



## The Economic Benefits of Career Guidance

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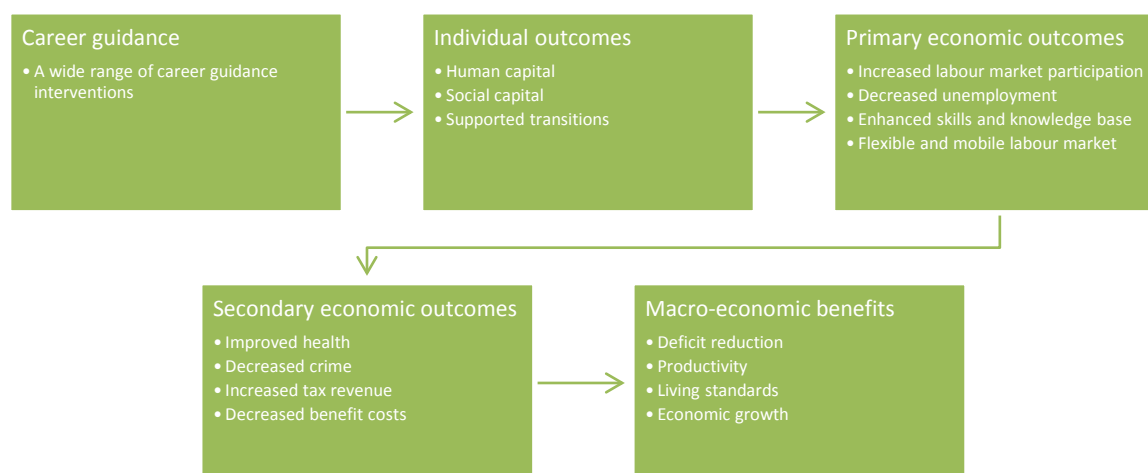
### Executive summary

This research paper sets out the evidence on the economic benefits of career guidance. It argues that although career guidance is primarily concerned with the individual it also offers major social and economic benefits. It is these benefits that justify public investment in the area.

The paper uses the OECD's definition of "*career guidance*". This definition is broad and encompasses a wide range of activities that take place within the education system and beyond it.

The evidence base provides insights into the effective delivery of career guidance and highlights the three main policy areas that it can support: (1) the effective functioning of the labour market and through this the economy, (2) the effective functioning of the education system; and (3) social equity. This paper focuses on the first of these in the context of current UK (with a focus on England) policy aims around fiscal restraint and deficit reduction.

Career guidance contributes to a range of individual outcomes which influence a number of primary and secondary outcomes which in turn lead to macro-economic benefits.



The evidence shows that career guidance can have substantial benefits for the economy by supporting individuals to enhance their capacities in ways that contribute to enhanced jobs, skills and growth. This suggests that the government should re-examine current career guidance policy and consider how it can best maximise the aforementioned economic benefits. This may include widening access in general, considering how best to target provision and rethinking what departments might be involved in funding and influencing the development of a lifelong career guidance system in the UK.



# The Economic Benefits of Career Guidance

Tristram Hooley and Vanessa Dodd<sup>1</sup>

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*This research paper sets out the key evidence on the economic benefits of career guidance.<sup>2</sup> The work is produced on behalf of Careers England, but the paper does not represent the policy of the organisation.*

## Introduction

1. Career guidance is primarily concerned with realising the aspirations and potential of the individual. However, career guidance also offers considerable social and economic benefits for a society. This paper will examine the evidence for these benefits with a particular focus on the economic benefits. It will argue that career guidance enhances individuals' human and social capital and explore the way in which these work through the economy to impact on macro-economic outcomes. This focus on the economic outcomes should not be seen as diminishing the wider benefits that career guidance can deliver in terms of self-actualisation, job satisfaction, social equity and a range of other personal and social outcomes. However, the political realities of 2015 are that career guidance's future is likely to be bound up with its capacity to realise concrete economic benefits for the nation.
2. This paper will use the OECD's definition of career guidance.<sup>3</sup> The OECD definition makes it clear that career guidance refers to individual and group activities, online and onsite activities and education, counselling, world of work experiences and system development.

*Career guidance refers to services and activities intended to assist individuals, of any age and at any point throughout their lives, to make educational, training and occupational choices and to manage their careers... The activities may take place on an individual or group basis, and may be face-to-face or at a distance (including help lines and web-based services).*

3. This definition encompasses a range of activities which are commonly found in England and the UK including the provision of career education, information, advice and guidance. The OECD definition includes many activities not normally described as "career guidance" within the UK such as education/employment brokerage and the work of public employment services such as Jobcentre Plus. It is important to recognise that while there is much to be proud of in current practice in career guidance in the UK it represents an imperfect realisation of the ideal of a lifelong career guidance system set out in the OECD review. The OECD definition is conceptually robust, embedded in international evidence and best practice. Consequently this paper will work from the OECD definition and recommends that this definition is adopted in the development of future policy.
4. The Conservative Government which took power in 2015 inherits a careers sector that is highly fragmented. Provision varies across the four nations of the UK and is most fragmented in England.

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<sup>2</sup> An early version of this paper was presented to the Careers England Board on Friday 1<sup>st</sup> May. The authors would like to thank the Careers England Board for helpful comments and for subsequent feedback from Jane Artess, Lyn Barham, Korin Grant, Wendy Hirsh, Deirdre Hughes, Stephen McNair and Siobhan Neary.

<sup>3</sup> OECD. (2004). *Career Guidance and Public Policy: Bridging the Gap*. Paris: OECD.

The discussion of policy in this paper will focus on England although many of the findings are more broadly applicable. Within England the publicly funded provision of career guidance is variously found within educational institutions (schools, colleges and universities), in the National Careers Service and in Jobcentre Plus. This means that provision is divided across at least three government departments: the Department for Education; the Department for Business Innovation and Skills; and the Department for Work and Pensions; with other career-related provision delivered with public money through the LEPs, local authorities and other government departments. At times there has also been an interest from the Prime Minister and the Cabinet Office in the effective co-ordination of these different activities and in launching initiative to address strategic areas of concern. There is a case for a greater co-ordination of this kind as the fragmentation of funding and accountability has the potential to produce incoherent and inefficient services where citizen entitlement to career guidance is unclear and inconsistent.

