

Overview

Her performance is riveting. Geórgia, 15, an impoverished street child, failing student, and aspiring actress, moistens the eyes of the international aid officials visiting a halfway house for young girls in Recife, Brazil. She is playing the part of an abused young girl on a makeshift stage, where she dreams about coping with the stresses of her life: the indifference of her 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 finds it easy to play the role because it mirrors her life so closely . . . but she also has plenty of talent.

After the play, as she speaks to the visiting foreigners, the precocious performer reverts to the shy, awkward teenager that she still is. She is 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 is anxious about her future, especially how to get motivated for the boring classes in the public school that she occasionally attends. But for the first time in her young life, she is hopeful.

Across the ocean in Freetown, Sierra Leone, Simeon, 23, is wondering what to do next. For the past 15 years his life had been disrupted by the long civil war. He and his family, living in Koidu, a hotspot of the conflict, had to flee for their lives several times. They were once captured and forced to serve the rebel forces for two years. The impact of such unrelenting exposure to violence is clear when he says that he feels as if 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 later died, and when his sister was forced to return to Koidu as a sex worker.

Still, he wants to restart his life. Working as a volunteer for a nonprofit organization that serves and rehabilitates youths through counseling and education, he feels good to be part of a group and learning again, including how to operate computers. He also wants 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, Van, 21, a third-year student at one of Hanoi's most prestigious tertiary institutions, is at a friend's house rehearsing Celine Dion songs with her band. A conscientious student, she passed the rigorous entrance examination with the unconditional support of her parents, both professionals. She earns extra money by translating newswires from English to Vietnamese on her home computer—experience she hopes would help her enter the journalism field. Her enthusiasm for playing computer games and surfing the Internet gives her uncommon self-confidence in technology. It also helps that she is in almost constant contact with her friends, thanks to Internet telephony and instant messaging.

Her most immediate concern is that her parents may not let her join her boyfriend on his newly acquired scooter to cruise Hanoi's streets on a busy Saturday night. She knows that they rightly fear for her safety, having heard of several friends who recently had serious motorcycle accidents.

There are many young people like Geórgia, 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.

“Our parents never got the opportunities we have; it is up to us to make the most of them and achieve [something], and to make sure we can look after our parents in their old age.”

Young male,
Dhaka, Bangladesh
January 2006

Most policy makers know that young people will greatly influence the future of their nations. Trying to help, they face dilemmas. When primary school completion has gone up so dramatically, thanks to public investment, 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. The answers are important for growth and poverty reduction. This *World Development Report* offers a framework and provides examples of policies and programs to address the issues.

Decisions during five youth transitions have the biggest long-term impacts on 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 relevant range to cover the transitions from puberty to economic independence.¹

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 capabilities to choose well among these opportunities by recognizing them as decision-making agents and by helping ensure that their 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

The situation of young people today presents the world with an unprecedented opportunity to accelerate growth and reduce poverty (chapter 1 of the report). First, thanks to the development achievements of past decades, more young people are completing primary school and surviving childhood diseases. However, to succeed in today’s competitive global economy, they must be equipped with advanced skills beyond literacy; to stay healthy, they must confront new disease burdens, such as sexually transmitted diseases and obesity. Second, lower fertility rates in many countries mean that today’s youths will enter the workforce with fewer nonworking dependents, and thus fewer to support. If they remain unemployed for long periods, though, they could be a drain on the economy.

Building on a stronger base of human capital

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 developing the human capital to take advantage of those opportunities. Broad-based economic growth is important.² So is providing basic education and health care, especially for children—to provide the foundation of basic skills and well-being. Doing both has brought significant progress. Primary school

enrollment 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 years to 65 in less than 40 years.³

With these advances come new challenges. Further progress requires young people who are more capable and involved. But higher completion rates at primary levels strain the capacity for places in secondary school (figure 1). Almost all Indonesian children attend six years of schooling, and 80 percent of even the poorest complete primary levels. Then, however, enrollments drop dramatically, especially for the poor. Fewer poor Zambian children enroll to begin with, but they, too, fall off at secondary levels. Girls particularly are left behind, just as they were in the expansion of primary education, except in South America, Eastern Europe, and the former Soviet Union.⁴ 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 Organisation for Economic Co-operation and Development (OECD) countries (chapter 3).

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

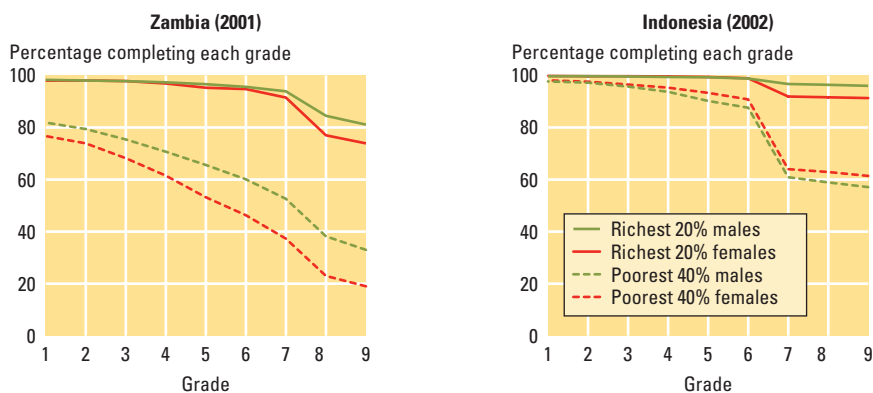
of skilled and educated workers in a more integrated global economy may not necessarily lead to falling returns to skills. It may actually boost the demand for skills even further by inducing faster skill-intensive technological change.⁵ Investment climate surveys show that more than a fifth of all firms 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 operations.⁶ The private returns to secondary and higher education have been rising, especially in countries that have close to universal primary education.

There are also new challenges in health. Having survived the scourges of childhood, young people confront health threats 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 of them young women and girls (discussed in chapters 1 and 5 of the Report). 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 ages 15–29 in Sub-Saharan Africa. In other regions, noncommunicable diseases are now the leading cause of death for young women. Injuries caused by accidents and violence are the leading cause for young men.

“... even the most low skill jobs ... require secondary school completion, sometimes even university studies—even though there is no need for it. It leaves behind those kids who, for some reason or other, could not finish secondary school.”

Young person,
Buenos Aires, Argentina
December 2005

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



Source: Authors' calculations from Demographic and Health Surveys.
Note: Quintiles are based on an index of assets and housing characteristics.

Addressing these challenges will affect poverty reduction far into the future for at least two reasons. First, the capacity to learn is 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. Better educated parents have fewer, healthier, and better educated children. 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. These intergenerational effects lift families out of poverty over the long term.

Seizing the opportunities from a “youth bulge” in the population

The need to address 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.

