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ESTIMATING DEMAND FOR NEW GRADUATES IN THE UK 1999 - 2015

Abstract:

Our paper aims to estimate the demand for new graduates in the UK labour market. Using UK macroeconomic data from 1999 to 2015 on gross domestic product, gross capital formation, and the volume of different forms of labour (based on age and qualifications) we estimate a dynamic Cobb Douglas Function as the basis for our model. From this we estimate and plot differences in the marginal productivity of new graduate labour and use this information to estimate the respective demand for new graduates over a series of four and five year time brackets. Combining the respective demand curves for graduate labour enables us to establish a picture of how the demand for new graduates has evolved over the last 16 years and enables us to make assumptions regarding the potential consequences for wages and employability given the shifts in demand we observe. From our results we observe 3 distinct patterns, the most prominent being a general state of consistency as the demand for graduates appears relatively fixed for the duration of our analysis. We also observe evidence of graduate labour hoarding defined by a distinct peak in the demand for graduates during the recession. This result confirms the commonly held expectation of the behavior of employers during the recession. Lastly we observe a slump in demand in our final time period as demand reaches its lowest levels within our period of analysis. This may be in response to a combination of both the recession, a counter and corrective response to the peak in demand that proceeded the decline, or a natural response to the market indicating that given an excess number of graduates that the demand is now saturated with excess graduates who are no longer in as high demand as they were in the past. From our results we consider the potential policy implications for higher education institutions, the government and prospective and graduating students within the UK.

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JEL Classification: I24, J23, J24