Economic and Social Rationale to Invest in Out-of-School and Un-or Underemployed Youth in Developing Countries
This paper makes the case for greater investment in programs and policies to address the needs of out-of-school and un- or underemployed youth in developing countries. It asserts that engaging the resources and human capital of out-of-school and unemployed youth is one of the most important issues many countries face, and failing to do so has significant consequences for a country’s economic growth, political stability, and social cohesion. After laying out a rationale for investment, the paper focuses on the types of policies and programs that countries can undertake to increase youth knowledge and skills, generate youth employment, and productively engage young people in governance and civil society.

**RISING NUMBERS OF DISENGAGED**

Today and for the foreseeable future, youth are the largest and potentially most significant human resource cohort in the developing world. Youth between the ages of 15-24 make up nearly 30% of the population in developing countries. The World Bank estimates that by 2010 the worldwide number of youth in this age group will reach 1.8 billion and 1.5 billion of them will live in developing nations.

Despite the growing numbers, many countries continually fail to recognize or invest in the assets, resources, and potential embodied in their young citizens. The vast majority of young people lack basic education, marketable skills, decent employment, and are not positively engaged in civil society. Out-of-school and un- or underemployed youth are at higher risk of becoming victims or perpetrators of violence and crime, teen pregnancy, receipt and transmission of the HIV/AIDS virus and other diseases. Such negative outcomes not only impose costs on young people and their families, but also on the economy and society at large.

Worldwide, one in five youth under 12—and one in three adolescents—does not attend school. At the primary level, some 20 percent of the world's children 6 to 11 years old are out of school; nearly two-thirds of them are girls. Perhaps more significantly, many of those who are in primary school will not finish or, because of poor school quality, will graduate without having mastered essential literacy and numeracy skills. Where secondary-age youth are concerned, the percentage of young people out of school is much higher—73% in sub-Saharan Africa, 51% in South Asia. These figures make it clear that in most countries, large numbers of young people are not obtaining the foundational skills needed for their participation in work, family, and community life.

---

1 This paper focuses on youth that are not in school and either unemployed or underemployed. It is acknowledged that there is great diversity among this group, ranging from pre-literate primary school dropouts to college graduates to children in poverty without

2 The United Nations identifies the youth period as ranging from age 15-25, yet the definition of “youth” varies depending on the country, issue focus, and programmatic response.


4 UNESCO, 2005, p. 310
### Numbers of Secondary-School-Age Youth Not in School, 2001

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Secondary-Level Out-of-School Youth</th>
<th>% of Total School-Age Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>274,422,000</td>
<td>36.49%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>65,691,000</td>
<td>73.18%</td>
</tr>
<tr>
<td>South and West Asia</td>
<td>114,754,000</td>
<td>51.74%</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>68,215,000</td>
<td>31.29%</td>
</tr>
<tr>
<td>Central Asia</td>
<td>1,540,000</td>
<td>12.89%</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>5,541,000</td>
<td>12.64%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>9,132,000</td>
<td>13.77%</td>
</tr>
<tr>
<td>Western Europe and North America</td>
<td>n/a6</td>
<td>&lt;1.0%</td>
</tr>
</tbody>
</table>


A large percentage of out-of-school youth are also unemployed: In the Dominican Republic and Egypt, almost two-thirds of out-of-school 15 to 24 year-olds do not have jobs. In Honduras, Indonesia, and Sri Lanka, unemployment rates among youth not in school are more than double adult levels. Youth unemployment is more costly to society than adult unemployment because, in the case of youth, human capital accumulation is interrupted early in the work life and unemployed youth are more likely to be engaged in violence, substance abuse, and risky sexual behaviors.

Many of those who do work either hold jobs in the informal economy and/or are working as child laborers in hazardous, unsafe conditions. In the informal economy, youth are fulfilling roles demanded of them by their families or the marketplace, but they are earning only minimal income, their contributions are constrained because of limited education and access to opportunities, and they are generally not enhancing their employability through work experience.