Today, 1.5 billion people are ages 12–24 worldwide, 1.3 billion of them in developing countries, the most ever in history. This number will rise but not by much more, because 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 composed of the middle-aged, the baby boomers. Their immediate challenge is how to ensure adequate and sustainable old age income support.

A few developing countries, especially those in transition in Europe and Central Asia, mirror developed country age patterns. However, in most developing countries, the number of young people is peaking or will peak in the next 10 years. Others, including all of Sub-Saharan Africa, Afghanistan, Iraq, West Bank and Gaza, and the Republic of Yemen, will not hit the peak for 20 years

or more. They have more classically shaped population pyramids with broad bases for the youngest ages, tapering up gradually with age.

These numbers can be a fiscal and economic risk. A recent study estimates the yearly cost per secondary school student in Sub-Saharan Africa to be almost three times that of public cost per pupil in the primary level.⁷ Add to that the cost of addressing AIDS and noncommunicable diseases, and financing the fiscal burden, difficult to manage in the best of times, can be a constraint on growth. Moreover, if youth remain unemployed for long periods, as happened when the baby boom occurred in Europe and the United States, this not only wastes human resources—it also risks misaligned expectations and social unrest that could dampen the investment climate and growth.⁸

These large numbers can also be an opportunity. The fertility transition means that many developing countries are in, or will soon 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 provides a window of opportunity to spend on other things, such as building human capital.

The window of falling dependency rates can stay open for up to 40 years, depending on the rate of fertility decline. Then aging closes it. The good news is that almost all developing countries are still in this window (figure 2). Of those that 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 1965–90 to the faster growth of its working-age population and better policies for trade and human capital development.⁹ If countries fail to invest in human capital—which is most profitable for the young—they cannot hope to reap this demographic dividend.

Other poor countries in Sub-Saharan Africa, South Asia, the Middle East and North Africa are about to see the window of opportunity open (figure 2). If they are to follow the Asian economies’ growth

path, they need policies and institutions that broaden the opportunities for young people to develop their human capital and use it productively in work. Indeed, the overall skills of the labor force, built largely in childhood and youth, strongly affect the climate for investment in firms. And, where enrollment in postprimary education is high, skill shortages, a feature of all developing countries, are lower.

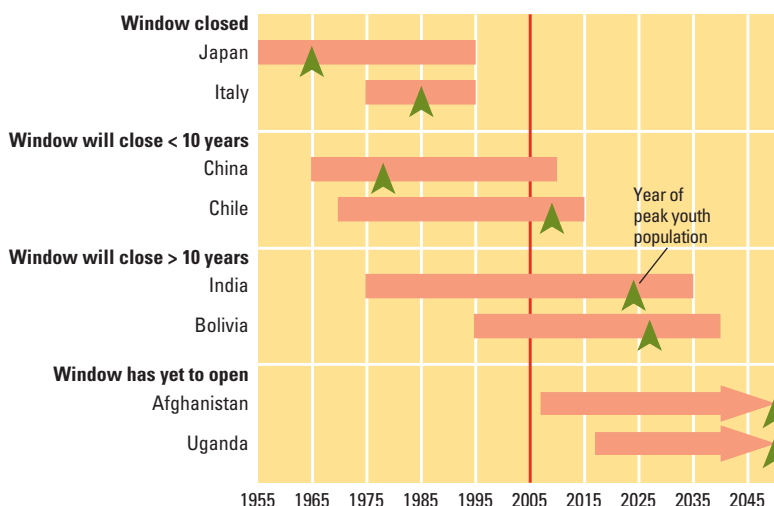
Getting it right today can have huge pay-offs for the future because young people, as the next generation of household heads and parents, will have profound impacts on their children.¹⁰ To illustrate, consider Kenya, where AIDS is projected to have very damaging effects on human capital investment because 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 family's expected returns to educational investment. Public investment in young people, costly as it may be, is well worth it (box 1).

Investments during youth's five life transitions

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 made well, decisions about these transitions will develop, safeguard, and properly deploy human capital. If made badly, the consequences will be very costly to correct because dropping out of school, prolonged periods of unemployment, or risky health behaviors can leave permanent scars.

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.

Figure 2 Opening and closing demographic windows of opportunity



Source: United Nations (2005b), medium variant.

Note: Bars show the range of years for which the dependency ratio—the number of dependents relative to people of working age—is falling.

BOX 1 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 Africa: "By killing mostly young adults, AIDS does more than destroy the human capital embodied in them; it deprives their children of the very things they need to become economically productive adults—their parents' loving care, knowledge, and capacity to finance education."¹¹

In a recent 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 about 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 2.0 and 3.5 times that of costs—a worthwhile investment indeed.

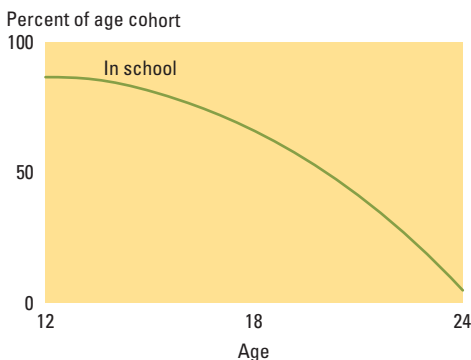
Because of the long-run synergy between postprimary education and the health of young adults, combining this subsidy with direct measures to combat the AIDS epidemic and treat its victims would do better still. A program that combines a lower educational subsidy with measures to combat the epidemic and 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 Gersbach (2006).

Learning after primary school age

At the age of 12, more than 85 percent of all children in developing countries are in school, a proportion that declines as they grow older (figure 3). (Figures 3, 4, 6, 7, and 8 are stylized representations of figures from

Figure 3 Youth enrollment rates decline with age



Source: Authors.

chapter 1 that use 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.

Skills are nurtured very early in life by parents, who then turn their children over to preschools and primary schools. 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 higher education. These decisions may need government sup-

port 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 most schooling.

Some countries are more successful at managing this transition than others. Several East Asian governments have done it so well that it has been called a miracle.¹² Much as one would want to believe in miracles, many other countries are much less likely to see them. Why?

- Despite dramatic recent progress in the numbers completing primary school, a Millennium Development Goal, children are not learning as much as they should (box 2).
- Many completing primary school cannot further their education because of a lack of school places, a lack of resources, or a pregnancy—or all three.
- 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.¹³ The problem is not only one

BOX 2 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, half or fewer of all young women ages 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 figure). Even among those who go on to lower secondary (typically grades 7–9), preparation is low.

