World Development Report 2007

Development and the Next Generation

Overview

This working draft is being shared at this early stage to gather comments (wdr2007@worldbank.org) from interested readers outside and inside the World Bank. This draft has not been cleared by the World Bank and should not be quoted. The views expressed are those of the authors and should not be attributed to the World Bank or any affiliated organizations. The team is currently checking facts and interpretation and revising the draft. This draft will be discussed with the Bank’s Board of Executive Directors in June 2006 and the final report will be published in September. Any comments received by June 4 will be especially useful in the final revision.

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Please see WDR2007 for more information on the report.
Overview

Her performance was riveting. Renata, 15, an impoverished street child, failing student, and aspiring actress, had just moistened the eyes of the well traveled members of an international aid mission visiting a half-way house for young girls in Recife, Brazil. She was playing the part of an abused young girl in an allegorical play, dreaming about how to cope with the stresses of her life: the lack of attention from family, the difficulty of staying in school, the pressure to sniff glue, the unwelcome advances from men, the part-time work as a housekeeper. Perhaps she found it easy to play the role because it mirrored her life so closely, but she also had plenty of talent.

After the play, as she spoke to the visiting foreigners, the precocious performer reverted to the shy, self-conscious, awkward teenager that she still was. She was thankful for the opportunity to develop her craft in a safe space while also improving her reading, writing, and knowledge about life’s practicalities. She was still anxious about her future, especially how to get motivated for the boring classes in the public school that she still occasionally attends. But for the first time in her young life, she was hopeful.

Across the ocean in Freetown, Sierra Leone, Simeon, now 23, was wondering what to do next. For the past 15 years, his life had been constantly disrupted by the long civil war that wracked his country until recently. He and his family, living in Koidu, a hotspot of the war, had to flee attacks several times. They were once captured and forced to serve the rebel forces for two years. The result of such a prolonged exposure to violence could only be hinted at by what he said. Even at his young age, he felt he has already died three times: when his father was killed for failing to provide a fighter with enough food, when his mother was raped and subsequently died, and when his sister was forced to return to Koidu as a sex worker.

Still, he had to re-start his life. He was motivated by working as a volunteer for a non-profit organization that serves and rehabilitates youths through counseling and education. It felt good to be part of a group and learning again, including how to operate computers. He also wanted to bring his sister to Freetown and away from her nightmarish life in Koidu. If only he had a paying job.

Half a world away and seemingly half a century ahead, Van, 21, a third year student at one of Hanoi’s most prestigious tertiary institutions, Hanoi University of Social Science and Humanity, was at a friend’s house rehearsing Celine Dion songs with her band. A zealous student, she had passed the rigorous entrance examination with the unconditional support of her parents, both professionals. She earned extra money by translating newswires from English to Vietnamese on her home computer, experience she hoped would help her enter journalism. Her enthusiasm for computer games and surfing the internet gave her uncommon self-confidence in technology. It also helped that she was in almost constant contact with her friends, thanks to internet telephony and instant messaging.

Her main immediate concern was that her parents wouldn’t let her join her boyfriend on his newly acquired scooter to cruise Hanoi’s streets on a busy Saturday night. She knew that they rightly feared for her safety, having heard of several friends who recently had serious motorcycle accidents.

1. There are many young people like Renata, Simeon, and Van—indeed, more of them than at any time in world history. Each is entering an age fraught with risks and laden with opportunities, not just for them but for their families, their societies, their economies. Together, their experience will determine the quality of the next generation of workers, parents, and leaders. Decisions about developing their skills, about starting on the road to financial independence, and about engaging with the broader civic community will have long-lasting effects that have repercussions far beyond them and their families. They will influence the outcomes of the global fight against poverty over the next 40-50 years.
2. Most policymakers know that their young people will greatly influence the future of their nations. They are trying to help, but they face dilemmas. When primary school completion has gone up so dramatically, thanks to their investments, why does illiteracy seem so persistent? Why do large numbers of university graduates go jobless for months or even years, while businesses complain of the lack of skilled workers? Why do young people start smoking, when there are very visible global campaigns to control it? What is to be done with demobilized combatants, still in their late teens, who can barely read but are too old to go to primary school? Tough questions, these. And there are many more like them. Their answers are important for growth and poverty reduction. This World Development Report offers a framework and provides examples of policies and programs to address them.

3. While every generation undergoes transitions, decisions during five youth transitions have the biggest long-term impacts because they determine how human capital is kept safe, developed, and deployed: continuing to learn, starting to work, developing a healthful lifestyle, beginning a family, and exercising citizenship. The Report’s focus on these transitions defines our choice of whom to include as “the next generation.” Because they take place at different times in different societies, the Report does not adhere to one defined age range. But it takes 12-24 years as the range relevant for this Report, to cover the transitions from puberty to economic independence.

4. Young people and their families make the decisions—but policies and institutions also affect the risks, the opportunities, and ultimately the outcomes. Putting a ‘youth lens’ on these policies, the Report presents three strategic directions for reform:

- **Opportunities.** Broaden the opportunities for developing human capital by expanding access to and improving the quality of education and health services, by facilitating the start to a working life, and by giving young people a voice to articulate the kind of assistance they want and a chance to participate in delivering it.

- **Capabilities.** Develop young people’s capability to choose well among these opportunities by recognizing them as decision-making agents and by helping ensure that the decisions are well informed, adequately resourced and judicious.

- **Second chances.** Provide an effective system of second chances through targeted programs that give young people the hope and the incentive to catch up from bad luck—or bad choices.

**Invest in young people—now**

5. The situation of young people today presents the world with an unprecedented opportunity to accelerate growth and reduce poverty (chapter 1 of the Report). Thanks to the development achievements of past decades, more young people are leaving primary schools, and more are surviving childhood diseases. But for them to succeed in today’s

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1 This range encompasses those who are recognized officially by the UN as ‘youth,’ those 15-24, as well as those many classify as adolescents. The wider range is necessary to enable us to discuss transitions from puberty to full-time work.
competitive global economy, they must be equipped with advanced skills beyond literacy; for them to stay healthy, they must confront sexually transmitted diseases and combat obesity. Lower fertility rates in many countries mean that today’s youths will enter the workforce with fewer non-working dependents, and thus fewer mouths to support. But if they remain unemployed for long periods, they could be a drag on the economy. And young people’s motivation, fueled by expectations about better life-chances, could, if realized, be an enormous boost to poverty reduction and growth—but, if dashed, could lead to widespread discouragement and instability.

**Building on a stronger base of human capital**

6. Because labor is the main asset of the poor, making it more productive is the best way to reduce poverty. This requires enhancing the opportunities to earn money and develop human capital to take advantage of those opportunities. Broad-based economic growth is important. So is providing basic education and health care, typically for children—to provide the foundation of basic skills and well-being. Doing both has brought significant progress. The proportion of the developing world’s people living on less than $1 a day declined from 40 percent in 1981 to 21 percent in 2001. Primary school enrolment rates in low-income countries outside China and India rose from 50 percent in 1970 to 88 percent in 2000. Average life expectancy at birth worldwide rose from 51 to 65 years in less than 40 years.

7. Further progress requires young people who are more capable and involved. Having survived the scourges of childhood, they now confront health threats to their well-being at a very vulnerable time, initiating sexual activity and entering the age of identity-seeking and risk-taking. In 2005 more than half the estimated 5 million people who contracted HIV worldwide were young people between 15 and 24, the majority young women and girls. The economic effect of such devastating diseases can be enormous. In South Africa HIV/AIDS can reduce GDP growth by as much as a fifth. It is by far the leading cause of death among young people aged 15-29 in Sub-Saharan Africa. In other regions, non-communicable diseases are now the leading cause of death for young women. Injuries caused by accidents and violence are the leading cause for young men.

8. The challenges in education are similar. Higher completion rates at primary levels strain the capacity for secondary school places (figure 1). Almost all Indonesian children attend six years of schooling, and even 80 percent of the poorest complete primary levels. But then enrollments drop dramatically, especially for the poor. Fewer poor Zambian children enroll to begin with, but they, too, fall off at secondary levels. And girls particularly are left behind, just as they were in the expansion of primary education, with the exception of South America, Eastern Europe and the former Soviet

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2 World Bank (1990) and World Bank (2001b).
3 Chen and Ravallion (2004).
4 World Bank (2005a).
6 Arndt and Lewis (2000).
Union. Even more disturbing, the vast numbers spilling out of primary schools have not learned what they should. Standardized tests—not just for science and technology but for the command of basic skills—show that students in developing countries lag far behind those in the OECD.

Figure 1 High enrollment rates in primary school are followed by dramatically lower rates at secondary levels in Indonesia and Zambia

<table>
<thead>
<tr>
<th>Zambia 2001</th>
<th>Indonesia 2002</th>
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<td>Grade</td>
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</tbody>
</table>

Proportion completing grade

- Richest 20 percent male
- Richest 20 percent female
- Poorest 40 percent male
- Poorest 40 percent female

Note: Quintiles are based on an index of assets and housing characteristics (DHS).
Source: Authors’ calculations from DHS.

9. These concerns about the quality and relevance of basic training come just when the demand for advanced skills, such as problem solving abilities critical for many industries, is increasing. Contrary to what might be expected, the greater availability of skilled and educated workers in a more integrated global economy would not necessarily lead to falling returns to skills, but may actually boost the demand for skills even further by inducing more rapid skill-intensive technological change. Supply may create demand.

10. Investment climate surveys show that more than a fifth of all firms in developing countries as diverse as Algeria, Bangladesh Brazil, China, Estonia, and Zambia rate inadequate skills and education of workers as a major or severe obstacle to their

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8 National Research Council and Institute of Medicine (2005), p. 73.
9 OECD (2005).
operations.\textsuperscript{11} The private returns to secondary and higher education have been rising especially in countries that have close to universal primary education. In Mexico the return to an additional year of investing in higher education is estimated to have risen from 14 percent in 1984 to almost 24 percent in 2002, thanks to demand outstripping supply.\textsuperscript{12}

11. Addressing these constraints will affect poverty reduction far into the future for (at least) two reasons. First, the capacity to learn is so much greater for the young than for older people, so missed opportunities to acquire skills, good health habits, and the desire to engage in the community and society can be extremely costly to remedy. Second, human capital outcomes of young people affect those of their children. Mothers who have some secondary education have fewer children.\textsuperscript{13} Better educated parents have children who tend to be healthier and better educated. In all developing countries, but especially in the low-income regions of South Asia and Sub-Saharan Africa, immunization rates are higher among families whose mothers have some secondary education.\textsuperscript{14} These intergenerational effects lift families out of poverty over the long term.

