

Economic Benefits of Careers Guidance

Careers guidance services are sometimes asked to justify their activities in terms of the economic benefits which their activities yield. Measuring such benefits poses considerable difficulties. It is however important that efforts are made to clarify these difficulties, to resolve them where possible, and to produce responses which are as satisfactory as can be achieved within the limits of what is technically feasible and professionally defensible.

This Briefing provides a summary of the issues involved and the evidence currently available. It is designed for policy-makers (in government departments, Training and Enterprise Councils, Local Education Authorities, and educational institutions), for employers, and for guidance practitioners.

In particular, it examines:

- What is guidance?
- What economic benefits might guidance yield?
- What evidence is there that it does so?
- What further research is needed?

It is based on a project carried out jointly by the National Institute for Careers Education and Counselling (NICEC) and the Policy Studies Institute (PSI) for the Department of Employment.



NICEC is a joint activity of the Careers Research and Advisory Centre (CRAC) and Hatfield Polytechnic. It conducts applied research and development work related to guidance in educational institutions and in work and community settings. Its aim is to develop theory, inform policy and enhance practice through staff development, organisation development, curriculum development, consultancy and research.



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WHAT IS CAREERS GUIDANCE?

Careers guidance covers a range of activities designed to enable individuals to make and implement informed decisions related to their career development. These decisions may include choices of long-term or short-term career goals, and choices of the education and training required to achieve them.

WHO OFFERS IT?

Careers guidance is offered both to young people and to adults. It is offered by a variety of agencies, including:

- The Careers Service run by Local Education Authorities.
- Careers programmes run by careers teachers and other teachers in schools and colleges of further education.
- Careers services in universities, polytechnics, and colleges of higher education.
- Educational Guidance Services for Adults.
- Private careers guidance services.

There are also careers guidance elements in the roles of the staff of Jobcentres and Employment Offices, as well as of Training Agents in Employment Training programmes.

In addition, careers guidance may be offered more informally by family, friends and others: this is not our concern here, though it provides the background hum against which the voice of formal provision must be heard.

A CHANGED APPROACH

Much careers guidance practice in the past was based on the notion of matching people to jobs: of making expert recommendations about what people should do.

While guidance continues to incorporate elements of the matching approach, the main emphasis in current practice is on helping individuals to make their own decisions, based on a true understanding of their abilities, skills, interests and values, and of the options open to them. Since individuals increasingly face decisions about work and learning throughout their lives, such help also aims to equip them to tackle other such decisions in the future. This shifts the main focus to the learning outcomes from guidance.

WHAT FORMS DOES IT TAKE?

Careers guidance may include:

- Information on careers and occupations, and on education and training – booklets, videos, etc.
- Interviews with individuals.
- Assessment, possibly involving psychometric tests.
- Group guidance sessions.
- Careers education programmes as part of the school/college curriculum.

- Work-experience and work-shadowing programmes.
- Computer-aided careers guidance systems.

Careers guidance services can also often provide valuable feedback to opportunity providers (TECs, etc.) on the unmet needs of individuals, and how opportunities can be adapted or developed to meet these needs.

STAND-ALONE OR INTEGRATED?

Sometimes careers guidance services operate on a stand-alone basis, outside mainstream education, training and employment structures. This can be helpful in assuring the neutrality of the guidance offered to individuals moving between these structures. It also makes it feasible to evaluate the effects of the guidance offered.

Increasingly, however, careers guidance is also being integrated into wider systems: into the school curriculum, or into employer appraisal systems, or into systems of credit accumulation and transfer. This can make guidance more accessible and more pervasive; it can also be viewed as making the system in question work effectively by being responsive to the needs of the individuals within it. It does, however, make it more difficult to disentangle the effects of guidance *per se* for evaluation purposes.

WHO BENEFITS?

Potentially, careers guidance offers benefits:

- To *individuals*, in enabling them to cope with and derive maximum benefit from the complex range of educational and vocational choices with which they are presented.
- To *education and training providers*, in increasing the effectiveness of their provision by helping learners to be linked to programmes which meet their needs.
- To *employers*, in helping potential employees to come forward whose talents and motivations are matched to the employer's requirements.
- To *governments*, in making maximum economic use of the society's human resources.