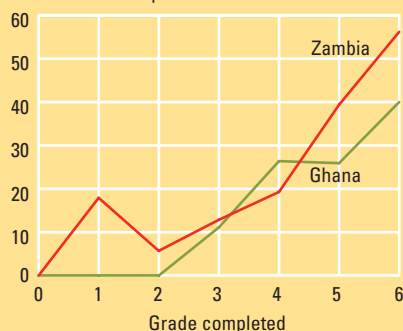
The gap is not limited to book learning. Many young people do not know basic facts that could save their lives, such as what causes HIV/AIDS, at a time when many begin sexual activity. Knowledge about condom use is very low regardless of grade attained in both high- and low-HIV-prevalence countries (far right 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

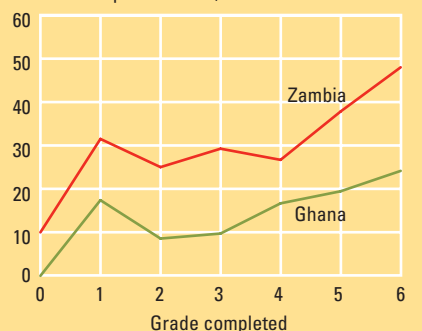
reaching age 40 is projected to be 36 percent in 2010—without AIDS it would have been 8 percent.¹⁴

There are big gaps in the book knowledge and life knowledge of young people

Percentage of young women ages 15–24 who are able to read a simple sentence



Percentage of young women ages 15–24 who know condom use prevents HIV/AIDS



Source: Authors' calculations from Demographic and Health Surveys. Note: Zambia has a high prevalence of HIV/AIDS.

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.
- Others are completing school late or not at all. In Mali, only about 20 percent of 15- to 29-year-olds have completed primary school. In Malawi, more than half of all 19-year-olds in school are still at the primary level (chapters 2 and 3). 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.

Starting a productive working life

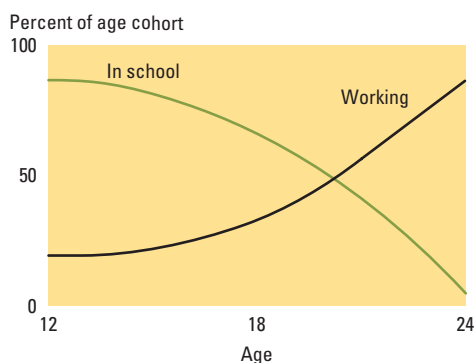
Once built, skills must be well deployed. In almost all countries this process begins sometime during the ages 12 to 24 (figure 4). The start toward a working life is considered by many social scientists as the most important marker of independence. But the transition is not always easy. Long spells 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 the less-educated and disadvantaged (chapter 4).

One role for government policy is to correct for information failures that can inhibit opportunities—such as inaccurate assessments by a potential employer of an inexperienced young person's potential productivity, skills, and work habits. A second is to ensure that poor families are not forced to have their children start work too early, before they acquire basic skills. A third is to correct for the consequences of broader policies, such as minimum wages that are set so high as to diminish, unintentionally, the incentives to create jobs for relatively inexperienced young people.

The main issues for countries in managing this transition for young people include the following:

- *Starting work too early.* Young children and adolescents can be exploited

Figure 4 Entry into the workforce increases with age



Source: Authors.

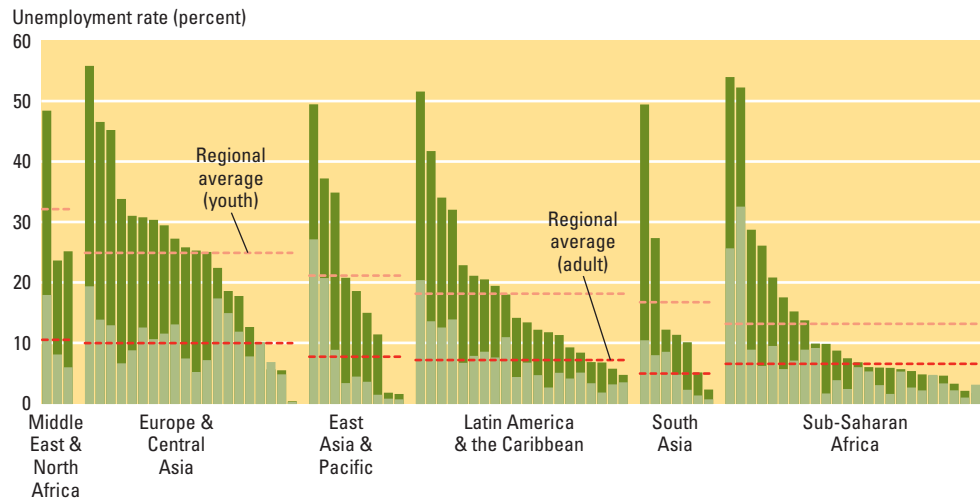
when they start full-time work prematurely, which is why many countries have agreed to international conventions banning the worst forms of child labor. Starting too early also prevents them from acquiring enough basic skills in school—skills that would make them more marketable to more types of employers.

- *Breaking into the job market.* Across all societies, starting an independent livelihood is not easy, especially because 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). In some middle-income countries with rigid labor market institutions, the gaps between youth and adult rates are wide and can have enormous costs in forgone skill building. In Guatemala, for example, experience in skilled jobs increases adult reading comprehension and nonverbal cognitive skills.¹⁵
- *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. For too many, however, where they begin in work is where they end up.

“Graduates are a thousand times more numerous than existing posts.”

Young male,
Foum Zaouia, Morocco
May 2005

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



Source: Authors' calculations based on Fares, Montenegro, and Orazem (2006a). Country names available on request.

Note: The full length for each bar shows the unemployment rate of youth in a single country; the light segment shows the unemployment rate of adults in the same country.

Adopting a healthful lifestyle

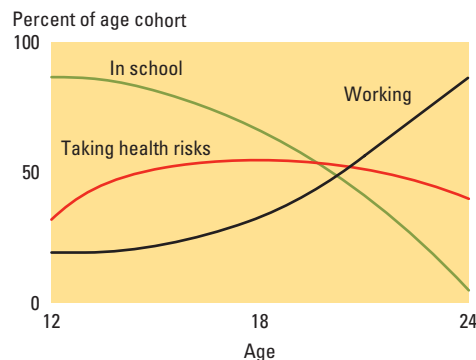
If death rates are the benchmark, young people are a healthy group: the average 10-year-old has a 97 percent chance to reach the age of 25. Mortality is a misleading measure of youth health, however, because it does not reflect the behavior that puts their health at risk later on. Youth is when people 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 young males ages 15–24 are currently smoking. In many

countries young people begin to have sex before age 15, and fewer than half of sexually active youth use condoms (chapter 5).

The full effects of some of these youthful behaviors on health will be felt only in adulthood. The negative consequences of these early decisions can have far-reaching consequences—depleting the economy of productive human capital and increasing public health costs.