5. This paper is largely focused on public investment in career guidance as public sector provision is key to ensuring that access to career guidance is not dependent on the ability to pay. Many of the economic benefits that we highlight in the paper require that access to career guidance is spread across society and not confined to those who can afford access. Nonetheless, it is important to recognise that there are a wide range of guidance services that are provided outside of the context of government. Such provision includes: (1) services provided by charities, the third sector and other organisations concerned about social needs; (2) services provided by employers to support the career development of their current or future employees; (3) services provided by professional associations, trade unions and other membership bodies to support the career development of their members; and (4) private provision of career guidance as a paid service to individuals who can afford it. The economic benefits of career guidance are delivered by both the publicly funded provision of service and by this wider market. The OECD<sup>4</sup> argued that the existence of a broader market in career guidance could be complementary to public provision and that government should actively seek to stimulate the growth of non-governmental careers provision, that it should regulate the quality of this market to protect the public interest and to build consumer confidence and that interventions from government should address the areas that the private market does not address. At present there is no clear strategy which seeks to understand and manage the interaction between public and private provision of career guidance in England leading to a further lack of clarity.
6. Coherence and efficiency of the system are relevant to any calculation about the return on investment that can be expected from career guidance. The greater the level of inefficiency the harder it will be to observe a return on investment. There is a danger that investment in career guidance is spread too thin to allow it to be effective and that some investment is wasted in overlapping provision. Given this, the drive to enhance efficiency and effectiveness in the career guidance system is an appropriate area of focus for the government. The creation of a national career guidance strategy would be one way to seek to address this. However, this paper is not primarily concerned with a discussion of the organisation of career guidance in England or the UK. Rather it addresses the question of what the likely economic returns would be if the career guidance system were effectively organised.
7. This paper is a research synthesis which draws together previous work on the economic benefits of career guidance. The aim of the synthesis is to connect the previous literature together and to represent it clearly and in a way that is relevant to the concerns of the Government in 2015. We are indebted to all of the people who have written on this subject before including John Killeen,

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<sup>4</sup> OECD. (2004). *Career Guidance and Public Policy: Bridging the Gap*. Paris: OECD.

Tony Watts, David Mayston and Deirdre Hughes. We will discuss their work and the work of other key contributors to this area, using their analysis as the basis for our argument. What we have been unable to do for this paper is to undertake any new research or data analysis, however we will conclude by suggesting some areas that future research could usefully address.

8. **Does career guidance work?** In the UK today traditional forms of work are declining in many communities and technological change and globalisation are creating new economic contexts within which people live and work.<sup>5</sup> These changes have made it increasingly difficult for some to navigate their careers through these larger social forces. Investing in career guidance is an important way to support young people and adults through transitions, to help them to internalise the need to take responsibility for their career and education and to enhance their employability. By supporting individuals to understand current labour market needs and the progression pathways between learning and work it can help address social inequities that persist through lack of information and access. There is an extensive literature that highlights the impacts and efficacy of career guidance in helping individuals to manage their careers and maximise their potential.<sup>6</sup>
9. The OECD review argues that career guidance can support three main policy areas (1) the effective functioning of the labour market and through this the economy, (2) the effective functioning of the education system; and (3) social equity. This paper will focus on the first of these however it is important to recognise that both (2) and (3) can lead to impacts that have wider social and economic benefits. For example there are long term and short-term economic benefits if career guidance can help to retain people in the education system and prevent drop out.<sup>7</sup> Similarly there are potential economic benefits that are related to increased social mobility and decreased social exclusion including maximising skills utilisation and enhancing the functioning of a meritocratic employment system.<sup>8</sup>

## The economic impacts of career guidance

10. Watts argues that career guidance can act on individual decision-making about participation in learning and labour markets; that it can reduce the likelihood of individuals dropping out, increase their likelihood of re-engaging and support wider institutional reform.<sup>9</sup> Hughes explores this in greater detail, arguing that career guidance had the potential to lead to benefits to GDP through increasing skills utilisation, improving the efficiency of education funding, the reduction of benefits, lowering crime rates, improving health, increasing tax receipts, and improving workplace efficiency.<sup>10</sup> By hypothesising a small level of financial benefit from each of these Hughes is able to theorise the scale of the overall financial benefits to the treasury of having a functioning career guidance system.
11. One of the few economists to have examined the economic implications of career guidance is David Mayston (working with Deirdre Hughes). Their work explored how the impacts of career

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<sup>5</sup> For further discussion of labour market change see Lloyd, A. (2013). *Labour Markets and Identity on the Post-Industrial Assembly Line*. Surrey: Ashgate and International Labour Organization. (2006). *Facts on Decent Work*. Geneva: International Labour Organization.

<sup>6</sup> Hooley, T. (2014). *The Evidence Base on Lifelong Guidance*. Jyväskylä, Finland: European Lifelong Guidance Policy Network (ELGPN).

<sup>7</sup> For evidence on this see McCulloch, A. (2014). *Learning from Futuretrack: Dropout From Higher Education*. London: BIS.

<sup>8</sup> See the previous Careers England research paper on social mobility Hughes, D. (2010). *Social Mobility of Young People and Adults in England: The Contribution and Impact of High Quality Careers Services*. Careers England.

<sup>9</sup> Watts, A.G. (1999). The economic and social benefits of guidance. *Educational and Vocational Guidance Bulletin*, 63: 12-19.

<sup>10</sup> Hughes, D. (2004). *Investing in Career: Prosperity for Citizens, Windfalls for Government*. Winchester: The Guidance Council.

guidance might register as economic benefits and how they might be measured.<sup>11</sup> Mayston's papers provide a useful approach for quantifying the economic value of career guidance. Mayston begins from a presumption of a rational, knowable world and builds the argument for the value of 'perfect' careers guidance where careers guidance is able to correctly and comprehensively express abilities, skills and attributes in order to accurately advise individuals for or against a potential 'career move.' Mayston recognises that this "perfect" world is unlikely to be realised for a variety of reasons, but still uses it as a base assumption with the recognition that imperfections might reduce the impact.