Careers guidance services can accordingly play a significant role in fostering:

- *Efficiency* in the allocation and use of human resources.
- *Social equity* in access to educational and vocational opportunities.

They also have a particularly important function in reconciling these roles with the value attached in democratic societies to the rights of individuals to make free choices about their own lives.

POTENTIAL ECONOMIC BENEFITS

Popularly, economics is assumed to be "about money". This is both false and true. At a fundamental level, economics is not about monetary values but about utility. When choosing a job, for example, an individual may well take into account the interest of the work and the congeniality of the atmosphere as well as (or more than) the pay on offer. The utility of the job to the individual depends on the weight he or she attaches to these, and numerous other, factors.

In practice, though, economic analysis tends to rely on money as the prime measure for comparing the value of different factors. Economists have developed ways of applying it more widely than might be expected. Nonetheless, some factors do get left out when attention is confined to financial measures.

The effectiveness of careers guidance thus cannot be evaluated wholly in an economic form. Economic models tend to be selective and to ignore some important aspects of reality. But they sharpen some important questions about the impact of guidance, and provide a framework in which they can be explored.

ECONOMIC FUNCTIONS OF GUIDANCE

In economic terms, careers guidance can assist the efficient operation of the labour market in three main ways:

- By supporting the *individual decisions* through which the labour market operates.
- By reducing some of the *market failures* of the labour market.
- By contributing to *institutional reforms* designed to improve the functioning of the labour market.

SUPPORTING INDIVIDUAL DECISIONS

Three main kinds of decision are generally identified in economic analyses of the labour market:

- *Labour supply decisions*: about whether to offer one's labour, and if so, for how many hours of work. In principle, the better informed individuals are, the more there is likely to be an effective balance between supply and demand. On this argument, if guidance services were not available, employers would find it more difficult to find new sources of labour supply, and economic growth would be inhibited.
- *Human capital decisions*: about how much education and training to invest in (or of which sorts). In principle, the better informed individuals are about the likely future returns from investment in education and training, the more effective their investment decisions will be. If guidance can extend

individuals' awareness of the potential returns from different types of qualification, this will reduce under-investment in education and training, with benefits both to individuals (higher incomes) and to the economy (higher productivity).

- *Job search decisions*: about which jobs to apply for and accept. In principle, careers guidance should be able to increase the efficiency of job search: reducing both the search costs (for finding a particular kind of job), and the extent to which individuals take jobs which are significantly below their abilities (as a result of imperfect information and/or limited search). This should in turn produce higher average productivity.

REDUCING MARKET FAILURES

Careers guidance can help to respond to some of the failures of labour markets:

- *Drop-outs from education and training*. Increasing concern is being expressed about the inadequate levels of qualification held by new entrants to the labour market. Increases in basic educational levels are likely to create more-than-proportional increases in employment rates, because of their effects on wage competition, and improvements in industrial productivity and competitiveness. The benefits cost of excess unemployment related to non-qualification is likely to be of the order of £350 million per annum. If guidance encouraged only 10% of current drop-outs to attain qualifications at a higher level, this could save £35 million per annum as well as having other social (as well as personal) returns.
- *Mismatch*. It seems possible that about one-third of unemployment may be attributable to mismatches between supply and demand in terms of occupational levels, industrial sectors, and other factors: about half of this may be attributable to occupational mismatch (in particular, too many manual workers). Every 1% impact on occupational mismatch could save £10 million for the Exchequer in unemployment costs. Guidance should, in principle, reduce such mismatch.
- *Discouraged workers* (i.e. those who are no longer looking for work, but would be interested in a job if they thought they had a chance of getting one). It seems likely that between 200,000 and 400,000 people fall into this category: about half of these are claimants for benefits or income support. The annual Exchequer costs involved are around £1 billion; the wider economic costs in terms of loss of output, and reduced competition in the labour

market, could be as much again. Guidance could lead to significant reductions of such costs by extending the awareness of opportunities and addressing individuals' attention to possibilities previously overlooked.