Because the (sometimes catastrophic) health consequences of these behaviors show up only later in life, 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, encourages them to experiment with activities that put their health at risk. For example, they tend to discount too heavily the long-term negative consequences of smoking or sexual encounters. As young people experiment, they take more health risks; as they get older, the tendency falls (figure 6). Reducing risk-taking among youth requires that they have the 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 more aware of the long-term consequences of their actions today.

Figure 6 Risky behaviors peak during youth



Source: Authors.

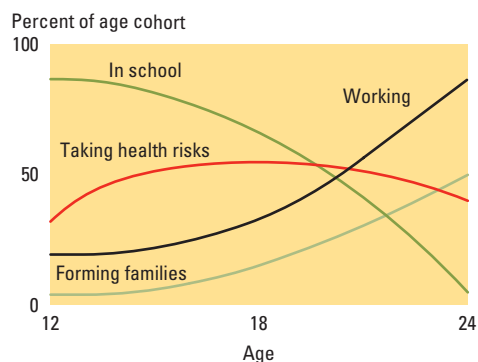
Forming a family

In most countries, first births, the entry into parenthood, take place during youth. Because most births occur among women ages 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 later, with most becoming fathers between the ages of 25 and 29.

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 under invest 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. The percentage of women who gave 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).

Nutrition and reproductive health services are among the most important human capital investments that prepare young people to become the next generation of parents. Although undernutrition is not as widespread

Figure 7 Family formation increases with age



Source: Authors.

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, it remains low in others. Even where the use of services has increased, young women and first-time mothers often do not receive all services.

Exercising citizenship

Youth is the period when people begin to be heard and recognized outside their families (figure 8). They establish their identities as individuals while they begin to interact independently with the broader community. Simply by being community members, they receive rights (to a fair trial) as well as obligations (paying taxes). Citizenship also emphasizes how individuals should hold public officials accountable for their actions, demand justice, and tolerate people from different ethnic or religious groups. The right to vote is commonly granted to those who turn 18. The willingness and ability to exercise such a right and other duties of citizenship are formed early in life and, once formed, tend to be durable (chapter 7).

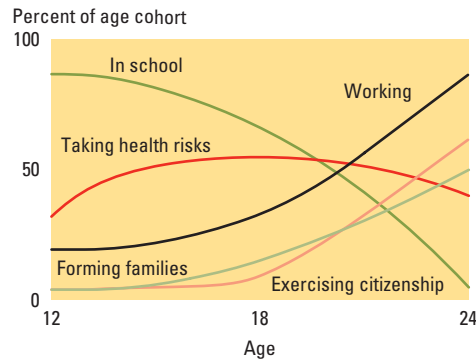
Without opportunities for productive civic engagement, young people’s frustrations may boil over into violent behavior and lead to economic and social instability, sparks that can ignite long-simmering disputes. One of the initial causes of the ethnic conflict between Sinhalese and Tamils in Sri Lanka was the frustration felt by Tamil students, who had been shut out of places in universities and other avenues for civic involvement.¹⁶

Formal political participation and involvement in social organizations, essential for good governance, are, in turn, necessary for private investment and growth. They broaden access to economic opportunities, especially among previously excluded groups, most obviously women. They can also enhance collective action to increase the pressure on governments to provide good public services.

The transitions overlap (figure 8). Some young people have uncomplicated lives and undergo only one or two of these transitions

“Young people will always have dreams; we hardly ever lose hope. For this, the role of the State must be as a guide to shore up democratic practices, and to grant young people more areas of political and business participation.”

Flor de Maria, 24
Peru

Figure 8 Civic engagement rises with age

Source: Authors.

at a time. Others may already be budding multitaskers: they are in school, working part-time, married, driving fast, and participating in their local council. This is why policies that change a decision in one transition can easily affect the investment climate for human capital formation in other transitions.

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. Prolonged unemployment can lead to disinterest in investing in further schooling, possible mental distress, delayed family formation, and negative manifestations of citizenship.

These transitions can also have very different trajectories across 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' concerns about protecting girls, sometimes to the point of overly restricting them. It also marks when boys are expected to work for pay (a spotlight on gender follows chapter 2 in the Report).

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

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 reflect a lack of information, resources, or experienced decision making. Both can be addressed by the right policies.

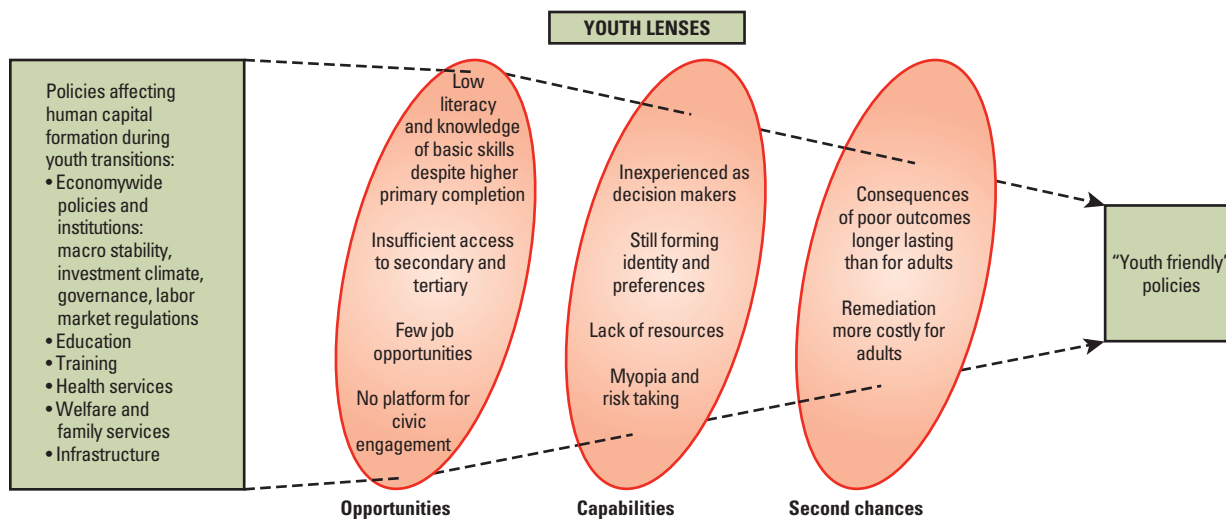
All nations already have policies and programs that affect the lives of young people. They have schools, universities, labor market regulations, hospitals, and laws that allow youth to vote. The strategies that frame them are set mostly in well-established sector departments. This report applies a youth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

The starting point for this assessment is a solid foundation of human capital acquired before adolescence—an application of the principles of investment models long recognized in economics.¹⁷ Beyond supporting the preparation for those under 12 years old, the report uses a framework that splits the youth lens into three mutually supportive lenses that focus policies and magnify their impact (figure 9). The framework extends the human capital model by treating not only governments and families, but also young people, as potential investors.

