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Preprint · November 2024

DOI: 10.13140/RG.2.2.23512.51205

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# Productivity and lifelong guidance

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November 2024

## Policy rationale

The impact of lifelong guidance is constantly linked to the productivity of a society, an economy, a company and an individual. This is mostly done indirectly by the lifelong guidance professional, for example by highlighting the role of individual adaptability or key competencies.

It is important to make it clear at the outset that this paper does not intend to take sides in a value-laden debate about different “isms”. So, neither neoliberal nor left-wing nor other ideologies will be discussed in this paper. The productivity of labour is indeed an economic issue, but it determines the quality of the social fabric (the society) and our way of life. The eternal debates about isms are already about the mechanisms of distribution of the wealth of creation, and its ideological background, and are not part of this paper. The technical issues raised here are solely about the measurability and demonstrability of the benefits of lifelong guidance to the economy and society.

The influential Draghi report, published in September 2024, analysed the **EU's decades-long competitiveness gap**. One chapter zoomed in on skill gap-related issues. This is one of the selling points where lifelong guidance fits in this context. This short background paper first wants to quote a few relevant points from the report, to draw the attention of the Careers Net member, secondly, wishes to connect some of the key messages of the report with the impact assessment of lifelong guidance services.

This is with a view to the possible further reflection by the CEDEFOP-managed Careers Net Network members on the role of lifelong guidance in the competitiveness and productivity issues that are so important for the EU and its Member States. **Considering, for example, the role of lifelong guidance in workforce development**. The more precisely the role of lifelong guidance can be understood in an individual's company, community or society level's productivity, the more recent and up to date the scientific evidence is in this regard, the more certain the role of lifelong guidance can be in reducing Skill Gaps.

Skill Gap is one of the central elements of the Draghi report. It is heavily connected to the competitiveness gap. Therefore, it is most likely important for the Careers Net Network to firstly, get notified and, secondly to think about a joint answer from the lifelong guidance perspective. This reflection may also influence the structure of the current Inventory of lifelong guidance systems and practices.<sup>1</sup>

*“Europe has been worrying about slowing growth since the start of this century. Various strategies to raise growth rates have come and gone, but the trend has remained unchanged...Europe largely missed out on the digital revolution led by the internet and the productivity gains it brought in fact, the productivity gap between the EU and the US is largely explained by the tech sector.” (Draghi-report 2024)*

*“After the Second World War, the EU experienced strong catch-up growth driven by both rising productivity and a growing population. However, both drivers of growth are now slowing. EU labour*

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<sup>1</sup> <https://www.cedefop.europa.eu/en/country-reports/inventory-lifelong-guidance-systems-and-practices>

*productivity converged from 22% of the US level in 1945 to 95% in 1995 but labour productivity growth has subsequently slowed by more than in the US and fallen back below 80% of the US level.*

*At the same time, Europe is entering the first period in modern history in which GDP growth will not be supported by sustained net growth of the labour force. By 2040, the EU's workforce is projected to shrink by close to 2 million workers each year, while the ratio of working to retired people is expected to fall from around 3:1 to 2:1. On this trajectory, growth in Europe will stall. If the EU were to maintain its average labour productivity growth rate since 2015 of 0.7%, it would only be enough to keep GDP constant until 2050 (Draghi-report, 2024 p 21)*

The report has an extensive 300-page-long annex for in-depth analysis and recommendations which includes a horizontal policy field under the title **Closing the Skill Gap** (vol 2. p 257-269). Here the role of career guidance is not even mentioned. Neither as a tool for better education nor as an instrument for adult education or the support of better working conditions and better welfare at work.

There are contrafactual pieces of literature. Some researchers suggest that guidance is so strongly embedded in the labour market and educational programmes that it is impossible to showcase its real and stand-alone benefits (HYSLOP-MARGISON & WELSH, 2003).

This fact should be a warning sign for the European guidance community, especially for those engaged in lifelong guidance policy and system design and development.

- *So what could be internally discussed first? Is something still missing from the EU lifelong guidance policy and practice? Are we still short of scientific evidence about the role of career development linked to competitiveness and labour productivity?*
- *As a horizontal policy field, is lifelong guidance entirely embedded in education and labour market policy initiatives? (Even without mentioning, different decision-makers will know how to activate LLG to overcome the skill gap challenge so LLG will remain a "hidden element" of education and employment policy interventions.)*
  - *If LLG is so implicit, how can its added value be identified?*

Certain professional discussions most likely should be revisited and approved by the European lifelong guidance community. There are a few ambiguous professional issues where we still need to seek better answers.

## **What is competitiveness?**

The World Economic Forum (WEF) has been measuring it since the late There are several definitions out there. The World Economic Forum, which has been measuring competitiveness among countries since 1979, defines it as *"the set of institutions, policies and factors that determine the level of productivity of a country"*. Others are subtly different, but all generally use the word "productivity".