CONTRIBUTING TO INSTITUTIONAL REFORMS

Careers guidance can support reforms designed to improve the normal functioning of the labour market. Examples include:

- *Training and Enterprise Councils.* Guidance is recognised as an integral element of all TEC training programmes. The introduction of training vouchers creates a strong need for enhanced guidance. More widely, guidance services can help TECs to achieve their objectives by encouraging individuals to be active and informed seekers of training and job opportunities, and communicating local market signals.
- *National Vocational Qualifications.* NVQs are designed to increase levels of occupational competence and of occupational flexibility. Guidance services can help individuals to adjust to these new structures and to make effective use of them.
- *Compacts.* Compacts may increase pupil motivation, but channel it in narrow directions. Guidance can ensure that it is channelled in more appropriate and balanced ways.
- *Open learning.* Guidance can help individuals to have a better idea of the occupational possibilities or personal objectives which open-learning-based courses would support, reducing the danger that such forms of learning might be used in an aimless and unproductive way.

These are examples only. It seems likely that in any aspect of labour-market institutions, or in any labour-market initiative, guidance has or could have a role.

THE EVIDENCE

On many of the issues identified in the "Potential Economic Benefits" section, no direct evidence is available.

Certainly careers guidance services are major conduits for the flow of information. Various studies indicate that over a quarter of young people find their first jobs through formal channels – notably the Careers Service.

Moreover:

- Such formal channels are particularly important for disadvantaged groups, notably members of ethnic minorities.
- Those who enter their first jobs through formal channels remain in them longer than those who do not.

METHODOLOGICAL PROBLEMS

More sophisticated attempts to measure the economic effects of careers guidance have however to surmount a number of difficulties:

- The effects are not likely to be visible for some time.
- The longer the time that elapses, the more other factors come into play.
- Controlled trials are the surest method of distinguishing effects from mere consequences. But such trials are difficult to mount, and more so over longer periods: "control" cannot be indefinitely extended, nor guidance indefinitely denied.
- If the purpose of guidance is to help individuals to clarify and implement their own goals, this makes it difficult to find appropriate standardised criteria against which to evaluate the outcomes.

Most recent evaluation studies have accordingly addressed not long-term economic outcomes, but shorter-term learning outcomes. This is also in line with what is now widely seen as the aim of guidance (see "A changed approach" under "What is Careers Guidance?").

"SCIENTIFIC" GUIDANCE

It is though worth noting a series of UK studies, mainly conducted in the 1920s and 1930s, examining the effectiveness of "scientific" guidance based on a matching model, and particularly on the use of psychometric tests.

These studies established:

- That those who enter jobs in line with the recommendations based on such guidance were more satisfied with, and more stable in, their jobs, than those in jobs differing from the recommendations.

- That in controlled trials, the effects of "scientific" guidance was to raise individuals' perceptions of the suitability of their jobs and to reduce job turnover.

In other studies, mainly in the USA, positive if weak relationships have been found between job satisfaction and measures of job performance. It is plausible therefore to suppose that at least some of the effects demonstrated in these studies represented public economic benefits.

LEARNING OUTCOMES

Among the learning outcomes from guidance that have been measured in more recent studies are:

- *Precursors*: changes in client attitudes which develop readiness for guidance and facilitate rational decision-making (e.g. attitude to decision-making, attitude to guidance, reduced decision anxiety, internal locus of control).
- *Self awareness*: learning about self, including self-knowledge, self-information search behaviour, and the organisation of self-information in a manner relevant to educational and/or occupational decision-making (e.g. interests, abilities).
- *Opportunity awareness*: learning about opportunities and options, including knowledge of the world of work, educational/occupational information-search behaviour, and the organisation of educational/occupational information in a manner relevant to decision-making (e.g. skill requirements, job contents).
- *Decision-making skills*: learning of rational decision-making skills and strategies; abandonment of excessively dependent and irrational methods; learning to apply decision-making skills to educational and/or occupational decisions.
- *Transition skills*: learning of skills and other personal attributes relevant to implementing intentions (e.g. job-search skills, interview skills).