- The first lens focuses on the gaps in *opportunities* for building human capital and on policies that help young people acquire, improve, and deploy their skills.
- The second lens focuses on the *capabilities* of young people as they choose among the opportunities available to them and on policies that dispense the information and incentives to help them make good decisions.
- The third lens focuses on remedying undesirable outcomes and on policies offering *second chances* that put young people back on the path to build their human capital for the future.

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

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



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. 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.

Viewing economywide 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 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. The next three sections fill the right side of figure 9 with examples of specific policies and programs.

Policies to broaden opportunities

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, because 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—intervene earlier in the life cycle and focus on quality

The lesson from the massive education expansion in the 1980s and 1990s is clear—expanding places rapidly can come at the cost of quality, reflected in high enrollment 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 (chapter 3). Young people are already paying the price; many of the large numbers of adolescents completing primary education do not know enough to be literate and numerate members of society. A youth lens thus reinforces the point—well documented in worldwide monitoring reports¹⁸—to improve the balance between expanding primary enrollments and ensuring a minimum quality standard.

“There are practical things in life that secondary school doesn’t even touch upon, for example, how to confront and resolve problems.”

Young person,
Honduras
January 2006

What should countries do? First, measure quality well. Quantity may have been stressed because it is easier to measure enrollment and completion rates than learning outcomes. This is slowly changing with the introduction of standardized tests comparable across schools within and across countries.¹⁹

Second, consider the system of learning over the entire life cycle rather than as stand-alone pre-primary, primary, secondary, and tertiary education. For many countries this means improving the foundations before the children reach adolescence through early investments in nutrition, health, and psycho-social development. In countries as diverse as Jamaica, the Philippines, Turkey, and the United States,²⁰ enriched child care 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 twenties (figure 10).

Establishing the basic skills for a well-functioning society may require making lower secondary school universal, as many countries are doing. 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,

students, and local communities are only some of the measures (chapter 3). Because a 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. In Chile’s secondary education reform, for example, all vocational specialization moved to upper secondary school, better establishing a solid academic base.

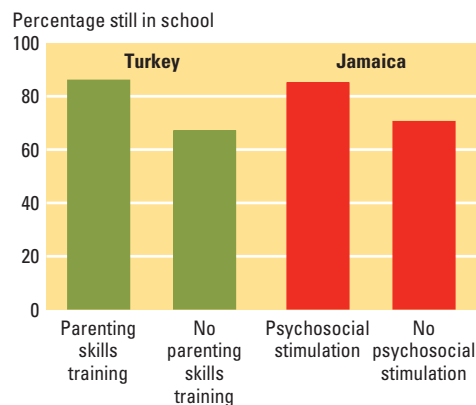
Meeting the demand for higher order skills—improve the relevance of upper secondary and tertiary education

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).

This pressure can be eased if upper secondary schools and universities turn out more students. But simply increasing quantity is not enough because content and how it is delivered matters most. If quality is low or if what is learned is not relevant in the job market, unemployment rates can be high even for some of the most highly educated. Countries like South Africa are trying to respond to employers’ demand for quality and relevance by revamping upper secondary curricula to emphasize practical thinking and behavioral skills and offering more of a blend of academic and vocational subjects (chapter 3). Policies that link educational institutions with prospective employers from the private sector through regular consultations and joint university-industry research projects help, as in China.

Such reforms can be costly because of the high unit cost of educating students beyond the basics. Teacher shortages in math and the sciences are especially acute in Sub-Saharan Africa. Efficiency gains may be possible through better incentives for administrators and teachers, such as performance-based pay schemes now being tried in some Latin American countries (chapter 3).

Figure 10 Early childhood interventions (at ages 1–5) can have long-lasting effects on young people (at ages 13–18)



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

Note: 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 ages 13–15. In Jamaica, children ages 1–2 received two years of professional psychosocial stimulation, and follow-up was at ages 17–18. Both are controlled impact evaluations.

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 the cost in high-performing economies with relatively high enrollment rates such as Chile and the Republic of 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,²¹ could mobilize more resources through fees, public-private partnerships, income-generating activities (consultancies, leasing unused property), and donor support.

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, because so few poor students seek entry to tertiary institutions. In Uruguay, more than 60 percent of those enjoying free tuition in public tertiary institutions come from the two richest quintiles.²² Loans or targeted scholarships 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. The institutions apply for the subsidies and are then screened to meet quality standards (chapter 3).

Accumulating skills on the job— ease barriers to start work and facilitate mobility

Broadening opportunities for young people’s employment works best when premised on economywide growth that stimulates demand: a rising tide lifts young people’s boats, as well as everyone else’s.²³ 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.”²⁴ 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 (chapter 4). 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 social stereotypes about women. So policies that open the economy to free trade tend to be youth friendly. A youth lens would not necessarily change these policies—it would merely strengthen the argument for pursuing them in the first place.

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 labor market regulations that affect new entrants disproportionately. 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 can increase the unemployment rate for young people (chapter 4). If minimum wages are set too high, they may discourage employment of the unskilled, mostly young workers who are only beginning their working lives. 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.

In poorer countries such as Burkina Faso, The Gambia, Nicaragua, Paraguay, Rwanda, and Sierra Leone, many of the young are more likely to begin work in the informal sector (chapter 4). Although this sector will not solve all issues of youth employment—even selling on the street requires some sales skills and language skills and conditions can be harsh—evidence suggests that it can be a remarkably resilient and productive stepping stone, sometimes to formal employment.

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 occupational and behavioral skills can make young people more mobile. But 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 developing 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 encourage innovation, as in Kenya's Jua Kali program (chapter 4).

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.

Geographic mobility also broadens opportunities, and the young are a disproportionately large share of all migrants, both to urban areas and to other countries. In China, 118 million rural dwellers have sought employment outside their home villages, 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. Policies that smooth the transition to cities and across borders, such as recognizing the rights of migrants, would be efficient and equitable as are now being introduced in China.

Young people represent a large proportion of the world's international migrants. Migration broadens the opportunities to work (chapter 8). It also expands options for education, especially in higher education. Opportunities for secondary education back home also can be broadened thanks to remittances from migrant parents or other relatives. Measures in both sending and recipient countries can ensure that migrants take these opportunities (box 3).

"We only have observer status when things are decided in this community."

Young person,
Bonthe District, Sierra Leone
February 2006

Participating in civic life— enhance youth voice in policy and service delivery

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*

BOX 3 *International migration offers opportunities and risks for youth*

The probability of migrating internationally peaks in the late teens and early twenties (see figure), so youth make up 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 are ages 12 to 24, and half are ages 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 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.