Another way to think about what makes a country competitive is to consider *how it promotes our well-being*. A competitive economy, we believe, is a productive one. And productivity leads to growth, which leads to income levels and hopefully, at the risk of sounding simplistic, improved well-being. (WEF)<sup>2</sup>

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<sup>2</sup> <https://www.weforum.org/agenda/2016/09/what-is-competitiveness/>

# What is labour productivity?

*Labour productivity is a measure of economic performance that compares the amount of output with the amount of labour used to produce that output.* (BLS)<sup>3</sup> Labour productivity measures the efficiency of a country with which inputs are used in an economy to produce goods and services and it offers a measure of economic growth, competitiveness, and living standards within a country.

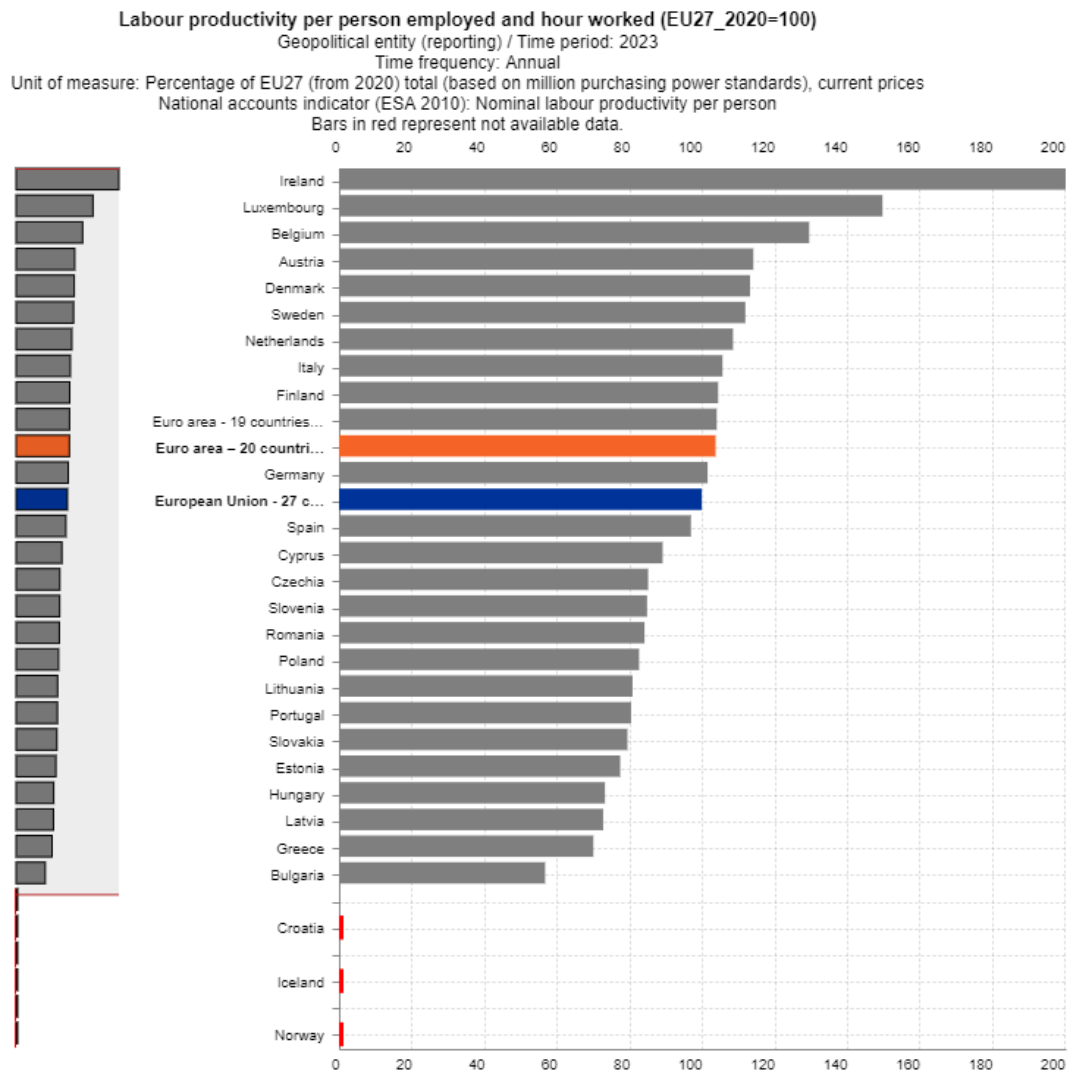
Economic growth in a country can be ascribed either to increased employment or to more effective work by those who are employed. The latter effect can be described through statistics on labour productivity. Labour productivity therefore is a key measure of economic performance. The understanding of the driving forces behind it, in particular the accumulation of machinery and equipment, improvements in organization as well as physical and institutional infrastructures, improved health and skills of workers (“human capital”) and the generation of new technology, is important for formulating policies to support economic growth. Such policies may focus on regulations on industries and trade, institutional innovations, government investment programmes in infrastructure as well as human capital, technology or any combination of these. (ILO)