\textit{Seizing the opportunities from a “youth bulge” in the population}

12. Addressing youth issues now is also rooted in demographics—because of the fiscal demands of the sheer number of today’s young and their share in the future labor force of developing countries.

13. \textit{Numbers matter.} Today 1.4 billion people are aged 12-24 worldwide, 1.2 billion of them in developing countries, the most ever in history. This number will rise but not by much more, since it is fast approaching a plateau as fertility rates decline, producing a “bulge” in the world’s population structure. Perhaps as important as this bulge is the diversity in age structures across the world’s countries, due to differences in the timing of the fall in fertility rates. For developed countries this fertility transition occurred so long ago that the bulge is for the middle-aged, the baby boomers. For them, the immediate challenge is how to ensure adequate and sustainable old age income support.\textsuperscript{15}

14. A few developing countries, especially those in transition in Europe and Central Asia, mirror developed countries’ age patterns. But in most developing countries the number of young people is peaking or will soon peak in the next 10 years. And other countries, including all Sub-Saharan countries, and other high-fertility countries like Afghanistan, Gaza, Iraq, West Bank, and Yemen, will not hit the peak for 20 years or more. They have more classically shaped population pyramids with broad bases at the youngest ages, representing large numbers, that taper up gradually with age.

\textsuperscript{11} World Bank (2005b).
\textsuperscript{12} Patrinos and Metzger (2005).
\textsuperscript{13} National Research Council and Institute of Medicine (2005).
\textsuperscript{14} World Bank (2001a).
\textsuperscript{15} Holzman and Hinz (2005).
15. **Reducing risks and seizing opportunities.** These numbers can be a risk, for the fiscal burden of having to provide education can be overwhelming. The exact amount of the burden, notoriously difficult to calculate, needs to be based on individual country circumstances. A recent study estimates the yearly cost per student of secondary school in Sub-Saharan Africa to be almost 3 times that of public spending per pupil in the primary level. Add to that the cost of addressing AIDS and other non-communicable diseases, and financing the fiscal burden, difficult to manage in the best of times, can be a constraint on growth.

16. These large numbers of young people are also daunting if they remain unemployed for long periods. When the baby boom occurred in Europe and the United States, every percentage point increase in the share of youth in the labor force was associated with half a percent increase in the youth unemployment rate. This not only wastes human resources—it also risks social unrest. While scholars debate the probability of this risk, what is less controversial is that it would have strong adverse effects on the investment climate and short-term growth.

17. On the other side of the demographic coin, the opportunity for countries to deepen their human capital has never been better. While the timing may vary, the fertility transition means that many developing countries are in, or soon to enter, a phase when they can expect to see a larger share of people of working age. This expansion of a workforce that has fewer children and elderly to support improves the opportunity to spend on other things, such as building human capital. The right policies and institutions can boost growth. Cashing in relies on training and employing young people productively.

18. The window can last for up to 40 years, depending on the rate of fertility decline. The good news is that almost all developing countries are still in this window (figure 2). Of those who entered the window early, some have taken full advantage, and others have not. One study attributes more than 40 percent of the higher growth in East Asia over Latin America in 1965-1990 to the faster growth of its working-age population and the better policies for trade and human capital development. If countries fail to invest in human capital—and doing so is most profitable for the young—they cannot hope to reap this demographic dividend.

19. Other poor countries in Sub-Saharan Africa and the Middle East and North Africa are about to see the window of opportunity open (figure 2). It is narrow in historical terms (about 40 years), and its dividend is not automatic. The question is whether these countries will follow the Asian economies. What policies and institutions enabled them to do so? Many have to do with broadening the opportunities for young people to develop their human capital and use it productively in work. Indeed, the overall skills of the labor force, largely built in childhood and youth, determine the climate for

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17 Blanchflower and Freeman (2000).
18 World Bank (2004b).
investment. Skill shortages, a feature of all developing countries, are lower where enrollments in post-primary education are high.

Figure 2 Opening and closing demographic windows of opportunity: when is the dependency rate falling in countries

<table>
<thead>
<tr>
<th>Year of Peak Youth Population</th>
<th>Window closed</th>
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<tbody>
<tr>
<td>Japan</td>
<td>Year window closes</td>
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<tr>
<td>Italy</td>
<td>Year window opens</td>
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<tr>
<td>China</td>
<td></td>
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<tr>
<td>Chile</td>
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<tr>
<td>India</td>
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<td>Bolivia</td>
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<td>Afghanistan</td>
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<td>Uganda</td>
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Note: Bars show the range of years for which the dependency ratio—the number of dependents relative to people of working age—is falling.

Source: UN World Population Prospects (the 2004 version), medium variant.

Taking advantage of heightened expectations

More education, on paper, has raised expectations that, if unfulfilled, can potentially lead economic and social instability. A 30-year study of slum (favela) dwellers in Rio de Janeiro found that most of the children of people interviewed initially had more education but worse job prospects than their parents (box 1). Of course, the answer is not less education—but more jobs. Surveys of young people in East Asia and Eastern Europe and Central Asia indicate that access to jobs, along with physical security, is their biggest concern.  

Box 1 Headed down mean streets?

In Rio de Janeiro in the late 1960s, parents in the favela would warn their children that if they did not stay in school they would end up as garbage collectors. In July 2003 the city opened competition for 400 garbage collector jobs, and 12,000 people applied. A high school diploma was the prerequisite.

This example is among urban anthropologist Janice Perlman’s findings from a 30-year study of three favelas in Rio de Janeiro. In 1969 she interviewed a random sample of 750 men, women, and their parents to explore intergenerational mobility and poverty. Returning in 1998 she interviewed a third of the original

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sample, along with their children and grandchildren (those found were replaced in the sample to preserve representativeness). From this tapestry of life history and survey data, it became clear that today’s favela dwellers in many ways face worse prospects than their parents and grandparents.

Though the youth in today’s favelas had more education than their parents, their employment possibilities did not improve accordingly: 85 percent of children had more education than their parents, yet only 56 percent had better jobs, as defined by the perceived quality of broad skill categories (manual labor versus skilled or professional jobs). While in 1969, 32 percent of the sample had been unemployed for six months or more, the proportion rose to 53 percent in 2003. Despite the impressive gains in Brazil’s economy, the loss of Rio’s manufacturing industry, along with higher educational requirements for a job, pose greater barriers to employment in slums. Compounding these challenges are the crime and violence permeating favelas, as drug lords and police have taken over public spaces and left favela dwellers fearing for their lives. And the protective networks and social capital that favela dwellers fostered through collective action in 1969 have dissipated.

Perlman concludes the poor employment prospects require new policy instruments. Indeed, with rapid urbanization and more youth living in marginal areas, they will need to acquire the human skills to meet minimum labor market qualifications. They will also need to put those skills to good use.

Source: Perlman (1976), Perlman (2005).

21. Another source of heightened expectations is the contact with the rest of the world through freer trade and greater access to the internet. Trade flows have brought a phenomenal increase in consumer goods and services to many developing countries, largely closed 20 years ago. China and (more recently) India have become huge markets. Young people in developing countries have become some of the biggest consumers of some newly traded goods, such as movies, music, and clothing. And they are more aware than earlier generations of what is “out there” in the global marketplace (chapter 1). Of course, not everyone can buy the goods and services available. The advertising and images from youth-oriented media like MTV have reached across borders, but some argue that they are exaggerated even beyond the means of many in developed countries.21

22. Young people have a greater propensity to migrate than other age groups. This, too, leads to greater knowledge. Migrants moving to more developed countries may acquire health knowledge while abroad, enhancing their ability to make health decisions (chapter 8). But migrants may also be exposed to environments more conducive to the spread of disease and conditions that make risky sexual behavior more likely.

23. Another part of these heightened expectations is the right to be included in the rest of society. The rise of democracy and the opening of political processes create new opportunities for many—but they also heighten the disparity with those who feel excluded from the political process. Thus include migrant groups, both in developing and developed countries, such as the disaffected youth who rioted for weeks in the streets of Paris in late 2005—actions attributed by some journalists to their inability to establish an identity in areas where they live.22

24. Some claim more generally that the size of youth cohorts, combined with a rise in expectations relative to opportunities, could lead to social unrest.23 Recent scholarly

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21 Ger and Belk (1996).
22 Riding (2005).
work does not unambiguously support such a strong statement, although some unpublished evidence shows that cohort effects can lead to unrest where economic performance is disappointing. If validated, the risks are greatest for the poorest people and countries.\textsuperscript{24}

25. More compelling is the argument that heightened expectations, if harnessed and deployed appropriately, could fuel the creativity that youth already possess. There are many stories of how entrepreneurial spirit opens even more opportunities (box 2).\textsuperscript{25} Such initiatives can be further stimulated with the right policy environment, as discussed throughout the Report.

**Box 2 Youth’s high hopes beget creative solutions—three examples**

In Macedonia university students were tired of paying bribes and having their professors accept them. They launched a public campaign to raise awareness of the levels of corruption, attract other students to their anti-corruption campaign, and lobby for reform that would foster a more transparent university environment. The media embraced their campaign, and reform is under way to change the higher education law.

After a devastating earthquake struck Pakistan on October 8, 2005, students from Lahore University of Management Science would not let a dearth of information or coordination problems among relief agencies prevent aid from reaching desperate victims. Just days later, they established a means to survey devastated villages, assess needs, and document the lives of people after the disaster. To date, they have surveyed over 3,500 households and made critical contributions to the coordination of donor efforts probably saving many lives in the process.

The young founders of Grupo Cultural Afro Reggae, after losing many friends to the violence and drug trade in favelas of Rio de Janeiro, decided that a teenage death should no longer be accepted or expected. They created a program of music, dance, and cultural workshops to steer children and youth away from the drug trade and violence of the favelas—and to break down stereotypes and communicate with broader society.

*Sources*: Mylan (1998); personal communications with Risepak volunteers.

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26. Getting it right today can have huge payoffs for the future because young people, as the next generation of household heads and parents, will have profound impacts on their children.\textsuperscript{26} In Kenya AIDS is projected to have very damaging effects on human capital investment because premature parental death weakens the mechanisms for forming it. Reinforcing these effects is the fact that higher expected mortality among young adults in the next generation reduces the expected returns to educational investment. Investing in young people, costly as it may be, is well worth it (box 3).