12. Behavioural economics challenges the kind of conceptualisation that Mayston advances. For example, behavioural economists note that individuals do not weigh up future costs and benefits consistently or rationally and that they tend to place greater weight on events which will happen sooner. This hyperbolic discounting may lead to regretful decision making when costs are near in the future and benefits are further away.<sup>12</sup> Such a perspective suggests that the framing of career decisions may be as important as the "factual" advice that is given and consequently may lead to different kinds of modelling of the economic benefits of career guidance. One component of career education is to provide individuals with an understanding of themselves and their potential choices (i.e. a non-directive or "nudging" intervention) improving their overall ability to make informed career decisions rather delivering a straightforward match between individual and labour market.<sup>13</sup>
13. Career guidance can support an individual to increase their knowledge, skills and capacity to manage engagement in the labour market. It does not simply provide expert advice about a difficult decision, but rather leaves its participants with enhanced human capital which delivers various economic benefits including aiding labour market flexibility and enhancing the skill base of the country. The Mayston article is important: positive outcomes occur at both the individual and societal level when an individual can make improved career choices and access high quality careers guidance. However, our critique of this suggests a slightly different conceptual model which is set out in figure 1 and which will form the basis of this paper. This model highlights the way that career guidance enhances individual capacities and then explores the way in which these work through the economy to impact on macro-economic outcomes.

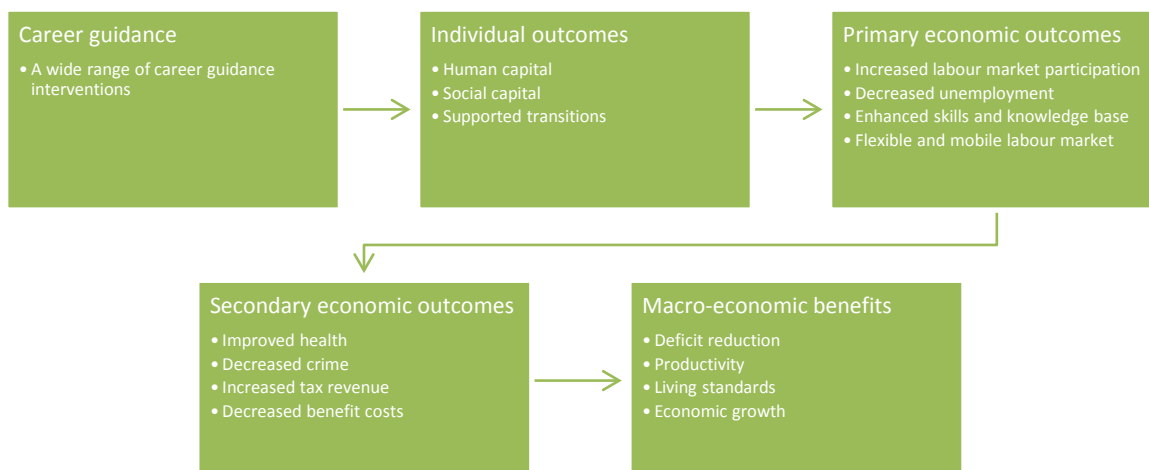
**Figure 1: A conceptual model of the economic outcomes of career guidance**

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<sup>11</sup> Mayston, D. (2002). *Assessing the Benefits of Careers Guidance* (CeGS Occasional Paper). Derby: Centre for Guidance Studies, University of Derby.

<sup>12</sup> Frederick, S., Loewenstein, G., and O'Donoghue, T. (2002). Time discounting and time preference: A critical review. *Journal of Economic Literature* 40(2), 351-401.

<sup>13</sup> Thaler, R. H., and Sunstein, C. R. (2008). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. New Haven: Yale University Press.



14. Figure 1 recognises that career guidance acts primarily on and for the individual. It helps individuals to make choices, to build their skills and to strategise their participation in learning and the labour market. This in turn leads to a number of primary economic outcomes such as increased labour market participation and an enhanced skills and knowledge base. The primary economic outcomes contribute to secondary outcomes and all of these outcomes work together to contribute to broader macro-economic benefits. Figure 1 conceptualises these economic impacts as essentially a linear hierarchy. In fact the relationship is likely to be more complex with each of the levels of the model interacting with the others. So for example improved health outcomes may also have an impact on decreased unemployment and increased labour market participation. However, for the sake of clarity the rest of the paper will work through this model sequentially and explore the evidence that exists to support the outcomes it proposes.

## Individual outcomes of guidance

15. Individual outcomes of guidance are well documented in the literature at the immediate, intermediate and long-term levels.<sup>14</sup> A meta-analysis of 47 studies identified statistically significant impacts across a range of career guidance interventions.<sup>15</sup> Many of the frequently measured outcomes in the literature on career guidance are 'learning outcomes' whereby evaluators assess a change in knowledge, skills and attitudes immediately following a career guidance intervention. These impacts are fairly straightforward to operationalise into measurable indicators but they are only one kind of outcome of career guidance. This section discusses the individual outcomes of guidance under three main categories (1) how career guidance can increase human capital (including the kinds of learning outcomes discussed above), (2) how career guidance can increase social capital, and (3) how career guidance can support individual's to make smooth and purposeful transitions. These three outcomes influence an individual's overall capability to earn and contribute economically over the life course.

16. **Human capital.** Human capital has been theorised as a correlate of economic growth since the mid twentieth century.<sup>16</sup> At the individual level human capital refers to the stock of knowledge, skill

<sup>14</sup> Maguire, M and Killeen, J. (2003). *Outcomes From Career Information and Guidance Services*. Paris: OECD.

<sup>15</sup> Whiston, S.C., Sexton, T.L. and Lasoff, D.L. (1998). Career intervention outcome: a replication and extension of Oliver and Spokane (1988). *Journal of Counseling Psychology*, 45(2): 150-165.

<sup>16</sup> Becker, G.S. (1964). *Human Capital*. New York: National Bureau of Economic Research.



and abilities of the individual.<sup>17</sup> The acquisition of qualifications is often used as way of measuring human capital but this can be misleading for two main reasons: firstly qualifications are an imperfect, insensitive and inaccurate measure of an individuals' total human capital; and secondly human capital can be acquired in other ways which do not lead to qualifications e.g. on the job experience.

