

First Steps to Wealth

A study of career and earning opportunities for young Britons

January 2012



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Executive summary

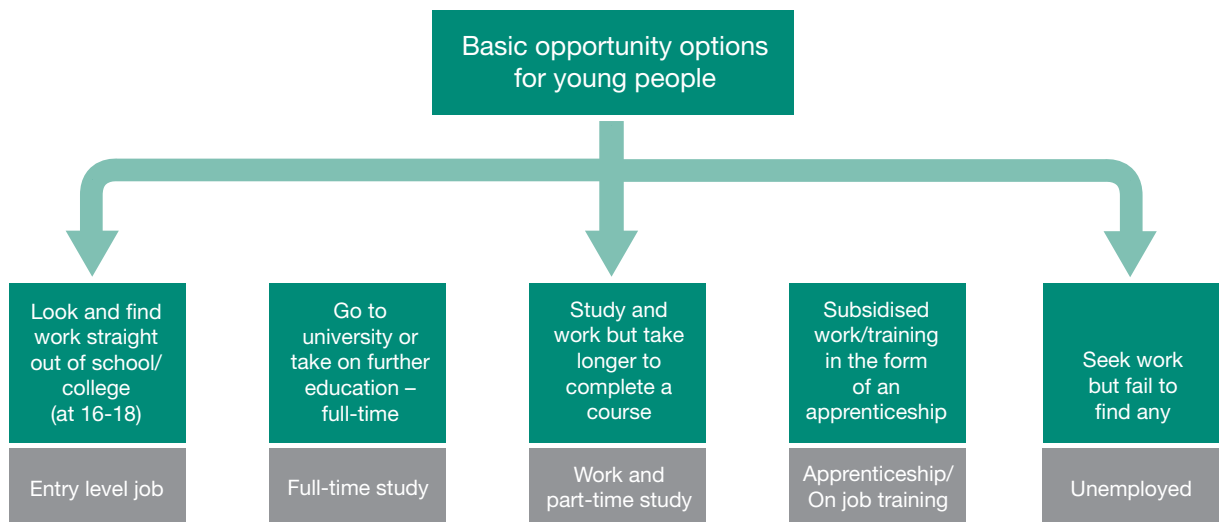
- The opportunity for younger people to advance financially is set against a current backdrop of escalating debt and recent rises in the cost of living.
- With more than one million young Britons out of work today, reduced long-term employment prospects (partly with the rise of greater proportions of agency, temporary and contract work), plus weak salary growth opportunities for many of those who are actually in the workforce, society is facing significant challenges.
- One option for young people is to study, although this involves taking-on increasing levels of debt. The spectrum range of debt at graduation post - 2012/13 enrolment is **£33,975 up to £48,750**. Despite this being a personal debt, unless a student starts earning **£50,000 per year** immediately upon graduation, it's likely that a significant amount of this debt will be written off by the Government.
- In 30 years' time the UK Government is likely to be sitting on huge liabilities as it is forced to potentially **write-off** debt of between **£30,649 and £64,935** for every full-time university student who graduates in 2014 even if they find a graduate level job after finishing university.
- In December 2011, the University and Colleges Admissions Service (UCAS) released data which showed that **283,680** young people had registered to attend university in 2012. If the lower estimate of the potential debt to be written off by the Government (**£30,649**) is multiplied by this number of students, this equals **£8.7 billion**.
- One of the key problems facing the Government is the fact inflation has a critical impact on the total amount of student debt and inflation remains relatively high today (4.8%).
- Having a degree appears to be the best option in terms of earning potential. An average graduate should earn (at today's prices) **£1,611,551** over their working life, compared to **£1,023,840** for those starting work at 18 and **£783,964** for those starting a full-time job at age 16. However, not all young people are able to study for a degree so alternative options have to be considered.

An alternative to going to university is to embark on an apprenticeship. In terms of apprenticeships, the two most promising sectors in terms of career span salaries are Construction (£1,503,726) and Health Care, Public Services and Care (£1,494,547).

The added bonus for those who pursue an apprenticeship and enter the Health, Care and Public Services via the public sector is the pension that would be available within this framework.

Few private companies (at present) offer the levels of pensions available to many in the public sector, and this form of long-term saving can make a considerable difference to overall wealth at retirement.

In terms of overall choices for young people today, essentially there are five core options available to them with regard to present and future work opportunities.



Option 1 – entry level job

The average salary for an 18-25 at this level is **£10,277 per annum** – somewhat below the level of an average **fully qualified apprentice (£15,092)** or **university graduate (£19,653)**.

A school leaver at 16 will earn less than half the amount of a university graduate over the course of their career and despite having worked an additional four and a half years (calculated using 2011 prices ie not taking into account for inflation and other adjustments, while also assuming a retirement age of 67 and an unbroken work career. The analysis takes into account that on-the-job skill levels rise with experience, allowing an individual to command a somewhat higher salary as they age).

There is a noticeable difference between individuals who enter the workforce at the age of 18 (post A-levels) versus those who leave at the first opportunity after studying GCSEs and enter the workforce prior to conducting any further training or education.

Over the course of a lifetime of working (almost 50 years) the difference is more than **£5,000 per annum (£5,492)**, or in aggregate terms nearly a **quarter of a million pounds (£239,876)**.

This is quite a compelling argument in favour of encouraging students to stay in school.

A young person entering the workforce with only a school level education is likely to earn **less than £10,000 per annum for every year of full-time work** compared to a university graduate (when smoothed out over the course of a full working career).

Option 2 – full-time university or further education

The average first year salary for a university graduate is **£19,653**. This is twice as much as a young person entering full-time employment at age 18 - 20 can expect to earn (**£9,711**).

The rise in the cost of a degree means the estimated spectrum range of debt at graduation post- 2012/13 enrolment is **£33,975 up to £48,750**.

If you are one of the two in five people leaving university and failing to find a full-time job, or find a job but are paid below the loan repayment threshold (**£21,000**), then your loan will continue to accrue interest at the rate of inflation.

At present only a student who starts earning around **£50,000** per annum immediately upon graduation will ever be able to pay this back within the 30 year cut-off before the loan is cancelled.

This has huge implications for Government and tax payers, with a distinct possibility that large portions of debt will be written off. The Government is relying on long-term inflation being far below current levels. However if this doesn't manifest it will no doubt need to review the system, which could lead to an increase in payments made by graduates.

If a graduate in 2015 earns a total of **£1,611,551** (at 2011 prices), after 30 years of repaying their student debt at the statutory minimum levels **they would still owe between £30,649 and £64,935** (depending on the original maximum loan available to them).

Option 3 – part-time study (degree)

Excluding references to any specific course (ie the fact a medicine degree may take seven years to complete part-time); a part-time student who is able to work and study and complete his/her degree within a four-year timeframe is likely to earn the greatest career income, according to the analysis.

The key challenge for anyone embarking on part-time study is the length of time taken to complete a degree. Each year incurs fees – six years of part-time study will result in debt levels of almost £40,000.

Part-time student (4 years) graduate at 22	Average debt $£6,431 \times 4 = £25,724$	Average career salary – £34,225 per working life	Total average career income = £1,642,818
Part-time student (5 years) graduate at 23	Average debt $£6,431 \times 5 = £32,155$	Average career salary – £33,726 per working life	Total average career income = £1,618,862
Part-time student (6 years) graduate at 24	Average debt $£6,431 \times 6 = £38,586$	Average career salary – £33,182 per working life	Total average career income = £1,592,761

Source: CoreData Research.

Option 4 – apprenticeship/training

Construction and Health Care, Public Services and Care offer the best salaries for qualified apprentices, with average starting salaries of £17,693 and £17,585 respectively.

Over the course of a full working career these two sectors offer opportunities for individuals to match the career incomes of many university graduates.

