



# STRENGTHENING ECONOMIC GROWTH THROUGH INVESTMENTS IN YOUTH

SOCIAL DEVELOPMENT DIRECT  
FACTSHEET SERIES

IN COLLABORATION WITH USAID



Countries that produce a skilled, healthy and productive workforce are better positioned in the global economy to achieve economic prosperity, political stability and social wellbeing. Investing in young people is important due to both their share in the population of developing countries (youth bulge) and the enormous economic potential (youth dividend) that can be realized through their full and productive employment in the workforce. Investing in youth is considered smart economics.<sup>1</sup>

Given the cumulative nature of human development, under-investments in youth are difficult to reverse later and can be passed on to the next generation. Failing to invest in youth risks economic costs resulting from negative outcomes such as early school drop-out, young people trapped in unskilled, low paid jobs, high levels of underemployment, prolonged unemployment, risky sexual behaviours, substance abuse and crime and violence.<sup>2</sup>

## INVESTING IN YOUNG PEOPLE CAN INCREASE ECONOMIC GROWTH AND PROSPERITY

- In accessing healthcare, people often face multiple and intersecting inequalities, based on their different identities (e.g., age, race, class, religion, disabilities, sexual orientation, gender identity). In Benin, the poorest quintile of those belonging to the Dendi ethnic group have a 22 percent share of childhood deaths compared to the national average of 10 percent.<sup>3</sup>
- According to the International Labour Organization (ILO), an increase in youth employment has multiplier effects throughout the economy, boosting consumer demand and adding tax revenue. This is matched by a reduction in expenditure to counter risk behaviours, violence and crime<sup>4</sup>
- Evidence from various Asian high growth economies (Hong Kong, South Korea, Singapore and Taiwan) shows that capitalizing on the energy and dynamism of young populations was responsible for one-third of their economic growth from the 1960s to the 1990s.<sup>5</sup>
- Increasing educational opportunities for young people can reduce poverty rates and drive economic growth:
  - Increasing the percentage of young women with secondary education by one percentage point increases a country's annual per capita income growth by an average of 0.3 percentage points.<sup>6</sup>
  - Every \$1.00 of investment in education generates between \$10.00 and \$15.00 of economic growth premium over a working lifetime of 18 to 22 years.<sup>7</sup>
  - For every extra year of schooling a young person receives, their adult wages rise approximately 10 percent.<sup>8</sup>
  - For each additional year of education completed by young adults, their country's poverty rate falls by nine percent<sup>9</sup> and gross domestic product (GDP) increases 18 percent.<sup>10</sup>

- Investing in young people generates changes that will last throughout their lifetime, with higher absolute returns than investing only in older adults. For example, investing in measures to promote employment for young people increases their access to better and higher paid job opportunities. In turn, investments in youth can help support older and future generations.<sup>11</sup>

## **YOUNG PEOPLE HAVE UNIQUE SKILLS TO OFFER AND AS ENTREPRENERS, CAN BOOST ECONOMIC GROWTH**

- Young people are better at absorbing new information, are more adaptable to new behaviours and can learn more things more quickly than adults.<sup>12</sup>
- A young workforce is linked to greater innovation, digital literacy and optimization of new media and technology.<sup>13</sup> Young entrepreneurs are particularly responsive to new economic opportunities and trends.<sup>14</sup> Tapping into this adaptability can help countries innovate and ensure they are better able to adapt to new opportunities, changing circumstances and emerging challenges. This in turn can help countries and economies maintain their competitive edge for economic growth.

## **SUPPORTING THE DEVELOPMENT OF ENTREPRENEURIAL SKILLS IN YOUNG PEOPLE CAN LEAD TO IMPROVED LONG-TERM ECONOMIC OUTCOMES**

- Providing entrepreneurial skills training to young people can contribute to lowering the risk of lending to young entrepreneurs. Youth Business International found that in Uganda, the majority of youth who had received training support were able to secure a loan.<sup>15</sup>
- Combining youth entrepreneurship training, which focuses on the knowledge and skills necessary to run a profitable business, with vocational skills, can be powerful for building more sustainable livelihoods.<sup>16</sup>

## **UNDERINVESTMENT IN YOUTH IS A MISSED OPPORTUNITY RESULTING IN HIGH SOCIAL AND ECONOMIC COSTS**

- High rates of youth unemployment and underemployment carry a high cost both to the young people concerned and their societies and economies, in the form of lost revenue and increased social costs.<sup>17</sup>
- Negative outcomes resulting from a lack of an investment in young people include early school drop-out, young people trapped in unskilled, low paid jobs, high levels of underemployment, prolonged unemployment and anti-social behaviour, such as substance abuse, crime and violence and risky sexual behaviours.<sup>18</sup> Resulting direct expenditure costs are associated with medical treatment, the criminal justice system, welfare spending and other public subsidies to prevent or compensate for the effects of poor choices made during adolescence.
- It is estimated that preventable risky behaviours result in billions of dollars of loss to

society. For example, in Latin America and the Caribbean, total risky youth behaviour is estimated to reduce economic growth by up to two percent annually.<sup>19</sup>

## **YOUTH EXPERIENCE HIGH RATES OF UNEMPLOYMENT AND ARE LARGELY CONCENTRATED IN THE INFORMAL SECTOR**

- People aged 15-24 are three times as likely as older people to be unemployed, with global youth jobless rates remaining around 13 percent for the past several years. In 2016, 71 million young people were out of work.<sup>20</sup>
- With one billion youth expected to enter the job market in the next decade, around 600 million jobs (5 million per month) need to be created just to keep unemployment rates constant.<sup>21</sup>
- Of employed young people, more than 200 million earn less than \$2.00 per day and are concentrated in informal or precarious work with poor conditions and few benefits.<sup>22</sup>
- High unemployment, a mismatch of jobs and skills and political insecurity can make it difficult for youth to stimulate economic growth. The youth bulge can thereby become a net drain on resources.<sup>23</sup>

