

## Career Development Policy Group

### *An emergency career development plan to maintain employment, productivity and progression post-Covid-19<sup>i</sup>*

*The Career Development Policy Group brings together a range of organisations who believe that it is important that citizens have an opportunity to access support in their careers.<sup>ii</sup> The group works with government and other stakeholders to develop policies and initiatives that support career development.*

*In this paper we argue that government needs to respond to the Covid-19 crisis by taking the following actions.*

- ***In the short-term.*** A £26 million fund should be created to ensure that allow education leavers, unemployed workers and those being made redundant following furloughing can access high quality career guidance between now and the end of 2020. This money could be channelled through existing agencies and used to take on additional careers professionals to deliver support where necessary. If 1 in 89 people who received a careers interview was able to find and keep a job that they otherwise would not have found, this service would pay for itself.
- ***In the medium-term*** the infrastructure for career guidance needs to be enhanced so that career guidance can be more consistently embedded across the lifecourse. A new careers strategy should be published in January 2021 to replace the current strategy which ends in 2020.
- ***In the long-term*** England needs a review of the current, fragmented career guidance system and the creation of a more robust lifelong guidance system.

## Introduction

- 1) The Covid-19 crisis is leading to an unprecedented crisis in the labour market. There is a need to develop a comprehensive plan to address these challenges for all working people. In the short term the greatest focus needs to be on: (1) the growing number of unemployed workers; (2) the generation of young people who are leaving education; and (3) adults who have been furloughed, but who may be facing redundancy as the Coronavirus Job Retention Scheme tapers and then winds down in October. In this brief proposal we argue that these three groups need advice and support in the form of professional career guidance<sup>iii</sup> and that an emergency fund of £26 million needs to be established to ensure that this is available.<sup>iv</sup>

## A labour market crisis

- 2) The Covid-19 crisis has resulted in an immediate and catastrophic collapse in the labour market. The number of new vacancies has crashed<sup>v</sup> and benefit claims have soared.<sup>vi</sup> The latest unemployment figures estimate that there are 2.1 million people unemployed<sup>vii</sup> in comparison with 1.29 million people this time last year.<sup>viii</sup> Thankfully the Coronavirus Job Retention Scheme<sup>ix</sup> has helped to stem more job losses and averted the immediate social and financial implications of the crisis in employment.

- 3) We are now entering a new phase of the crisis. There are four imminent flashpoints that government needs a strategy to address.
  - Firstly, the unemployment figures are growing. There is a need to help these >2.1 million workers back into employment as quickly as possible before their skills, confidence and employability starts to deteriorate.
  - Secondly, there are 800,000 young people about to leave schools, colleges and universities, hoping to join the labour market.<sup>x</sup>
  - Thirdly, there are 8.4 million people who have been furloughed.<sup>xi</sup> While hopefully most of these will be able to return to their jobs, it is very likely that a proportion of these workers will never return to their current jobs. The Bank of England's survey of Chief Financial Officers estimates an 18% fall in employment this year. While some of this might be achieved through recruitment freezes rather than redundancy it provides the best estimate of the employment impact of Covid-19 and suggests that an additional 1.35 million people will enter the labour market over the next few months.<sup>xii</sup>
  - Fourthly there are 2.3 million claims for support from self-employed workers.<sup>xiii</sup> It is more difficult to get data on what proportion of these people's businesses are likely to fail during this period. If we just use the Institute of Fiscal Studies normal estimate of 14% of self-employed business failures (ignoring the Covid crisis), this results in another 322,000 people being in churn.<sup>xiv</sup>
- 4) When we add these figures together it suggests that there will be 4.7 million workers looking for new employment between the end of July (when the education year ends and the furlough arrangements begin to taper) and the start of November (when the furlough scheme is currently due to end), i.e. around three months.
- 5) To place this figure of 4.7 million into context, in a usual year around 17% of the UK workforce (around 5.6 million workers) will change jobs or employment status – but over an average quarter this would only represent 1.4 million workers.<sup>xv</sup> Last year workers who were churning were doing so in a healthy labour market with a record level of employment, but this year citizens who are churning following Covid-19 will be forcibly entering a labour market with very limited opportunities available. This is likely to make the process of finding new employment during 2020 considerably more difficult than in previous years.
- 6) In normal circumstances around 10% of those in churn will seek support from the National Careers Service (about 550,000 people which is the service's annual capacity).<sup>xvi</sup> However, the National Careers Service is insufficiently funded to manage a rapid increase in the number of people needing to access support. It also has important gaps in its coverage (for example not covering young people under the age of 19 in terms of face-to-face guidance) and will not be the most obvious port of call for the 800,000 young people leaving education who may try to access career guidance via their educational institution.<sup>xvii</sup>
- 7) Even if the proportion of workers in churn seeking career support remains at 10% the level of churn described in this paper would quickly overwhelm all of the capacity of the National Careers Service leaving at least an estimated 196,000 people with nowhere to turn.<sup>xviii</sup> This raises the question of who will help these citizens to find work, further training or other work-related activities that will maintain their contact with the labour market? Especially, as the