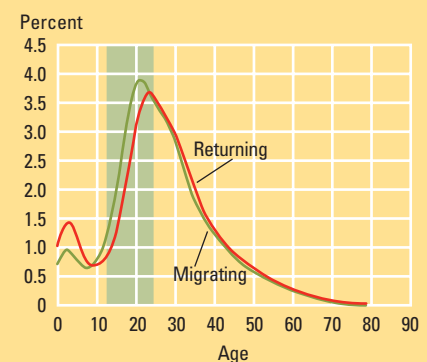
Youth migration has large direct effects on growth and poverty reduction through remittances and the return of migrants with skills acquired abroad. It can thus be a very important way for youth to use and develop their human capital to help reduce poverty in their own countries.

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 for returning migrants, 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 and 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.

Source: Authors.

Mexicans migrate young and return to Mexico young



Source: Authors.

Note: Shaded portion represents 12–24 age range.

*Development Report 2004*²⁵ referred to this engagement as “client power,” arguing that it can make providers more responsive to those who matter—the beneficiaries. Voice also matters because young people’s disposition toward citizenship tends to be durable, and participating early in life is a good predictor of ability and willingness to engage in the future. How can governments give that voice more prominence and not be threatened by it?

For most young people, direct consultation and recognition through their participation in policy decisions and implementation 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 channel countries have explored for active participation. The successful youth service programs emphasize flexibility, youth input, accountability, and organizational autonomy in their design (chapter 7).

Often the young are more likely to have opportunities to be heard and have a more direct impact in local settings. In Ceará, Brazil, youth had a chance to review 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 out-

comes. It is also a good way to develop skills in decision making.

Policies that enhance capabilities: Youth as decision makers

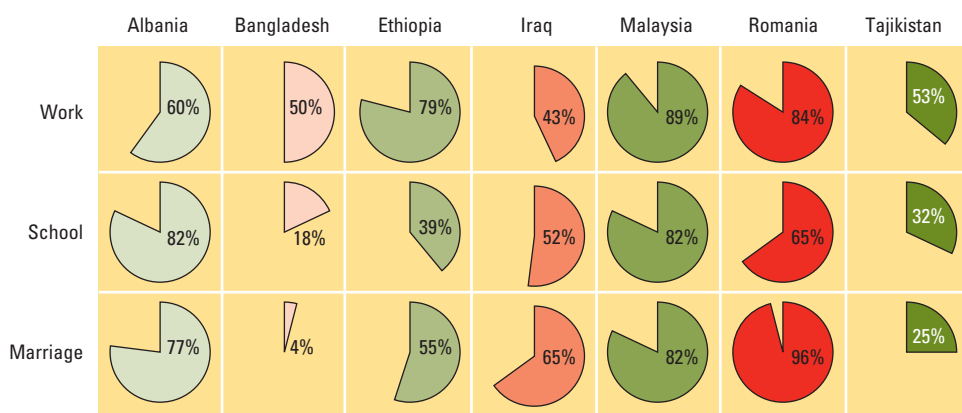
The second youth lens focuses on the need to help young people decide more capably among life’s opportunities. When young people enter adolescence, the most important decisions are made for them by their parents and the elders in their families. As they get older, decision making shifts from parents and families to youth themselves. 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. For some, such as young women in traditional societies where decision making simply shifts from parents to husbands, independence never comes.

These differences are well illustrated in the responses to an international survey of 15- to 24-year-olds that queries who has 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 choices. In contrast, Albanian, Malaysian, and Romanian youth feel remarkably empowered to decide for themselves. Ethiopians, Iraqis, and Tajiks are mixed. The

“[The] majority of youth in Georgia now realize that the key factor . . . in finding proper jobs lies in themselves.”

Young person,
Tbilisi, Georgia
December 2005

Figure 11 Who has the final say? The percentage of young women (ages 15–24) who feel they themselves have had the most influence on key life transitions varies greatly across societies



Source: WDR 2007 InterMedia surveys.

Note: The figure shows the percentage of people ages 15–24 who answered “myself” (rather than parents, government, or other) to the question: “Thinking of [each transition: your current or most recent occupation, your years of schooling, and your marriage partner], who has had the most influence?”

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.

Even if there is no 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 their own efforts will be important to their success. Young couples may be prohibited by laws from marrying too young but can still have sexual encounters that could lead to unwanted pregnancies. That is, they are exercising their “agency,” defined by social scientists as the ability of young people to define their goals and to act on them.²⁶

Agency needs to be recognized. This might be as simple as ensuring that young people have legal identity, including the basic documentation often crucial for access to basic services. But recognition alone is not sufficient—agency 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 in all three.

Informing youth

Young people know a lot. Their literacy rates are much higher than before. They are also much more frequent users of one of the most ubiquitous sources of information now available—the Internet (chapter 8). However, there is much more to know and 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 2). A survey of otherwise well-informed and educated Vietnamese youth ages 14–25 conducted in 2003 indicates that fewer than 60 percent of rural youth had ever heard of syphilis or gonorrhea.²⁷ In a country

where traffic accidents are the leading cause of death and serious injury for those ages 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.

What can be done to better inform youth about the benefits and costs of investing in their human capital? Successful interventions use schools, use the broader media, improve the content of dissemination campaigns, and harness new technology.

Improve the curricula in and convey the value of schools. Inculcating life skills in schools is the surest way to enhance the capabilities of young people. This goes beyond skills needed for further schooling and work. School-based reproductive health education programs can increase knowledge and the adoption of safe sexual behavior.²⁸ 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 (chapter 5). And there is no evidence that sex education increases sexual activity among youth.

However, it is not enough just to intervene in schools, because so many youth in developing countries drop out. This is often because of poverty, but it may also be that young people are not well informed about the benefits of continuing their education. In the Dominican Republic, simply telling young boys about the “real” earnings premium to education, a fairly cheap intervention, increased secondary completion (box 4).

Examine options outside schools. How best to target those who have dropped out or never sought education? Success in containing the spread of HIV/AIDS in Cambodia and Thailand is associated with structured information campaigns that worked through media and information providers.²⁹

While it is difficult to establish that a campaign causes the desired effects because of many other influences, a few rigorous studies have attempted to solve the attribution problem. The Better Life Options program provides a combination of various services to young women (ages 12–20) in periurban

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 of information material. 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.³⁰

Harvest worldwide knowledge through new technologies, such as the Internet, to inform youth. A better climate for private investment in technology is important for young people. They 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). However, because much of the information on the Internet would be in a foreign language, efforts to kick start 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.

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 the trainers better and improving their incentives. School-based career guidance services show some promise in Chile, the Philippines, Poland, Romania, the Russian Federation, South Africa, and Turkey. One consistent finding is that success depends on the information available to the counselors (chapter 3).

