In Case You Missed This!

From the Director’s Desk

Tuesday, May 14, 2013

Please find attached a recent report published by the Center for American Progress. The report is alarming, yet not surprising.

Youth unemployment is a difficult challenge to address. The United States has been actively engaged in efforts to reduce youth unemployment stretching back to the mid-twentieth century. We know some causes of youth unemployment but other causes stubbornly remain elusive.

It should give no comfort to us here in the the U.S. that youth unemployment is a significant problem for the rest of the world -- as noted by a trenchant article recently published by the Economist magazine (also attached).

Whatever the cause(s), we must continue to understand this growing phenomena through active research and pilot demonstration interventions. Not to do so, leaves so many youth perhaps permanently detached from the world of work. This is a nightmare by anyone’s measure.

All the best

RVA

Roland V. Anglin
Director
The Joseph C. Cornwall Center for Metropolitan Studies
47 Bleeker Street
Newark, NJ 07102
www.cornwall.rutgers.edu
https://www.facebook.com/CornwallCenter

Our Vision

The Joseph C. Cornwall Center strives to be:

- A key resource in the production of “usable” knowledge for the public, private, and nonprofit sector development in Newark, the northern region of New Jersey and beyond.

- A central force convening key civil society individuals and institutions as they engage in and pursue the economic, political, and cultural revitalization of Newark.

- A forceful agent for the economic and administrative coordination and cooperation of Newark and its surrounding communities.

- A national model for what a university-based center can accomplish working with regional, local, and community partners.
Nearly everyone has struggled in the wake of the Great Recession, but young Americans have suffered the most. While others have slowly returned to work, the unemployment rate for Americans ages 16–24 stands at 16.2 percent, more than double the national rate of unemployment. And even when this group eventually starts earning a paycheck, the impact of their unemployment will follow them for years. According to a new analysis by the Center for American Progress, young Americans will lose a staggering $20 billion in earnings over the next decade.

Research shows that workers who are unemployed as young adults earn lower wages for many years following their period of unemployment due to forgone work experience and missed opportunities to develop skills. Building on this research, we estimate that the nearly 1 million young Americans who experienced long-term unemployment during the worst of the recession will lose more than $20 billion in earnings over the next 10 years. This equates to about $22,000 per person. The economic consequences of these lost wages to individuals and to the broader economy are serious. These young Americans—referred to as Millennials—will increasingly be forced to delay moving out of their parents’ homes, struggle to make payments on ballooning student-loan debt, and fail to save adequately for retirement. As a consequence of the prolonged unemployment of Millennials, the U.S. economy will feel the loss of aggregate demand in the form of slower growth and less job creation.

To be sure, getting our economy back on track will require getting people of all ages back to work. But the problem of youth unemployment is especially pernicious, and as such it deserves special attention from lawmakers.

In this issue brief we make the case that the United States has a serious youth-unemployment problem that will cost us dearly in the long run. We will show that the employment prospects for young Americans are dismal by both historical and international comparisons, and we will explore in detail the costs associated with our current levels of youth unemployment in terms of lost earnings, slower economic growth, and greater taxpayer burden.
Just how bad is the U.S. job market for teens and young adults?

Youth unemployment is at a historic high

Today’s young Americans face the worst employment prospects in recent history. What’s more, trends in employment and unemployment rates since World War II indicate that the labor market is becoming even less friendly to young workers. Even prior to the Great Recession, young people had a hard time in the labor market, and their employment situation has worsened since. Over the past several decades, employment and labor-force participation among Americans ages 16–24 have declined, while the unemployment rate for this group has risen. During that same time period, these employment measures have remained stable or even improved for Americans in the prime working age group of 25–54, indicating that the youth-employment problem cannot be attributed solely to a worsening economy. And although declining employment and labor-force participation among young people can be pegged in part to rising educational attainment—more youth completing high school and postsecondary education—the data suggest that there is more to the story. Let’s look at three job-prospect measures for young Americans.

- **Labor-force participation**: The labor-force participation rate is the percentage of individuals in the population who are either employed or unemployed and actively looking for work. This measure indicates the level of interest individuals have in working, although it can decline when workers become discouraged or pursue education—even if they would otherwise have the desire to work.

