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# A new New Deal to cut youth unemployment

By John Studzinski

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The crisis in the eurozone is once again rightly fuelling concern over youth unemployment. The numbers are shocking, but no business or political leader in the developed world can be surprised. “If people don’t get the right start it can affect them their whole lives,” Robert Zoellick, president of the World Bank, said at Davos this year. “It is not enough to muddle through. It is not enough to do a fiscal fix.”

Well, muddling through is what many western countries have been doing. Take Britain, where an estimated 1m young men and women are out of work and where last summer thousands of youths went on the rampage. Three-quarters of the people brought before the courts after the riots were aged 24 or under; a similar proportion had committed previous offences. The official report on the riots pointed out that community sentences, not least in the case of high-risk young adult offenders, resulted in a lower rate of reconviction than did prison custody. Yet – as two magistrates told me at the time – when it came to passing sentence at the “show trials” shortly after the riots, practical training or rehabilitation did not present a viable option. Not being in a position to place young offenders on constructive programmes, the magistrates sent them to prison.

So, what is to be done? There is, of course, no universal cure.

Germany’s well stewarded tradition of apprenticeships was praised at Davos, but it was also accepted that it was unviable to imagine a standard international template to create work for young people. Yet a radical local scheme could ultimately have a widespread impact. In the US, 80 years after Franklin Roosevelt first used the term, it is time to give the next generation of workers a “New Deal”. This new New Deal would aim to enhance young people’s skills to make them more employable. At the same time, they would serve their community or country and so, I would hope, gain a positive impression of working life.

All US citizens aged 16-24 would have a mandatory one-year commitment to the programme, with an option to serve a second year. Young people would enter the scheme having

completed – or dropped out of – high school and before starting higher education. Each young person would receive a monthly income for accommodation and living expenses, and there would be comprehensive medical and dental care. To all intents and purposes this would be a new and enlightened form of national service.

Certain dispensations would apply: for instance, students could fulfil their commitment during vacations. Work opportunities would be offered across a number of sectors, and US corporations – now sitting on \$2tn in cash – would have a golden opportunity to help build the country's future by helping young people. In addition, the US government could take a leaf out of Germany's book by offering targeted financial incentives to companies – for instance, by stepping in with a subsidy when a job is at risk of disappearing. Public money is better spent retaining a worker in a job than in cultivating low self-esteem in the form of unemployment benefit. Higher-education bodies would dovetail their curriculums with the scheme, and this new national service, education and enterprise would converge through college campus programmes fostering entrepreneurship in hard-hit communities. Placements would also be offered by established volunteer organisations such as Peace Corps, while opportunities for working overseas would come through “national service” schemes in other countries.

How would this all be funded? In the classic fashion of American capital markets, with a bond, invested by the US government on the birth of each new citizen. Money would also be raised via corporate contributions, while any youth opting out would pay a fee in addition to forgoing bond monies. The principles, though clearly not all aspects of implementation, would be valid for similar schemes around the world.

The UK government, perhaps spurred on by the riots and also acknowledging Germany's record of apprenticeships, has launched the £1bn Youth Contract, intended to provide nearly half a million opportunities for 18-24 years olds, including apprenticeships and voluntary work. This will incentivise employers over three years with 160,000 packages worth up to £2,275 each if an employer takes on an 18-24 year-old for at least 26 weeks.

Such incentives are undoubtedly a start, but the responsibility cannot lie with the public sector alone. There is much talk these days of corporate social responsibility and of “giving something back”. By helping young people into work, well-regulated capitalism can prove its capacity to do more than engender fabulous profits for chief executives.

Davos was warned this year that youth unemployment was a “social and economic time bomb”. A new form of national service may be a way of preventing the explosion.

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