It is not surprising that out-of-school, unemployed youth would feel left out and alienated from mainstream society, form clubs and gangs and engage in anti-social behavior. They are easy recruits for fundamentalist and other groups that offer a sense of connection and purpose in contrast to a society that has abandoned them. Anthropologist and youth development specialist Marc Sommers notes, in many countries out-of-school youth are viewed “as a danger and threat to society…they form gangs, engage in petty criminal activities and become the group that no one wants to deal with…that needs to be kept at arms length from the rest of us.” Such negative orientations have led countries to respond to the needs of their young people with shortsighted, remedial responses that achieve very little towards preparing these young people for the future.

With so many competing demands for scarce funds, investments in out-of-school and underemployed youth are often pushed to the end of a long laundry list, erroneously viewed as “soft” issues. Developing countries are failing to recognize how critical out of

---

5 age ranges vary by country; typically secondary-level students are 13-18 years old

6 UNESCO reports that almost 100% of secondary-age youth in Western Europe and North America are enrolled either in academic programs or vocational training schemes

7 ILO, 2000, p. 62.

8 ILO, 2000, p. 8.

school and unemployed youth are to their national economies, democracies, and societies and consequently make too few investments in programs to harness the productive resources of these young people.

**ECONOMIC AND SOCIAL RATIONALE FOR INCREASED INVESTMENT**

USAID, World Bank, ILO and other development agencies are beginning to recognize the need to assist governments in reassessing their spending priorities by demonstrating concrete economic evidence that this youth cohort are indeed a priority for funding. The World Bank, for example, is devoting the 2007 *World Development Report* to addressing the importance of investing in youth. Yet, evidence-based data is hard to come by and there is need for more rigorous analysis of the costs and benefits of programs and policies for out of school and unemployed youth. Below summarizes findings from the few studies and evaluations that are available looking at the benefits of investing in out-of-school, unemployed young people, and the types of programs that are demonstrating positive impacts:

Some of the documented consequences of not investing in out of school youth include:

- Unmet development goals such as Education for All
- Underdeveloped and underutilized human and social capital
- Loss of economic productivity
- Increased unemployment and underemployment
- Increased violence, crime, and risky behaviors
- Exploitation and marginalization of youth, especially girls and young women
- Reduced social cohesion and disruption in civil society
- Increased spending on remedial social welfare services and crime prevention

Documented benefits of investing in youth demonstrate that the negative consequences above can be reduced or reversed, achieving nearly opposite outcomes. By allocating funds and/or resources to serve out of school populations in areas of high need, youth can become a positive force in economic and social development.

**Addressing Youth Needs Is Key to Meeting the UN Millennium Development Goals**

Over the last decade countries and development agencies around the world have reached agreement on important development goals to be achieved within the next ten years, for example the UN Millennium Development Goals and the Education for All Declaration and Charter. These goals have been identified because they represent fundamental building blocks for economic, political, and social development. However, they will not be fully achieved without policies and programs that meet the needs and engage the resources of out-of-school and marginalized youth.
For example, the Millennium Development Goals seek by 2015 to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality, empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, and ensure environmental sustainability. Out-of-school and unemployed youth should be a major constituency for programs to achieve all of these goals. In many countries they are part of the population cohort living in extreme poverty, have dropped out or never enrolled in primary school, play important roles as parents and caregivers that are central to the prevention of malnutrition, HIV/AIDS, malaria and other diseases, and are in a position (with appropriate education and technical support) to contribute to efforts to protect the environment. Developing programs and policies that target out-of-school youth should be part a central strategy to address the Millennium Development goals.

**Youth Contribute to Human and Social Capital for Economic Growth**

From an economist’s point of view, human capital is a way of defining peoples’ skills and abilities to contribute to the workforce and economic development. Global economies are increasingly requiring a workforce with high levels of human capital. Yet countries with large out-of-school youth populations suffer from acute human capital deficits inhibiting economic growth and poverty reduction as a result. World Bank researcher Juan Luis Londono argues that “the single most important factor” contributing to rising poverty in Latin America has been the slow expansion of human capital development among its youth. The percentage of the youth labor force that have reached age 25 with little or no education—out-of-school youth—“continues to grow at excessive rates”. As a result, skilled jobs are unfilled and economic expansion is stunted causing two young people per minute to fall into poverty over the last decade.