![Figure 1: Labor Force Participation](source: Bureau of Labor Statistics)

While labor-force participation among young people increased in the years following World War II, it began to decline starting in the 1980s. The biggest drop in labor-force participation has been for teenagers, who saw their numbers decline from a high of nearly 60 percent in 1978 to an all-time low of 33.5 percent in 2012. Young adults ages 20–24 have fared somewhat better, but their labor-force participation rate has dropped from a high of 79.6 percent in 1987 to 70.1 percent today. Over the past three
decades, labor-force participation among adults ages 25–54 has remained mostly stable at around 80 percent.5

To be sure, declining labor-force participation among teens and young adults is not necessarily a bad economic sign. Downward moves in labor-force participation can be attributed in part to increasing school enrollment, a positive development that boosts both workers’ earnings and broader economic growth.6 But today’s high unemployment rates indicate that there are too many young people who want to work but cannot find jobs.

• **Employment-to-population ratio:** The employment-to-population ratio is the proportion of individuals in the population who are employed.7 A high employment-to-population ratio indicates that people in the population are able to find jobs.

Since the 1980s the employment-to-population ratio for teenagers and young adults has declined, with the steepest drops occurring in the past decade. During that time employment among teenagers has dropped the most, falling from 50 percent in 1978 to just 25.8 percent today. Employment among young adults peaked at 72.9 percent in 2000, falling to 60.8 percent today. By contrast, employment among Americans of prime working age currently stands at 75.9 percent, about the same as it was in the mid-1980s.

Here again, declining employment rates among young people are not necessarily bad if they represent increases in educational attainment. But because these changes are also accompanied by rising unemployment rates, they suggest that young people are dropping out of the labor market due to discouraging job prospects.

• **Unemployment rate:** The unemployment rate is the share of individuals in the labor force who are unemployed.8 To be considered unemployed, a worker must be looking for a job by sending out resumes, filling out applications, interviewing for positions, or engaging in other job-search activities.9 The unemployment rate indicates whether people are able to find employment, but it can also decline if workers become discouraged and quit looking for work—even if they want a job.
Since World War II young people have become increasingly more likely to be unemployed, while the unemployment rate for adults has remained lower and relatively more stable. Today the unemployment rate among teens—although down slightly from an all-time high of 27.2 percent in 2010—is 24.2 percent, higher than it ever was prior to the Great Recession of 2007–2009. Young adults have fared somewhat better than teens, but they also experienced an all-time high unemployment rate in 2010, when 17.2 percent of people ages 20–24 were out of work. The trends in unemployment indicate that young job seekers have suffered disproportionately in the recession compared to adult workers.

Youth unemployment in the United States is high relative to European countries with more youth-friendly labor markets

While advanced economies around the world are struggling with high unemployment in the wake of the global recession, the fact that some countries have been able to keep their youth unemployment rates relatively low indicates that high youth unemployment is not an inevitable consequence of an economic downturn. German, Danish, Dutch, and Austrian youth, for example, all enjoy lower unemployment rates than their American counterparts. While American youth are unemployed at a rate of 16.2 percent, youth in these countries are unemployed at rates of 7.9 percent, 15 percent, 10.3 percent, and 9.9 percent, respectively.

What’s more, these countries have done a better job than the United States of keeping youth unemployment low relative to overall unemployment. The ratio of youth unemployment to overall unemployment is an indicator of how much more difficult it is for a young person to find a job compared to an adult worker. In the United States, the unemployment rate for workers ages 16–24 is more than twice the overall unemployment rate of 7.6 percent. In Germany, however, the unemployment rate for young workers—7.9 percent—is only 1.5 times the overall unemployment rate of 5.3 percent. Denmark, the Netherlands, and Austria also have ratios of youth unemployment to overall unemployment that are lower than that experienced in the United States.
Certainly, more work must be done to understand why some countries seem to have labor markets that are more youth friendly, but some hypothesize it is because these countries tend to have workforce-development systems that support apprenticeships, vocational programs, and other worker-training programs that bolster the transition between school and work. Providing young people with more structured pathways into work could be the key to maintaining relatively low youth-unemployment levels even during periods of economic downturn. What we do know for sure from these examples is that America’s high level of youth unemployment is avoidable.

Youth unemployment is even worse than the unemployment rate suggests

The high unemployment rate for young Americans is a bad sign, but it doesn’t even begin to tell the whole story of just how grim employment prospects are for today’s young adults. Looking just at the overall unemployment rate obscures the extremely high rates of unemployment among communities of color, ignores workers who have given up on finding a job, and fails to take into account the many workers who are underemployed relative to their skills and education levels.

Unemployment is a major problem for young Americans in general, but it’s an even bigger problem for young people of color. While the overall unemployment rate for teenagers is 25.1 percent, the unemployment rate for black teens is 43.1 percent. And fully half of black males ages 16–19 are looking for work but unable to find a job.