17. There is considerable evidence suggesting that career guidance can support the acquisition of both skills and qualifications by encouraging individuals to commit to and complete formal and informal learning opportunities.<sup>18</sup> In addition career guidance can support individuals to increase their awareness of the skills that they have acquired informally and to consider how these skills can best be deployed.
18. While the acquisition of human capital is central to the economic value of career guidance it is important to unpack some of the assumptions about a direct relationship between human capital acquisition and economic growth. Simply increasing individuals' skills is unlikely to offer economic benefits if those skills do not align with the needs of the labour market. So for example there are limited benefits in endlessly increasing the numbers of graduates, but greater benefits increasing the number of graduates with skills which the economy lacks such as science, technology, engineering and maths (STEM) skills. Addressing skills mismatches, improving labour market signalling and discussing effective deployment of qualifications and skills are core functions of career guidance. So career guidance can both support individuals to increase their human capital in general and support them to consider the best way to increase their human capital in the context of the labour market.
19. The OECD further embeds the importance of career guidance to human capital by suggesting a 'wider' form of human capital which not only includes educational attainment and skills but also self-motivated learning, job search skills as well as the attitudes and behaviours that contribute to working effectively and efficiently.<sup>19</sup> In this conceptualisation it is not only the ability to be productive but the ability to develop and deploy these capacities. This definition aligns well with the focus on the acquisition of career management skills (CMS) that has increasingly been placed at the centre of career guidance policy.<sup>20</sup> CMS can therefore be seen as a specialised form of human capital that helps individuals to navigate a changing labour market and to understand the education and skills pathways necessary to progress in their careers.<sup>21</sup>
20. Career guidance can enhance the development of human capital in general by encouraging participation and success in the education and training system as well as through the direct development of CMS. For example Graverson and van Ours<sup>22</sup> found that the skills developed through guidance increased success in job hunting by 30%. There is also evidence that suggests that the development of human capital through career guidance interventions can lead to broader personal and economic impacts. The Gatsby report *Good Career Guidance*<sup>23</sup> suggests that there are important economic benefits when careers guidance professionals encourage investments in

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<sup>17</sup> Kwon, D. (2009). Human capital and its measurement. Paper presented at *The 3<sup>rd</sup> OECD World Forum on 'Statistics, Knowledge and Policy': Charting Progress, Building Visions, Improving Life*, 27-30 October 2009, Busan, Korea.

<sup>18</sup> Killeen, J. and Kidd, J.M. (1991). *Learning Outcomes of Guidance: A Review of Recent Research*. London: Department of Employment.

<sup>19</sup> OECD. (2004). *Career Guidance and Public Policy: Bridging the Gap*. Paris: OECD.

<sup>20</sup> Watts, A.G. and Sultana, R.G. (2004). Career guidance policies in 37 countries: contrasts and common themes. *International Journal for Educational and Vocational Guidance*, 4: 105 – 122.

<sup>21</sup> Maguire, M and Killeen, J. (2003). *Outcomes from Career Information and Guidance Services*. Paris: OECD.

<sup>22</sup> Graverson, B. K., and Van Ours, J. C. (2008). How to help unemployed find jobs quickly: Experimental evidence from a mandatory activation program. *Journal of Public Economics*, 92(10): 2020-2035.

<sup>23</sup> Gatsby Charitable Foundation. (2014). *Good Career Guidance*. London: Gatsby Charitable Foundation.



human capital. Beginning with the benchmark of an investment of approximately £200 per pupil the following savings were predicted if guidance encouraged students to attain the following qualifications.

- If one more pupil attained an undergraduate degree it would offset the cost of providing the benchmarks to 985 pupils.
- If one more female pupil attained a Foundation Degree it would offset the cost for 535 pupils.
- If one more pupil attained a Level 2 Apprenticeship it would offset the cost for between 395 and 610 pupils.
- If one more pupil attained a Level 3 Apprenticeship it would offset the costs for 665 and 990 pupils.
- If one more pupil is deterred or prevented from becoming NEET it would offset the cost for 280 pupils.

**21.** The evidence therefore suggests that career guidance can deliver human capital gains for individuals and that these in turn can contribute to wider economic gains.

**22. Social capital.** Social capital is another important piece of the puzzle in conceptualising the economic benefits of career guidance. Social capital refers to an individual's "*ability to secure benefits through membership in networks and other social structures.*"<sup>24</sup> Social capital therefore combines a number of different concepts together including the size of your social network (whether you know a lot of people), the relative social and economic power of your network (whether you know rich and powerful people) and your ability to extract personal and career benefits from this network (whether you are willing and able to persuade people to help you). There is clear research evidence which links social capital to both successful transitions to work<sup>25</sup> and to longer term career success.<sup>26</sup> Social capital also helps individuals cope and remain resilient during periods of unemployment.<sup>27</sup> Inevitably social capital offers advantages to those who come from families and communities which are powerful and well-networked. However, social capital is something that it is possible for an individual to develop both through increasing their networking skills and through brokerage into new and more powerful social groups.

**23.** Career guidance can play an important role in providing individuals with access to information and intelligence that is outside of their immediate social network, offsetting some of the disadvantages offered by inequalities in social capital.<sup>28</sup> It can also support the acquisition of social capital by brokering access to networks (e.g. potential employers) and providing access to mentoring and insights about how to penetrate important career networks.<sup>29</sup> Career guidance is also well placed to articulate the importance of networking to job and progression opportunities to individuals. There

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<sup>24</sup> Portes, A. (1998). Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology*, 24: 1-24.

<sup>25</sup> Hardie, J. H. (2015). The best laid plans: Social capital in the development of girls' educational and occupational plans. *Social Problems*, 62(2): 241-265.

<sup>26</sup> Seibert, S. E., Kraimer, M. L., and Liden, R. C. (2001). A social capital theory of career success. *Academy of Management Journal*, 44(2): 219-237.

<sup>27</sup> McArdle, S., Waters, L., Briscoe, J.P. and Hall, D.T. (2007). Employability during unemployment: Adaptability, career identity and human and social capital. *Journal of Vocational Behaviour*, 71: 247 – 264.

<sup>28</sup> Bryan, J., Moore-Thomas, C., Day-Vines, N.L., and Holcombe-McCoy, C. (2011). School counsellors as social capital: the effect of high school college counselling on college application rates. *Journal of Counselling and Development*. 89(2): 190 – 199.