skill sets employers may need to rebuild their businesses may be different to those they have previously required.

## Why we need career guidance now

- 8) The labour market crisis described above is unprecedented in its size and speed. There is a desperate need for leadership from government, business and education to help to address this crisis. Such a response is likely to include investment in education and training (including a boost for the National Retraining Scheme), the creation of intermediate labour markets<sup>xix</sup>, incentives for employers and a review of the benefit system. It should also include an approach to rapidly building up new information and intelligence about what the labour market needs and disseminating it to individuals to aid them in their decision-making. These are all important policies, but all of them require individuals to be able to gather information on a rapidly changing situation and respond to it quickly. Therefore, career guidance is a critical element of a wider policy response as it helps citizens to gather, make sense of and act on information about the labour market and the education system.
- 9) A recent publication by the OECD, International Labour Organisation, Unesco and a range of other international bodies described career guidance as ‘**services which help people of any age to manage their careers and to make the educational, training and occupational choices that are right for them**’<sup>xx</sup>. It concluded that career guidance ‘acts as a lubricant for developing and nurturing human talent to power innovation, creativity and competitiveness’ and that ‘the majority of high quality evaluations of career guidance activities show evidence of positive economic, educational and social outcomes’.
- 10) Analysis of the economic impacts of career guidance highlights clear financial benefits from the activity.<sup>xxi</sup> Empirical evidence demonstrates that the provision of career guidance to citizens results in individual benefits (e.g. a reduction in economic inactivity and increased wages), firm level benefits (e.g. increased productivity and reduced staff turnover), and national benefits (e.g. increased labour market participation, decreased unemployment, reduced skills shortages and increased GDP). Empirical studies which provide helpful details on the anticipated economic benefits associated with career guidance include a randomised control trial in Denmark showed that unemployed workers undertaking a career development programme were unemployed for around 18% less time than a control group.<sup>xxii</sup> Analysis of a programme targeted at the young unemployed in the UK (NDYP) increased the proportion making a transition to employment by about 5 percentage points.<sup>xxiii</sup>
- 11) The message is clear; while career guidance cannot create new employment opportunities it can help individuals, organisations and countries increase labour market efficiency and optimise the connection between supply and demand. These observed effects are likely to be heightened in a labour market which is experiencing an extraordinary period of churn.

## What needs to happen?

- 12) In the **short-term**. We would like to see a fund created to allow education leavers, unemployed workers and those being made redundant following furloughing an opportunity to see a career guidance professional between now and the end of 2020.<sup>xxiv</sup> If this entitlement took the form of one guidance interview it would result in an £9 million price tag. However, the evidence from comparison group trials suggests that four or five sessions are optimal for

many clients, particularly those such as recently redundant adults.<sup>xxv</sup> Based on an average of three sessions this would result in a cost of £26 million. We would anticipate that this money should be split fairly evenly between youth focused services, services directed specifically to those on furlough and unemployed workers. This money could be channelled through existing agencies<sup>xxvi</sup> and used to take on additional careers professionals to deliver support where necessary.<sup>xxvii</sup> If 1 in 89 people who received a careers interview was able to find and keep a job that they otherwise would not have found, this service would pay for itself.<sup>xxviii</sup>

