

More Higher Education May Not Be the Right Approach to the Youth Unemployment Problem

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What if it turns out that developing countries, from China to Chile, have chosen the wrong approach to a vital part of their youth development policy? Largely under the aegis of the U.S. example, there has been a strong emphasis on churning out university graduates. At first blush, this seems eminently reasonable. Developing countries need an ambitious education strategy in order to improve their economic options.

In a growing number of countries, this goal has been achieved by vastly expanding the number of universities, increasingly relying on private-sector institutions, and raising student fees (and, hence, often family debt). It is time to consider a different, more pragmatic approach.

The Perils of the U.S. Model

I am the last person to argue against more education. But the very real question is whether, over the long haul, it makes sense to follow the U.S. model too closely. Taking an ever larger percentage of youth that attend, and graduate from, university as the key objective to improve a nation's skills base primary may ultimately prove self-deceptive.

It is easy for politicians to "park" large numbers of youth at university. Doing so may sound enlightened, but it has a serious downside—it merely postpones dealing with the challenge of facing large cohorts of young people. The day of reckoning arrives when those young people, ostensibly "well-qualified" with a university degree in hand, realize that their skills do not align with the needs of the country's labor market. The resulting frustration can be politically combustible.

The German Model: A Pragmatic Alternative

Germany has pursued a different model than the U.S. While Germany has long relied on universities as a tool for professional qualification, it has traditionally done so in rather small numbers. Broadly speaking, about 30 percent of young Germans leaving high school enter university. The percentage in the United States is more than twice as high.

In Germany, vocational training plays a critical role in shaping the national economic strategy. In fact, while 60 percent of young Americans graduate from college, in Germany a slightly larger share—about two-thirds—become apprentices.

Germany certainly has its share of problems in the job training arena, especially with regard to providing the right kinds of opportunities for its sizable pool of young people from families with migrant backgrounds. But viewed in a global context, and buffered with the benefit of a hands-on perspective of developments over the past 20 years, the German strategy may have been right on target.

This is an important point to reflect upon for the leaders of many developing countries. Economic evidence in Germany shows that young people who have entrepreneurial instincts, even though they "only" took the apprenticeship route, can become materially as successful, if not more so, than university graduates.

Emulating Germany: Not Easy

Several factors make it difficult to emulate Germany's vocational training strategy.

- **At its core, the German model is built on a medieval (!) practice of guild-based structures in the trades.** Young people undergo a multi-year training program, blending firm-level training with time spent in technical schools provided by the government.

- **The apprenticeship system is really one gigantic microeconomic management exercise that involves all the relevant stakeholders in society.** It spans from young people and their teachers to the local companies and small businesses, chambers of commerce, industry associations, commercial banks, to trade schools, technical universities and multinational companies. Indeed, the core lesson from Germany is that this is not a top-down approach, but really a bottom up one. Every company, every school principal, every mayor, every non-governmental organization, and every church can make a difference. It is the focus to detail and a keen interest in young people's future path that counts the most—not lofty white papers or grandiose policy announcements issued in the national capital.
- **From the town to the state level and all the way up to the national level, there is a laser-like focus on finding matching career opportunities for young people.** A well-honed, nationwide apprenticeship system can be best described as an all-hands-on-deck, annual clearing-house procedure. It is very close to the actual marketplace and fully aligned with a national economy's profile and job requirements.

Gradual Adoption of the German Model Could Work for Developing Countries

The above points may suggest why the German model has not become a leading German export, particularly for developing countries. Moreover, organizing the national economy in such a manner is every nation's own prerogative—and task. It cannot really be “imported” or implemented off the shelf. Conditions and workplace realities differ too much from country to country. Developing countries, in particular, have to contend with the challenge that they often lack smoothly functioning job training procedures and suffer from an inadequate or inefficient structure of government.

But despite these obstacles, nothing keeps a nation from embarking onto this path at least in a gradual, step-by-step manner. If a country has a large informal sector, that sector will be hard-pressed to serve as a platform for well-rounded job training strategies. Still, nothing keeps that country from adopting a new approach in the smoothly functioning parts of the formal economy. Once countries with vast populations such as China and India begin to implement such a more real-life oriented job training, even in small measure, the fate of millions of young people will change.