## **YOUNG PEOPLE ARE MORE LIKELY TO EXPERIENCE VIOLENCE RESULTING IN LOST OPPORTUNITIES AND HIGH ECONOMIC COSTS**

- Young people are the principal participants in conflict and violence, as both victims and perpetrators.<sup>24</sup>
  - Forty-three percent of homicide victims globally are aged 10-29.<sup>25</sup>
  - For youth living in low-income settings, there is a one in 50 chance that they will be killed before they reach 31 years of age.<sup>26</sup>
- Studies show that the global economic impacts of violence against and among children and young people could be as high as \$7 trillion. This cost is higher than the investment required to prevent much of that violence.<sup>27</sup>

- 
- <sup>1</sup> World Bank (2011). *Fact Sheet: Youth as a Smart Investment*. Inter-Agency Network for Youth Development. Available [here](#).
  - <sup>2</sup> World Bank (2011). *Fact Sheet: Youth as a Smart Investment*. Inter-Agency Network for Youth Development. Available [here](#).
  - <sup>3</sup> Bhatkal, T., et al (2015). *Leave no one behind: The real bottom billion*, London: ODI. Available [here](#).
  - <sup>4</sup> ILO (2006) *Stimulating Youth Entrepreneurship: Barriers and Incentives to Enterprise Start-ups by Young People*. Geneva. Available [here](#).
  - <sup>5</sup> Urdal, et al (2016). *Youth Bulges, Exclusion and Instability: The Role of the Youth in the Arab Spring*, PRIO. Norway. Available [here](#).
  - <sup>6</sup> Perezniето, P., et al (2013). *Investing in Youth in International Development Policy: Making the Case*, ODI. Available [here](#).
  - <sup>7</sup> UNESCO (2012). *Youth and skills: Putting education to work*. Available [here](#).
  - <sup>8</sup> UNESCO (2012). *Youth and skills: Putting education to work*. Available [here](#).
  - <sup>9</sup> UNICEF (2015). *The Investment Case for Education and Equity*. Available [here](#).
  - <sup>10</sup> Brandt, Y. (2015). *Education: the most powerful investment in our future*. Available [here](#).
  - <sup>11</sup> Perezniето, P., et al (2013). *Investing in Youth in International Development Policy: Making the Case*, ODI. Available [here](#).
  - <sup>12</sup> Perezniето, P., et al (2013). *Investing in Youth in International Development Policy: Making the Case*, ODI. Available [here](#).
  - <sup>13</sup> Business Fights Poverty, UKAid, Barclays, BRAC, Anglo American, Pearson, Citi (2017) *Bridging the Gap: A Guide to Business Support for Youth Skills Development*. Available [here](#).
  - <sup>14</sup> ILO (2006). *Stimulating Youth Entrepreneurship: Barriers and Incentives to Enterprise Start-ups by Young People*. Geneva. Available [here](#).
  - <sup>15</sup> Montrose, (2016). *External Evaluation of YDP and NUYEP Programs: Final Evaluation Report*. Available [here](#).
  - <sup>16</sup> Youth Business International and EY (2016) *Supporting Young Entrepreneurs: What Works? An Evidence and Learning Review from the YBI Network*. Available [here](#).
  - <sup>17</sup> Barton, D., et al (2013). *Education to Employment: Designing a System that Works*. Washington D.C.: McKinsey Centre for Government. Available [here](#).
  - <sup>18</sup> World Bank (2010). “*Investing in your country’s children and youth today: Good Policy, Smart Economics*” in *Children and Youth: Invest, the Future is Now*, Volume IV Number 1. Available [here](#).
  - <sup>19</sup> World Bank (2010). *World Employment Social Outlook 2016: Trends for Youth*. Available [here](#).
  - <sup>20</sup> World Bank (2010). “*Investing in your country’s children and youth today: Good Policy, Smart Economics*” in *Children and Youth: Invest, the Future is Now*, Volume IV Number 1. Available [here](#).
  - <sup>21</sup> Idris, I. (2016). *Youth unemployment and violence: Rapid literature review*. Birmingham, UK: GSDRC, University of Birmingham. Available [here](#).
  - <sup>22</sup> Perezniето, P., et al (2013). *Investing in Youth in International Development Policy: Making the Case*, ODI. Available [here](#).
  - <sup>23</sup> Cabras, A., (2010). *The Implications of the Youth Bulge in Middle East and North African Populations*, NATO Parliamentary Assembly. Available [here](#).
  - <sup>24</sup> UNFPA (2010). *The Case for Investing in Young People as Part of a National Poverty Reduction Strategy*, Second Edition. Available [here](#).
  - <sup>25</sup> Idris, I. (2016). *Youth unemployment and violence: Rapid literature review*. Birmingham, UK: GSDRC, University of Birmingham. Available [here](#).
  - <sup>26</sup> United Nations (2013). *Synthesis report from The Global Thematic Consultation on Conflict, Violence and Disaster and the Post-2015 Development Agenda*. New York. Available [here](#).
  - <sup>27</sup> ChildFund and ODI (2014). *The Costs and Economic Impact of Violence Against Children*. UK. Available [here](#).