<sup>29</sup> Hooley, T., Matheson, J., and Watts, A.G. (2014). *Advancing Ambitions: The Role of Career Guidance in Supporting Social Mobility*. London: The Sutton Trust.

is some emergent evidence that engagement in career guidance actually fosters an increase in social capital.<sup>30</sup> Research by the Education and Employers Taskforce found positive correlations between employer contacts at school and an individual's career confidence, their likelihood of being NEET and their salary suggesting that these positive effects are most likely to be explained by the increase in social capital enabled by employer engagement.<sup>31</sup> It is worth mentioning the value of group guidance and “*job clubs*” in this context. Forms of career guidance which bring people together and allow them to share ideas and provide mutual aid have been found to be effective in both enhancing individuals social capital and in helping them to find work.<sup>32</sup>

- 24. Supported transitions.** A final area in which career guidance can offer economically relevant benefits for individuals is by supporting smooth and rapid transitions to further learning and work. Transitions from education to work and from unemployment to work are fraught with challenges. Career guidance can help to smooth these transitions. When assisting with transitions, interventions work best when they are targeted and provided quickly after an individual drops out of learning or work; and when they focus on developing positive attitudes such as increased self-confidence and increased self-efficacy alongside practical support with recruitment processes.<sup>33</sup> In addition careers guidance prioritises proactive behaviours such as goal setting and active job searching which help smooth career transitions. Liu *et al.* found that those proactively engaged in job searching as a result of career guidance intervention were 2.67 times more likely to become employed than those that did not take part in an intervention.<sup>34</sup>
- 25.** Career guidance can also support other kinds of life transitions including return to work following illness or child or elder care responsibilities.<sup>35</sup> A study of a career guidance programme focused on the vocational rehabilitation of people with disabilities in Utah concluded that it improved participation in work and that this resulted in an increase in taxation revenues and a decrease in benefit payments.<sup>36</sup> Another important area where career guidance can contribute is in helping older people to think through work transitions in later life, the transition to retirement and how to remain economically active for longer.<sup>37</sup>

## Primary economic outcomes

- 26.** The individual outcomes described above have obvious benefits for the individual who increases their human or social capital or makes a transition to further learning or work. However, when aggregated together these individual outcomes also bring social and economic outcomes that are

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<sup>30</sup> Hall, B., Nagel Newberg, S., and Soria, K. M. (2012). Career development courses and social capital. Paper presented to the *American College Personnel Association (ACPA) Annual Convention*, Louisville, KY, March 26, 2012.

<sup>31</sup> Mann, A. (2012). *It's Who You Meet: Why Employer Contacts at School Make a Difference to the Employment Prospects of Young Adults*. London: Education and Employers Taskforce.

<sup>32</sup> Trutko, J., O'Brien, C., Wandner, S., and Barnow, B. (2014). *Formative Evaluation of Job Clubs Operated by Faith and Community-based Organizations: Findings from Site Visits and Options for Future Evaluations*. Washington: U.S. Department of Labor.

<sup>33</sup> Neary, S., Hooley, T., Morris, M., and Mackay, S. (2015 - Forthcoming). *The Impact of Career Guidance on Progression in Learning and Work: A Literature Review*. London: DBIS.

<sup>34</sup> Liu, S., Huang, J. and Wang, M. (2014). Effectiveness of job search interventions: A meta-analytic review. *Psychological Bulletin*, 140 (4):1009-1041.

<sup>35</sup> Houston, D.M. and Marks, G. (2003). The role of planning and workplace support in returning to work after maternity leave. *British Journal of Industrial Relations*, 41(2): 197-214.

<sup>36</sup> Wilhelm, S. and Robinson, J. L. (2013). The economic impact of Utah's Vocational Rehabilitation Program. *Journal of Disability Policy Studies*, 24(3): 148-157

<sup>37</sup> See Research New Zealand (2006). *45 Plus: Choices in the Labour Market* (Stage 1: Review of Literature on Programmes of Career Information, Advice and Guidance for Mature Non-Participants). Wellington: Department of Labour; and Cedefop. (2011). *Working and Ageing: Guidance and Counselling for Mature Learners*.

Luxembourg: Publications Office of the European Union.

of interest to public policy. In particular, supporting career guidance activities leads to the following primary economic outcomes: (1) increased labour market participation, (2) decreased unemployment, (3) an enhanced skill and knowledge base and a (4) flexible and mobile labour market.

**27. Increased labour market participation.** David Cameron has dedicated his government to realising full employment.

*We need to have full employment and that should mean another 2 million jobs in this Parliament, and that is what I want to see us achieve.*<sup>38</sup>

**28.** The commitment to full employment was also included in the Queen's speech: "*Legislation will be brought forward to help achieve full employment and provide more people with the security of a job.*"<sup>39</sup> However, the realisation of full employment has been out of reach of governments for over 30 years. Much of this relates to broader structural changes in the labour market and in the state's response to these changes, however within this there is some room for career guidance to both speed up individuals progress through the labour market (e.g. moving from unemployment to employment more quickly) and also for career guidance to contribute to wider structural reforms such as the development of the apprenticeship system and the realisation of employer ownership of the skills agenda.

**29.** Good career guidance decreases shocks to the labour market which may arise from inadequate job matching and poor job signalling. This supports individuals to move into the most appropriate job for them.<sup>40</sup> In addition participants in guidance programmes are more likely to progress to employment.<sup>41</sup> For example graduates who had participated in career guidance programmes reported higher rates of both employment and (higher skill) graduate-level employment.<sup>42</sup>

**30. Decreased unemployment.** Decreasing unemployment is strongly related to an increase in employment, but it is not simply a negative restatement of it. In a dynamic economy it is very likely that individuals will experience periods when they are unable to find employment. Unemployment is only one response to this situation. Alternatives include the establishment of enterprises and re-engaging in education and training. The Government has recognised this with Skills Minister Nick Boles placing the development of Apprenticeships at the centre of attempts to reduce youth unemployment.<sup>43</sup> Clearly individuals' capacity to choose alternatives to unemployment is strongly bound up with their knowledge of these alternatives, their personal access to financial, social and human capital and their entitlement to support from the state or other bodies. However, as we have seen career guidance can contribute to enhancing an individual's human and social capital, increasing their awareness of the options available, and supporting them to make faster transitions out of unemployment.

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<sup>38</sup> Cameron, D. (2015). Speech at Tetley, Stockton-on-Tees, 12<sup>th</sup> May 2015.

<sup>39</sup> Cabinet Office and Her Majesty the Queen. (2015). Queen's Speech, Houses of Parliament, 27<sup>th</sup> May 2015.

<sup>40</sup> Hughes, D. and Borbely-Pecze, T. (2014). *Youth Unemployment: A Crisis in Our Midst: The Role of Lifelong Guidance Policies in Addressing Labour Supply and Demand* (ELGPN Concept Note No. 2). Jyväskylä: ELGPN.

<sup>41</sup> Blundell, R., Dias, M. C., Meghir, C., and Reenen, J. (2004). Evaluating the employment impact of a mandatory job search program. *Journal of the European Economic Association*, 2(4): 569-606.