**Box 3 Investing in young people pays off big time: estimating the long-term and interactive effects of human capital investments**

Adapting an overlapping generations model that was used to estimate the macroeconomic impact of AIDS, researchers have recently applied it to a broader range of investments in human capital. In the original

\textsuperscript{24} Pampel and Peters (1995).
\textsuperscript{25} Many of these are movingly related in the International Youth Foundation (2005).
\textsuperscript{26} By 2050 four of every 10 people will come from today’s cohort of those 12-24, their children, or their grandchildren. See Lam (2006).
model calibrated for Kenya, “not only does AIDS destroy existing human capital, but by killing mostly young adults, it also weakens the mechanism through which knowledge and abilities are transmitted from one generation to the next; for the children of AIDS victims will be left without one or both parents to love, raise and educate them.”

In a new paper that explicitly models the effects of secondary education, the AIDS epidemic that shocked Kenya in 1990 is estimated to lower human capital and per capita income so much that it does not recover its 1990 levels until 2030. An education investment—in the form of a 30-year program to subsidize secondary education costing around 0.9 percent of GDP starting in 2000 and rising to 1.8 percent in 2020—would lead to income per capita that is 7 percent higher than without the intervention, with gains continuing far beyond 2040. The net present value of the benefits, at plausible discount rates, would be between 2 and 3.5 times that of costs. A worthwhile investment indeed.

Because of the long-run synergy between post-primary education and the health of young adults, combining this subsidy with direct measures to combat the AIDS epidemic and treat its victims would do better still. A program that combines a lower educational subsidy with measures to combat the epidemic and treat its victims would, for the same amount of money, produce even more dramatic gains. Those gains come not only from saving lives but also from increasing the incentive to invest in education, a result of the reduced mortality.

Source: Bell, Bruhns, and Gerbasch (2006).

27. How can more structure be put around the policy measures suggested here? The rest of this overview, which summarizes chapters 2–9 of the Report, focuses on five dimensions of the next-generation’s life transitions and a three-part strategy for dealing with them: broadening opportunities, helping the young as decision-making agents to choose among them, and providing a safety net of second chances for undesirable outcomes.

Five youth transitions and an investment: accumulating human capital when young

28. The decisions that will affect young people’s well-being and society’s are those that shape the foundational human capital to be productive workers, family heads, citizens, and community leaders. That is why this Report focuses on the transitions that the young undergo in learning, work, health, family, and citizenship. If done well, decisions about these transitions will safeguard, develop, and properly deploy that human capital. If done badly, the consequences of those decisions will be very costly to correct. Learning is easier for youths than for adults and missing the chance to do so because of dropping out of school, prolonged periods of unemployment or risky health behaviors can leave permanent scars.

29. Public policy can do much in determining which way things go. As youth undergo each transition, the development of their human capital is hampered, not only by poverty, but also by policy failures that affect their options, especially the failure to provide or finance adequate services when markets do not work.

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27 Bell, Devarajan, and Gerbasch (2003).
28 Bell, Bruhns, and Gerbasch (2006).
Learning in schools

30. At the age of 12 about 85 percent of all children in developing countries are in school, a proportion that declines as young people grow older (figure 3 and figures 6, 7, and 8 are stylized representations of figures from chapter 1 using actual data). Almost all are out of school by age 24. What they learn early in life lasts a lifetime and is much harder to master if they try to do so as adults.

31. Skills are nurtured very early in life by parents, who then turn their children over to institutions to support them through early development and primary school. The expected path for young people is to continue on to secondary school, when decisions are made about whether to enter the labor force, marry, and go on to tertiary education. These decisions may need government support because some of the gains to schooling accrue to society rather than individuals. Governments also try to level the playing field for rich and poor, so that those with the greatest aptitude attain the highest levels of schooling.

32. Some countries are more successful at managing this transition than others. Several East Asian governments have done it so well that it’s been called a miracle.29 Much as one would like to believe in miracles, many other countries confront formidable challenges.

- There has been dramatic recent progress in the numbers of children completing primary schools, a Millennium Development Goal. While impressive, this progress does not fully address country needs, because children are not learning as much as they should (box 4).

- Many completing primary school cannot proceed to further education because of a lack of places, or a lack of resources, or a pregnancy—or all three of these.

- The global wave of economic and technological change is demanding more from workers than basic skills. For example, in many Latin American countries, supply has not kept up with the rising demand for skills, dramatically boosting the earnings of those with more education.30 It’s a problem not only of insufficient numbers but also of irrelevant training.

- Many young people are not motivated to exert effort because of poor teaching or poor school environments.

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29 See World Bank (1993). Precise estimates vary, but about a third of the growth rate of the East Asian tigers over 1960 to 1985 was attributed in this study to sound investments in primary education alone.

30 De Ferranti and others (2003).
• Others are completing school late or not at all. In Mali only about 20 percent of 15-29 year olds had completed primary school. In Malawi more than half of all 19-year olds in school are still at the primary level. The skills that these young people need and the ways they can be developed differ from those of younger children progressing through the system on time.

Box 4 The poor quality of basic education severely limits opportunities for young people

The dramatic recent progress in the numbers of children completing primary schools, a Millennium Development Goal, does not fully address country needs because the children are not learning as much as they should. Many, even those who reach lower secondary levels, can hardly read or write and are unprepared to cope with the practicalities of daily life. In several African countries fewer than half of all young women aged 15-24 can read a simple sentence after three years of primary school (chapter 3)—and in Ghana and Zambia after even grade 6 (left panel of box figure). Even among those who go on to lower secondary (typically grades 7-9), preparation is low—the average performance of adolescents in the poorest countries on standard math tests is 20 percent lower than the OECD average.31

The gap is not limited to book learning. Many young people do not know basic facts that could cost them their lives, such as what causes HIV/AIDS, at a time when many begin sexual activity. Knowledge about condom use is very low regardless of grade attained in both high and low HIV prevalence countries (right panel of box figure). The risks are even higher because the use of condoms is typically lower than the rates of knowledge would imply. Such ignorance can be devastating. In Kenya the probability that a 20 year old will die before reaching age 40 is projected to be 36 percent in 2010—without AIDS it would have been 8 percent.32

Box figure There are big gaps in both book knowledge and life knowledge of young people

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<tr>
<th>Percent of women 15-24 who are able to read a simple sentence by grade</th>
<th>Percent of women 15-24 who know condom use prevents HIV/AIDS by grade</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Graph showing reading ability by grade for Ghana and Zambia" /></td>
<td><img src="image2.png" alt="Graph showing condom use knowledge by grade for Ghana and Zambia" /></td>
</tr>
</tbody>
</table>

*Note: Dotted lines indicates country with high prevalence of HIV/AIDS.*  
*Source: Authors’ calculations from DHS.*

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31 OECD (2005).
32 Bell and others (2004), p. 44.


Starting a productive working life

33. Once built, skills must be well deployed. In almost all countries this process begins sometime during the ages 12 to 24 (figure 4). The start toward a working life is considered by many social scientists as the most important marker of independence.\(^{33}\) How the young start off has an enormous effect on how they turn out in later life. Long spells of inactivity during youth are costly—forgoing the accumulation of skills on the job and an employment history that could send positive signals to future employers. Research from OECD countries indicates that, while many young people make up for such episodes, the scars are felt most by less educated and disadvantaged youth.\(^{34}\)

34. One role for government policy in this is to correct for information problems that can inhibit opportunities—such as inaccurate assessments by a potential employer of an inexperienced young person’s potential productivity, skills, and work habits. Another is to ensure that poor families are not forced to have their children start work too early, before they have gained basic skills. A third role is to correct for the consequences of broader policies, such as minimum wages that are set too high, which may have unintended but nonetheless restrictive effects on young people.

35. The main issues countries confront in managing this transition for young people include:

- **Starting too early.** Young children and adolescents can be exploited when they start full-time work prematurely, which is why many countries have agreed to international conventions banning the worst forms of child labor. Starting too early also prevents them from acquiring enough basic skills in schools—skills that would make them more marketable to more types of employers.

- **Breaking into the job market.** Across all societies, starting an independent livelihood is not easy, especially since the key to opening opportunities is one’s track record—in work habits, job-related skills, and repaying loans. No wonder that unemployment rates for youth are systematically higher than for older generations (figure 5). There is also a large variance. In poor Sub-Saharan African countries where the young people, mostly in rural areas, cannot afford to be out of the labor force, the gap between adult and youth unemployment is least. But in some middle income countries with rigid labor market institutions, the gaps between youth and adult rates are much higher,
which can have enormous costs in forgone skill-building. For example, the experience in skilled jobs in Guatemala increases adult reading comprehension and non-verbal cognitive skills, skills lost to those unable to get those jobs.\textsuperscript{35}

- \textit{Moving to new jobs and up the skill ladder.} Especially in poor countries, young people are not idle—they are working very hard but earning very little. Changing jobs to earn higher wages or getting into the formal sector is one way to move up the skill ladder. But for too many, how they begin in work is how they end.

**Figure 5** The unemployment rate everywhere is higher for young people than older people—with gaps much higher in some countries

\begin{figure}
\centering
\includegraphics[width=\textwidth]{unemployment_rate.png}
\caption{The unemployment rate everywhere is higher for young people than older people—with gaps much higher in some countries}
\end{figure}

\textit{Note:} The dark line shows the unemployment rate of youth and the adjacent light line, that of adults.

\textit{Source:} Authors’ calculations based on Fares, Montenegro, and Orazem (2006). Country names available on request.

\textbf{Adopting a healthful lifestyle}

36. If death rates are the benchmark, young people are a healthy group: the average 10-year-old has a 97 percent chance to reach the age of 25. But mortality is a misleading measure of youth health, since it does not reflect the behavior that puts their health at risk later on. Youth is when people begin smoking, consuming alcohol and drugs, engaging in sex, and having more control over their diet and physical activity—behaviors that persist and affect their future health. In Nepal and Indonesia almost 60 percent of all

\textsuperscript{35} Behrman and others (2005).
young males 15-24 are currently smoking. In many countries, young people begin to have sex before the age of 15, and fewer than half of sexually active youth use condoms.