There is quite a notable range between the top and bottom lifetime career earnings for those jobs that offer apprenticeships – £1,503,726 for construction and £1,038,746 for retail and commercial – almost a half a million pound discrepancy in income.

Option 5 – unemployment/part-time work

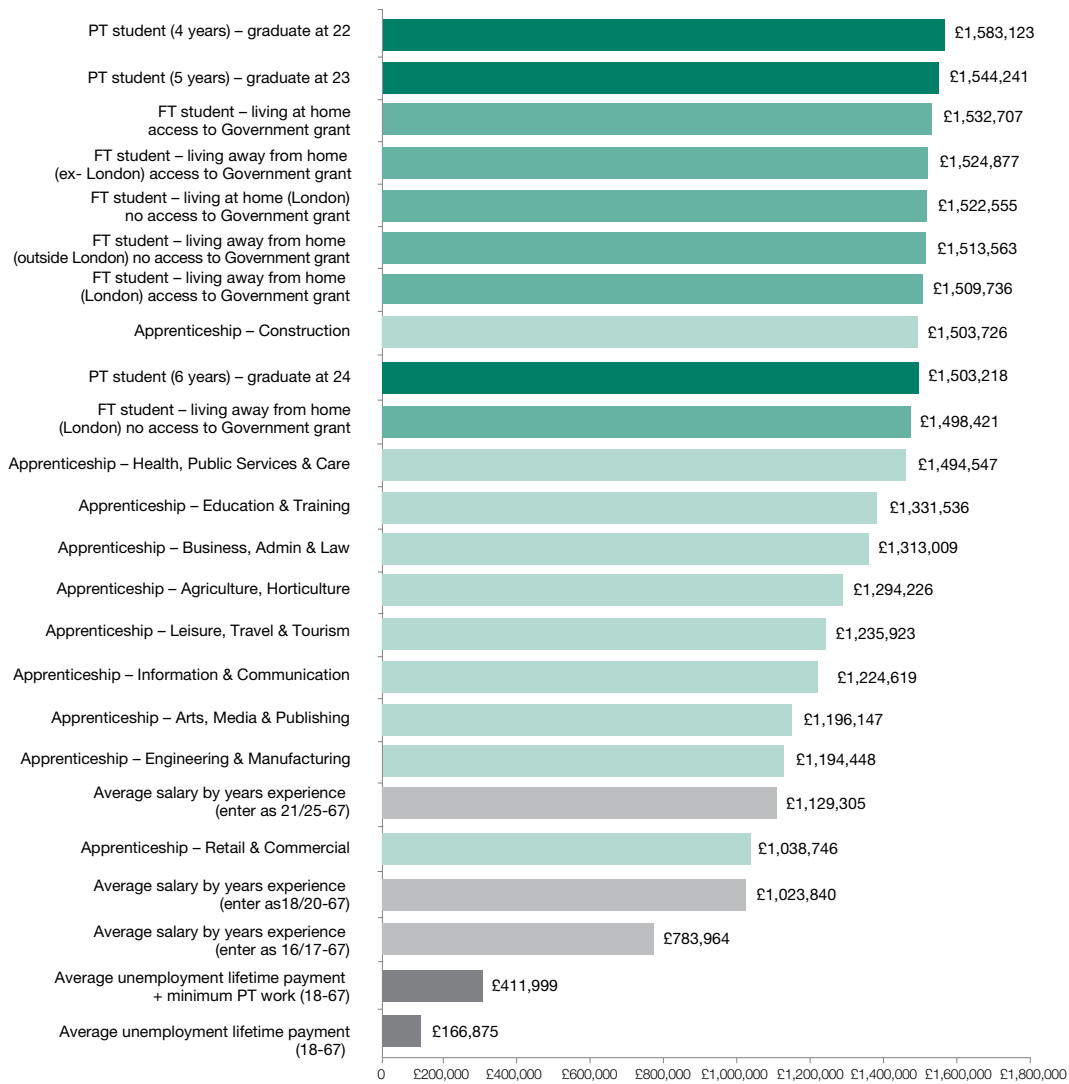
If an 18 year old were to remain on Job Seekers allowance for his/her whole ‘would-be’ working life with zero part-time work, they would receive a total of £166,876 at today’s payment levels – a mere 10.3% of what an average graduate can hope to earn during their working life.

For those who struggle to find full-time work, a less bleak but still rather grim prospect than a life of exclusive unemployment is if somebody who remains on Job Seekers allowance for their entire working life is able to supplement this by working the minimum allowed part-time hours.

Such a person would still only earn around a quarter (25.6%) of a typical graduate’s income over the course of their working life, but they would earn more than double the amount of somebody solely sustained through unemployment benefit.

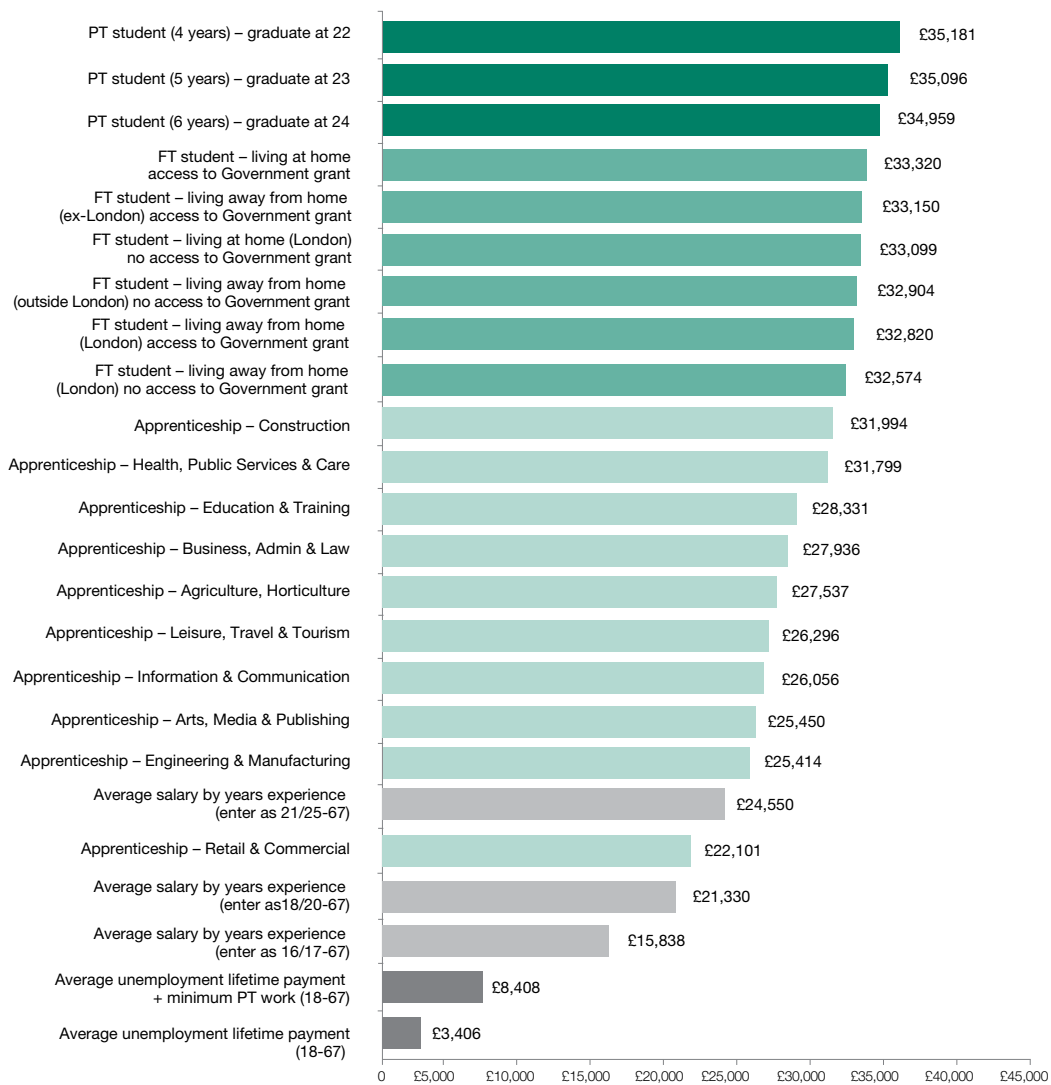
Working below the 16 hour part-time threshold would also enable an individual to still qualify for other benefits that may be available to them.