<sup>42</sup> Taylor, A. R. and Hooley, T. (2014). Evaluating the impact of career management skills module and internship programme within a university business school. *British Journal of Guidance and Counselling*, 42(5), 487-499.

<sup>43</sup> Department for Business Innovation and Skills, Department for Education and Bowles, N. (2015). Number of young people not in work or education in England falls to 10 year low. Available from <https://www.gov.uk/government/news/number-of-young-people-not-in-work-or-education-in-england-falls-to-10-year-low> [Accessed 31st May 2015].

- 31. Career guidance lowers the impact of unemployment by reducing the time spent searching for work and increasing the probability of finding suitable work.**<sup>44</sup> There is a wide range of research that demonstrates that career guidance can reduce the number of drop outs from education and training and re-engage discouraged workers.<sup>45</sup> Cedefop suggests that guidance can help to prevent young people from becoming NEET by helping an individual to assess their risk of disengagement from the labour market or education (e.g. by dropping out of school) and by helping them to clarify their goals and create a clearer career path.<sup>46</sup> London Mayor Boris Johnson recently positioned career guidance as a way of addressing youth unemployment as part of his announcement of the London Ambitions Careers Offer: “*We have a generation now who are at risk of missing out on golden opportunities. Part of the solution is a careers offer that is easy to navigate...*” and which sets out “*a pragmatic way to tackle some of the challenges that young people face when trying to make the right career choices.*”<sup>47</sup> Liu, Wang and Huang found that guidance improved the probability of employment for unemployed workers.<sup>48</sup> A five year longitudinal study on the effectiveness of guidance found that five years on from the career guidance many participants had moved into some form of employment education or training.<sup>49</sup>
- 32. Enhanced skills and knowledge base.** At the macro level, human capital is the stock of skills and knowledge that allow workers to engage in productive labour within economies.<sup>50</sup> The Conservative manifesto clearly recognised the importance of skills with pledges to lead the world in maths and science, to improve skills training and to ensure that Britain’s universities remained world leading.<sup>51</sup> As paragraphs 16-21 argue there is clear evidence that career guidance can support individuals to increase their human capital and contribute to the development of the national skills base. However, in order to have this kind of national impact it is necessary for there to be wide levels of access to career guidance across the population.
- 33. Flexible and mobile labour market.** Flexible and mobile labour market policies facilitate the movement of labour into the most productive sectors in the economy. Such flexibility relates to both sectors and to geographies. In a dynamic labour market both what kind of work is available and where this work is located are both likely to change over time. When labour can be supported to become mobile it can help to ease regional skills shortages and allows the labour market to be more productive.<sup>52</sup>
- 34. The promotion of flexible labour markets typically translates to relaxed regulation of the kind outlined by the Government in the Enterprise Bill.**<sup>53</sup> However, the reduction of employment regulation is only one strategy that can support flexibility and one which can also have some

<sup>44</sup> Access Economics (2006). *The Economic Benefits of Career Development Services*. Hawthorn: The Career Industry Council of Australia.

<sup>45</sup> Watts, A.G. (1999). The economic and social benefits of guidance. *Educational and Vocational Guidance Bulletin*, 63: 12-19.

<sup>46</sup> Cedefop. (2008). *Career Development at Work: A Review of Career Guidance to Support People in Employment*. Luxembourg: Office for Official Publications of the European Communities.

<sup>47</sup> London Enterprise Panel and London Councils. Supported by the Mayor of London. (2015). *London Ambitions: Shaping A Successful Careers Offer For All Young Londoners*. London: London Enterprise Panel and London Councils.

<sup>48</sup> Liu, S., Huang, J. and Wang, M. (2014). Effectiveness of job search interventions: A meta-analytic review. *Psychological Bulletin*, 140(4): 1009-1041.

<sup>49</sup> Bimrose, J., Barnes, S. -A. and Hughes, D. (2008). *Adult Career Progression and Advancement: A Five Year Study of the Effectiveness of Guidance*. London: Warwick Institute for Employment Research, DfES.

<sup>50</sup> Kwon, D. (2009). Human capital and its measurement. *The 3<sup>rd</sup> OECD world forum on ‘statistics, knowledge and policy’ charting progress, building visions, improving life*, 27-30 October 2009. Busan, Korea. Available at: <http://www.oecd.org/site/progresskorea/44109779.pdf> [Accessed 21 May 2015].

<sup>51</sup> The Conservative Party. (2015). *Strong Leadership, A Clear Economic Plan, A Brighter, More Secure Future*. London: The Conservative Party.

<sup>52</sup> Blanchard, O.J. and Katz, L.F. (1992). *Regional Evolutions*. Washington, D.C.: Brookings Papers on Economic Activity .

<sup>53</sup> Javid, S. and Soubry, A. (2015). Sajid Javid outlines ambitious Enterprise Bill. London: DBIS. Available from <https://www.gov.uk/government/news/sajid-javid-outlines-ambitious-enterprise-bill> [Accessed 31st May 2015].

downsides for workers. Career guidance enhances flexibility through supporting individuals to develop their capacity to read and respond to labour market change, by prioritising the importance of lifelong learning and by helping individuals to remain resilient in the face of change and positive about adapting to the demands of shifts in the labour market.

## Secondary economic outcomes

**35.** So far this paper has focused on the direct benefits of career guidance for individuals and then on tracing through how these benefits impact on the economy. However, given the direct benefits to the economy there are a number of secondary consequences that it is possible to hypothesise. The literature points to several secondary economic benefits to career guidance which include: (1) improved health, (2) decreased crime, (3) increased tax revenue; and (4) decreased cost of benefits.

**36. Improved health.** Societies that perform well on key health indicators enjoy higher productivity and greater levels of happiness. Mayston suggests that when an individual is encouraged (through career guidance) to make a career move which increases their net income this may in turn improve their health.<sup>54</sup> The literature on satisfaction with life including job satisfaction finds correlation with higher quality of life and wider health outcomes.<sup>55</sup> There is strong evidence that highlights the inter-dependence of work, career and mental health<sup>56</sup> and which demonstrates the impacts that career guidance can have on positive mental health.<sup>57</sup> Career guidance can facilitate an individual to reduce stress by effectively managing their life and work and to maintain positive mental health by cultivating resilience during times of unemployment.