37. The full effects of some of these youthful behaviors on health will be felt only in adulthood. And the negative consequences of these early decisions can have far-reaching consequences—depleting the economy of productive human capital, increasing the ratio of dependents to workers, and increasing public health costs. For example, it has been estimated that inaction on the HIV/AIDS crisis in Africa could lead to levels of family income by 2050 that are two-thirds that in 1960—a spectacular descent into backwardness.36

38. Because the health consequences of these behaviors show up only later in life, when they are irreversible, they are much more difficult and expensive to treat than to prevent. But for many young people, the search for a stable identity, combined with short time horizons and limited information, encourage them to experiment with activities that put their health at risk. For example, young people tend to discount the long-term negative consequences of smoking or sexual encounters. This is why “Taking health risks” rises, as young people experiment, and then falls with age (figure 6). Reducing risk-taking among youth requires that they have adequate information, and the capacity to make and act on decisions. Policies can do much to help young people manage these risks, especially if they make young people be more aware of the future long-term consequences of present actions including a recovery mechanism for those facing with poor health outcomes.

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36 Gersbach, Devarayan, and Bell (2003).
Forming a family

39. There are rich variations in the sequencing of the steps toward family formation and even in the types of families formed. But in most countries first births—the entry into parenthood—take place during youth. And most births occur among women aged 15-24, a result of the fertility decline in most countries over the last two decades—the young are driving countries’ demographic transition. By the time girls in developing countries reach 25, nearly 60 percent of them have become mothers (figure 7). Boys make this transition at an older age, with most becoming fathers between 25 and 29. Even though the marriage age is increasing for women and men in most countries, the interval between marrying and having the first child is becoming shorter.

40. The ability and willingness of young parents to invest in their children is the single most important factor determining the outcomes for future generations. Young people tend to underinvest in family planning or maternal health services. That is why governments may have to be involved in what would otherwise seem to be intimately private decisions. A further justification for government investment in supporting the transition to parenthood is to ensure equity since reproductive and health services can redistribute resources, particularly to women and adolescent girls. The percentage of women who had a birth before age 15 is significantly higher in the lowest wealth quintile than in others, for 15 countries with data. Limited economic opportunities, poor access to services, and traditional norms surrounding sexual behavior, marriage, and parenthood may encourage marriage at very young ages—even at age 12 or younger among some girls (chapter 6).

41. Nutrition and reproductive health services are among the most important human capital investments that prepare young people to become the next generation of parents. While undernutrition is not as widespread among the young as it once was, micronutrient deficiencies are. And while the use of family planning, maternal, and child health services has increased in many countries, in others it remains low. Even where the use of services has increased, young women and first time mothers often do not receive all services. Moreover, many young women and men are poorly informed about sex and how to raise children.

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37 National Research Council and Institute of Medicine (2005).
38 See chapter 6, figure 6.3.
Exercising citizenship

42. Youth is the period when people begin to be heard and recognized outside their family (figure 8). They establish their identity as individuals who interact independently with the broader community—engaging in citizenship, passively and actively. Simply by being community members, they receive rights and privileges (voting) as well as obligations (paying taxes). The right to vote is commonly granted to those who turn 18. Young people are expected to understand and follow national laws much earlier—across countries the median age for criminal responsibility is 12.\textsuperscript{39} Active citizenship emphasizes how individuals should hold public officials accountable for their actions, demand justice, and tolerate people from different ethnic or religious groups. The willingness and ability to exercise citizenship are formed early in life and once formed tend to be durable (chapter 7)—hence the importance of influencing youth.

43. Without opportunities for productive civic engagement, young people’s frustrations may boil over into violent behavior and lead to economic and social instability, sparks that can ignite long-simmering disputes. Initial cause of the ethnic conflict in Sri Lanka between Sinhalese and Tamils was the frustration of Tamil students shut out of places in universities and other avenues for civic involvement.\textsuperscript{40}

44. Empowerment, through formal political participation and involvement in social organizations, is essential for good governance, which is essential for private investment and growth.\textsuperscript{41} It broadens access to economic opportunities, especially among previously excluded groups, most obviously women.\textsuperscript{42} It can also enhance collective action to increase the pressure on governments to provide good public services.\textsuperscript{43}

\* \* \*

45. Importantly, the transitions overlap (see figure 8). Some young people have an uncomplicated life and undergo only one or two of these transitions at a time. But others may already be on the road to being budding multi-taskers: they are in school, working part-time, married, driving fast, and participating in their local council. This is why policies that might change a decision in one transition can easily affect the investment climate for human capital formation in other transitions.

\textsuperscript{39} South Africa Parliamentary Monitoring Group (2003).
\textsuperscript{40} Abeyratne (2004).
\textsuperscript{42} Dollar and Gatti (1999).
\textsuperscript{43} World Bank (2003).
46. Because basic skills in schools are learned early, the failure to invest in education can greatly increase the costs of pursuing healthy lifestyles and of working. By the same token, risky behaviors leading to a young man’s premature death or a girl’s unexpected early pregnancy can significantly lower the returns to schooling. And prolonged unemployment can lead to disinterest in investing in further schooling, possible mental distress, delayed family formation, and negative manifestations of citizenship.

47. These transitions can also have very different trajectories across different dimensions. Perhaps the most important dimension is gender. At puberty the transition for adolescent girls diverges dramatically from that of boys. This event signals the potential of motherhood—associated with some societies’ concern about protecting girls, sometimes to the point of overly restricting them—and the time that boys are expected to work for pay. Policy responses should thus be differentiated by gender.

Policies should focus not only on youth’s opportunities but also their capabilities and second chances

48. Some of the challenges to forming human capital during youth’s transitions have to do with the “supply” side—a shortage of opportunities to access services and work experiences that build human capital. Others have to do with the “demand side” because of behaviors that reflected a lack of information, resources or experienced decision-making. Both can be addressed by the right policies.

49. All nations already have policies and programs that affect the lives of young people. They have schools, universities, labor market regulations, hospitals, and laws that allow those youth to vote. The strategies that frame them are set mostly in well established sector departments. This Report applies an age perspective—a youth lens—to evaluate them. Are they appropriate to youth’s life transitions and environments? Are they adequate to serve needs?

50. The starting point for this assessment is a sound foundation of human capital acquired before adolescence. This applies the principles of investment models long recognized in the profession.44 Beyond supporting the preparation for those under 12 years of age, the Report uses a framework that splits the youth lens into three mutually supporting lenses that focus policies and magnify their impact (figure 9).45 This framework extends the human capital model by treating not only governments and families as potential investors, but also young people themselves.

- The first lens focuses on identifying the gaps in opportunities for building human capital. As already noted the rapid and massive expansion of primary education in many countries has put unprecedented pressure for places at secondary levels without necessarily transmitting literacy and basic life skills. This is happening at a time when the global demand for more advanced skills is rising. But many potential young workers are stymied when they try to enter and change jobs as

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44 Schultz (1960) and Becker (1964). See box 2.1 for a fuller discussion.
45 The three lenses are analogous to the interacting lenses of a telephoto (or zoom) lens—by aligning them, one can improve both magnification and focus. See “Zoom lens” entry in Wikipedia (2006).
they move up the skill ladder. And despite widespread interest, youth in many developing countries lack a platform for civic engagement. Broadening these opportunities calls for policies that help young people acquire, improve, and deploy their skills.

- The second lens focuses on the challenges confronting young people as they choose among the opportunities available to them. The decisions they take will reflect their inexperience and their still-evolving aspirations, as well as their tendency to experiment. They are also constrained by having even fewer resources than their parents. This calls for policies that recognize and improve their capabilities (or agency) as decision-makers, by dispensing the information and incentives to make good decisions.

- The third lens focuses on undesirable outcomes, such as dropping out of school, drug addiction, criminal behavior, or prolonged unemployment resulting from constrained opportunities, unexpected shocks, or inappropriate decisions. Correcting for them early is especially worthwhile because the consequences are long-term and costlier to reverse during adulthood. This calls for second chances that put young people back on the path building their human capital for the future.

Figure 9 Transitions seen through three lenses focus policies and magnify impact

Youth Lenses

- Low literacy and knowledge of basic skills despite higher primary completion
- Insufficient access to secondary and tertiary education
- Few job opportunities
- No platform for civic engagement.
- New decision-making agents during identity formation
- Lack of resources
- Myopia and risk taking
- Consequences of poor outcomes longer lasting than for adults
- Remediation more costly for adults
- “Youth friendly” policies

Note: The three lenses are analogous to the interacting lenses of a telephoto (or zoom) lens—by aligning them, one can improve both magnification and focus. See “Zoom lens” entry in Wikipedia (2006).

51. Just as the three lenses have to be aligned for an image to be in focus, so policies must be well coordinated to have maximum impact. Opportunities can be missed if the capabilities to grasp them are blunted or misdirected. Having better decision-making capabilities (agency) can lead to frustration if the opportunities are far below aspirations.
And not having second chances can lead to a free fall in outcomes. Some of the lenses loom larger in some transitions than in others. In the transitions toward sustaining a healthy lifestyle and forming families, for example, outcomes are influenced most by young people’s behavior, so the emphasis would be on capabilities.

52. Passing economy-wide and sectoral policies through these lenses make them “youth friendly” by identifying gaps and setting priorities. The need to narrow gaps does not necessarily mean that the benevolent hand of government should do all the heavy lifting—even if well intentioned, many governments lack the resources and capacity to provide all the necessary investments. Instead, public policy also needs to improve the climate for young people, with the support of their families, to invest in themselves—by addressing the costs, risks and perceived returns of investing in people, just as they should do for firms.46 The next three sections fill the right side of figure 9 with examples of specific policies and programs.

Policies to broaden opportunities

53. Developing and deploying youth’s human capital become special challenges as the numbers surviving childhood diseases and completing primary school grow. Not addressing these challenges passes poverty to succeeding generations, as the poor outcomes of young people today are transmitted to their children. Countries that have broken out of this spiral have improved the basic skills of adolescents and young adults, met demands for even higher-order skills, and smoothed the start of young people’s work and civic lives.

Improving basic skills of adolescents and youths: intervene earlier in the life cycle and focus on quality of basic education

54. A youth lens points to improving the quality of education. The lesson from the massive expansions in the 1980s and 1990s is clear—ignore quality at one’s peril. When countries embarked on universal primary education, expanding places tended to come at the cost of quality, reflected in high enrolment rates but low achievement. In Morocco and Namibia more than 80 percent of school children stay until the last grade of primary education. But fewer than 20 percent have minimum mastery of the material.47 Young people are already paying the price. Many of the large numbers of children completing primary education do not know enough to be literate and numerate members of society.