National economies are watching their GDP growth and productivity levels decline, as a result of poorly educated, unskilled youth entering into the labor market. For example, as one of the primary explanations for poor business performance, Egyptian employers cited their “[immense] difficulty recruiting…qualified personnel”—due to a shortage of well-trained working-age youth. Another study calculates the GDP of Caribbean countries is up to 6 percent lower than it would be if out-of-school young women had the same training and job opportunities as educated adult workers.

Social capital is a newer economic term that refers to inter-personal networks that drive high economic productivity. It includes bonds of trust and mutual concern that arise through volunteering, socializing, and taking part in organizations such as civic groups and professional associations. Out of school, unemployed youth lack connection with those who can help them build skills and improve their economic status. On a larger scale, this absence of productive linkages results in foregone income for entire

---

10 Londono, 1996, p.1
13 La Cava et. al., 2004, p. 12; Assuncao and Carvalho, 2005, p. 16
14 Coleman, 1988, p. S100 - S101
15 Tenjo, 1990, p. 733
communities—since young men and women simply don’t have the connections to secure jobs or education. The 1997 World Development Report notes that a recent study of rural Tanzania found that villages with low levels of social capital had much lower incomes per capita than villages with high social capital levels.\textsuperscript{16}

The Economic and Social Drain of Youth Unemployment

The vast majority of out-of-school youth are involved in, or in search of, some means to earn income. In 2000, 59.2\% (approximately 630 million) young people ages 15-24 years old and 352 million children ages 5-17 years old were economically active.\textsuperscript{17} Yet the challenges they face to securing and keeping safe and dignified work are tremendous. Over the past decade, youth unemployment rates have skyrocketed and today some 88 million young people are unemployed and many are more underemployed or in potentially dangerous jobs.

In 2003 the global youth unemployment rate was 3.5 times the global adult unemployment rates. Young people face discrimination based upon age, gender, and socio-economic background. In general, males are in higher paying jobs than females, youth from lower income households are more likely to be unemployed than those from middle and upper income families, and dominant ethnic groups fare better in most countries.

When incomplete schooling inhibits out-of-school youth’s entry into the workforce, the result can be a never-ending “cycle of joblessness” and reliance on government welfare: “Unemployment early in a person's working life,” writes ILO expert Niall O’Higgins, “may permanently impair his or her productive potential and employment opportunities” because it sets a precedent for exclusion from the workforce that can easily become a life-long pattern.\textsuperscript{18} The longer out-of-school youth stay unemployed (and unemployable), the more social resources (and per-capita spending) they demand from governments at every level.

In losing the chance to finish school and gain good employment, out-of-school youth earn significantly less than their peers—costing governments millions of dollars in lost revenue. In Brazil, every young male who has to drop out of high school forgoes an average of $17,000 in lost lifetime earnings.\textsuperscript{19} In 2002, the cost of high-school leavers’ decisions to drop out was calculated at over $86 million in lost tax receipts and income in Brazil.\textsuperscript{20}

Another drain to economic growth is the rising social welfare expenditures associated with growing numbers of out-of-school, unemployed youth. In Guyana, for example, the government is grappling with a loss of national income and greater spending on social

\textsuperscript{16} World Bank Group, 1997, p. 115
\textsuperscript{17} ILO, 2004.
\textsuperscript{18} Assuncao and Carvalho, 2005, p. 4
\textsuperscript{19} Assuncao and Carvalho, 2005, p. 5
\textsuperscript{20} Assuncao and Carvalho, 2005, p. 5
services for unemployed young people, stating that jobless out-of-school youth currently “forgo hundreds of thousands of dollars in net earnings [per capita]”.  