**37. Decreased crime.** High rates of unemployment for both individuals and communities correspond to higher levels of crime.<sup>58</sup> Additional correlates of crime such as low job status and a lack of skills and training are also areas into which career guidance seeks to intervene.<sup>59</sup> There is also a more direct tradition of using career guidance as an intervention with offenders and ex-offenders to try and prevent recidivism.<sup>60</sup> The availability of career guidance, particularly for groups at risk of engagement in crime can therefore be a valuable strategy to prevent crime and re-engage those within the criminal economy in the mainstream labour market.

**38. Increased tax revenue.** There is a case that investment in career guidance leads to increased tax revenue. Increased employment, better skills deployment, higher levels of workforce engagement and many of the other observed benefits of career guidance have the potential to lead to increases in the tax revenue. For example, Hughes notes that one percent increase of the population in

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<sup>54</sup> Mayston, D. (2002). *Assessing the Benefits of Careers Guidance* (CeGS Occasional Paper). Derby: Centre for Guidance Studies, University of Derby.

<sup>55</sup> Faragher, E. B., Cass, M., and Cooper, C. L. (2005). The relationship between job satisfaction and health: A meta-analysis. *Occupational and Environmental Medicine*, 62(2): 105-112.

<sup>56</sup> E.g. Waddell, G. and Burton, K. (2006). *Is Work Good for Your Health and Well-Being?* Department for Work and Pensions. Norwich: TSO.

<sup>57</sup> Vuori, J., Toppinen-Tanner, S., and Mutanen, P. (2012). Effects of resource building group intervention on career management and mental health in work organizations: randomised controlled field trials. *Journal of Applied Psychology*, 97(2), 273-286.

<sup>58</sup> Mayston, D. (2002). *Assessing the Benefits of Careers Guidance* (CeGS Occasional Paper). Derby: Centre for Guidance Studies, University of Derby.

<sup>59</sup> Watts, A. G. (2001). Career guidance and social exclusion: a cautionary tale. *British Journal of Guidance and Counselling*, 29(2), 157-176.

<sup>60</sup> Rakis, J. (2005). Improving the employment rate of ex-prisoners under parole. *Federal Probation*, 69 (1): 7-12; Filella-Guin, G., and Blanch-Plana, A. (2002). Imprisonment and career development: An evaluation of a guidance programme for job finding. *Journal of Career Development*, 29(1): 55-68.



regular work could generate over £1,513 billion of revenue for the United Kingdom.<sup>61</sup> In a previous Careers England paper Taylor sought to quantify the impact of the loss of Connexions as leading to £3.2 billion of lost earnings for those young people who would have benefitted from the service and then tracing the consequent implications for both reduced tax and increased benefits.<sup>62</sup>

- 39.** Estimating the impacts of career guidance on taxation is a complex undertaking and one which inevitably requires the use of some assumptions which are open to challenge. Perhaps the most rigorous attempt to trace this relationship can be found in a Northern Irish report which used a mixed methods approach to estimate the economic value of the Education Guidance Service for Adults.<sup>63</sup> This report estimated that the government would receive £9.02 net additional tax revenue for every £1 of public money invested.
- 40. Decreased cost of benefits.** The government has pledged to reduce the size of the UK's benefits bill through the reform of *“welfare, with legislation encouraging employment by capping benefits and requiring young people to earn or learn.”*<sup>64</sup> The linking of benefit reduction with the transition to work and learning highlights the central role that career guidance can play in this agenda. Career guidance can help to reduce benefits in several ways. Firstly individuals that have high quality guidance may engage in productive labour for longer. In addition career guidance's role in supporting transitions decreases the amount of time people spend drawing from the public purse as long as people are able to move from worklessness to sufficiently well paid work to take them out of benefits. Many unemployed people live “precarious” lives whereby they cycle between low-paid work and periods of worklessness. Career guidance can support both the re-engagement with the labour market and an increase in skills which can enable individuals to progress out of precarity.<sup>65</sup> In 2004, Hughes quantified the potential savings, suggesting that every one percent decrease in unemployment benefits can result in a savings of up to £44 million.<sup>66</sup>

## Macro-economic benefits

- 41.** Much of the literature on career guidance policy emphasises the need for systemic approaches to the delivery of career guidance. The activity is transversal, lifelong and cross-sectoral and its benefits are consequently diverse and spread across a range of policy concerns. This paper has traced these benefits as they work their way through the economy. However, it is at the macro-economic level that we should ultimately hope to find the impacts of career guidance. It is here that we might hope to see the value of high skilled individuals and better aligned education and employment systems.
- 42.** The Queen's speech outlined the macro-economic priorities of the current government which are: (1) reduce the deficit; (2) increase productivity; (3) raise living standards; and (4) create economic growth. This section details the ways in which career guidance can evidence its usefulness within these current priority parameters.

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<sup>61</sup> Hughes, D. (2004). *Investing in Career: Prosperity for Citizens, Windfalls for Government*. Winchester: The Guidance Council.

<sup>62</sup> Taylor, L. (2013). *Cost to the Economy of Government Policy on Career Guidance: A Business Case for Funding and Strengthening Career Guidance in Schools*. Careers England.

<sup>63</sup> Regional Forecasts. (2008). *Examining the Impact and Value of EGSA to the NI Economy*. Belfast: Regional Forecasts.

<sup>64</sup> Cabinet Office and Her Majesty the Queen. (2015). Queen's Speech, Houses of Parliament, 27<sup>th</sup> May 2015.

<sup>65</sup> Hendra, R., Riccio, J. A., Dorsett, R., Greenberg, D. H., Knight, G., Phillips, J., Robins, P., Vegeris, S., Walter, J., Ray, K. Smith, J. and Hill, A. (2011). *Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration*. London: UKCES.

<sup>66</sup> Hughes, D. (2004) *Investing in Career: Prosperity for Citizens, Windfalls for Government*. Winchester: The Guidance Council.



