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Learning and Earning: a comparison of first year and final year Business School students' salary expectations.

Obtaining a degree has long been seen as a way of securing good employment. However, recent graduates have been hit hard by the recession. The unemployment rate has increased steadily since 2009 and one in three UK graduates ends up in lower skills job (Office for National Statistics, 2012). Nevertheless, young people have not been put off going to university, despite rising tuition fees and the uncertain economic future (Hughes, 2012).

There have been some concerns about students' unrealistic earnings expectations which might influence their decision to enter higher education. Although there are many reasons for pursuing a degree, human capital theory states that individuals go to university to increase their productivity which is then rewarded in the labour market in the form of higher earnings. Previous studies have shown that students are not well informed about their prospects in the labour market and that they tend to overestimate their initial salaries after graduation (Wolter and Zbinden, 2002; Jerrim, 2011)

In this study, the wage expectations of students on economics and business programmes are investigated. A questionnaire has been used to collect data at two English universities and three universities in the Czech Republic. The reason for comparing these two countries is threefold. Firstly, while English students may have to pay towards the cost of their education once they enter the labour market, entry to Czech public universities remains free of charge despite heated debate amongst politicians concerning the introduction of tuition fees. Secondly, UK graduate unemployment has risen, especially for recent UK graduates where one in five is unemployed (Office for National Statistics, 2012). On the other hand, graduates in the Czech Republic have better opportunities in the labour market since unemployment is below 5% (Koucky and Zelenka, 2011). Finally, there has been an argument that "over-education" is a serious problem in the UK but the Czech Republic has one of the lowest incidences of "over-education" in Europe (Barone and Ortiz, 2010; Felstead et al., 2007).

The data has been collected from first year and final year students in both countries. However, due to differences between countries, we surveyed final year bachelor students in England (as the overwhelming majority of students do not continue immediately to Master level studies) and final year Master students in the Czech Republic where a Master degree is a necessity to get a "graduate" job. Students were asked to estimate their salaries under two scenarios – immediately after graduation and 10 years after graduation. The preliminary results show that expectations of both starting salaries and salaries ten years after graduation are higher amongst first year students. This is in line with previous research (Brunello et al., 2004, Jerrim, 2011), which suggests that final year students are better informed about both their own abilities and labour market opportunities.

A study by Botelho and Pinto (2004) revealed that female students' earnings expectations were both lower and more accurate. Despite a persistent gender pay gap, female students in our sample expect similar starting salaries to their male peers. However, under the second scenario, female students expect to earn significantly less than male students after 10 years in the labour market.

Ethnicity might have an impact on students' wage expectations because in the UK people from all ethnic minorities earn less on average than white British workers (Clark and Drinkwater, 2007). Nevertheless, previous studies have shown white British students have lower salary expectations

than other ethnic groups (Speed, 2007; Jerrim, 2011). Our data indicates a similar pattern: Asian and Black British students have significantly higher wage expectations.

According to Brunello et al. (2004), students who perceive themselves as more academically competent are likely to have higher earnings expectations. Nevertheless, it is difficult to measure student's ability. We intended to use UCAS points as a proxy; however, we had to abandon this measure because many students were unable to recall their UCAS points or did not understand the question. We also looked at students' expected final grade as graduates who obtain better grades at University tend to receive higher salaries (Ramsey, 2008, Walker and Zhu, 2010). Our preliminary findings show that students who expect to obtain a first class honours degree in the UK expect similar starting salaries to those who expect an upper second class honours degree; however, "first class students" expect a premium of more than 20 per cent 10 years after graduation.

Graduates with work experience have a competitive advantage in the labour market. Previous studies point to a greater chance of being employed and higher starting salaries for graduates who have undertaken an industrial placement (Papadatou, 2010). In our sample, students who had undertaken a work placement had slightly higher expectations about their initial salaries, but significantly higher wage expectations 10 years after graduation. Nevertheless, we have to bear in mind that there might be possible link between a student's ability and their likelihood of undertaking a work placement.

It has been argued that graduates are more mobile and adaptable; therefore, higher number of graduates could improve labour mobility within EU member countries which has remained at a relatively low level, compared to the United States (Janiak and Wasmer, 2008). Nonetheless, our data reveals that more than 80 per cent of students in our sample study in their home region and they intend to stay within the region after they graduate. To end on a positive note, despite limited graduate opportunities, students remain optimistic about their future prospects as more than 90 per cent expect to be in graduate job six months after graduation.

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