Projected Career Incomes for Young People (to Age 67)



Source: CoreData Research.

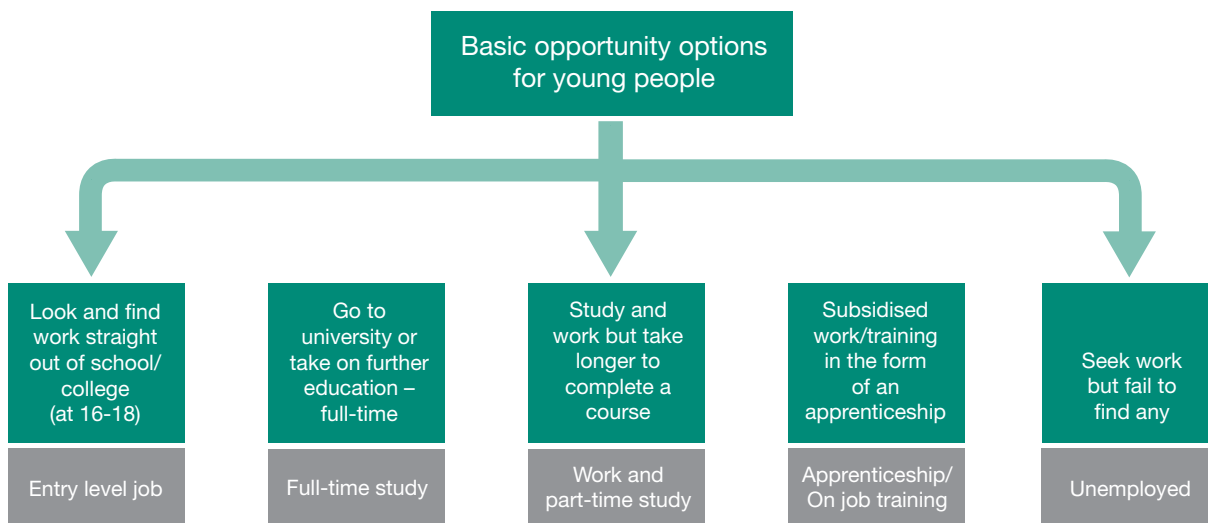
Projected career average for young people (to age 67)



Source: CoreData Research.

Young people – the roads to wealth

For would-be economically active young people today there are essentially five core options with regard to present and future work opportunities.



Option 1

Look and find work straight out of school/college (at 16 or 18).

Option 2

Go to university or take on further education full-time.

Option 3

Study and work but take longer to complete a course.

Option 4

Subsidised work/training in the form of an apprenticeship.

Option 5

Seek work but fail to find any.

Option 1 – entry level job

From a nationwide viewpoint, school leavers aged 16 or 18 that are lucky enough to find a full time job straight from school/college are likely to find themselves employed on the following salaries.

Estimated full-time salaries of school level educated 18-25 year olds

		16	17	18	19	20	21	22	23	24	25	Average (gross)
Gross	Weekly gross	£138	£138	£187	£187	£187	£228	£228	£228	£228	£228	£198
	Monthly gross	£598	£598	£809	£809	£809	£988	£988	£988	£988	£988	£856
	Annual gross	£7,176	£7,176	£9,711	£9,711	£9,711	£11,856	£11,856	£11,856	£11,856	£11,856	£10,277
												Average (net)
Net	Weekly net after tax	£138	£138	£173	£173	£173	£200	£200	£200	£200	£200	£180
	Monthly net after tax	£598	£598	£748	£748	£748	£869	£869	£869	£869	£869	£779
	Annual net after tax	£7,176	£7,176	£8,974	£8,974	£8,974	£10,424	£10,424	£10,424	£10,424	£10,424	£9,351

Source: CoreData Research/UK Government Data.

These salaries are calculated based on Government set minimum wage levels for each and after incorporation of the respective HMRC tax rates for the 2011/2012 financial year.

Considering the inherent weakness of the employment market at present and the high levels of unemployment among young people (both in absolute and historically relative terms), the assumption is that the majority of full-time workers entering the market straight from school/first time entrants to the workplace, will be on or at minimum wage level for their respective age band.

The table illustrates the gross and net salary levels for individuals with a school level education only.

As one can see, and would expect, salaries are notably lower for new entrants to the workforce with only a school education behind them.

The average salary for an 18-25 at this level is £10,277 per annum – somewhat below the level of an average fully qualified apprentice (£15,092) or university graduate (£19,653).

This can have repercussions in later life if an individual is unable to boost the level he/she is remunerated at beyond the natural appreciation they may be afforded, after having entered the workforce at a relatively low skill level.

From an average individual perspective, while some people may later study or undergo training, allowing them to advance their career at an accelerated level despite joining the work arena with school level education, most people who begin work at an entry level from school are likely to follow the path outlined in the following table.

Using 2011 pricing levels only ie not taking into account for inflation and other adjustments, while also assuming a retirement age of 67 and an unbroken work career, the research shows that a school leaver at 16 will earn less than half the amount of a university graduate over the course of their career – and despite having worked an additional four and a half years.

The analysis takes into account that on-the-job skill levels rise with experience, allowing an individual to command a somewhat higher salary as they age.

There is a noticeable difference between individuals who enter the workforce at the age of 18 (post A-levels) versus those who leave at the first opportunity after studying GCSEs and enter the workforce prior to conducting any further training or education.

Over the course of a lifetime of working (almost 50 years) the difference is nearly a quarter of a million pounds: £239,876.

This is quite a compelling argument in favour encouraging students to stay in school.

Estimated career salary growth and total for full-time school level educated workers

	Average salary by years experience (enter as 16-17)	Average salary by years experience (enter as 18-20)	Average salary by years experience (enter as 21-25)	Average salary by years experience (enter as a graduate)
Less than 1 year	£7,176	£9,711	£11,856	£19,653
1-4 years	£9,063	£12,265	£14,974	£22,857
5-9 years	£11,447	£15,491	£18,913	£29,906
10-19 years	£14,458	£19,566	£23,888	£37,084
20 years or more	£18,261	£24,712	£30,171	£39,204
Career Duration	49.5	48	44	45
Career income*	£783,964	£1,023,840	£1,129,305	£1,611,551
Average annual gross income (2011 prices)*	£15,838	£21,330	£25,666	£35,812

* Assumption of limited skills added once in the workforce, while later entrance into the workforce implies a higher level of education achieved.

Source: CoreData Research/Monster.

It will be discussed more shortly, but the other standout statistic drawn from the table above is that an individual entering the workforce in their early 20's with only a school level education is likely to earn £10,000 per annum less compared to a university graduate (when smoothed out over the course of a full working career).

An average graduate should earn (at today's prices) £1,611,551 over their working life, compared to £1,129,303 for non-graduates who enter the workforce at the same age, a difference of almost half a million pounds (£482,246).

Option 2 – full time study (undergraduate)

The average first year salary for a university graduate is £19,653. This is twice as much as a young person entering full-time employment at age 18 - 20 can expect to earn (£9,711).

There is much controversy in higher education at present. The introduction of increases in the level of fees students pay for their courses is a political hot-potato that has met with much resistance.

Some of the biggest student demonstrations have taken place since the Government announced plans to raise the levels of university tuition fees students pay as of the 2012 - 2013 enrolment period.