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 high-risk behaviors in the population, putting more pressure on them to conform (chapter 5). In

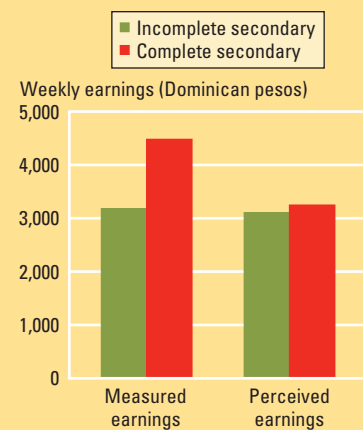
BOX 4 *Knowing what's good for you: Telling young people about the benefits of school can affect outcomes*

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. It found that they accurately estimated the returns to completing primary school (but not completing secondary school) consistently with estimated earnings profiles. However, they severely underestimated the returns to completing secondary school. The measured actual average earnings gains (from surveys) between secondary and primary completion, at about 1,300 Dominican pesos (about \$200), was 10 times the perceived gain of 140 Dominican pesos (about \$21) (figure). The differences were most pronounced for the youth in the poorest households.

Some students at randomly selected schools were then given information about 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.

The measured actual earnings gains for completing secondary education in the Dominican Republic are much higher than the perceived gains



Source: Jensen (2006).

many societies, especially as the young seek their identity, peers could have at least as much influence on decisions as families or schools. So, informing a young person can have spillover effects on others. 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.

Helping young people command resources

Because young people are only beginning to be financially independent, they naturally confront more constraints on their consumption and investment decisions. Indeed, one of the reasons that the age of leaving home is getting later even in rich countries is that young adults rely on their families to get on a firmer economic footing. 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

“My situation is difficult; I can’t go to school because I am the main breadwinner of my family. In rural areas, you do not have opportunities to learn after school hours . . . I did not pass the university exam.”

Dang, 25,
Bac Can, Vietnam
May 2006

“In my area, if you can pass the university entrance exam you continue to study. If you fail, you join the army or stay at home to breed buffalo.”

Hoang (Dang’s friend),
Bac Can, Vietnam
May 2006

position within families, especially regarding marriage and childbearing.

Choosing to invest in skills presents substantial costs to young people. 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.³¹ 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 from Mexico showed that households are less likely to send their offspring to university if their income falls temporarily, even if their permanent long-term income remains unchanged.³²

The obvious way to lift this constraint is to provide credit. Because 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 students without government support. Moreover, the pressures on the young to begin a livelihood are high enough even without 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, alternatives such as targeted school vouchers and individual learning accounts, which encourage savings for education, may be better (chapter 3).

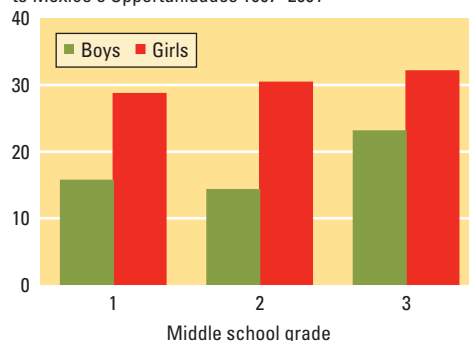
The income constraint is binding in poorer countries even for secondary education. Because parents are the main means of support for young people at this age, some subsidies to encourage enrollment target the household, but the transfers are conditional on achieving youth-related outcomes. Mexico’s Oportunidades 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 much more than that of boys (figure 12).

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 girls ages 11–14, transferring a monthly payment to bank accounts in the girls’ names, contingent on them staying unmarried and performing well enough to pass in school (chapter 6). This program has yet to be rigorously evaluated, but it has been associated with the enormous increase in girls’ enrollment there.³³ Such incentive-based schemes may not work too well if they force the provider to only increase quantity and not quality. Concerns about learning outcomes in the first round of FSSAP are being addressed in subsequent programs.

Such programs do more than help young girls go to school. They also highlight 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 very young brides, some less than 12 years old, to much older men for a debt cancellation. Poor young women are also more likely to succumb to pressure to

Figure 12 It pays to go to school

Percentage increase in middle school enrollment due to Mexico’s Oportunidades 1997–2001



Source: Parker (2003).

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 put their health and future at risk (chapter 6).

Young people, unable to earn 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. It takes money to make money. The young, even if they have the brightest of prospects, have no credit ratings, are inexperienced, and can offer no collateral to borrow money 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

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. The process of evaluating information and acting on that evaluation is difficult enough even for the most confident. For many young people, it is more complicated because they are still seeking their identities. The process of developing a person's sense of self has been used by some economists to explain seemingly irrational acts that put human capital at risk, including youth's tendency to engage in risky behavior, such as joining violence-prone gangs, despite the low expected economic payoffs to such activities (chapter 2).

The ability to process information starts to develop early in school. But many education systems fail because they emphasize rote learning of facts. Few emphasize 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).

Sometimes changing attitudes requires changing the environment for learning—to thwart entrenched practices, some not even recognized, that 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.³⁴ Another example includes U.S. residential job-training programs, which allow participants to avoid interactions in their own disadvantaged neighborhoods and thus develop their self-image. The programs are more successful than those that try to save money by not offering the expensive housing component.³⁵

Coming to the correct decision can also be influenced by incentives, especially if the young do 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.³⁶ By contrast, banning cigarette and alcohol advertisements and setting minimum ages for drinking attempt to increase the “price” of such behaviors, but their impact tends to be weak.

Policies to offer second chances

Broadening opportunities available to young people and helping them choose wisely among them are the priorities, especially because remediation is costly. 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? Or her twin brother who is still in primary school? What about the unemployed 23-year-old who has just started a family but never learned any on-the-job skills because he could not find work in the formal sector? Or the petty pickpocket incarcerated in an adult jail along with hardened criminals? What are the options for those who have been dealt life's proverbial bad hand?

Some young people have undesirable outcomes because they have had their opportunities restricted—others, because they chose the wrong path. More than half

“[Many] of my acquaintances [whom] I met during some [previous] phase of my life . . . are dead, in jail or crippled. Marcos [a youth activist] introduced me to the [second chance] movement. . . . I've participated in meetings, met the people. . . . We've started to be integrated as a community, [to] develop a conscience . . . to get out of the drug trade.”

Bruno, 21,
Ceará, Brazil
May 2006

of all HIV/AIDS infections occur among young people under 25, most instances due to voluntary sexual behavior or intravenous drug use (chapter 5). Half of all murders and violent crimes in Jamaica are committed by young males 18–25, who make up 10 percent of the population.³⁷ This is not totally unexpected, because behavioral research shows young people to be less risk-averse than older people³⁸ and criminal activity is a risky business.

Policies that help youth recover from bad outcomes can provide a safety net and benefit society well into the future. Referred to in this Report as second chances, they must be well designed, well targeted, and well coordinated, and give the right incentives to beneficiaries.

Targeting programs finely

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 are all associated with getting a larger share of the benefits to the lower two quintiles of the population.