55. What should countries attend to first? Part of the solution is to measure quality well. One reason why quantity may have been stressed earlier is that it has been easier to measure enrollment and completion rates than learning outcomes. This is slowly changing with the introduction of standardized tests comparable across schools within countries and even across countries.48 Needed is an approach that balances expanding

46 World Bank (2004b).
48 Examples are the Third International Mathematical and Science (TIMS) and PIRLS tests.
primary enrollments with ensuring a minimum quality standard—a point well documented in worldwide monitoring reports.49

56. Another is to consider the system of learning over the entire life-cycle rather than as compartmentalized subsectors of pre-primary, primary, secondary, and tertiary education. This means, in many countries, improving the foundations before the children reach adolescence through early investments in nutrition, health, and psycho-social development. In countries as diverse as the Jamaica, the Philippines, Turkey, and the United States enriched childcare and preschool programs have led to higher achievement test scores, higher graduation rates from high school, and even lower crime rates for participants, well into their 20s (figure 10).50

Figure 10 Early childhood interventions (at age 3-5) can have long-lasting effects on young people (at age 13-15) 51

[Diagram showing the percentage of children still in school at age 13-15 for Turkey and Jamaica with and without parenting skills training and psychosocial stimulation.]

Sources: Walker and others (2005), Kagitcibasi, Sunar, and Bekman (2001).

57. Ensuring that basic skills needed for a well functioning society are well established may require that lower secondary school be made universal, as many countries are doing. But again, this should not come at the cost of quality. Setting standards, developing accreditation and evaluation systems, training and motivating teachers, and increasing the accountability of school administrators to parents and local communities are only some of the measures.52 Since a renewed focus on quality is not costless, what can be deferred until upper secondary and beyond is the selection and specialization that some countries have from early grades.53 In Chile’s secondary...

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51 In Turkey, the intervention was for four years between ages 3 and 9, and involved both parenting skills training and daycare. Only the parenting skills had an effect at the follow-up at age 13-15. In Jamaica, children age 1-2 received two years of professional psychosocial stimulation, and follow-up was at age 17-18. Both are controlled impact evaluations.


education reform, for example, all vocational specialization moved to upper secondary school, establishing a solid academic base before occupational specialization.

Meeting the demand for higher order skills: improve the relevance of upper secondary and tertiary education.

58. Even as countries struggle with basic needs, the global economy demands more technical and behavioral skills, especially those formed during the ages 15-24. Competition has driven up the demand for skill-intensive technological innovation in Asia and Latin America, much of it in export industries, which tend to use disproportionately more young people (chapter 4).

59. This pressure can be eased if upper secondary schools and universities turn out more students. But simply increasing quantity of the present stock is not enough. In fact this may lead to problems of “fit”—in some countries unemployment rates are high for some of the most highly educated. Surveys show that employers also demand quality and relevance. Important is an upper secondary curriculum which emphasizes practical thinking and behavioral skills, as South Africa is doing, and offers more of a blend of academic and vocational subjects (chapter 3). The transition from school to work can also be eased by linking educational institutions with prospective employers from the private sector through regular consultations and joint university-industry research projects, as has happened in China.

60. Also needed is a well motivated and well prepared teaching force. In some cases a priority is increasing the supply of some skills—teacher shortages in math and sciences are especially acute in Sub-Saharan Africa. But in most cases an improvement in the performance of the present stock of teachers is the top priority. Teachers need the right incentives, such as performance-based pay schemes now being tried in some Latin American countries.

61. Such reforms may be costly because of the high unit cost of educating students beyond the basics. Efficiency gains may be possible through better incentives for administrators and teachers. Higher quality may also improve the rate at which students progress through the system. But many educational systems can also expand and improve by diversifying their funding sources. Families already contribute significantly to the cost of tertiary education in some countries—up to 80 percent of cost in high-performing economies with relatively high enrollment rates such as Chile and Korea—when they feel they are getting value for money. Countries such as the Slovak Republic, Turkey, and Uruguay, where private funds contribute 20 percent or less of the total cost of tertiary levels, could mobilize more resources through fees, public-private partnerships, income generation activities (consultancies, leasing unused property, running business), and donor support. Such reforms would have to be accompanied by loans and targeted scholarships to ensure that, as more students from diverse backgrounds complete primary and lower secondary, meritorious ones whose families are too poor to finance upper secondary and university education have an equal chance at entry.

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54 UNESCO (2005b).
62. Programs that enable rich and poor to compete more evenly are only beginning to be tried. What is clear is that ‘free tuition’ for universities is neither financially sustainable nor directing benefits to the poor. In Uruguay, for instance, more than 60 percent of those enjoying free tuition in public tertiary institutions come from the two richest quintiles.\(^{55}\) But subsidies to students from disadvantaged families could be both efficient and sustainable. For example, some countries subsidize private secondary and tertiary institutions according to the number of low-income students they enroll (chapter 3). The institutions apply for the subsidies and are then screened to meet quality standards.

63. Especially for older students, there is a strong case that these subsidies should be directed not only to institutions, or even to the students’ families, but to the young person. Doing so would also help to empower young people and hold them accountable—a valuable lesson later in life.

**Helping youth accumulate skills on the job: ease barriers to entry and facilitate mobility**

64. Broadening opportunities for young people’s employment is best premised on economy-wide growth that stimulates demand: a rising tide lifts young people’s boats, as well as everyone else’s. In many economies an export orientation and foreign direct investment expanded the demand for young workers. Such policies have been cited, along with sound basic education, as a source of growth to explain the “East Asian miracle.”\(^{56}\) In Indonesia, in heavily export-oriented sectors such as electronics and textiles, youth employment shares are more than twice the national average—truly “youth intensive” sectors.\(^{57}\) They have had a particularly stimulating effect on previously excluded groups, such as young women in Penang, Malaysia, whose entry into the labor force 20-30 years ago fueled the growth in a fledgling electronics industry and altered some social stereotypes about women.\(^{58}\) So, policies that open the economy to free trade tend to be youth-friendly. A youth lens on such recommendations would not necessarily change them—it would merely strengthen the argument for doing them in the first place. It would be important, however, for policy analysts to measure the impact on young people.

65. A youth lens may also mean that some general policies need to be changed once the implications for youth are taken into account. Such is the case for those labor market regulations that affect new entrants disproportionally. Policies that limit flexibility and mobility across sectors tend to lengthen the transition to work and constrain young people more than others. Employment protection laws in Latin American and OECD countries cause a significant increase in the unemployment rate for young people.\(^{59}\) If minimum wages are set too high, they may discourage employment of the unskilled mostly young

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55 World Bank ( ).
57 Chapter 4.
workers who are only beginning their working life.\textsuperscript{60} These are not arguments for scrapping all such laws and regulations. Instead, they are a call to develop policies that provide adequate protection without stifling opportunities for already disadvantaged groups (chapter 4).

66. In poorer countries, regulations in the formal sector can drive business into the informal sector,\textsuperscript{61} where the young are more likely to be employed. In Burkina Faso, The Gambia, Nicaragua, Paraguay, Rwanda, and Sierra Leone disproportionately large numbers of youth work in the informal sector, where firms and enterprises escape taxes but do not participate in the social security system.\textsuperscript{62} While analysts know less about what goes on in this sector, there is evidence that it can be a remarkably resilient and productive stop on the road to formal employment. It will not solve all issues of youth employment—even selling on the street requires some sales skills and language skills, constraints for the most disadvantaged youth. But it is where many young people first find employment, often for very low wages.

67. If these jobs are to be the first rungs rather than the last stop up the skill ladder, youth have to be able to move freely to seize the opportunities that arise. Practical training that combines both occupational and general behavioral skills can make young people more mobile. The track record of schools and even large public national training institutions in providing such skills has, at best, been mixed. Are there alternatives? Advanced countries’ experiences with formal apprenticeships and internships, which provide a “structured work experience,” hold lessons for middle income countries that are rapidly growing a modern wage sector. In other countries traditional apprenticeships in informal sector firms are more common and incentives can be used to improve quality and innovations, as in Kenya’s \textit{Jua Kali} program (chapter 4).

68. Another option for the young is self-employment. Some are entrepreneurs of necessity, others by opportunity. Both types face constraints made more binding by their age, such as access to capital and to business networks. Programs to provide seed capital to build financing and contacts have started in Latin America (see chapter 4).

69. Geographic mobility also broadens opportunities, and the young are a disproportionately large share of all migrants, both to urban areas and to other countries. Policies that smooth the transition to cities and across borders, such as recognizing the rights of migrants, would be efficient and equitable. In China 118 million rural dwellers, most of them young males, have sought employment outside their home village. And because of the rising productivity in rural areas, this has not significantly reduced agricultural production. But the migrants do not have the same access to social services as those with an urban residence permit. Nor do they enjoy the full range of social security and safety net benefits, contributing to social pressures.

\textsuperscript{61} Kugler (2004).
\textsuperscript{62} Chapter 4.
70. Young people represent a large proportion of the world’s international migrants. Migration broadens the opportunity to work, especially in a limited number of occupations (chapter 8). Migration also broadens the opportunities for education, especially in higher education. And opportunities for secondary education can be broadened thanks to the remittances from migrant parents or other relatives. Measures in both sending and recipient countries can ensure that migrants contribute to the development of both (box 5).

Box 5  International migration offers opportunities and risks for youth

The probability of migrating internationally peaks in the late teens and early 20s (see box figure for Mexico), so youth comprise a disproportionate share of the world’s migrants—and often also a large share of the return migrants. About a third of the migrant flow from all developing countries is aged 12 to 24, and half 12 to 29. The youth bulge in developing countries and the aging populations in most developed countries will further increase the demand for migration over the coming years. Even so, much of the youth demand for legal migration is unmet, with 50 to 90 percent of youth in some countries reporting that they would migrate, usually temporarily, if they had the opportunity. So the young are more likely to resort to illegal migration and to fall victim to trafficking than older age groups.