Such heavy economic burdens can be reduced through the right investments to help out-of-school youth increase their employability. These young people are uniquely resourceful and hard working: unlike children who spend their days in a classroom, most out-of-school youth are engaged in an active struggle for basic survival. Even in informal settings out-of-school young people “tend to be highly entrepreneurial… constantly making market assessments and exploring ways to make money” If investment initiatives for out-of-school youth help them shift these skills into a formal workplace, the net productivity gains for employers, industries, and the youth themselves will be dramatic: A 1995 analysis of India’s “Green Revolution” revealed that for young, out-of-school participating farmers, basic agricultural education “played a key role” in raising productivity and incomes.

Costs of Youth Crime and Violence

ILO has found that the connection between youth unemployment and youth engagement in violence appears to be strong. There is a connection between unemployment and alienation from society and from democratic political processes, which may give rise to social unrest. When a foregone or denied education limits job prospects, out-of-school youth in many contexts resort to violence and/or crime. Violent or criminal action can help achieve twin goals: On one hand—as is the case in Latin America and the Caribbean—joining “guerrilla, paramilitary or drug related groups” can provide out-of-school youth with an effective outlet for their frustration; at the same time, the ‘easy money’ that can be earned from violent crime is an attractive solution to the problem of unemployment.  

In countries with high youth crime rates, however, these choices have costly consequences: Youth crime and violence in St. Lucia results in over $3 million in lost benefits to society and $7.7 million in lost benefits to private individuals every year. In Trinidad and Tobago, the annual cost of imprisoning a criminally convicted out-of-school young person is four times greater than the cost of providing the same youth with secondary education.

PROGRAM AND POLICY APPROACHES

---

21 Sommer, 2001, p. 17.
22 Behrman et. al., 1999, pp. 685, 687
23 World Bank Group, 2002, pp. 5-6
24 World Bank Group, 2003, p. xiv
25 World Bank Group, 2000, p. 23
Once convinced that investing in out-of-school, unemployed youth is an economic and social imperative for developing countries, the question remaining is what types of programs and policies will have large-scale impact? The United States Agency for International Development (USAID) EQUIP3 / Youth Trust, recommends that programs and policies should concentrate on achieving the following results with and for young people:

(i) Greater access to relevant and high quality education and training opportunities;
(ii) Increased ability to access positive employment opportunities and to acquire marketable skills and knowledge;
(iii) Greater participation as agents of change within society, enabling youth to make decisions that affect their lives and society as a whole.

Significant strides can be made towards achieving these results by investing in the expansion and strengthening of programs that provide quality non-formal education; employment preparation and opportunities; engagement in community service and civil participation.

**Non-Formal Education** – also referred to as ‘complementary’ or ‘alternative’ education systems, enables out of school and unemployed youth to gain core literacy, numeracy, and life skills competencies and, in some cases, obtain equivalency certification for primary or secondary school completion. Such knowledge and credentials provide a critical foundation for future training and opportunities.

**Employment and Livelihood Preparation** – includes programs that prepare young people for the world of work, enhancing their marketable skills and long term employability and their access to employment and or business opportunities. Effective employment programs focus on workforce preparation (employment and entrepreneurial skills), accessing market-based opportunities, and on-the-job support.

**Service Learning or Civic Service** – creating service-learning opportunities that enable youth to contribute to their communities in tangible ways while gaining skills for employment and participation in civil society. Structured service programs are particularly important for out-of-school youth because they provide ‘hands-on’ learning opportunities where youth develop transferable skills and competencies; create pathways to further training and employment; gain basic education; offering constructive

---

28 Non-formal Education is defined as “Any organized educational activity carried on outside the framework of the formal system to provide selected types of learning to particular sub-groups in the population” (ADEA). [http://www.adeanet.org/wgnfe/publications/symposium-Maputo-06-2002/ExperiencesofZambiaCWG.doc](http://www.adeanet.org/wgnfe/publications/symposium-Maputo-06-2002/ExperiencesofZambiaCWG.doc) (p.11).