Universities are entitled to charge up to £9,000 per annum for course fees as of the next enrolment window for new entrants in September 2012.

Based on analysis of those universities which have publicly revealed the levels of fees they are to charge the average fees expected to be charged as of 2012 will be £8,575 per annum.

For some students these charges will be offset somewhat by a Government maintenance grant to assist with living costs while studying; however the expectation is that the vast majority of students – even those who receive a full or partial grant will be laden with significant debts upon graduating from university.

In a nutshell the loan will be repaid from 2016 (if graduation is in 2015) and once that person's salary rises above £21,000 per annum with the repayments set at 9% of everything earned above this £21,000 threshold.

Maximum student debt for households with **no access** to Government Maintenance Grant

	Live at home	Live away from home (outside London)	Live away from home (in London)
Maximum maintenance loan	£13,125	£16,500	£23,025
Average course fee debt	£25,725	£25,725	£25,725
Total debt	£38,850	£42,225	£48,750

Source: CoreData Research/UK Government Data.

In 2012/13 the maximum annual loan is £4,375 if you live with your parents, £5,500 if you live away from home (£7,675 in London or £6,535 overseas).

Full-time students from families on less than £25,000 per annum may receive an annual Government grant of £3,250 to assist with living costs – this does not have to be repaid unless a student leaves their course early, in the event, they may be asked to pay it back.

If entitled to a full grant the maximum loan a student would be entitled to is reduced by the amount of the grant.

With a £25,000 income or less, a student living away from home (outside London) will be entitled to a grant of £3,250 and a maximum loan of £3,875 (not the full £5,500).

Maximum student debt for households **with access** to Government Maintenance Grant

	Live at home	Live away from home (outside London)	Live away from home (in London)
Maximum maintenance loan	£8,250	£11,625	£18,150
Average course fee debt	£25,725	£25,725	£25,725
Total debt	£33,975	£37,350	£43,875

Source: CoreData Research/UK Government Data.

Those from households with income between £25,000 and £42,600 receive a smaller grant, though the maximum loan amount increases to make up for it.

If we take any of the various aforementioned outstanding loan amount scenarios at the point of graduation (living at home, living away from home in London or not, being eligible for a maintenance loan), where an individual has taken the maximum load available to them based on their personal circumstances, it can be seen that significant debt will be owed at the point of graduation.

The spectrum is £33,975 up to £48,750.

If you are one of the two in five people who leaves university but fails to find a full-time job, or one of those who does find a job but is paid below the loan repayment threshold (£21,000), then your loan will continue to accrue interest at the rate of inflation.

The challenge this creates is that at present only a student who graduates and is promptly employed in the region of £50,000 will ever be able to pay this back within the 30-year cut off before the loan is cancelled.

This has huge implications for Government and taxpayers, with a distinct possibility that large portions of debt will be written off. The Government is relying on long-term inflation being far below current levels. However if this doesn't manifest it may have to adjust the repayment levels outlined in the table below.

Maximum student loan repayment projections

	Minimum legal repayment	Inflation	Interest (tiered % up to 3%)	Total interest	Repayments over 30 years	Yearly cost
Less than £21,000	£ -	0%	0.00%	0.0%	£ -	£ -
£25,000	£30.0	5.0%	0.60%	5.60%	£10,800	£360
£30,000	£67.50	5.0%	1.35%	6.35%	£24,300	£810
£40,000	£142.50	5.0%	1.95%	6.95%	£51,300	£1,710
£50,000	£217.50	5.0%	2.85%	7.85%	£78,300	£2,610
£60,000	£292.50	5.0%	3.00%	8.00%	£105,300	£3,510

Source: CoreData Research.

For example, if you're employed on £25,000 per annum, the most you would pay back would be £10,800 (360 x 30 years). Over 30 years this would only service a minuscule original loan amount considering the interest on the loan is tied to inflation (currently 5%).

Option 3 – part-time study (undergraduate)

A part-time degree can take anywhere between four to six years to complete, generally speaking.

Part-time students, often forgotten, comprise up to 40% of all undergraduates.

In line with the changes affecting full-time students in 2012, fees for part-time students will also rise, with all universities able to charge up to £4,500 and some £6,750 provided they offer bursaries.

In line with establishing the average expected fee charges affecting full-time students, for the purposes of this project, we will apply the same methodology to part-time course fees.

On this basis, the average levels of fees for part-time students will be £6,431 (UK and EU residents only).

The one benefit for part-time students (provided it's their first degree and they're studying at least 25% of a full-time course) is they will no longer have to pay up front as they'll be eligible for tuition fees just like their full-time counterparts – although they won't be eligible for maintenance loans or grants.

For the purposes of the following analysis we will therefore assume a level of income at the respective entry level for part-time students by age.

Minimum student loan repayment projections

	Minimum legal repayment	Inflation	Interest (tiered % up to 3%)	Total interest	Repayments over 30 years	Yearly cost
Less than £21,000	£ -	0%	0.00%	0.0%	£ -	£ -
£25,000	£30.0	5.0%	0.60%	5.60%	£10,800	£360
£30,000	£67.50	5.0%	1.35%	6.35%	£24,300	£810
£40,000	£142.50	5.0%	1.95%	6.95%	£51,300	£1,710
£50,000	£217.50	5.0%	2.85%	7.85%	£78,300	£2,610
£60,000	£292.50	5.0%	3.00%	8.00%	£105,300	£3,510

Source: CoreData Research.

Part-time student (4 years) graduate at 22	Average debt £6,431 x 4 = £25,724	Average career salary – £34,225 per working life	Total average career income = £1,642,818
Part-time student (5 years) graduate at 23	Average debt £6,431 x 5 = £32,155	Average career salary – £33,726 per working life	Total average career income = £1,618,862
Part-time student (6 years) graduate at 24	Average debt £6,431 x 6 = £38,586	Average career salary – £33,182 per working life	Total average career income = £1,592,761

Source: CoreData Research.

Option 4 – apprenticeship/on job training

The following is a list of ten core areas that apprenticeships are available.

There are three levels to an apprenticeship;

- Intermediate Apprenticeships (equivalent to five good GCSE passes)
- Advanced Level Apprenticeships (equivalent to two A level passes)
- Higher Apprenticeships (lead to qualifications at NVQ Level 4 or, in some cases, a Foundation Degree)

For the purposes of conducting an analysis of the general attractiveness of pursuing this as a career option for young people, we have calculated the average qualified salaries that apply to each sector as a roll up of all three above standard levels.

Average starting salaries for qualified apprentices and career projections

	Agriculture, Horticulture	Arts, Media & Publishing	Business, Admin & Law	Construction	Education & Training
Once qualified	£15,228	£14,074	£15,449	£17,693	£15,667
1-4 years	£17,711	£16,368	£17,968	£20,577	£18,221
5-9 years	£23,172	£21,416	£23,509	£26,923	£23,840
10-19 years	£28,734	£26,557	£29,151	£33,386	£29,563
20 years or more	£30,377	£28,075	£30,818	£35,294	£31,253
Career income	£1,294,226	£1,196,147	£1,313,009	£1,503,726	£1,331,536
Average annual gross income (2011 Prices)	£27,537	£25,450	£27,936	£31,994	£28,331

*Assumptions: Individuals qualify at age 21, continue to work unbroken until retiring aged 67 (expected retirement age in 2057).

Source: CoreData Research/Monster/UK Government.

