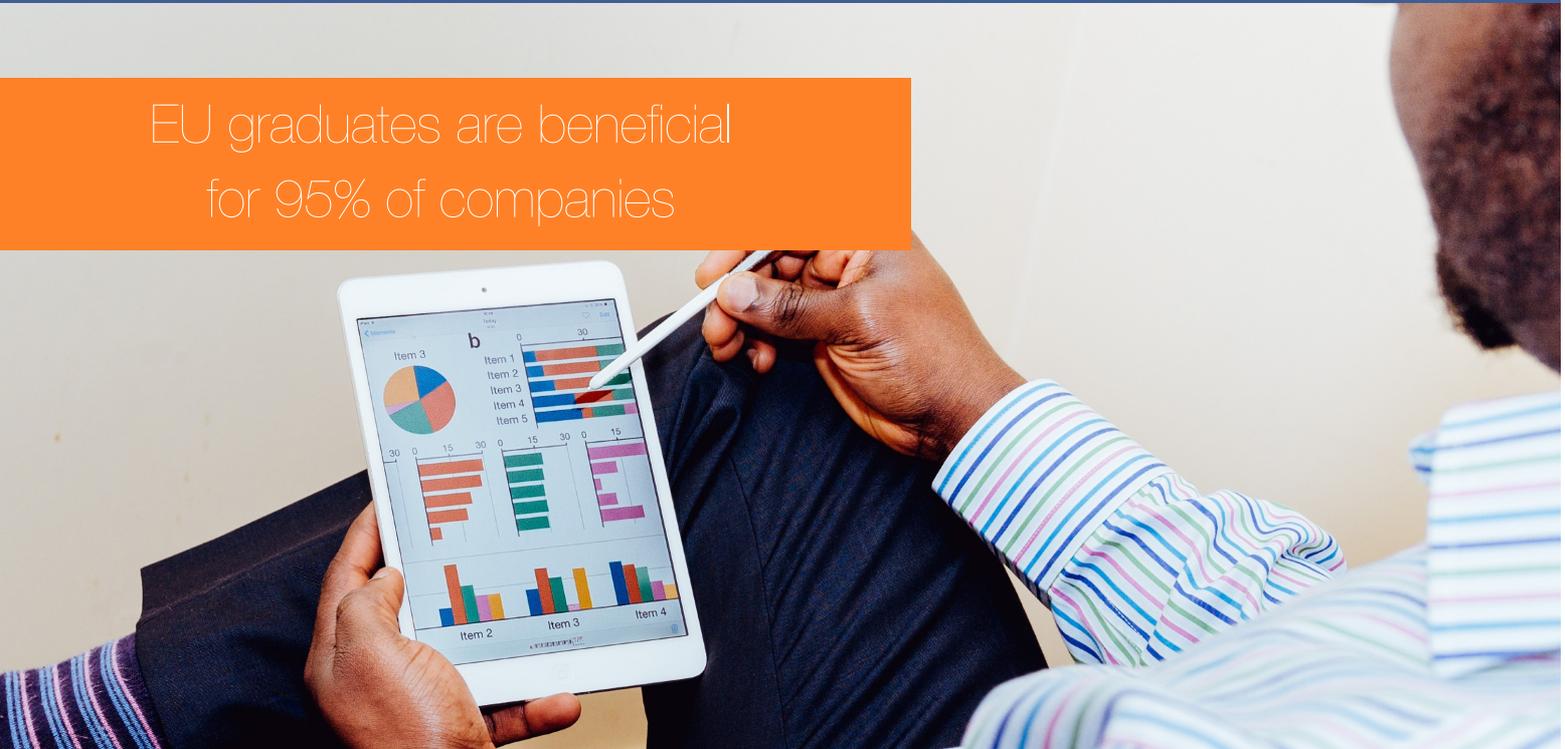
However, not all consultancies are immune to a Brexit, as the work for many depend on the level of overall activity in the economy. According to a consultant at a leading management consultancy, a negative economic impact following Brexit will have at least a short-term impact on hiring.



<sup>6</sup> Source telegraph.co.uk — <http://bit.ly/1cMXiYN>

## 3. Impact of Brexit on the mix of hires: British versus EU graduates

EU graduates are beneficial  
for 95% of companies



### The 3 main reasons cited for the importance of EU talent

#### 1. To cover global clients

*“ There is a lack of qualified UK teachers and so this needs to be compensated by EU teachers ”*

Senior executive at one of the largest employers of teachers

#### 2. Specific skill set

*“ It is useful for us to have candidates who have an affinity with our European clients ”*

Graduate HR at a top 10 law firm

A lack of skill sets from UK graduates alone was reported in a number of sectors including Health where, for example, the NHS who employs a significant number of EU staff is reported<sup>7</sup> to face a skills shortage in the event that there will be no free access to EU workers.