Youth migration has large direct effects on growth and poverty reduction through remittances, and the return of migrants with skills acquired abroad. As a result, migration can be a very important way for youth to use and develop their human capital to help reduce poverty in their own countries. Easing immigration restrictions for temporary workers would be one way developed countries could help. To maximize the development impacts, developing countries need policies that:

- Increase the benefits from their existing youth migrants, such as lowering remittance costs, providing access to finance, and recognizing the skills gained abroad.
- Expand the opportunities for other youth to migrate, by reducing high passport costs, removing legal restrictions on emigration, and developing active bilateral work arrangements.
- Mitigate the risks of migration through information campaigns to reduce trafficking at the spread of infectious diseases and through broadening the opportunities for work at home.
- Facilitate the return of migrants who have gained useful overseas experience by improving the investment climate at home.
Encouraging participation in civic life: enhance youth voice for policy and service delivery

71. Opportunities to be recognized and heard as citizens, and to be included in community initiatives, are important for the delivery of services that affect young people directly. *World Development Report 2004*\(^{63}\) referred to this engagement as “client power,” arguing that it can make providers more responsive to those who matter—the beneficiaries. But voice is also important because young people’s disposition toward citizenship tends to be durable, and participating early in life is a good predictor of their ability and willingness to engage in the future. How can governments give that voice greater prominence and not be threatened by it?

72. For most young people direct consultation and recognition through their participation in decision-making processes and in implementing those decisions may be a more important platform than, say, voting. Such opportunities include not only state-sponsored channels but also social and civil organizations, such as rural associations in West Africa (*kafoolu*), samba schools and sports clubs in Brazil, and 4-H and Scouts everywhere. National service, whether military or civil, is another way countries have explored for active participation. Analysts do not agree on whether the schemes facilitate the transition to citizenship, but most believe that voluntary rather than mandatory programs are preferable.

73. Often the young are more likely in local settings to have opportunities to be heard and have a more direct impact. In Ceará, Brazil, youth had a chance to vet the state budget and identify initiatives previously not on the agenda. The effect of broadening such opportunities is not simply to ensure stability—it is often a way to get better outcomes if the young’s creative energies are used productively. It is also a good way to develop skills in decision-making.

Policies that enhance capability: youth as decisionmakers

74. The second youth lens focuses on the need to help young people decide more capably among life’s opportunities. When young people enter adolescence, the most important decisions are made for them by their parents and the elders in their families. As they get older, this shifts from parents and families to youth themselves—they begin to be decision-makers. The speed of the shift varies greatly for the different transitions. In some societies, the transition comes early. For many others, it comes only for some decisions—and at an older age. And for some, such as young women in traditional societies where decision-making simply shifts from parents to husbands, independence never comes.

75. These differences are well illustrated in the responses to an international survey of 15-24 year-olds, which asked in different settings who has had the most influence on decisions about marriage, education, and occupation (figure 11). Very few young Bangladeshi women think they have the most influence on their schooling or marriage

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\(^{63}\) World Bank (2003).
choices. In contrast, Albanian, Malaysian, and Romanian youth feel remarkably empowered to decide for themselves. Ethiopians, Iraqis, and Tajiks are mixed. The results for males mirror these proportions with a few exceptions (chapter 2). Iraqi males feel less in control about work and school than females; Bangladeshi males feel significantly more in control than females about work and marriage, but not about school.

**Figure 11** Who has the final say? The percentage of young women who feel they themselves have had the most influence on key life transitions varies greatly across societies

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</tbody>
</table>

*Note: The figure shows the percentage of young people who answered “Myself” (rather than parents, government or other) to the question: “Thinking of [each transition: the occupation you have or have had; your marriage partner, your years of schooling], who has had the most influence?”

**Source:** World Development Report 2007, Intermedia surveys.

76. Even if there is not outright independence, young people everywhere make important decisions that can affect their futures, even in what are seemingly tradition-bound communities. Young primary school completers may dutifully enroll in secondary school to please their parents but not put in enough effort to succeed. Young couples may be prohibited by laws from marrying too young but still have sexual encounters that lead to unwanted pregnancies.

77. This Report defines “agency” as the ability of young people to define their goals and to act on them. Officially recognizing youth’s role in society is a prerequisite. This might be as simple as ensuring they have legal identity, including the basic documentation often crucial for access to basic services. According to UNICEF, more than half of all births in developing countries are unregulated.

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78. But agency is not sufficient—it must be informed, resourced, and responsible. That is, if it is to help young people take advantage of existing opportunities, it must be “capable.” What determines this capability? Access to information, command over real resources, and the ability to process and act on the information. Policies can help all in all three.

**Informing youth**

79. Young people know a lot. Because they are on average better educated than previous generations, their literacy rates are much higher. Young people are also much more frequent users of one of the most ubiquitous source of information now available—the internet. But there’s much more to know. Young people’s knowledge base to inform key decisions about human capital investment and risk-taking behavior is often deficient. Recall the low rates of knowledge of condom use among young females in Africa, even those who are educated (see box 3). A survey of otherwise well informed and educated Vietnamese youth aged 14-25 conducted in 2003 indicates that fewer than 60 percent of rural youth had ever heard of syphilis or gonorrhea. Only about a third had heard of the menstrual cycle. In a country where traffic accidents are the leading cause of death and serious injury for those aged 15-19 and where motorbike use by urban young people exceeds 70 percent, only about a quarter use a helmet—many are simply not convinced of its protective value.

80. What can be done to better inform youth about the benefits and costs of human capital investment? Four main things: use schools, use the broader media, improve the content of dissemination campaign, and harness new technology.

81. First, improve the curriculum already being taught in schools and the information about schools. Expanding opportunities in schools, discussed in the previous section, is the surest way to enhance the capability of young people if they succeed in inculcating life skills. This goes beyond skills needed for further schooling and work. Young people pick up much of what they know about the practicalities of daily living in school environments. School-based reproductive health education programs can increase knowledge and the adoption of safe sexual behavior. A school-based sex education intervention in Kenya—providing young girls with specific information, such as the prevalence of HIV infections among older men—reduced pregnancies. Moreover, evaluations have found no evidence that sex education leads to increased sexual activity among youth.

82. But it is not enough just to intervene in schools, because so many youth drop out in developing countries. This is often due to poverty, but it may also be that young people are not well informed about the benefits of going to continuing education. In the Dominican Republic, simply telling young boys the “real” earnings premium to

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68 Dupas (2005).
69 Knowles and Behrman (2005).
education, a relatively cheap intervention, increased retention at secondary levels significantly (box 6).

**Box 6  Knowing what’s good for you—Telling young people about the benefits of school can affect outcomes**

Do young boys know the value of schooling? Not always. In the Dominican Republic a survey of boys in 2001 enrolled in the final year of primary school compared the returns they perceived to continuing their education with the actual returns in terms of differences in earnings from age-earnings profiles. The study found that they accurately estimated the returns to completing primary school (but not completing secondary school) consistently with estimated earnings profiles. But they severely underestimated the returns to completing secondary school. The measured actual average earnings gains (from surveys) between secondary and primary completion, at 1,299 Dominican Republic pesos (4,479 less 3,180), was 10 times the perceived gain of 141 (3,246 less 3,105) (box figure). The differences were most pronounced for the youth in the poorest households.

**Box figure  The measured actual earnings gains for completing secondary are much higher than the perceived gains**

![Chart showing measured and perceived earnings gains](image)

Some students at randomly selected schools were then given information of the estimated actual earnings profiles. Follow-up surveys in 2005 indicate that those who were given the information were 12 percent more likely to be attending school in the following school year relative to those who did not.70


83. *Second, examine options outside such traditional institutions of skill formation as schools.* This is important especially to target those who have dropped out or never sought education. Cambodia and Thailand contained the spread of HIV/AIDS, which threatened runaway proportions, partly through structured information campaigns that worked through media and information providers in all sectors of the economy.71

84. A few rigorous studies have attempted to solve the attribution problem—how can outcomes be reliably attributed to programs that promote agency, as opposed to many other influences? One that tries to do so is Egypt’s Safe Spaces for Girls Program, which provided functional literacy training and supervised participation in active sports for almost 300 adolescent village girls in southern Egypt from 2001 to 2004. It showed that girls in the program are more open to positive change than girls not in the program,

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71 World Bank (2004a).
especially in altering non-traditional beliefs and improving perceptions of family environments.\textsuperscript{72}

85. The Better Life Options (BLP) program provides a combination of various services to young women (aged 12-20) in peri-urban slums and rural areas in India. It disseminates information on reproductive health and services, provides vocational training, and promotes women’s empowerment through recreational events and dissemination. A multivariate analysis indicates that those in the program were significantly more involved in key life decisions—such as spending in the household, when to marry, and whether to continue education than those who were not.\textsuperscript{73}

86. \textit{Third, harvest worldwide knowledge through new technologies, such as the internet, to inform youth.} A better investment climate for private investment in technology is important for young people. Youths are especially likely to use communal modes of access, such as internet cafes, so government regulations to allow easy entry of firms into these sectors would help. A reform of the licensing process in Algeria that made it more affordable to obtain authorization to provide internet service led to an explosion of internet cafes between 1998 and 2000 (chapter 8). But since much of the information on the net would be in a foreign language, efforts to kickstart local content are needed. Many youth also need guidance on how to avoid the risks of using the internet and to learn how to find reliable information among the mass of content available.

87. \textit{Fourth, improve the delivery and management of information to ensure that what should be taught is taught well.} Some who purport to be trainers are often poorly trained themselves. Addressing this in developing countries requires training trainers better and improving their incentives. School-based career guidance services, a fairly new initiative, show some promise in Chile, the Philippines, Poland, Romania, Russia, South Africa, and Turkey. One consistent finding is that success depends on the information available to the counselors.\textsuperscript{74}

88. Some programs give peers a prominent role. Many of a young person’s peers are ill informed, and the consequences of ill informed conclusions, because of the ‘noise’ in the information flow, can be profound. Many studies show that young people tend to overestimate the amount of sexual activity and other high-risk behaviors in the population, putting more pressure on them to conform.\textsuperscript{75} But in many societies, especially as the young seek their identity, peers could have at least as much influence on decisions as families or schools. Programs have begun to include them as part-time service providers, such as Jamaica’s Health Ministry, which encourages peer-to-peer learning to combat HIV/AIDS.\textsuperscript{76}

\textsuperscript{72} Hozayin (2004)
\textsuperscript{73} Center for Development and Population Activities (CEDPA) (2001).
\textsuperscript{74} Chapter 3.
\textsuperscript{75} Basu, Ku, and Zarghamee (2006).
\textsuperscript{76} Hahn and Leavitt (2003).
Helping them command resources

89. Because young people are only beginning to be financially independent, they naturally confront more restraints on their consumption and investment decisions. Indeed, one of the reasons that the age of leaving home is getting later even in richer countries is that young adults rely on their families to get on a firmer economic footing. In Italy the proportion of men 25-29 years old living in the parental home increased from 50 percent in 1986 to 66 percent in 1994. But for those from poor families, or for those who for one reason or another (orphanhood, broken families) can no longer rely on family resources, the result could be a rocky start on the road to a sustainable livelihood—and for young females a weak negotiating position within families, especially as they face marriage and childbearing.