What’s more, the unemployment rate does not include discouraged workers—people who have looked for a job in the past year but who have grown discouraged and given up because they believe that there are no jobs available—or at least none for which they would qualify. The percentage of people aged 16–24 who are not in the labor force but who want a job is 11 percent, compared to 7.1 percent of people of all ages not in the labor force but who want a job.

Furthermore, a study by the Center for Labor Market Studies estimated that in 2009 there were 2.8 million teens who wanted to work but who were not currently looking or were employed part time but wanted full-time work. This is in addition to the 1.5 mil-

![Figure 4: Unemployment rate, by age and race](source: Bureau of Labor Statistics)
lion teens who were counted as unemployed, suggesting that the employment situation for young Americans may be even bleaker than the unemployment statistics convey.

Moreover, unemployment numbers tell us nothing about the quality of jobs available to young workers, many of whom find themselves overqualified and underpaid. In fact, about half of all recent college graduates are in jobs that do not require a four-year degree, and 37 percent are in jobs that require no more than a high school diploma.

What is the true cost of youth unemployment?

Youth unemployment leads to depressed lifetime earnings

Not only is unemployment bad for young people now, but the negative effects of being unemployed have also been shown to follow a person throughout his or her career. A young person who has been unemployed for six months can expect to earn about $22,000 less over the next 10 years than they could have expected to earn had they not experienced a lengthy period of unemployment. In April 2010 the number of people ages 20–24 who were unemployed for more than six months had reached an all-time high of 967,000 people. We estimate that these young Americans will lose a total of $21.4 billion in earnings over the next 10 years.

This estimate is based on a study that found men who experienced a six-month period of unemployment at age 22 earned 8 percent less at age 23 than they would have otherwise. The wage gap narrows with age, but it still persists. By age 26, the men earned 6 percent less than they would have if they had never been unemployed. Even by age 31, their wages were 3 percent or 4 percent lower than they otherwise would have been. Long-term unemployment robs young people of the opportunity to gain the skills, experiences, and connections that translate into higher wages.

Related studies have found similar negative effects on future earnings. Researchers in the United Kingdom found that one year of youth unemployment at the age of 22 resulted in wages that were 13 percent to 21 percent less 20 years later. Another study that looked at American men who graduated from college during a recession estimated that an increase in the national unemployment rate of 1 percent translated into 6 percent to 7 percent lower wages initially and 2.5 percent lower wages 15 years down the road.

The impact of these lost earnings on young Americans is readily apparent. Young Americans today find themselves being increasingly squeezed by everything from rising tuition costs to health care expenses to energy bills, but income for the typical household hasn’t increased in 20 years. The repercussions of this financial squeeze are clear. Today Americans under the age of 40 have accumulated less wealth than their parents
did at that age more than 25 years ago. More than 13 percent of borrowers—mainly young adults—have defaulted on their student loans, and another 26 percent are delinquent. Young adults are now more likely to live with their parents and less likely to own a home than they were before the recession. And more than half of Americans ages 25–34 have saved less than $10,000 for retirement, increasing the odds that they will lack sufficient savings to retire in their old age.

Yet another casualty of these lost wages is long-term U.S. economic growth. When workers earn less because they were once unemployed, they spend less money at supermarkets, bookstores, cafes, and other businesses. The effect of taking this spending out of the economy adds up, resulting in fewer jobs and slower economic growth. Allowing high levels of youth unemployment to persist will weaken America’s economic growth and prosperity for years to come.

Youth unemployment incurs fiscal costs

Moreover, youth unemployment creates an additional cost burden for taxpayers in the form of lost revenues, the need for government-provided health care, increased crime, and additional welfare payments. In a recent study commissioned by the White House Council on Community Solutions, researchers estimate that the fiscal cost of the 6.7 million Americans ages 16–24 who are neither working nor attending school is $1.6 trillion over their lifetimes. Failing to create jobs for unemployed young people today will leave taxpayers with a huge bill down the road.