13) In the **medium-term** the infrastructure for career guidance needs to be enhanced. The provision of large numbers of career guidance interviews at the point of acute crisis is a short term fix for an unprecedented problem. Careers work needs to be more consistently embedded across the lifecourse.<sup>xxix</sup> A new careers strategy should be published in January 2021 to replace the current strategy which ends in 2020. This should renew the government's commitment to career guidance and increase the level of funding for The Careers & Enterprise Company and the National Careers Service.

14) In the **long-term** England needs a review of the current, fragmented career guidance system and the creation of a more robust lifelong guidance system.

## Notes

<sup>i</sup> This note has been drafted by Professor Tristram Hooley for the Career Development Policy Group. We are grateful for the detailed feedback provided by Chris Percy as well as for advice on data sources provided by Jon Boys, Paul Bivand and Charlie Ball.

<sup>ii</sup> These include the Career Development Institute, Careers England, the Careers Research and Advisory Centre (CRAC), the Institute of Student Employers, and the International Centre for Guidance Studies.

<sup>iii</sup> Professional guidance is defined here as career guidance delivered by a professional qualified to at least level six and ideally registered on the Career Development Institute professional register. See <https://www.thecdi.net/GettingQualified> for further information and Department for Education. (2010). *Towards a strong careers profession*. London: Department for Education for the policy justification for this level of qualification.

<sup>iv</sup> The data in this report is accurate as of the date of publication. This is a fast moving situation and so we may issue further versions of this note as the situation develops. The calculations included in this paper are presented as an initial cost estimate and will hopefully provide a useful starting point for government economists to fully cost the proposal.

<sup>v</sup> Wilson, T., Papoutsaki, D., Cockett, J., & Williams, M. (2020). *Real time vacancy analysis: Early findings on changes in vacancy levels by local area and job type*. Brighton: Institute of Employment Studies.

<sup>vi</sup> Elliot, L. (2020). UK unemployment rate is set to rocket even with the furlough scheme. The Guardian. Retrieved from <https://www.theguardian.com/business/2020/may/19/uk-unemployment-rate-furlough-jobs-market>.

<sup>vii</sup> Plummer, R. (2020). Huge number of people claiming benefits. Retrieved from <https://www.bbc.co.uk/news/business-52719230>.

<sup>viii</sup> Office for National Statistics. (2020). Employment in the UK: July 2019. Retrieved from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/july2019>.

<sup>ix</sup> See <https://www.gov.uk/coronavirus/business-support> for further information on this scheme.

<sup>x</sup> Henehan, K. (2020). *Class of 2020: Education leavers in the current crisis*. London: Resolution Foundation.

<sup>xi</sup> BBC. (2020). UK furlough scheme now covers 8.4 million workers. Retrieved from <https://www.bbc.co.uk/news/business-52819591>.

<sup>xii</sup> Bank of England. (2020). Monthly decision-maker panel data – April 2020. Retrieved from <https://www.bankofengland.co.uk/decision-maker-panel/2020/april-2020>.

<sup>xiii</sup> BBC. (2020). UK furlough scheme now covers 8.4 million workers. Retrieved from <https://www.bbc.co.uk/news/business-52819591>.