	Engineering & Manufacturing	Health, Pub Services & Care	Information & Communication	Leisure, Travel & Tourism	Retail & Commercial
Once qualified	£14,054	£17,585	£14,409	£14,542	£12,222
1-4 years	£16,345	£20,452	£16,758	£16,913	£14,215
5-9 years	£21,386	£26,759	£21,926	£22,129	£18,598
10-19 years	£26,519	£33,182	£27,189	£27,440	£23,062
20 years or more	£28,035	£35,079	£28,743	£29,009	£24,381
Career income	£1,194,448	£1,494,547	£1,224,619	£1,235,923	£1,038,746
Average annual gross income (2011 Prices)	£25,414	£31,799	£26,056	£26,296	£22,101

*Assumptions: Individuals qualify at age 21, continue to work unbroken until retiring aged 67 (expected retirement age in 2057).

Source: CoreData Research/Monster/UK Government.

Construction and Health Care, Public Services and Care appear to offer the best salaries for qualified apprentices, with average starting salaries of £17,693 and £17,585 respectively.

Naturally there will be individual job types within each sector (those in the third category listed on the previous page: 'Higher Apprenticeships') which offer much better prospects of greater relative salaries, but in general terms the figures in the two aforementioned tables are the overall salary expectations people can have by sector.

Our analysis goes further by applying typical salary differences as people build on their experience in the work place (again with the assumption that work is unbroken and that skills are directly transferable from role to role as people advance).

There is quite a notable range between the top and bottom career span salaries for those jobs that offer apprenticeships – £1,503,726 for Construction and £1,038,746 for Retail and Commercial, almost a half a million pound discrepancy in income (£464,981).

Note the above analysis does not include the accepted average wage that apprenticeships receive in the years they are training to become qualified.

This figure according to www.direct.gov.uk is £170 per week, although some apprentices under the age of 19, or those aged over 19 but in their first year of training, may only receive a minimum wage of £2.60 per hour – approximately £95 per week.

An added bonus for those who pursue an apprenticeship via the public sector is the pension that would be available within this framework, contributing to overall long-term wealth. This is not something that is readily available via the private sector, although graduates who are able to elect to have salary sacrifice to boost a pension via a work-based scheme will benefit from their taxable income being reduced, which would increase the likelihood of the Government having to write off more of their student loan.

Option 5 – unemployment

For a huge number of 18 to 25 year olds in Britain – 1.02 million to be specific – they have been unable to find full-time employment.

For the purposes of this study, the following two scenarios have been chosen to outline two extremes of unemployment:

First – the weekly, monthly and annual income projections for the different ages within the young adult band, for those who are reliant exclusively on Job Seekers allowance.

Second – the weekly, monthly and annual income projections for the different ages within the young adult band, for those who are able to find a part-time job that allows them to work up to the threshold of what is allowed by the Government in order to still receive Job Seekers allowance and hence remain classified as unemployed.

People claiming Job Seekers allowance can work up to 16 hours for the minimum wage specific to their age band.

The National Minimum Wage (NWM) by age bands is as follows:

- £6.08 – the main rate for workers aged 21 and over
- £4.98 – the rate for 18 - 20-year olds
- £3.68 – the rate for 16 - 17-year old workers above school leaving age, but under 18 years of age.
- £2.60 – the apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship.

JSA Only	16	17	18	19	20	21	22	23	24	25	Average (JSA)
Weekly	-	-	£53	£53	£53	£53	£53	£53	£53	£68	£55
Monthly	-	-	£232	£232	£232	£232	£232	£232	£232	£293	£239
Annual (18-25)	-	-	£2,779	£2,779	£2,779	£2,779	£2,779	£2,779	£2,779	£3,510	
Years of Payment	-	-	49	48	47	46	45	44	43	42	
Life Long	-	-	£166,876	£164,096	£161,317	£158,538	£155,758	£152,979	£150,199	£147,420	£157,148
Life Long Average	-	-	£3,406	£3,419	£3,432	£3,446	£3,461	£3,477	£3,493	£3,510	£3,456
JSA + 16 PT	16	17	18	19	20	21	22	23	24	25	Average (JSA+PT)
Weekly	-	-	£53	£53	£53	£53	£53	£53	£53	£68	£55
Monthly	-	-	£232	£232	£232	£232	£232	£232	£232	£293	
Annual (18-25)	-	-	£2,779	£2,779	£2,779	£2,779	£2,779	£2,779	£2,779	£3,510	
16 Hours PT work	-	-	£80	£80	£80	£97	£97	£97	£97	£97	£91
Weekly Total	-	-	£133	£133	£133	£151	£151	£151	£151	£165	£146
Monthly + PT work	-	-	£577	£577	£577	£653	£653	£653	£653	£714	£632
Annual + PT work	-	-	£6,923	£6,923	£6,923	£7,838	£7,833	£7,838	£7,838	£8,569	
Life long + PT work	-	-	£412,000	£405,077	£398,154	£391,231	£383,393	£375,555	£367,717	£359,880	£386,626
Life Long Average	-	-	£8,408	£8,439	£8,471	£8,505	£8,520	£8,535	£8,552	£8,569	£8,500

*Figures are in 2011 values.

Source: CoreData Research/UK Government.

If an 18-year old were to remain on Job Seekers allowance for his/her whole 'would-be' working life with zero part-time work, they would receive a total of £166,876 at today's payment levels – a mere 10.3% of what an average graduate can hope to earn during their working life.

Of course this is an extreme example and nobody can be expected to spend their whole working life on unemployment benefit, but the stark contrast highlights how wealth distribution gaps can open up in society.

However at the same time not everybody has either the opportunity or the ability to study for a degree, but there are options available for those who seek out an apprenticeship that best suits them.

Or some may choose to advance as much as possible through the ranks from within the workforce.

For those who struggle to find full-time work though, a less bleak but still rather grim prospect than a life of exclusive unemployment is if somebody who remains on Job Seekers allowance for their entire working life is able to supplement this by working the minimum allowed part-time hours.

Such a person would still only earn around a quarter (25.6%) of a typical graduate's income over the course of their working life, but they would earn more than double the amount of somebody solely sustained through unemployment benefit.

Working below the 16 hour part-time threshold would also enable an individual to still qualify for other benefits that may be available to them.

Modelling of student loan debt costs and opportunities

The following chart is a comparison of all the various options available to young people today and then mapped against the average incomes available today to project their respective future incomes (less any debts incurred during the training stages of the different options).