Most of these studies show guidance to result in statistically significant gains. An analysis of such studies conducted in the USA showed a typical improvement for the average "treated" subject of between 15 and 29 percentage points on the measure in question.

Moreover, when properly concerted, different methods can have a cumulative effect. A long-term, multi-method approach is thus indicated, including group guidance and computer-aided careers guidance systems as well as individual interviews, providing that it is alert and responsive to individual needs.

Some learning outcomes have been demonstrated to be significantly correlated with subsequent career satisfaction and success. More work on the links between these two sets of variables is however needed.

SOME OTHER EVIDENCE

Other evidence based on single UK studies includes:

- A careers education course in a school resulted in students entering first jobs which were more congruent with measured interests, and lower rates of job changing, particularly of a "floundering" rather than a "constructive" kind.
- A careers service which encouraged vocationally uncertain students to return for further interviews was able to increase their ability to make an "early" career decision.
- An experimental career counselling programme for unemployed adults produced an average reduction in unemployment duration of approximately two weeks.

COST-EFFECTIVENESS

Few studies to date have attempted to relate the economic costs of careers guidance services to their economic benefits. An American analysis related costs (in terms of counsellor hours) to "effectiveness", but simply defined the latter by mean effect size, without attempting to attach an economic value to it.

The only published example of an economic cost-benefit analysis to date was a set of US studies on the effectiveness of Job Clubs as opposed to conventional employment counselling. The cost per placement was \$167 (excluding premises); at six months, mean monthly welfare payments had reduced by 48% (\$100) for Job Club participants but only 15% for controls. This indicated a net saving, showing that intensive group methods were more cost-effective than individual methods.

More comprehensive studies of cost-effectiveness would need to take into account such economic benefits as:

- Unemployment-benefit and other social-security savings to the Exchequer.
- Tax revenues to the Exchequer associated with higher employment rates and higher productivity.
- Increased economic activity resulting from reductions in recruitment periods.
- Economic benefits associated with qualitative social-psychological benefits to individuals and their families (cf. health economists' measures of "quality of adjusted life years").

Such studies have not yet been conducted.

AN AGENDA FOR ACTION

The research in this area has been patchy and of variable quality. If more substantial and dependable evidence is to be collected on the economic benefits of guidance, at least three main sets of studies are needed:

- Studies to develop better methodological tools to measure learning outcomes.
- Studies of longer-term economic outcomes (see "Cost-effectiveness"), based on existing data-sets (especially longitudinal studies).
- Studies to examine the relationship between learning outcomes from guidance and longer-term economic outcomes. These would almost certainly need to be new longitudinal studies.

The first two of these could be viewed as step-by-step approaches towards the third.

In addition, there is a need to develop a culture of evaluative research, in which practitioners are encouraged to collect and publish evidence of the relative effectiveness of different techniques and programmes, with particular client groups and under particular circumstances. Government, professional associations, and higher education institutions, all have an important role to play in developing such a culture.

FURTHER INFORMATION

The material in this Briefing is largely drawn from:

Killeen, J., White, M., and Watts, A.G.:

The Economic Value of Careers Guidance.

Available from the Policy Studies Institute,

100 Park Village East, London NW1 3SR, price £7.95.

Killeen, J., and Kidd, J.:

Learning Outcomes of Guidance: a Review of Recent Research. Research Paper No.85.

Available from the Department of Employment, Room E417, Moorfoot, Sheffield S1 4PQ, free.

Readers may also find it useful to refer to:

Who Offers Guidance?: a Basis for Understanding, Identifying and Developing Guidance Provision for Individuals.

Available from the Information and Advice Services Unit, Department of Employment, Room E525, Moorfoot, Sheffield S1 4PQ, free.

Further copies of this Briefing are available from:

NICEC, Sheraton House, Castle Park, Cambridge CB3 0AX (please send A4 sae).