Conclusion

Ignoring the dire employment situation for young Americans is simply not an option. The economic consequences of high youth unemployment are enduring, and failing to employ young people today will result in lost earnings, greater costs, and slower economic growth tomorrow. Unfortunately, Congress is moving in the wrong direction with sequestration and misguided policy decisions to end programs that are proven to put young people to work. While youth unemployment has risen, Congress has cut $1 billion from youth jobs programs over the past decade. Furthermore, sequestration, with its across the board automatic spending cuts, will result in the elimination of 4,200 AmeriCorps positions, cutting back on an important source of jobs that allow young people to gain valuable experience and develop marketable skills. In future briefs, CAP will propose a series of forward-thinking policies that will help lawmakers tackle the nation’s youth-unemployment crisis. But Congress can start to address the crisis now by putting a stop to these shortsighted funding cuts and beginning to take youth unemployment seriously.

Sarah Ayres is a Policy Analyst with the Economic Policy team at the Center for American Progress.
Endnotes


5 Ibid.


8 Ibid.

9 Ibid.

10 Bureau of Labor Statistics, Employment status of the civilian noninstitutional population by age, sex, and race.

11 Ibid.

12 Eurostat, “Unemployment rate by sex and age groups” (European Commission, 2013).


14 Author’s analysis of Eurostat, “Unemployment rate by sex and age groups.”

15 Author’s analysis of Eurostat, “Unemployment rate by sex and age groups.”


18 Ibid.


20 Bureau of Labor Statistics, People not in the labor force by desire and availability for work, age, and sex (U.S. Department of Labor, 2013).


23 Author’s analysis of Mroz and Savage, “The Long-Term Effects of Youth Unemployment.”

24 Bureau of Labor Statistics, Unemployed persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment (U.S. Department of Labor, 2013).

25 Author’s analysis of Mroz and Savage, “The Long-Term Effects of Youth Unemployment”; Bureau of Labor Statistics, Unemployed persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment; Bureau of Labor Statistics, Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector (U.S. Department of Labor, 2013).

26 Mroz and Savage, “The Long-Term Effects of Youth Unemployment.”

27 Gregg and Tominey, “The Wage Scar From Male Youth Unemployment.”

28 Kahn, “The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy.”


Youth unemployment

Generation jobless

Around the world almost 300m 15- to 24-year-olds are not working. What has caused this epidemic of joblessness? And what can abate it?

HELDER PEREIRA is a young man with no work and few prospects: a 21-year-old who failed to graduate from high school and lost his job on a building site four months ago. With his savings about to run out, he has come to his local employment centre in the Paris suburb of Sevran to sign on for benefits and to get help finding something to do. He’ll get the cash. Work is another matter. Youth unemployment in Sevran is over 40%.
A continent away in Athlone, a gritty Cape Town suburb, Nokhona, a young South African mother of two, lacks a “matric” or high-school qualification, and has been out of work since October 2010, when her contract as a cleaner in a coffee shop expired. She hopes for a job as a maid, and has sought help from DreamWorker, a charity that tries to place young jobseekers in work. A counsellor helps Nokhona brush up her interview skills. But the jobless rate among young black South Africans is probably around 55%.

![Idle hands](image)

Official figures assembled by the International Labour Organisation say that 75m young people are unemployed, or 6% of all 15- to 24-year-olds. But going by youth inactivity, which includes all those who are neither in work nor education, things look even worse. The OECD, an intergovernmental think-tank, counts 26m young people in the rich world as “NEETS”: not in employment, education or training. A World Bank database compiled from households shows more than 260m young people in developing economies are similarly “inactive”. The Economist calculates that, all told, almost 290m are neither working nor studying:
almost a quarter of the planet’s youth (see chart one).

If the figures did not include young women in countries where they are rarely part of the workforce, the rate would be lower; South Asian women account for over a quarter of the world’s inactive youth, though in much of the rich world young women are doing better in the labour force than men.

On the other hand, many of the “employed” young have only informal and intermittent jobs. In rich countries more than a third, on average, are on temporary contracts which make it hard to gain skills. In poorer ones, according to the World Bank, a fifth are unpaid family labourers or work in the informal economy. All in all, nearly half of the world’s young people are either outside the formal economy or contributing less productively than they could.

Young people have long had a raw deal in the labour market. Two things make the problem more pressing now. The financial crisis and its aftermath had an unusually big effect on them. Many employers sack the newest hires first, so a
recession raises youth joblessness disproportionately. In Greece and Spain over a sixth of the young population are without a job (see chart two). The number of young people out of work in the OECD is almost a third higher than in 2007.

Second, the emerging economies that have the largest and fastest-growing populations of young people also have the worst-run labour markets. Almost half of the world’s young people live in South Asia, the Middle East and Africa. They also have the highest share of young people out of work or in the informal sector. The population of 15- to 24-year-olds in Africa is expected to rise by more than a third, to 275m, by 2025.