90. Choosing to invest in skills presents substantial costs. Out-of-pocket costs tend to vary—for the half of all university students in private universities in Argentina, Brazil, Chile, and Colombia, they range from 30 percent to 100 percent of GDP per capita. Even for students in free public universities the opportunity costs are substantial. Because of the big personal payoffs to higher education, such costs would not be a binding constraint if liquidity were not an issue. But it is. A recent study for Mexico showed that households are less likely to send their offspring to university if they had a bad year, even if their permanent long-term income remains unchanged.

91. The obvious way to lift this constraint is to provide credit to the student. Since commercial loans are not available to the poorest students, who do not have the collateral or parental guarantees to back them up, such credit schemes could not function effectively for all without government support. Moreover, the pressures on the young to begin a livelihood are high enough even without the having to pay back a debt that is many multiples of initial earnings. And many public institutions have found it difficult to administer such schemes because of low repayment rates, especially given the many episodes of youth unemployment. Australia has pioneered a system that makes repayment contingent on graduates’ incomes, as tracked in tax systems. Middle income countries such as Thailand are only now starting to try such schemes, which are worth monitoring and evaluating. For countries with poorly developed income tax systems, alternative mechanisms such as targeted school vouchers and individual learning accounts that encourage savings for education may be better (chapter 3).

92. The income constraint is binding in poorer countries even for secondary education. Because parents are the main means of support for young people at this age, some subsidies to encourage enrollment target the household, but, the transfers are conditional on achieving youth-related outcomes. Mexico’s Oportunidades, for example, provides such an incentive by giving larger transfers to households if young females (versus males) stay in school. In rural areas girls’ enrollment in all three years of middle school increased for much more than that of boys (figure 12).

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77 Billari, Philipov, and Baizán (2001).
78 De Ferranti and others (2003), p. 97.
79 Jacoby and Skoufias (2002).
93. Some innovative programs have channeled subsidies directly to students, particularly young girls—partly as an inducement for them to perform well in school but also to ensure that they “own” the decision to attend, circumventing age-old biases against girls’ schooling. The Bangladesh Female Secondary Stipend Assistance program (FSSAP) targets to girls aged 11-14, transferring a monthly payment to bank accounts in the girls’ names, contingent on their performing well enough to pass in school and staying unmarried. A similar, albeit smaller, program is being tried in the Indian state of Haryana through the *Apni Beti, Apna Dhan*\(^80\) scheme (chapter 6). While such programs have yet to be rigorously evaluated, the long-standing Bangladesh program has been associated with the enormous increase in girls’ enrollment there.\(^81\) Such incentive-based schemes may work too well if they force the provider only on quantity and not quality. Concerns about learning outcomes in the first semester of FSSAP are being addressed in subsequent programs.

**Figure 12  It pays to go to school**
Percentage increase in middle school enrolment due to *Oportunidades* in rural areas by sex and grade: 1997-2001

![Bar chart](image)

**Source:** Parker (2003).

94. Such programs do more than help young girls go to school. They also point to the role of resources in enhancing the capability of young women as decision making agents within the family. Some early marriages are arranged more for the convenience of families and parents than for the young couple. While many are successful, there still are outrages, illegal in almost all countries, such as the exchange of brides younger than 12 years to men 60 and older, in exchange for a debt repayment, some as little as $16.\(^82\) Poor young women are also more likely to succumb to pressure to accept money or goods in exchange for sex, increasing their risk of sexually transmitted infections. Helping them earn a living or providing credit and savings may empower them to withstand the pressure to engage in risky behavior.

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80 Meaning “Our Daughters, Our Wealth”.
81 Arends-Kuenning and Amin (2000).
82 LaFraniere (2005).
95. It takes money to make money. Young people, constrained from earning a living by working for others, often work for themselves. Some seize opportunities voluntarily; others do so out of necessity. But the barrier of finance is common to all. The young, even if they have the brightest of prospects, have no credit rating, are inexperienced, and can offer no collateral to start a livelihood. More programs now try to help such young entrepreneurs, but they still need to be evaluated rigorously. Early lessons from Latin America’s Endeavor programs, providing financing and technical assistance to young people, are promising (chapter 4).

**Enhancing the capacity to decide well**

96. Young people, once resourced and informed, still have to filter and assess the information—so much more of it, given the internet—and consider the consequences of their actions. For example, in a diverse set of countries surveyed, the gap between knowledge and condom use among young women aged 15-24 is large and does not change with educational attainment (chapter 5). The process of evaluating information and basing actions on that evaluation is difficult enough even for the most confident. And for many young people, it is more complicated because they are still seeking their identity. The process of developing a person’s sense of self has been used by some economists to explain seemingly irrational acts that puts human capital at risk, including youth’s tendency to engage in risky behavior, such as violence-prone gangs, despite the low expected economic payoffs to such activities.\(^{83}\)

97. The ability to process information starts to develop early in school. Despite the big gains in enrollment rates, many education systems fail because they emphasize rote learning of facts. Almost none emphasizes thinking and behavioral skills—motivation, persistence, cooperation, team-building, the ability to manage risk and conflict—that help individuals process information and come to sensible, informed decisions. These programs have been well tested in developed country settings such as the Netherlands and the United States and are now beginning to be tried in developing countries as well (chapter 3).\(^{84}\)

98. Sometimes changing attitudes requires changing the environment for learning—to counter entrenched practices, some not even recognized, to channel behavior. Research from secondary schools in Thailand indicates that girls who study in single-sex environments do better in math and develop more leadership skills than girls in mixed-sex environments, a finding consistent with research in developed countries.\(^{85}\) Another example: U.S. residential job-training programs, which allow participants to avoid interactions in their dysfunctional neighborhoods and develop their self-image. The programs are more successful than those that try to save money by eliminating the expensive housing component.\(^{86}\)

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\(^{84}\) See chapter 3.

\(^{85}\) Jimenez and Lockheed (1989).

\(^{86}\) Akerlof and Kranton (2000).
99. Coming to the correct decision can also be influenced by incentives, especially if the young would not take into account the effects on others (or on themselves in the long run)—even if they had the information and knew how to decide for themselves. In Indonesia an increase in the price of cigarettes is estimated to affect consumption for the young more than it does for adults, a finding consistent with those in richer countries. By contrast, banning cigarette and alcohol advertisements and setting minimum ages for drinking try to increase the “price” of such behaviors, but their impact tends to be weak.

\[\text{Policies to offer second chances}\]

100. Policies that broaden opportunities available to young people and that help them choose wisely among them are the priority. Yet many cannot take advantage of these opportunities, even if offered. What can be done for the 19 year old whose poor parents took her out of school at the age of 9, after having learned nothing? Or her twin brother who is still in primary school? What about the young who contracted HIV/AIDS at birth? Or the unemployed 23 year old who has just started a family but never learned any on-the-job skills because he could not get a job in the formal sector? And the petty pickpocket incarcerated in an adult jail along with hardened criminals? What are the options, if any, for these people who have been dealt life’s proverbial bad hand?

101. Some young people have undesirable outcomes because others have restricted their opportunities—others, because they chose the wrong path. More than half of all infections of HIV/AIDS occur among young people under 25, much due to voluntary sexual behavior or intravenous drug use. Half of all murders and violent crimes in Jamaica are committed by young males 18-25, a group making up 10 percent of the population. This is not totally unexpected, since behavioral research shows young people to be less risk-averse than older people and criminal activity is a risky business.

102. Since remediation is extremely costly, it’s important to pay early attention to the basic needs of younger children and to broaden the opportunities for young people and helping them decide wisely—that’s what the previous two sections were about. But policies that help youth recover from bad outcomes can provide a ‘floor’ and benefit society well into the future. Programs that do so are referred to in this Report as second chances. They must be well designed, well targeted, well coordinated, and give the right incentives to beneficiaries.

\[\text{Targeting programs finely}\]

103. Because of the high cost of second-chance programs, it is important to direct them to the neediest youth, such as orphans and those from families too poor to provide a safety net. Interventions that use means testing, geographic targeting, and self-selection

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88 WHO (200x).
89 Hahn and Leavitt (2003).
90 While most of this research has been done in developed countries such as Germany, the experimental result is robust across a number of settings. See Dohmen and others (2005).
based on a work requirement are all associated with getting a larger share of the benefits to the lower two quintiles of the population. 91

104. Two lessons hold for all social assistance programs—avoid errors of inclusion, and do not give subsidies to those who don’t need them. But for youth it may be more important to target to avoid errors of exclusion—leaving out young people who need to be reached. This is especially true for health risks, since some risky behaviors may not have an immediate and discernible impact on health.

105. More than 100 million young people are afflicted by sexually transmitted infections (STIs), including HIV, every year. Some of these are easily treated if identified early. But many go unnoticed, especially when initial symptoms are mild.92 In South Africa many reproductive health services are not easily accessible to young people; when they do go, they feel that facility staff are judgmental and hostile.93 It might not be surprising, then, that those who contract STI would rather go to traditional healers than to low-quality and high-cost formal services. In Nigeria94 providing school students with STI health education and training pharmacists and private doctors to treat STIs in adolescents increased the uptake of STI services among sexually experienced students and reduced the incidence of STIs.95

*Integrating second chances with mainstream programs*

106. Countries have many programs that try to mitigate the effects of undesirable human development outcomes for youth: youth rehabilitation programs, treatment programs for those infected with communicable diseases, retraining programs for dropouts. Many of them are small and disconnected from each other, risking very costly parallel programs. Worse, they may not allow for re-entry into mainstream programs.

