



## How Socially Conscious Enterprises Can Tackle Youth Unemployment

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Among the many ills aggravated by the recent Great Recession is youth unemployment – a growing problem not only in the less developed countries but also in Europe and the United States. Conventional remedies such as job search assistance or specialized training programs are falling short of getting enough young workers into the labor market. New ideas are needed – and my work on small, socially conscious enterprises in Yucatan, Mexico, suggests how government, nonprofits, and small business entrepreneurs might team up in the United States to expand innovative job opportunities, especially for young people.

### The Global and U.S. Crisis of Youth Unemployment

Unemployment, underemployment and precarious work situations characterize the lives of people between 15 and 24 years of age, the “youth” group defined by the International Labor Organization. In a report released in May, 2013 this organization estimated that 73 million young people are unemployed, 12.6 % of the age group worldwide. A February 2013 report used U.S. Bureau of Labor Statistics data to estimate an unemployment rate of over 16% for young workers aged 16 to 24 years old. This is more than twice the rate of unemployment for the U.S. labor force as a whole.

Although far lower than jobless rates in the most hard-hit economies, such as Greece, Spain and Portugal, such a high U.S. youth unemployment rate portends worrisome future effects. Individual young workers who experience joblessness or have to settle for less than full employment are on track for significantly lower lifetime earnings. Worse, the young workers who are the future of the American economy are missing out on opportunities to improve their skill sets. That means lower overall future worker productivity in the American economy – a bad deal for everyone, including children and retirees.

Scant job opportunities for young people predated the Great Recession, even though that downturn has made the situation worse. The Bush era tax cuts for the wealthy were justified as a way to stimulate private investment resulting in new jobs, but they did not produce the desired results. Indeed, it can be argued that this strategy led directly to public sector job annihilation and lower levels of employment overall, even before the 2008 meltdown led employers to shut down many jobs and pull back on planned expansions. Young workers just getting a foothold or seeking one are invariably hurt worst when sharp contractions happen.

### New Kinds of Social Enterprises May Help

What various observers call the “social and solidarity economy” encompasses a variety of alternative approaches to economic development, credit provision, and fulfillment of basic needs in enterprises that have explicit social purposes as well as purely profit-making goals. This sector of the economy includes

cooperatives, mutual lending schemes, associations of informal workers, and other kinds of socially conscious enterprises. It is a growing phenomenon in Latin America and other developing regions of the world, and is seen by many as a key piece in the approach to expand job opportunities and relieve poverty. In May 2013, the United Nations Research Institute for Social Development held a conference to consider the potentials and limits of this sector. In a recent paper, I analyze a business that provides a model for this kind of new enterprise development.

My case study focused on a small-scale agro-industrial complex in Yucatán México that employs twenty-four people on a farm and in a factory that produces skin care products and nutritional supplements for sale primarily in the United States, Latin America and the Caribbean. Founders of this business assessed knowledge and skills in their community, aiming to go beyond offering salaried jobs to extend the talents and aspirations of available workers. Multi-generation educational activities are linked to the business, in an effort to assure its survival and provide beneficial secondary effects in the local economy.

Efforts like this show broader promise. They may well hold the key to providing both jobs and opportunities for skill development to many willing workers who are now held back by joblessness or lack of challenging employment.

## **Building Innovative Enterprises in the U.S. Context**

American young people face cumulative harm when they cannot find first jobs. With so many adults working below their skill levels, youth are crowded out in many places. Lacking stable employment histories, in turn, many will find it increasingly difficult to land employment.

Since the 1990s, the U.S. social safety net has moved away from providing direct welfare benefits and toward encouraging services to help low-income people go to work for wages. Developing new socially conscious enterprises is a natural next step. In many areas of the country, nonprofit organizations could host and oversee such enterprises. Or local governments could foster cooperative enterprises and maximize connections to surrounding businesses and nonprofits. Public funds could be redirected from conventional unemployment services that have proven less than optimally effective. Many sorts of social solidarity enterprises could thrive.

- Associations of workers could be formed to sell services ranging from housecleaning to bicycle repair to computer services to accounting. With shared advertising and billing, workers would face less individual risk and gain chances to learn many new skills.
- In rural or semi-urban areas, cooperatives can combine agricultural work with efforts to market or add value to agricultural products. Such enterprises can meet growing consumer demand for local ingredients and spur the transition to a sustainable, green economy.

When it comes to putting people to work, in short, innovative social enterprise models already exist, especially in Latin America. U.S. policymakers can adapt these models to foster additional varieties of socially conscious enterprises that expand opportunities for workers – especially young ones – and allow them to establish successful work histories and learn valuable new skills on the job. America need not waste the chance to engage young workers now and for the future.

Read more in Andrea Schuman, "Farm and Factory: Enhancing Life Projects," *Center for Scientific and Social Studies*, March 2013.