In rich countries with generous welfare states this imposes a heavy burden on taxpayers. One estimate suggests that, in 2011, the economic loss from disengaged young people in Europe amounted to $153 billion, or more than 1% of GDP. And failure to employ the young not only lowers growth today. It also threatens it tomorrow.

A clutch of academic papers, based mainly on American statistics, shows that people who begin their careers without work are likely to have lower wages and greater odds of future joblessness than those who don’t. A wage penalty of up to 20%, lasting for around 20 years, is common. The scarring seems to worsen fast with the length of joblessness and is handed down to the next generation, too.

The overall ageing of the population might blunt this effect by increasing demand for labour. But Japan’s youth joblessness, which surged after its financial crisis in the early 1990s, has stayed high despite a fast fall in the overall workforce. A large class of *hikikomori* live with their parents, rarely leaving home and withdrawn from the workforce.

Economists know much less about “scarring” in poor countries. A big study by Richard Freeman of Harvard University and Wei Chi and Hongbin Li of Tsinghua University suggested any impact of joblessness on young Chinese earnings disappears after three years. But studies elsewhere have reported more troubling
results. An analysis of the labour market a decade after Indonesia’s financial crisis in 1997 suggested that young people who lost their jobs then were less likely to be in the workforce, and if they were, to have only informal jobs. A study of Argentina and Brazil found that young people who joined the labour force during a recession fared systematically worse as adults.

The damage may be less in dynamic economies and greatest in stagnant ones where unemployment comes in long bouts—as in the swathe of countries around the Mediterranean. Spain, France, Italy and Greece have some of the highest youth joblessness in the rich world. Morocco, Egypt and other north African and Middle Eastern countries have among the worst rates in the emerging world. Though they are at different stages of development, these countries all suffer disproportionately from employment’s main curses: low growth, clogged labour markets and a mismatch between education and work.

Low growth is the most obvious of the three. Joblessness in southern Europe has surged as economies have shrunk. South Africa’s high jobless rate is stoked by the fact that it is now one of Africa’s slowest-growing economies. But rigid labour markets probably matter even more. Countries that let business cartels curb competition; with high taxes on labour and high minimum wages; and where regulations make it hard to fire people, are bad places for the young jobless. In India big factories and firms face around 200 state and federal laws governing work and pay. South Africa has notably strict laws on firing. Despite a few recent reforms, it is hard to fire older workers in southern European countries (young jobless, often living with parents whose livelihoods would be threatened, are wary of reform). North Africa and the Middle East suffer from a bloated and over-regulated public sector, heavy taxes on labour and high minimum wages.

**Where are the skilled ones?**

Economists are now emphasising a third problem: the mismatch between the skills that young people offer and the ones that employees need. Employers are awash with applications—but complain that they cannot find candidates with the
right abilities. McKinsey, a consultancy, reports that only 43% of the employers in the nine countries that it has studied in depth (America, Brazil, Britain, Germany, India, Mexico, Morocco, Saudi Arabia and Turkey) think that they can find enough skilled entry-level workers. Middle-sized firms (between 50 and 500 workers) have an average of 13 entry-level jobs empty.

The most obvious reason for the mismatch is poor basic education. In most advanced economies (whether growing or shrinking) the jobless rate for people with less than a secondary-school education is twice as high as for those with university degrees. But two more subtle reasons deserve attention, too.

Countries with the lowest youth jobless rates have a close relationship between education and work. Germany has a long tradition of high-quality vocational education and apprenticeships, which in recent years have helped it reduce youth unemployment despite only modest growth. Countries with high youth unemployment are short of such links. In France few high-school leavers have any real experience of work. In north Africa universities focus on preparing their students to fill civil-service jobs even as companies complain about the shortage of technical skills. The unemployment rate in Morocco is five times as high for graduates as it is for people with only a primary education. The legacy of apartheid means that young black South Africans often live and go to school many miles from where there are jobs.

Companies used to try to bridge that gap themselves by investing in training; today they do so less. Peter Capelli, of Wharton business school, argues that companies regard filling a job merely like buying a spare part: you expect it to fit. In 1979, he notes, young workers in large American firms received an average of two and half weeks of training a year. In 1991 only 17% reported receiving any training during the previous year. By 2011 only 21% reported gaining any during the past five. Accenture, a consultancy, says that only 21% of the 1,000 American workers they surveyed gained new skills from company-provided training over the past five years.
Mismatch and training gaps may explain why over the past five years youth unemployment in flexible economies like America and Britain has risen more than in previous recessions and stayed high. Britain, which has one of the world’s most flexible labour markets, has around 1m NEETs. More than twice as many young Britons (11.5% of the labour force) are unemployed as young Germans (3.9%) (see chart three). Some blame the minimum wage, but Britain also has a long-standing prejudice against practical education. In 2009 only about 8% of English employers trained apprentices compared with up to four times that number in the best continental European countries. 29% of British employers say
work experience is “critical” but the share of British children who get a shot at it has been falling for the past 15 years. Only 7% of pupils say they had any mentoring from a local employer and only 19% had visited one.