29 ILO defines employability as encompassing the skills, knowledge and competencies that ensure a person’s abilities to secure and retain a job, progress at work and cope with change, and secure another job [as needed]. (2004)

30 Civic Service is defined by the Global Service Institute as “an organized period of sustained engagement and contribution to the local, national, or world community, recognized as valued by society, with minimal monetary compensation to the participant.” (2003)
alternatives to negative behaviors; and, empowering youth to actively address urgent social, economic, and political issues in their communities.

**In closing** – There are positive indicators that non-formal education, employment and livelihood preparation, and service are three promising and scalable approaches to reach out-of-school and unemployed youth in developing countries. A body of experience and evidence is beginning to emerge around the globe that we can learn from and take forward to improve policies and programs for out-of-school youth in developing countries. EQUIP3 / Youth Trust is in the process of documenting these examples and sharing lessons learned from around the world.

There is no doubt that youth are the largest and potentially most significant human resource cohort in the developing world. Youth are potentially valuable contributors to building the social fabric and economic life developing countries. By helping young people find their way to meaningful employment and engagement in civic life, nations will see great dividends in the years and generations to come.

**For more information about effective programs and policies to reach out-of-school and unemployed youth see www. Equip123.net**
REFERENCES


Washington, DC: AIR.

Tokyo: UNESCO.

Unpublished.

Behrman, Jere et. al. (1999). “Women’s Schooling, Home Teaching, and Economic Growth”.  
In *The Journal of Political Economy.*  
Vol. 107, No. 4: 682-714.

CARE USA. *Project YIELD Overview.*  

Catholic Relief Services. *Our Work – Argentina.*  
http://www.catholicrelief.org/our_work/where_we_work/overseas/latin_america_and_the_caribbean/argentina/school.cfm

In *The American Journal of Sociology.*  
Vol. 94 Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure: S95 – S120.

Commonwealth of Learning. *Going the Distance: Mozambique’s Out of School Education Project.*  
http://www.col.org/programmes/capacity/mozambique.htm


Geneva: ILO.

Geneva: ILO.

Geneva: ILO.

http://www.ineesite.org/assess/ex_school.asp

Paris: UNESCO/IIEP.


Save The Children USA. *Primary Education Webpage*. http://www.savethechildren.org/education/primary.asp

http://www.equip123.net/docs/AltEd_Siri.pdf


UNICEF. Be in the Know – Fact Sheet. In *Voices of Youth Website*. 
http://www.unicef.org/voy/explore/education/explore_166.html


UNICEF. Girl Talk. In *Voices of Youth Website*. 
http://www.unicef.org/voy/explore/education/explore_140.html

UNICEF. *Making a Difference for Children: UNICEF Turkey Funding Guide*. Ankara: Turkish National Committee for UNICEF.

http://www.cia.gov/cia/publications/factbook/


About EQUIP3 and Contact Information
EQUIP3 / Youth Trust (www.equip123.net) is a USAID-funded Leader with Associates mechanism created to improve the quality of education, learning opportunities, improved livelihoods, and increased civic engagement for youth and young adults. EQUIP3 is pre-competed, allowing for the quick start-up of assessment, design, and implementation of youth-oriented programs. The EQUIP3 consortium is lead by Education Development Center, Inc. and includes 12 international youth development organizations, such as the Academy for Educational Development and International Youth Foundation.

EQUIP3 / Youth Trust Consortium:
Education Development Center, Inc. • Academy for Educational Development • Catholic Relief Services • International Council on National Youth Policy • International Youth Foundation • National Youth Employment Coalition • National Youth Leadership Council • Opportunities Industrialization Centers International • Partners of the Americas • Plan International Childreach • Sesame Workshop • Streetkids International • World Learning

Contacts:
Clare Ignatowski, EQUIP3 CTO, EGAT/ Office of Education, cignatowski@usaid.gov ; 202-712-1759
Paul Sully, EQUIP3 Project Director, Education Development Center, Inc. psully@edc.org ; 202-572-3770