107. Coordination is the key here. Graduate equivalency, for example, allows dropouts to take classes that will eventually get them the equivalent of a primary or secondary diploma. Even without the paper certificate, getting the equivalent skills would help. The Underprivileged Children Education Program (UCEP) in Bangladesh helps 10-16 year olds who have dropped out of primary school—the aim is to school them for three years and feed them into UCEP-run vocational programs. Studies show that the program, which served 36,000 students in 2002, has costs per student roughly the equivalent of the regular school system (around $20 per year). At the tertiary level the community college system in the United States, designed originally to provide second chances for adults, is now being used increasingly as a second-chance program by young high school graduates—three-quarters of all remedial students are in community colleges.96

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91 Coady, Grosh, and Hoddinott (2004).
94 Temin and others (1999).
95 Okonofua and others (2003).
108. Mainstream programs have to be flexible so that early mistakes don’t turn into permanent liabilities. Some countries stream students as young as 10 into differing ability schools, while others keep them comprehensive. A recent study across 18 countries, comparing the performance of these students on standardized international secondary-level tests, finds that early tracking not only increases education inequality (there is no catching up despite the segregation) but may also lessen performance.97

Remediation with accountability

109. No one doubts that all people, including youth, should face the consequences of their risky behaviors, for their own good if they are myopic, and for the good of society if there are spillovers. For criminal behavior, moral justice and deterrence demand it. But for youth having strayed, what is best for society? Rehabilitation is very costly, but the payoffs are highest for young people who still have a lifetime of potential productivity ahead of them. For those who commit crimes at a young age, what is most critical is that they face the consequences of their action without being made to lose hope. Many of these young people—some with relatively minor misdemeanors, some because they are homeless—are often incarcerated along with adult hardened criminals. In the United States, where more than 10,000 juveniles are housed in adult facilities, harsher prison conditions are associated with higher recidivism rates.98 The general lesson: consequences should be commensurate with the gravity of the crime, and programs should facilitate the reintegration of these young people into healthy and productive roles in society.

110. There have been some successful interventions (chapter 7) to overcome the limited capacity of court systems, such as the Justice on Wheels program in the Philippines, in which judges travel to correctional facilities around the country to speed up the trial process. And as an alternative to traditional retributive justice, more than 80 countries have implemented restorative justice programs. These are alternatives to detention, and can promote rehabilitation and minimize the risks to both young people and society. They provide opportunities for victims and offenders to meet, and to agree on a plan of restitution. The most famous of these is the Truth and Reconciliation program that was implemented in South Africa after the fall of apartheid.

111. Young people have been involved in conflicts in every part of the globe: estimates suggest that 300,000 under the age of 18 are now or have recently been involved in armed conflict, and another 500,000 have been recruited into military or paramilitary forces.99 Experience with disarmament, demobilization, and rehabilitation programs shows that it is possible for young combatants to reconstruct their lives in peacetime. Ex-combatants clearly require skills training to prepare them for post-conflict life, but they also need medical and psycho-social support to overcome the trauma they have suffered.

97 Hanushek and Wößmann (2005).
98 Chen and Shapiro (2004).
And young female ex-combatants may have a distinct set of needs which may not be addressed by programs designed for male soldiers.\textsuperscript{100}

112. Any remediation program confronts what economists call moral hazard. If someone knows that the consequences of risk-taking behavior are mitigated by a government program or by insurance, that person might engage in more risk-taking than warranted. Some expressed fear that the availability of antiretroviral therapy could cause young people to take fewer precautions. In Kenya condom use fell after government announced reported “cures” for AIDS.\textsuperscript{101} The solution is not to deny second chances like treatment—that would be unethical as well as wasteful. Instead, it is to build in incentive schemes that encourage the care-taking behavior to persist even as people undergo treatment. Programs that enhance both capability and second chances have a better chance of success.

113. This concept is well illustrated in vocational training programs for out-of-school youth. In a variety of country settings these programs tend not to pass cost-benefit tests.\textsuperscript{102} But when training is provided as part of a comprehensive package that gives recipients the incentives and information to find jobs—such as employment services, counseling, and life skills-training—they have better outcomes. Evidence from Jovenes programs in Latin America show that such programs, targeted to training disadvantaged youth 16-29 years of age, can have significant effects on employability and earnings. They may also be costly to provide, but the costs compare well to other human capital development programs for young people.\textsuperscript{103}

Moving forward

114. The broad policy directions recommended in this Report—divided according to the youth lenses of opportunities, capabilities, and second chances—are summarized in table 1. The table highlights which where youth investments are most needed. Some of the actions and programs require a reallocation of resources. These include the recommendations to attend to quality in the development of basic skills for adolescents and young adults, at the same time as governments need to press ahead with meeting quantitative targets for children. In countries that have already met its basic quantity and quality targets, the priority is expanding access to upper secondary and tertiary education, especially by stimulating the demand for education. Most of these are summarized in the first two columns of table 1.

115. Public spending alone will not do the trick. Policies must stimulate young people, their parents and their communities to invest in themselves. The Report describes the failures in markets, institutions, and policies that contribute to an inclement climate for human capital investments in young people. The good news is that reforms to correct for these failures may not be as costly to the public purse as direct investment; the bad news is that they may require more difficult political, rather than economic, tradeoffs. For

\textsuperscript{100} Humphreys and Richards (2005), Humphreys and Weinstein (2005).
\textsuperscript{101} Jha and others (2001).
\textsuperscript{102} Heckman, LaLonde, and Smith (1999).
example, the returns to investing in young people would be substantially enhanced with trade and labor market reforms to deploy human capital more efficiently through more open competition. But this may threaten older workers who would like to maintain their present entitlements.

116. Improving the investment climate for human capital requires measures that target the benefits, costs and risks that young people perceive. These measures, which this Report has described as enhancing capability and offering second chances to young people, are summarized in the last 4 columns of table 1. They, too, may be controversial, either because some societies see decision-making in the hands of the young as a threat or because it is costly to mitigate the effects of bad decisions, even if the young were not responsible for them.

117. Mobilizing the requisite economic and political resources to stimulate reform will require countries to resolve three issues (chapter 9).

- **Better coordination and integration with national policy.** Youth issues by nature cut across sectors, while most policies that influence them are set within sectors (box 7). So the challenge of coordination looms large. Countries that have experienced success are those that have drawn up a coherent national framework for youth, supported by all ministries. This framework needs to be well integrated into the national policy planning and budgeting processes, like the poverty reduction strategy processes, rather than seen as standalone programs run by underfunded and overmandated youth ministries, which are more effective as coordinating bodies.

- **Stronger voice.** Young people’s lack of voice means they are a weak constituency for reform. Parents do not represent the views and aspirations of young adults as they do those of younger children. Yet youth may still lack the opportunities or self-confidence to represent themselves in public fora. Young people need to be encouraged to participate more fully in public life. And governments and other agencies need to learn to communicate with young people, make their programs attractive to them, and deploy the immense talents of youths as partners in service delivery.

- **More evaluation.** The dearth of rigorously evaluated youth-oriented programs and policies that can serve as examples has seriously undermined the credibility of most of them, even if many are promising. Preparing this Report was a challenge because of this gap—studies like those in box 7 were fairly rare. Addressing this gap requires capacity-building in government and incentives to use evidenced-based criteria in deciding among programs. Because such knowledge is a public good, it also requires international funding. The policies and programs mentioned in table 1 include, not only those that have been rigorously evaluated, but those that appear to be promising based on professional judgments. Otherwise it would have been a patchy table indeed.
| Policy goals                                                                 | Policy actions and programs                                                                ieres                                                                                                                                                                                                 |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **Broaden opportunities for young people to develop**                      | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                 |
| their human capital                                                        | Improve quality at primary and lower secondary                                             | Targeted scholarships based on merit and need conditional on outcomes (Bangladesh Female Secondary Stipend Program)                                                                                                                                                                                                 |
| Children enter adolescence with sufficient basic skills for further learning and practical living | Universalize lower secondary                                                               | Micro credit for youth (?)                                                                                                                                                                                                                                                                                         |
| and practical living                                                       | Redesign inflexible educational systems to be more diverse and to integrate academic with life-skills (Chile Education Reform) Motivate teachers with incentives Address demand-side constraints among girls through women teachers, improved school environ. | Income-contingent loans (Australia, Thai)                                                                                                                                                                                                                                                                              |
| Young people enter labor force at the right time and are mobile to be able to accumulate higher order skills | Align minimum wage with market realities Break down barriers to mobility (labor market, residence regulations) | **Policy actions and programs**                                                                                                                                                                                                                       |
| All young people are given a voice in civic life                            | Recognize youth as significant stakeholders in public institutions and as legal entities (policy consultations in Ceará, Brazil) | **Policy actions and programs**                                                                                                                                                                                                                       |
| **Develop capabilities of young people as decision-making agents**          | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Young people have appropriate command over resources that affect life-chance decisions | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| **Offer second chances to manage consequences of bad outcomes that occur early in life** | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Allow young people to regain access to services that safeguard and develop human capital | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Give hope to those who have committed crimes or who were combatants in armed conflict | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| **Policy actions and programs** Demand-driven programs that help youth reenter mainstream education systems (graduate equivalency) Treatment for HIV/AIDS for young people Retraining programs linked well to labor demand (Argentina?) | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Restorative justice and rehabilitation programs that are cost-effective (Sierra Leone, Uganda) South Africa Truth and Reconciliation | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| **Policy actions and programs** Demand-driven programs that help youth reenter mainstream education systems (graduate equivalency) Treatment for HIV/AIDS for young people Retraining programs linked well to labor demand (Argentina?) | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Support decision-making by recognizing identity and giving incentives to shift behavior | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |
| Curriculum reform to stress non-cognitive skills training Including students in school decision-making Cash transfers conditional on outcomes ‘sin’ taxes | **Policy actions and programs**                                                            | **Policy actions and programs**                                                                                                                                                                                                                       |

**Table 1** Policy goals, directions, actions, and programs
Box 7 All dressed up and somewhere to go in Bungoma and Butere-Mumias

A recently concluded randomized trial in Kenya evaluated a multisector program that gave incentives to young people by providing them with school uniforms, a significant expense for young people and their families. It showed that lowering the cost of education by providing these uniforms had a strong effect not just on male and female dropout rates—it also lowered the percentage of teenaged females who have started childbearing (box figure). This effect was greater than that of a program aimed specifically at the early childbearing—a teacher training program for Kenya’s HIV/AIDS curriculum. Such spillover effects might not figure in if one were to take only a sectoral perspective.

**Box figure** Lowering the cost of education by providing school uniforms in Bungoma and Butere-Mumias Districts, Kenya not only lowered drop out rates—it also delayed childbearing among teens

Note: The differences between treatment and control groups are statistically significant.
Source: Duflo and others (2006).

118. The issues raised in this Report may never be resolved. After all, parents have been complaining about their teenagers (and vice versa) for a long time. Such issues are part of human maturation and outside the realm of development economics. But the Report argues that the deeper issues of youth can put them, and all of development, at risk. It shows that examples abound where young people, supported by good policies and institutions, have not only coped but flourished, thereby contributing to the future of all generations.
References
The word processed describes informally reproduced works that may not be commonly available through libraries.