As an example from the EUROSTAT (2023) Labour productivity per person employed and hour worked (EU27\_2020=100)<sup>4</sup>

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<sup>3</sup> <https://www.bls.gov/k12/productivity-101/content/what-is-productivity/what-is-labor-productivity.htm>

<sup>4</sup> <https://ec.europa.eu/eurostat/databrowser/view/tesem160/default/bar?lang=en>



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## Labour productivity and lifelong guidance

There have been many studies referring to the economic outcomes of career development interventions. The evidence-based handbook (ELGPN, Hooley, 2015) of the ELGPN already highlighted productivity; **Economic and social outcomes** of guidance were defined in the ELGPN Glossary as follows; *“In particular, improving the efficiency and effectiveness of education, training and the labour market through its contribution to reducing drop-out, preventing skill mismatches, increasing job tenure and **boosting productivity**; and also addressing social equity and social inclusion.”* (ELGPN Glossary, 2015).

Since that, several researchers have aimed to reinforce the positive role of career development/guidance. More recently a UK report pointed out its supportive role in the workforce development of small and medium enterprises (SMEs); *“the staff’s self-regulation had a positive and significant effect on individual, organizational and environmental productivity factors. In addition, self-*

*regulation could predict those factors. It was found that self-regulation had a mediating role in the relationship between career development and staff productivity” (Delbari, Rajaipour and Abedini, 2021).*

The Scottish career guidance service, published in 2007 (Careers Scotland, 2007), is a particularly good example because it demonstrates that it is possible to aggregate the benefits of the service’s activities at a societal level, while also highlighting the rigorous nature of the methodology and information conditions. For example, the availability of longitudinal data which can be used for the labour market participation of young school leavers in the labour market, has been huge in Scotland since 1996.

To assess the social impact of guidance interventions, firstly, three groups of young people were created. All of them left school 8 years ago. All had received counselling services but in different ways. The trial was also controlled based on the fathers' occupations, ensuring that the father was not working in a highly skilled manual occupation or managerial job.

In the first group were those who had received both individual and group counselling and had attended career centre sessions. In the second group were those who received only individual counselling and those who received only group counselling. The third control group included those described by the same social background parameters who had not received any form of counselling. The fourth group had no treatment.

**The data showed that the largest employment rate gap was associated with those with the most intensive career counselling and those not receiving any counselling.** The smallest gap was between the group receiving no counselling and the group receiving only partial counselling. The employment rate gap between the groups receiving only group counselling sessions and the control group was namely one percentage point. Starting from this smallest difference, the 8-year impact was 40 (i.e. discounted by 20 per cent), and on the 40<sup>th</sup> (i.e. sufficiently low) income percentile, they were able to calculate the social benefits of these employment gains (in the year of the study: £205 million), which was already comparable with the expenditure of the advisory service (Career Scotland 2007). However, this study focused on labour market integration and not the labour productivity of the participants.

- *So then what do we know about the supporting role of career guidance services and its impact on individual/group and national labour productivity levels?*

## Dichotomy in measurement

An interesting ***dichotomy in the analysis of the economic impact of career guidance is that, while it seems clear that the activity under study is beneficial, it is very difficult to convincingly justify and quantify it.*** However, it was considered important that the link between guidance and individual and social benefits should be both verifiable and quantifiable. Beyond the scientific challenge, this has very important public policy implications. First, by making the link explicit, important correlations can be identified which can be used to improve the mechanism of action of interventions. Equally importantly, we can only talk about real benefits if the opportunity costs of the interventions are known, i.e. if the career advice the benefits of career advice are greater than those of other, alternative measures – and to make comparisons, the benefits and costs need to be quantified. (Hárs&Tóth, 2009).

## Possible discussion points:

- *Based on the information on the Network (CareersNet); do we have a well-documented fresh pilot about the additional role of career development/guidance at a general level?*
- *Do we know about a well-established Randomized- Randomised-controlled trial (RCT) research which targeted the supporting role of guidance in competitiveness and productivity? (In any level: individual, company, regional, national)*
- *as a piece of evidence that career guidance supports the productivity of individuals/groups/companies/communities/regions or countries?*
- *if we have additional information and this information is robust and valid, how can the Network inform new decision-makers in Europe (forms of communication)?*
- *Is the current version of the lifelong guidance Inventory proper about the competencies, and skill gaps challenge? If not, how can it be improved?*

BPTB 08/10/2024

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