A more entrepreneurial British economy may have worsened the problem. The share of private-sector employees at big firms (with 250 or more workers) fell from 50% to 40% in 1998-2000. The share at micro-businesses (4 and fewer) rose from 11% to 22%. Small firms are less likely to provide apprenticeships or work experience.

Many countries are now trying to bridge the gap between education and work by upgrading vocational schools, encouraging standard schools to form closer relations with local companies, and embracing apprenticeships. In 2010 South Korea created a network of vocational “meister” schools—from the German for “master craftsman”—to reduce the country’s shortage of machine operators and plumbers. The government pays the students’ room and board as well as their tuition. It also refers to them as “young meisters” in order to counteract the country’s obsession with academic laurels. In Britain some further-education colleges are embracing the principle that the best way to learn is to do: North Hertfordshire College has launched a business venture with Fit4less, a low-cost gym. Bluegrass College in Kentucky and Toyota have created a replica of a car factory, where workers and students go to classes together.

But it is not enough simply to embrace the German model of training and apprenticeships: you need to update it. Some policymakers want to transform unemployment systems from safety nets into spring boards, providing retraining and job placement. The Nordic countries have been to the fore in this, introducing “youth guarantees”—personalised plans to provide every young person with training or a job. When Germany liberalised its labour market in 2003-05 it also created new ways of getting people back into jobs. For example, to make someone who has been out of work for a long stretch more employable, the state will pay a big chunk of his wages for the first two years of a new job.
Practicality constrains poorer countries’ ability to implement such active labour-market policies. The well-to-do Nordic countries found that they could hardly cope with the surge in unemployment after the crisis, despite spending up to 2% of GDP on training. Countries like Spain and Italy, with millions of unemployed people, could not hope to follow suit in a time of boom let alone one of austerity. Culture matters, too. Britain’s Labour government raised the number of apprenticeships but diluted their quality in order to keep unemployment figures down. The coalition government has tried to improve quality—but some firms have merely relabelled existing training programmes in order to obtain taxpayers’ money.

A deeper worry is that business is going through a particularly dramatic period of creative destruction. New technology is unleashing a storm of “disruptive innovation” which is forcing firms to rethink their operations from the ground up. Companies are constantly redesigning work—for example they are separating routine tasks (which can be automated or contracted out) from skilled jobs. They are also constantly redesigning themselves by “upsizing”, “downsizing” and “contracting out”. The life expectancy of companies is declining, as is the job tenure of chief executives. Policymakers are finding it more difficult to adapt their labour-market institutions quickly enough.

However, some firms are taking more interest. IBM has sponsored a school in New York. McDonald’s has an ambitious new training scheme (see article). India’s IT giant, Infosys, plans to train 45,000 new employees a year, including 14,000 at a time at its main campus in Mysore. Americana Group, a regional food and restaurant company with headquarters in Kuwait, allows trainees to spend up to half their time at work and the rest in college.

In addition, technology is also providing solutions as well as exacerbating problems. It is greatly reducing the historically high cost of vocational education. “Serious games” can provide young people with a chance to gain “virtual” experience at minimum cost: McDonalds uses competitive video games to teach
people how to use the till and interact with customers, for example. Mozilla, the creator of the Firefox web browser, has created an “open badges” initiative that allows people to gain recognition for programming skills. Technology is also making it easier to take work to people who live in work-deprived areas or who are shut out of the market by cartels. Amazon’s Mechanical Turk, an internet marketplace, enables companies to hire workers to perform simple tasks such as identifying people in photographs. They can take part from anywhere.

It is hard to be optimistic about a problem that is blighting the lives of so many people. But it is perhaps time to be a bit less pessimistic. Policymakers know what to do to diminish the problem—ignite growth, break down cartels and build bridges between education and work. New technology gives them powerful tools too. Countries that make the investments and choices needed to grapple with their unemployed youth could see some dramatic improvement ahead.

From the print edition: International