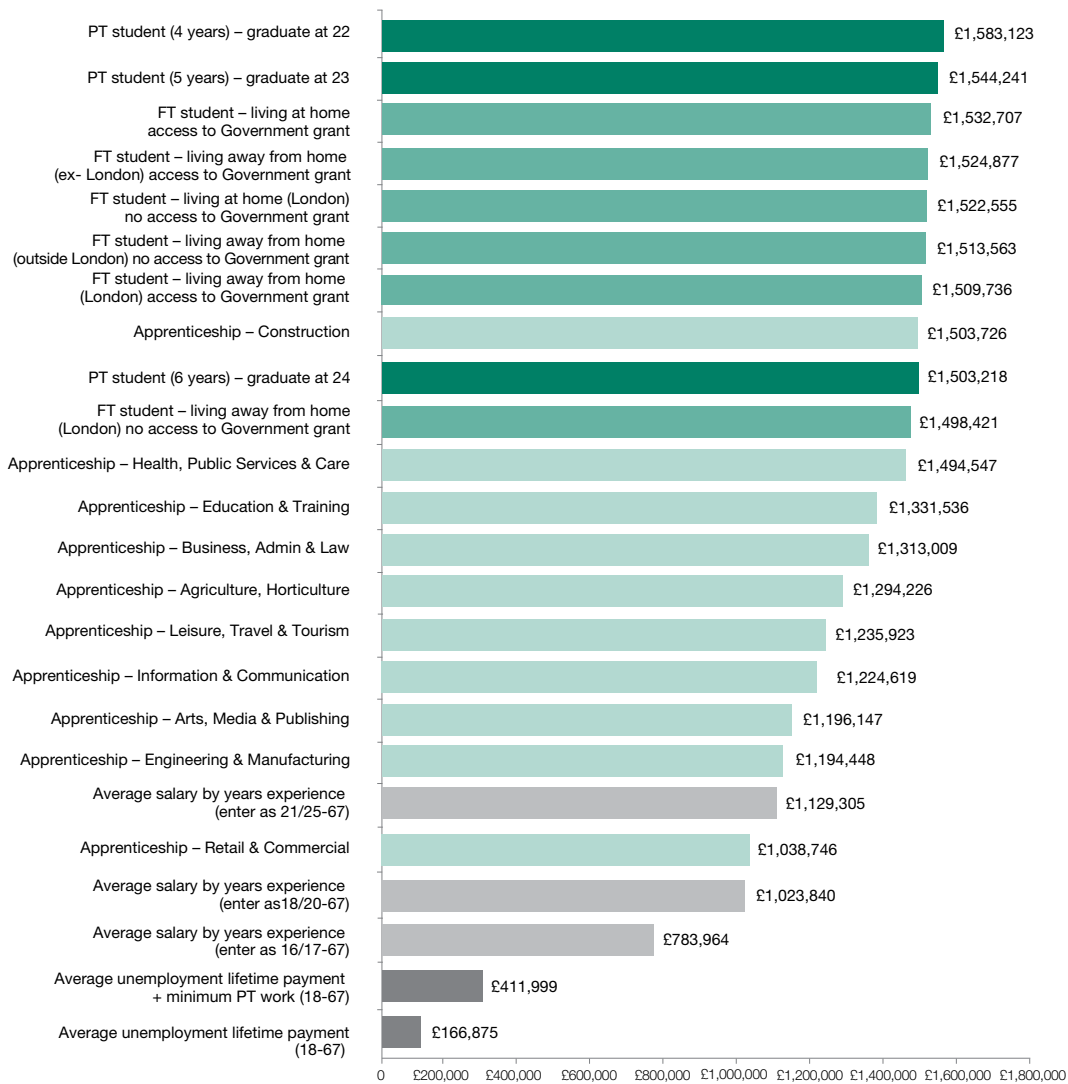
It must be noted that the debt repayments for university students, whether they be full-time or part-time are set at 9% of income above (where applicable) the proportion of an individual's salary that is over £21,000.

The level of interest paid on the debt will range from 5% to 8% (with the 5% component being the current level of inflation in the UK).

Given the rate of inflation today is relatively high, the following tables (for students) reveal that significant portions of student loans taken out as of the next enrolment term (2012/2013) would still exist in 30 years.

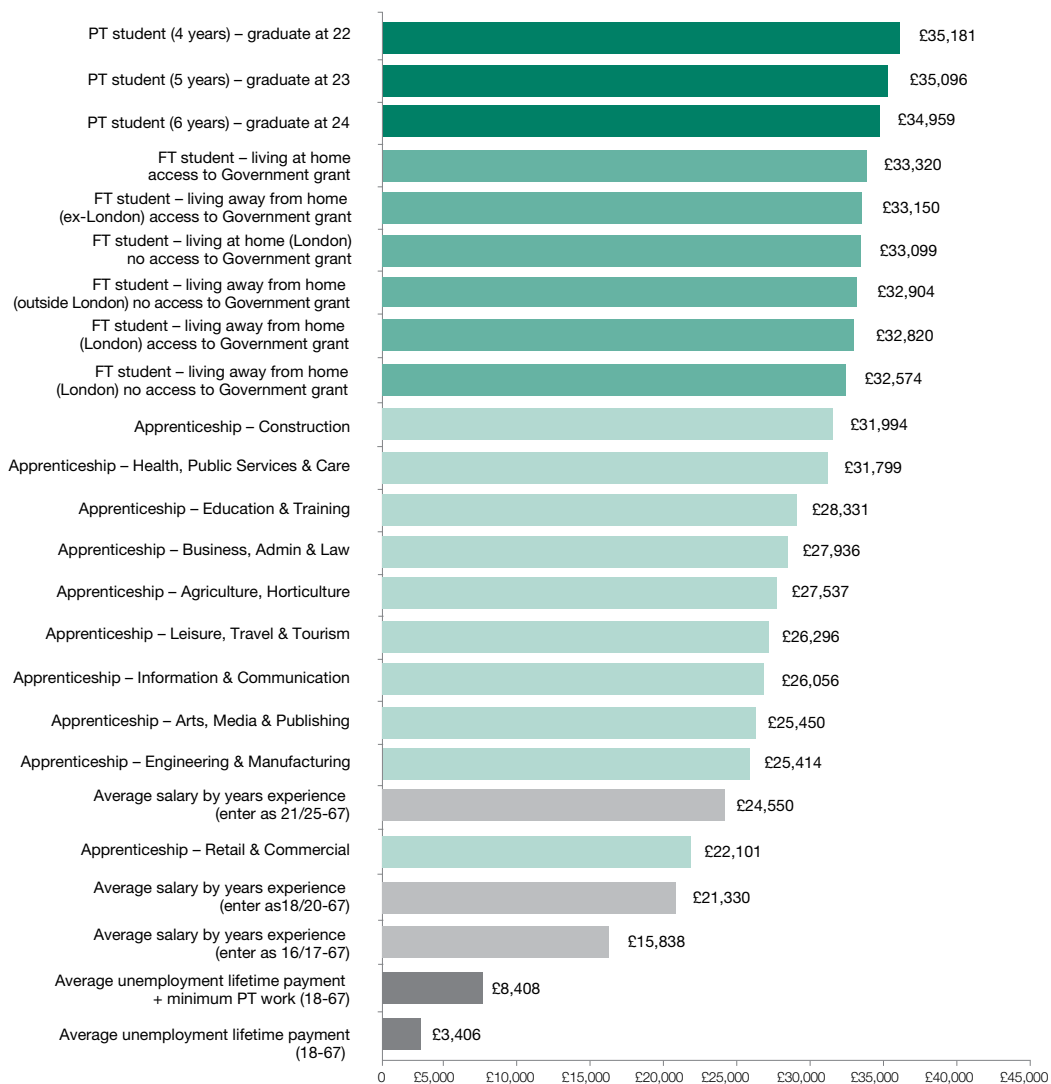
At this point they would be written off.

Projected career income for various options available to young people (2012/2013)



Source: CoreData Research.

Projected career average for young people (to age 67)



Source: CoreData Research.

Young people – career options and student loan debt
 No access to Government Maintenance Grant