- <sup>xiv</sup> Cribb, J. et al. (2019). *Who are business owners and what are they doing?* London: Institute for Fiscal Studies.
- <sup>xv</sup> See Office for National Statistics. (2019). Analysis of job changers and stayers. Retrieved from <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/april2019/analysisofjobchangersandstayers> which suggests that 9% of the workforce change jobs. And Office for National Statistics. (2019). Labour market flows: March 2019. Retrieved from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/article/labourmarketflows/march2019> which provides figures for inflows to employment, unemployment and inactivity which have been summed to calculate that 8% of the UK workforce changes employment status each year.
- <sup>xvi</sup> Based on National Careers Service presentation which reports 400,000 face-to-face users and 155,000 helpline users between April 2018-April 2019.
- <sup>xvii</sup> See Education and Skills Funding Agency. (2020). Funding rules for the National Careers Service. Retrieved from [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/877262/National\\_Careers\\_Service\\_Funding-Rules\\_1\\_April.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/877262/National_Careers_Service_Funding-Rules_1_April.pdf).
- <sup>xviii</sup> This assumes that 50% of the existing capacity of the NCS is taken up with clients who are not directly related to the Covid crisis.
- <sup>xix</sup> Intermediate labour markets (ILMs) describe temporary employment schemes that benefit the community. In an ILM temporary employment is supported by training and access to career guidance to help individuals to use the temporary employment opportunity to build their skills and return to sustained employment. A useful guide to ILMs can be found in Marshall, B. & Macfarlane, R. (2000). *The intermediate labour market: A tool for tackling long-term unemployment*. York: Joseph Rowntree Foundation.
- <sup>xx</sup> The Inter-Agency Working Group on Work-based Learning (WBL). (2019). Investing in career guidance. Retrieved from [https://www.cedefop.europa.eu/files/2227\\_en.pdf](https://www.cedefop.europa.eu/files/2227_en.pdf).
- <sup>xxi</sup> Percy, C. & Dodd, V. (2020). The economic outcomes of career development programmes. In Robertson, P., Hooley, T. & McCash, P. (Eds.) *The Oxford Handbook of career development*. Oxford: Oxford University Press.
- <sup>xxii</sup> Graverson, B. K., & van Ours, J. C. (2008). How to help unemployed find jobs quickly: Experimental evidence from a mandatory activation program. *Journal of Public Economics*, 92, 2020–2035. <https://doi.org/10.1016/j.jpubeco.2008.04.013>
- <sup>xxiii</sup> Blundell, R., Dias, M. C., Meghir, C., & Reenen, J. (2004). Evaluating the employment impact of a mandatory job search program. *Journal of the European Economic Association*, 2(4), 569–606. <https://doi.org/10.1162/1542476041423368>
- <sup>xxiv</sup> Based on 10% (see paragraph 6) of the anticipated number of workers in churn (existing unemployed workers + education leavers + 18% of furloughed staff + 14% of the self-employed receiving support) wanting to take advantage of the opportunity for one career interview. The cost of each interview estimated at £45.
- <sup>xxv</sup> Brown, S. D., & Krane, N. E. R. (2000). Four (or five) sessions and a cloud of dust: Old assumptions and new observations about career counseling. In S. D. Brown & R. W. Lent (Eds.). *Handbook of counseling psychology* (p. 740–766). New York: John Wiley & Sons Inc.
- <sup>xxvi</sup> To ensure rapid and efficient mobilisation of these funds it is important to use the existing government infrastructure. Funding could be channelled through The Careers & Enterprise Company in the form of a new personal guidance fund which schools and careers providers could bid to deliver. In the adult sector it would need to be flowed through the existing National Careers Service contracts. There may also be a case for channelling some funding through the Higher Education Innovation Fund to allow higher education careers services to serve graduates.
- <sup>xxvii</sup> Initial research by the Career Development Institute suggests that there is a large pool of careers professionals available to deliver this programme. The 1,800 professionals on the CDI register provide a key pool of professional capacity that could be easily accessed. Additional capacity could be sourced from those who are not registered, including level six and above qualified professionals in higher education, private practice, the National Careers Service and schools. Incentivising registration as a part of the funding requirements would help to quality assure the intervention
- <sup>xxviii</sup> Based on an average cost of £12,000 per year financial benefit to the exchequer for a person being in employment rather than unemployed. This figure is drawn from Public Health England. (2017). *Movement into employment: Return on investment tool*. London: Public Health England.
- <sup>xxix</sup> Hooley, T. (2014). *The evidence base on lifelong guidance*. Jyväskylä, Finland: European Lifelong Guidance Policy Network (ELGPN).