- 43. Deficit reduction.** Deficit reduction is at the forefront of UK government policy. The UK government stresses that deficit reduction is key to “*put the public finances on a sustainable path again and help achieve balanced economic growth - helping keep interest payments lower for families, businesses and the taxpayer - meaning more jobs and greater prosperity.*”<sup>67</sup> In essence deficit reduction is concerned with reducing government spending while increasing revenue from taxation. As the Conservative Party seeks to avoid an increase in individual or corporate taxation this requires either an overall growth of the economy or an increase in the taxable population (bringing more people into the workforce). As this paper has already argued career guidance can offer support for people to increase their incomes as well as support for those at risk of becoming unemployed or NEET. The economic benefits outlined in the earlier section such as increased taxation and benefit reduction all have the potential to contribute to this policy aim.
- 44. Productivity.** Productivity describes the relative amount produced by a defined input such as a day’s work.<sup>68</sup> Productivity growth in the UK declined during the 2008 recession and has been unable to recover since operating at a much lower level than other Western nations. Several theories have been put forth to explain why slow productivity growth perpetuates. Two possible explanations for low levels of productivity growth relevant to career guidance are: (1) employees within firms being moved to less productive roles and (2) slowing rates of innovation and discovery.<sup>69</sup> In the current economic climate it is not enough that increased labour market participation leads to a more productive economy. It is an organisation’s ability to deploy and support an individual in areas where they will be most efficacious as well as an individual’s ability to determine and use their agency to deploy themselves for more productive functions. Career guidance is concerned with both the raising of human capital and its effective deployment. It encourages individuals to actively seek out opportunities where their human capital is more effectively utilised. Hughes theorises that every one percentage point increase in productivity through improved matching supply and demand in the labour market has the ability to generate ‘as much as £10.6 billion annually in increased production.’<sup>70</sup>
- 45. Living Standards.** Living standards are most commonly measured through average household income. As such there is a strong relationship between economic growth, productivity, human capital and living standards. Since the 2008 recession living standards have dropped as real earnings have declined.<sup>71</sup> This has disproportionately affected young adults and has resulted in young people unable to find appropriate work, housing and to make other relevant and timely transitions into adulthood. Although young people are more likely to be unemployed, they increasingly participate in education. As a result there is an increasingly educated cohort of young people. Belfield *et al.* raise a relevant issue around the labour market’s ability in the long term to absorb these young people into appropriately skilled and appropriately paid work. As mentioned in paragraph 44 career guidance can support both the development of human capital and its effective deployment. This can support young people to maximise their incomes within the opportunities offered by the labour market.
- 46.** Living standards are influenced by both the overall amount of wealth and by its distribution. Recent work on income distribution has argued that the UK has a highly unequal distribution of wealth and

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<sup>67</sup> HM Treasury. (2013). 2010 to 2015 government policy: deficit reduction. Available at: <https://www.gov.uk/government/publications/2010-to-2015-government-policy-deficit-reduction/2010-to-2015-government-policy-deficit-reduction> [Accessed 9th June 2015].

<sup>68</sup> Harari, D. (2015). *Productivity in the UK* (Briefing Paper 06492). London: House of Commons Library.

<sup>69</sup> *ibid.*

<sup>70</sup> Hughes, D. (2004) *Investing in Career: Prosperity for Citizens, Windfalls for Government*. Winchester: The Guidance Council.

<sup>71</sup> Belfield, C., Cribb, J. Hood, A, and Joyce, R. (2014). *Living Standards, Poverty and Inequality in the UK: 2014*. London: Institute of Fiscal Studies.

opportunity which in turn impacts negatively on the living standards of the majority.<sup>72</sup> Given this it is important to recognise the role that career guidance can play in supporting social justice.<sup>73</sup> While on its own career guidance cannot be expected to undo broader social and economic inequality, through the provision of information, inspiration and opportunity it can contribute in important ways to social inclusion and social mobility.

**47. Economic growth.** Mayston hypothesises that the aggregated benefits of careers guidance increases economic output as measured by gross domestic product (GDP).<sup>74</sup> Watts and Sultana cite an OECD study on human capital that suggests that CMS could help to explain the variation in the impact of education and training on economic growth between countries.<sup>75</sup> The UK government's current investment strategy focuses on business-led innovation.<sup>76</sup> While focusing on business-led innovation is important for jobs growth, it bypasses the importance of career guidance which has the capacity to influence an individual to innovate or take other entrepreneurial risks when they otherwise would not do so.

## Conclusions

**48.** This paper has sought to trace the economic benefits of career guidance through a conceptual model which illustrates how they work through the economy from individual benefits to macro-economic benefits. It has demonstrated that there is a wealth of evidence which shows that career guidance can have substantial benefits for the economy. It has also cited research that provides insights into the types of benefits that career guidance can have and which has begun to quantify the size of these impacts.

**49.** This synthesis suggests that the government should re-examine current career guidance policy and consider how it can best maximise the economic benefits of the activity. This may include widening access in general, considering how best to target provision and rethinking what departments might be involved in funding and influencing the development of a lifelong career guidance system.

**50.** A key part of any new initiatives in this area should be the continued development of evidence base. There is a particular need for: (1) longitudinal studies exploring the impact of career guidance on economic variables; (2) the inclusion of career guidance variables in large scale survey data in order to investigate the statistical relationship between career guidance and wider economic outcomes; (3) the systematic development of randomised control trials on career guidance interventions; (4) further exploration of the importance of CMS to human capital; and (5) further research examining the relationship between career guidance and important secondary outcomes like crime levels and public health. One way forward would be for the Cabinet Office to convene a 24 hour seminar involving economists, career guidance experts and key members of relevant government departments to help shape a more strategic approach to evidence and delivery of career guidance throughout the parliament.

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<sup>72</sup> Dorling, D. (2014). *Inequality and the 1%*. London: Verso.

<sup>73</sup> See Sultana, R. G. (2014). Pessimism of the intellect, optimism of the will? Troubling the relationship between career guidance and social justice. *International Journal for Educational and Vocational Guidance*, 14(1): 5-19 for a useful commentary on this issue.

<sup>74</sup> Mayston, D. (2002). *Assessing the Benefits of Careers Guidance* (CeGS Occasional Paper). Derby: Centre for Guidance Studies, University of Derby.

<sup>75</sup> Watts, A.G. and Sultana, R.G. (2004) Career guidance policies in 37 countries: contrasts and common themes. *International Journal for Educational and Vocational Guidance*, 4: 105 – 122.

<sup>76</sup>Innovate UK. (2015). Innovation Infographic. Available from:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/418573/Investing\\_in\\_innovation\\_for\\_growth\\_-\\_infographic.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418573/Investing_in_innovation_for_growth_-_infographic.pdf) [Accessed 9th June 2015].

51. This paper opened with the statement that “*career guidance is primarily concerned with realising the aspirations and potential of the individual*”. The paper has sought to demonstrate that where these are maximised a wide range of social and economic benefits follow. However, it is also worth noting that “*realising the aspirations and potential of the individual*” is a powerful mission for government in and of itself. It is hoped that the present government will embrace this aim and utilise career guidance as a key tool to achieve it.

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