			Gross career financial position (income minus debt)	Career financial position (inc WRITTEN OFF debt)	Career income	Debt	Amount repaid	Amount required to repay in full within 30 years	Approx amount written off
Maximum debt for households with NO ACCESS to Government Maintenance Grant	Full-time students – living at home	Average career salary £35,812	£1,522,555	£1,563,356	£1,611,551	£38,850	£48,195	£88,996	£40,801
		Example career salary £21,000	£945,000	£945,000	£945,000	£38,850	£ -	£ -	£ -
		Example career salary £25,000	£1,044,709	£1,114,200	£1,125,000	£38,850	£10,800	£80,291	£69,491
		Example career salary £30,000	£1,262,974	£1,325,700	£1,350,000	£38,850	£24,300	£87,026	£62,726
		Example career salary £40,000	£1,707,419	£1,748,700	£1,800,000	£38,850	£51,300	£92,581	£41,281
		Example career salary £50,000	£2,148,833	£2,171,700	£2,250,000	£38,850	£78,300	£101,167	£22,867
		Example career salary £60,000	£2,597,375	£2,597,375	£2,700,000	£38,850	£102,625	£102,625	£0
Maximum debt for households with NO ACCESS to Government Maintenance Grant	Full-time students – living away from home (outside London)	Average career salary £35,812	£1,513,563	£1,563,356	£1,611,551	£42,225	£48,195	£97,988	£49,793
		Example career salary £21,000	£945,000	£945,000	£945,000	£42,225	£ -	£ -	£ -
		Example career salary £25,000	£1,037,736	£1,114,200	£1,125,000	£42,225	£10,800	£87,264	£76,464
		Example career salary £30,000	£1,255,414	£1,325,700	£1,350,000	£42,225	£24,300	£94,586	£70,286
		Example career salary £40,000	£1,699,376	£1,748,700	£1,800,000	£42,225	£51,300	£100,624	£49,324
		Example career salary £50,000	£2,140,045	£2,171,700	£2,250,000	£42,225	£78,300	£109,955	£31,655
		Example career salary £60,000	£2,588,461	£2,594,700	£2,700,000	£42,225	£105,300	£111,539	£6,239
Maximum debt for households with NO ACCESS to Government Maintenance Grant	Full-time students – living away from home (in London)	Average career salary £35,812	£1,498,421	£1,563,356	£1,611,551	£48,750	£48,195	£113,130	£64,935
		Example career salary £21,000	£945,000	£945,000	£945,000	£48,750	£ -	£ -	£ -
		Example career salary £25,000	£1,024,250	£1,114,200	£1,125,000	£48,750	£10,800	£100,750	£89,950
		Example career salary £30,000	£1,240,798	£1,325,700	£1,350,000	£48,750	£24,300	£109,202	£84,902
		Example career salary £40,000	£1,683,828	£1,748,700	£1,800,000	£48,750	£51,300	£116,172	£64,872
		Example career salary £50,000	£2,123,053	£2,171,700	£2,250,000	£48,750	£78,300	£126,947	£48,647
		Example career salary £60,000	£2,571,224	£2,597,375	£2,700,000	£48,750	£102,625	£128,776	£26,151

Source: CoreData Research/UK Government.

Young people – career options and student loan debt
With access to Government Maintenance Grant

			Gross career financial position (income minus debt)	Career financial position (inc WRITTEN OFF debt)	Career income	Debt	Amount repaid	Amount required to repay in full within 30 years	Approx amount written off
Maximum debt for households WITH ACCESS to Government Maintenance Grant	Full-time students – living at home	Average career salary £35,812	£1,532,707	£1,563,356	£1,611,551	£33,975	£48,195	£78,844	£30,649
		Example career salary £21,000	£945,000	£945,000	£945,000	£33,975	£ -	£ -	£ -
		Example career salary £25,000	£1,054,786	£1,114,200	£1,125,000	£33,975	£10,800	£70,214	£59,414
		Example career salary £30,000	£1,273,896	£1,325,700	£1,350,000	£33,975	£24,300	£76,104	£51,804
		Example career salary £40,000	£1,719,036	£1,748,700	£1,800,000	£33,975	£51,300	£80,964	£29,664
		Example career salary £50,000	£2,161,530	£2,171,700	£2,250,000	£33,975	£78,300	£88,470	£10,170
		Example career salary £60,000	£2,610,252	£2,610,252	£2,700,000	£33,975	£89,748	£89,748	£ -
Maximum debt for households WITH ACCESS to Government Maintenance Grant	Full-time students – living away from home (outside London)	Average career salary £35,812	£1,524,877	£1,563,356	£1,611,551	£37,350	£48,195	£86,674	£38,479
		Example career salary £21,000	£945,000	£945,000	£945,000	£37,350	£ -	£ -	£ -
		Example career salary £25,000	£1,047,809	£1,114,200	£1,125,000	£37,350	£10,800	£77,191	£66,391
		Example career salary £30,000	£1,266,332	£1,325,700	£1,350,000	£37,350	£24,300	£83,668	£59,368
		Example career salary £40,000	£1,710,994	£1,748,700	£1,800,000	£37,350	£51,300	£89,006	£37,706
		Example career salary £50,000	£2,152,739	£2,171,700	£2,250,000	£37,350	£78,300	£97,261	£18,961
		Example career salary £60,000	£2,601,338	£2,601,338	£2,700,000	£37,350	£98,662	£98,662	£0
Maximum debt for households WITH ACCESS to Government Maintenance Grant	Full-time students – living away from home (in London)	Average career salary £35,812	£1,508,736	£1,563,356	£1,611,551	£43,875	£48,195	£101,815	£53,620
		Example career salary £21,000	£945,000	£945,000	£945,000	£43,875	£ -	£ -	£ -
		Example career salary £25,000	£1,034,323	£1,114,200	£1,125,000	£43,875	£10,800	£90,677	£79,877
		Example career salary £30,000	£1,251,716	£1,325,700	£1,350,000	£43,875	£24,800	£98,284	£73,984
		Example career salary £40,000	£1,695,445	£1,748,700	£1,800,000	£43,875	£51,300	£104,555	£53,255
		Example career salary £50,000	£2,135,750	£2,171,700	£2,250,000	£43,875	£78,300	£114,250	£35,950
		Example career salary £60,000	£2,584,102	£2,597,375	£2,700,000	£43,875	£102,625	£115,898	£13,273

Source: CoreData Research/UK Government.

Young people – career options and student loan debt

			Gross career financial position (income minus debt)	Career financial position (inc WRITTEN OFF debt)	Career income	Debt	Amount repaid	Amount required to repay in full within 30 years	Approx amount written off
Part-time student (4 years) graduate at 22	Average debt £6,431 x 4 = £25,724	Average career salary £34,225	£1,583,123	£1,594,623	£1,642,818.00	£25,724	£48,195	£59,695	£11,500
		Example career salary £21,000	£945,000	£945,000	£945,000	£25,724	£ -	£ -	£ -
		Example career salary £25,000	£1,071,835	£1,114,200	£1,125,000	£25,724	£10,800	£53,165	£42,365
		Example career salary £30,000	£1,292,378	£1,325,700	£1,350,000	£25,724	£24,300	£57,622	£33,322
		Example career salary £40,000	£1,738,699	£1,748,700	£1,800,000	£25,724	£51,300	£61,301	£10,001
		Example career salary £50,000	£2,183,015	£2,183,015	£2,250,000	£25,724	£66,985	£66,985	£ -
		Example career salary £60,000	£2,632,050	£2,632,050	£2,700,000	£25,724	£67,950	£67,950	£ -
Part-time student (5 years) graduate at 23	Average debt £6,431 x 5 = £32,155	Average career salary £33,726	£1,544,241	£1,570,667	£1,618,862.00	£32,155	£48,195	£74,621	£26,426
		Example career salary £21,000	£945,000	£945,000	£945,000	£32,155	£ -	£ -	£ -
		Example career salary £25,000	£1,058,544	£1,114,200	£1,125,000	£32,155	£10,800	£66,456	£55,656
		Example career salary £30,000	£1,277,971	£1,325,700	£1,350,000	£32,155	£24,300	£72,029	£47,729
		Example career salary £40,000	£1,723,374	£1,748,700	£1,800,000	£32,155	£51,300	£76,626	£25,326
		Example career salary £50,000	£2,166,268	£2,171,700	£2,250,000	£32,155	£78,300	£83,732	£5,432
		Example career salary £60,000	£2,615,062	£2,615,062	£2,700,000	£32,155	£84,938	£84,938	£ -
Part-time student (6 years) graduate at 24	Average debt £6,431 x 6 = £38,586	Average career salary £33,182	£1,503,218	£1,544,566	£1,592,761.00	£38,586	£48,195	£89,543	£41,348
		Example career salary £21,000	£945,000	£945,000	£945,000	£38,586	£ -	£ -	£ -
		Example career salary £25,000	£1,045,256	£1,114,200	£1,125,000	£38,586	£10,800	£79,744	£68,944
		Example career salary £30,000	£1,263,564	£1,325,700	£1,350,000	£38,586	£24,300	£86,436	£62,136
		Example career salary £40,000	£1,708,049	£1,748,700	£1,800,000	£38,586	£51,300	£91,951	£40,651
		Example career salary £50,000	£2,149,520	£2,171,700	£2,250,000	£38,586	£78,300	£100,480	£22,180
		Example career salary £60,000	£2,598,073	£2,598,073	£2,700,000	£38,586	£101,927	£101,927	£ -

Source: CoreData Research/UK Government.