#### 3. Ensure a wider talent pool

Most respondents felt it was important to be able to access a wider talent pool beyond UK graduates.

*“ We need the best people globally ”*

Consultant of a top 3 management consultancies

<sup>7</sup> Source independent.co.uk : <http://ind.pn/1TAJnnV>

## Benefit of EU graduates, per sector

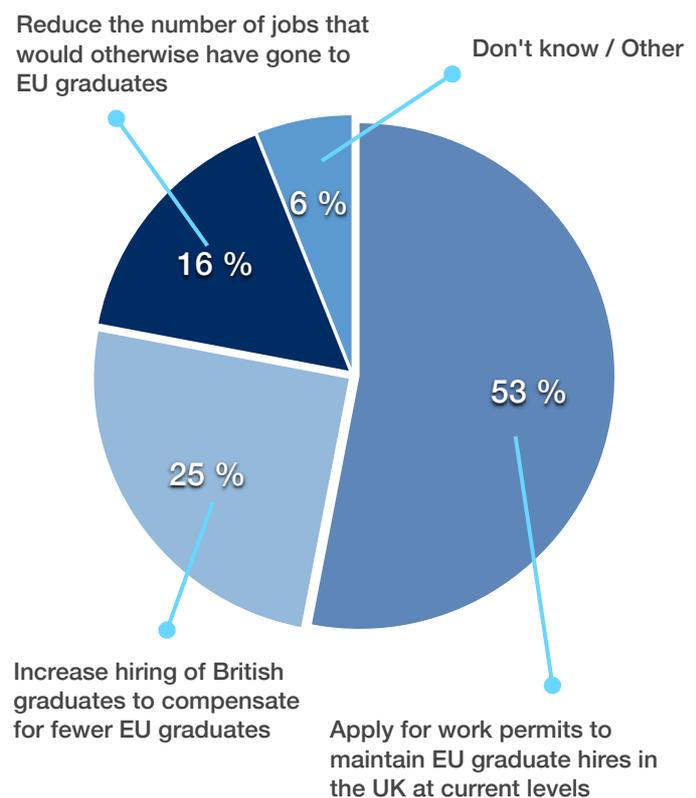
Sectors	Ability to cover global clients	Other specific skills	Wider talent pool
Law	√		√
Retail	√		√
Banks	√		√
Consultancies			√
Audits & professional services	√	√	√
Education		√	
Engineering & Industrial	√		
Media	√		√
Civil Service & public bodies		√	
Technology			√

Source : © PathMotion 2016

If, as a result of Brexit, UK companies would no longer be able to freely hire EU graduates:

- ❖ **25% of employers are likely to increase the hiring** of British graduates to compensate for fewer EU graduates, including because of the costs of applying for permits and because it is more difficult to justify the need for overseas talent at graduate level.
- ❖ **53% would apply for work permits** to maintain current levels of EU graduates (for some, this is subject to permit application not being burdensome) and 15% would reduce operations in the UK to manage with fewer graduates.
- ❖ This substitution of UK graduates for EU graduates does not appear to outweigh the overall reduction in graduate intake (which include British graduates), therefore indicating British jobs are also at risk.
- ❖ Some also reported that hiring more Brits for jobs currently held by EU graduates would impact on quality.

*Should you be unable to freely hire EU graduates as a result of Brexit, what do you expect your organisation's response to be?*



Source : © PathMotion 2016

## 4. Conclusion



According to this survey, **a Brexit is likely to lower the overall intake of graduate students** in the UK.

Lack of free movement from EU workers would lead some employers to substitute British graduates for EU graduates. But this effect does not appear to outweigh the overall reduction in graduate intake, indicating British jobs are also at risk under Brexit.

These conclusions are in line with wider estimates of Brexit on employment. PWC estimates<sup>8</sup> Brexit would lower employment by up to nearly 1m by 2020 due to lower labour supply and to impact on trade.

The results are also coherent with the views expressed by graduates in a recent survey<sup>9</sup>, where 41% of respondents agreed that leaving the EU would have a negative impact on their career whilst 37% said they lacked information to form an opinion.

<sup>8</sup> Source [pwc.co.uk](http://pwc.co.uk) — <http://pwc.to/1RL6yuE>

<sup>9</sup> Source [hrnews.co.uk](http://hrnews.co.uk) — <http://bit.ly/2625DId>

# 5. More about PathMotion



## Discussions

Candidates can ask selected employees questions anytime

Discussions are seen by all candidates



## Engagement

Intelligent data analysis automatically re-engages targeted candidates



## Live Chat Events

Invited candidates discuss Live with several employees during dedicated events



## Content & SEO

Unique content is generated and disseminated for SEO

We power discussions between employees and candidates to promote your authentic employer brand

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