Aside from avoiding errors of inclusion (giving subsidies to those who do not need them) it is important to avoid errors of exclusion—leaving out young people who need to be reached. This is especially true regarding health risks, because some risky behaviors may not have an immediate and discernible impact on health. More than 100 million young people are afflicted by sexually transmitted infections (STIs), including HIV, every year. Some infections are easily treated if identified early. Many, however, go unnoticed (especially when initial symptoms are mild) unless diagnosed by trained health workers. In South Africa, many reproductive health services are not easily accessible by young people; when they do go, they feel that facility staff are judgmental and hostile. It might not be surprising, then, that those who contract STIs would rather go to traditional healers than to low-quality and high-cost formal services. In Nigeria, providing school students with STI 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 (chapter 5).

Integrating second chances with mainstream programs

Countries have 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, and 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 reentry into mainstream programs.

Coordination is the key. 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- to 16-year-olds who have dropped out of primary school—the aim is to educate them for three years and direct them into UCEP-run vocational programs. Studies show that UCEP, 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.

Mainstream programs have to be flexible so that early mistakes do not turn into permanent liabilities. Some countries stream students as young as 10 into differing ability schools, while others keep the schools 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.³⁹

Rehabilitation with accountability

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, they must be made to face the consequences of their actions without being made to lose hope. Many of these young people—some with relatively minor misdemeanors, some simply homeless—are often incarcerated along with 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 (chapter 7). 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.

Some interventions (chapter 7) have overcome the limited capacity of court systems, such as the Justice on Wheels program in the Philippines, where judges travel to correctional facilities around the country to speed up the trial process. As an alternative to traditional *retributive* justice, more than 80 countries have *restorative* justice programs to promote rehabilitation. The programs 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 in South Africa instituted after apartheid.

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.⁴⁰ 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 psychosocial support to overcome the traumas they have suffered. Young female ex-combatants may have a distinct set of needs that may not be addressed by programs designed for male soldiers.

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 express fear that the availability of antiretroviral therapy could cause young people to take fewer precautions. Indeed, in Kenya, condom use fell after the government announced reported “cures” for AIDS.⁴¹ The solution is not to deny second chances like treatment—that would be unethical as well as wasteful. Instead, it is to build in incentives that encourage the care-taking behavior to persist even as people undergo treatment. Programs that enhance both capability and second chances are more likely to succeed.

This concept is well illustrated in vocational training programs for out-of-school youth. In a variety of country settings the programs tend not to pass cost-benefit tests. However, 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. Jovenes programs in Latin America, targeted to training disadvantaged youth, ages 16–29, can have significant effects on employability and earnings. The training may also be costly, but the costs compare well to other human capital development programs for young people (chapter 4).

Moving forward

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. 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, as governments press ahead with meeting quantitative targets for children. In countries that have already met their quantity and quality targets, the priority is to expand access to upper secondary and tertiary education, especially by stimulating the demand for education.

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 unfavorable climate for human capital investments in

“When it comes to ‘youth making a difference in communities’ I think the value of youth has been underestimated everywhere. Youth are excellent in delivering grass roots levels development projects at minimal budgets and very effectively. Due to the fact that they are involved at the grass roots level, they can easily implement a project without the bureaucracy of organizations . . . they often have a lower cost base too.”

Shasheen, 20,
Australia
June 2006

Table 1 Policy goals, directions, actions, and programs

Broaden opportunities for young people to develop their human capital		Develop capabilities of young people as decision-making agents		Offer second chances to manage consequences of bad outcomes that occur early in life	
<i>Policy goals</i>	<i>Policy actions and programs</i>	<i>Policy goals</i>	<i>Policy actions and programs</i>	<i>Policy goals</i>	<i>Policy actions and programs</i>
Children enter adolescence with basic skills for further learning and practical living	Improve quality at primary and lower secondary Universalize lower secondary 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 environments	Young people have appropriate command over resources that affect human capital decisions Young have sufficient and accurate information about human capital needs and constraints, and programs to address them	Targeted scholarships based on merit and need, conditional on outcomes (Bangladesh Female Secondary Stipend Program) Micro credit for youth Income-contingent loans (e.g., Australia and Thailand) School-based information, education, and communication campaigns (Kenya) Better Life Options Curriculum (India) Job counseling programs (e.g., Philippines Overseas Workers Program) Curriculum reform to stress noncognitive skills training	Allow young people to regain access to services that safeguard and develop human capital Give hope to those who have committed crimes or who were combatants in armed conflict	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 (e.g., Latin America's Jovenes) Restorative justice and rehabilitation programs that are cost-effective (e.g., Romania, South Africa Truth and Reconciliation)
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 (e.g., relax overly rigid employment protection, residence regulations)	Support decision-making by recognizing identity, and giving incentives to shift behavior	Include students in school decision making Cash transfers conditional on outcomes (e.g., Mexico's Oportunidades) Cigarette taxes		
All young people are given a voice in civic life	Recognize youth as significant stakeholders in public institutions and as legal entities (e.g., policy consultations in Ceará, Brazil)				

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 trade-offs. For example, the returns to investing in young people would be substantially enhanced by trade and labor market reforms that deploy human capital more efficiently through more open competition—but this may threaten older workers who would like to maintain their entitlements. Measures that enhance capability and offer second chances may be controversial too. Some societies see decision making in the hands of the young as a threat or consider it too costly to mitigate the effects of bad decisions, even if the young were not responsible for them.

If countries are to mobilize the economic and political resources to stimulate reform, they will have 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 5). 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 national policy planning and budgeting (like the poverty reduction strategy processes), rather than be 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 like they do for younger children.

Yet youth may lack the opportunities or self-confidence to represent themselves in public forums. Young people need to be encouraged to participate more fully in public life. Governments and other agencies need to learn to communicate with them, make their programs attractive to them, and tap their immense talents as partners in service delivery.

- *More evaluation.* The dearth of rigorously evaluated youth-oriented programs and policies can undermine the credibility of them, even if most are promising. Preparing this Report was a challenge because of this gap—studies like the one in box 5 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.

Some 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 also

BOX 5 *All dressed up and somewhere to go in Bungoma and Butere-Mumias*

Providing school uniforms in Bungoma and Butere-Mumias Districts in Kenya not only lowered drop out rates—it also delayed childbearing among teens

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 teenage females who have started childbearing (figure). This effect was greater than that of a program aimed specifically at 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.

Category	Control (%)	Students receiving school uniforms (%)
Male dropout rate	8	6
Female dropout rate	12	10
Females who have started childbearing	15	14

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

identifies other “actionable” concerns about the development of youth’s human capital—concerns that, if unaddressed, can put all development at risk. Fortunately, examples abound of young people, supported by good policies and institutions, who have not only coped but flourished, thereby contributing to the future of all generations.