The minimum repayment values for the various example thresholds show that interest would build, or fail to reduce at a fast enough pace that despite 30 years of repayment at the Government’s mandated levels these loans would still exist in 30 years.

What is evident though is that of all the options available to young people, even despite the debt many will take on, they are more likely to be better off in the long-term from studying for and completing a degree.

The problem is that not all university graduates will have the luxury of entering the workforce ahead of enjoying four or five decades of unbroken employment, until the day they retire.

But at least perhaps, at the back of an undergraduate’s mind is the reassurance that if they fail to reach the level of income that triggers making repayments then eventually this debt will be wiped clear.

Meanwhile an alternative option to taking on this debt, despite the option of it being written-off, is to embark on an apprenticeship.

While there are three tiers to apprenticeships, the average projections revealed in the research suggest considering a job in the Construction Industry or Health, Public Services and Care could prove more fruitful than university if the right tier of apprenticeship is sought.

Young people – career options and student loan debt

		Gross career financial position (income minus debt)
Unemployed	Average unemployment life time payment	£166,876
	Average unemployment life item payment + minimum PT work	£343,989
Entry level jobs	Average salary by years experience (enter as 16 - 17)	£783,964
	Average salary by years experience (enter as 18-20)	£1,023,840
	Average salary by years experience (enter as 21-25)	£1,129,305
Apprenticeships	Agriculture, Horticulture	£1,294,226
	Arts, Media & Publishing	£1,196,147
	Business, Admin & Law	£1,313,009
	Construction	£1,503,726
	Education & Training	£1,331,536
	Engineering & Manufacturing	£1,194,488
	Health, Pub Services & Care	£1,494,547
	Information & Communications	£1,224,619
	Leisure, Travel & Tourism	£1,235,923
Retail & Commercial	£1,038,746	

Source: CoreData Research/UK Government.

Graduate employment

Figures from the Higher Education Statistics Agency (HESA), published in July 2011, showed 9.6% of 2010 graduates were unemployed six months after leaving university.

Some courses in the United Kingdom have unemployment rates as high as 15% with the HESA concluding computer science is the worst degree in terms of being able to find suitable employment.

HESA figures reveal 14.7% of computer science graduates were unemployed six months after graduating, this compares to just 0.4% of medicine, dentistry and veterinary graduates being jobless within the same period.

The figures were generally positive for teaching and law graduates too, which had employment rates of 95% and 92.7% respectively.

As the UK continues to experience a rise in youth unemployment levels with a squeeze on graduate jobs and a rise in tuition fees; it may follow that post-university employability levels are likely to become an increasingly influential tool for prospective students when deciding what university (if any) to apply for.

HESA also suggests Edinburgh and Newcastle University offer graduates the best chance of employment after graduation.

Added to this, evidence from the ONS Student Debt Survey 2011 draws attention to those who graduated from Edinburgh University had an average debt of £17,395 and those from Newcastle University, £17,684; two thousand pounds lower than the national average.

Clearly those universities that offer prospective student's strong employability chances as well as courses that are affordable will potentially in time become the more favoured universities.

Aberdeen University, the University of Bristol, Cambridge University, the University of Reading and St Andrews University all have similar employability ratings for new graduates with average debt depending on place of study. Reading University has an average debt of £14,651 whilst a graduate from Cambridge is likely to have an average debt of £20,236.

London South Bank University, Birmingham City University and London Metropolitan University have employability rates of 78% but students are likely to come out with similar debts to the universities who offer a greater chance of employability. These institutions are also toward the lower end of the university league tables according to the Guardian's University Guide 2012.

What must not be ignored is the importance of the university ranking system to employers. The data demonstrates that those students who attend the best universities in the country are more employable than those who attend less prestigious universities. Cambridge University is ranked number one in the United Kingdom and has strong employability ratings with the same being said for St Andrews University which is ranked third.

Employment rates by institution and region six months after graduation

South East	Career prospects (%)	London	Career prospects (%)	South West	Career prospects (%)	North West	Career prospects (%)
Cambridge	82	Imperial College	83	Bath	75	Manchester	67
Oxford	81	London School of Economics	81	Bristol	75	Liverpool	66
Surrey	74	King's College London	79	Sussex	66	Edge Hill	59
Kent	65	UCL	77	Exeter	64	Chester	58
Southampton	63	Queen Mary	67	Reading	63	Salford	51
UEA	61	City	65	Plymouth	61	Manchester Met	52
Canterbury	60	SOAS	62	Marjon (St Mark and St John)	59	Liverpool John Moores	48
Christ Church Oxford Brookes	59	Royal Holloway	59	Bournemouth	58	Bolton	40
Essex	54	St Mary's UC,		UWE Bristol	58	Average	55
Brighton	53	Twickenham	57	Gloucestershire	55		
UC Suffolk	53	Bedfordshire	57	Falmouth	55		
Portsmouth	52	Brunel	54	Worcester	53		
Middlesex	51	Roehampton	54	Winchester	49		
Chichester	51	Greenwich	50	UC Falmouth	47		
Anglia Ruskin	50	Westminster	49	Bath Spa	43	Northern Ireland	Career prospects (%)
Bucks New University	46	Thames Valley	49			Queen's, Belfast	63
Southampton Solent	42	Kingston	48			Ulster	51
		Goldsmiths	48				
		London South Bank	44				
		East London	43				
		London Met	39				
Average	59	Average	58	Average	59	Average	57

Source: CoreData Research/HESA.

Midlands	Career prospects (%)	Scotland	Career prospects (%)	North East	Career prospects (%)	Wales	Career prospects (%)
Nottingham	74	Robert Gordon	76	Durham	76	Cardiff	71
Aston	73	St Andrews	73	Newcastle	72	Glyndwr	62
Warwick	69	Edinburgh	70	Sheffield	69	Trinity Saint David	58
Birmingham	67	Glasgow	69	Lancaster	68	Swansea	56
Leicester	67	Heriot-Watt	68	Bradford	66	Bangor	54
Loughborough	67	Aberdeen	67	Northumbria	65	Aberystwyth	51
Birmingham City	65	Edinburgh Napier	66	Huddersfield	64	UWIC	51
Newman University College	63	Strathclyde	66	York	64	Newport	51
		Dundee	65	Leeds	63	Glamorgan	48
Nottinham Trent	57	Stirling	60	Cumbria	63		
Staffordshire	56	Queen Margaret	59	Hull	60		
Coventry	56	Abertay Dundee	55	Teesside	57		
Northampton	49	Glasgow Caledonian	53	Leeds Met	51		
Derby	48			Sunderland	51		
De Montfort	47						
Average	61	Average	65	Average	64	Average	56

Source: CoreData Research/HESA.

About this research

Methodology

This project draws on primary and secondary data to drive a series of analyses charged with assessing the choices available to young Britons in 2011 and beyond.

The analysis involved calculations derived from a wide range of existing data sources. Specifically this a study of people aged between 18 and 25, with a primary focus on education, job opportunities and the impact of student loan debt.

Given the rise in youth unemployment (1.02 million as at 16 December 2011), high inflation, high cost of living and a series of other macro-economic issues the study assesses the choices available to young people today and the dilemmas they face. In a sense, the project takes a viewpoint from a kind of *fork-in-the-road* perspective.

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CoreData Research UK is the London-based arm of a broader specialist financial services research and strategy consultancy, which is incorporated in Sydney, Australia.

The UK division is part of the CoreData Group and has operations in Australia, the United Kingdom, the United States of America, China and the Philippines. It also has associates working for the business in Argentina, Brazil and South Africa.

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