YOUTH AS A SMART INVESTMENT

HIGHLIGHTS

- Preventable risky behaviours induce losses to society that reach into billions of dollars[1].
- In Latin America and the Caribbean, a range of negative youth behaviours reduces economic growth by up to 2 per cent annually[2].
- Investing in youth must begin during early childhood and adolescence when life-long patterns of behaviour are established.
- Economic shocks can impair healthy adolescent development, and targeted policies are needed to prevent negative long-term consequences.
- The World Bank finances more than $1 billion dollars per year to support youth investments in education, health and other sectors.

With many competing demands for scarce funds, countries often do not fully recognize how critical young people are to their national economies, societies, and democracies – both today and in the future – and consequently make too few public investments in programmes to harness their productive resources.

Conversely, without adequate opportunity and investment, youth contribute to the costly problems that plague each world region, such as diseases, violence and loss of productivity.

The accumulation of human and social capital must start at a young age as the brain develops rapidly during early childhood and adolescence. Moreover, early cognitive and non-cognitive skills and health capabilities lead to enhanced effectiveness of later investment. As a result, by building a strong foundation, investing in programmes tailored to children and youth advances socio-economic development.

Failing to invest in children and youth triggers substantial economic, social, and political costs resulting from negative outcomes such as early school drop-out, poor labour market entry, risky sexual behaviours, substance abuse, and crime and violence.

In many countries the overall damage to society amounts to several per cent of the gross domestic product per year. Rough estimates show that preventable risky behaviours induce losses to society that reach into billions of dollars. For example, in Latin America and the Caribbean, a range of negative youth behaviours reduces economic growth by up to 2 percent annually. These numbers do not reflect unquantifiable costs, such as psychological distress, poorer health, less civic participation, or intergenerational effects.

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[1] http://www.youthpolicy.org/library/wp-content/uploads/library/2010_Child_Youth_Development_Investing_Policy_Economics.pdf

[2] http://www.youthpolicy.org/library/wp-content/uploads/library/2010_Child_Youth_Development_Investing_Policy_Economics.pdf

Healthy youth development may be particularly in jeopardy during times of economic crises, with potentially serious long-term consequences. Policies and programmes to prevent and mitigate the negative impacts on schooling, employment, mental health and risky behaviours are therefore paramount.

United Nations and Investment in Youth

The UN system encourages countries globally to invest public resources in children and youth and to support Governments in formulating and implementing appropriate policies.

UN agencies analyze the state of children and youth, raise awareness about necessary investments in particular areas, and collect international experience to identify successful policies that can serve as example for other countries.

They also provide advice for the design, implementation and evaluation of children and youth related policies. For example, UNICEF, the UN Population Fund, the United Nations Educational, Scientific and Cultural Organization, UNDP and the World Health Organization supported the ministry of health and social welfare in Mongolia to implement a programme that would decrease adolescent school dropout and unwanted pregnancy.

Through grants and loans, UN agencies also provide financial assistance to countries around the world. The World Bank finances more than $1 billion dollars per year to support youth investments in education, health and other sectors.

The way forward

The implications of underinvestment for growth and well-being provide a strong incentive to allocate sufficient public resources for child and youth development, with particular attention to vulnerable groups. To guide public investment decisions, several principles can be considered.

First of all, children require the right foundation from an early age. Prevention, in terms of spending now to avoid the onset of expensive social problems later, is far more efficient than remediation. Abilities, preferences, and behaviour are formed in early life, and programmes promoting human capital formation and preventing risky behaviour should start at an early age. By combining short- and long-run policies, the need for second chances will be reduced.

Secondly, policies can address factors beyond the young person. People are a product of the social and economic influences that surround them. Some of the most effective child and youth development programs address those factors that help shape behaviours, such as families, communities, schools, the media, the legal system, and social norms.

Next, investment should be made on grounds of empirical evidence. Investing in children and youth can be made more effective by focusing on programmes for which there is demonstrated positive impact.

For example, implementing a conditional cash-transfer programme like Progresa/Oportunidades in Mexico, which has proven to increase school attendance by 10 percent, would cost a country like Jamaica 0.3 the equivalent of per cent of GDP, but generate an estimated 0.5 per cent gain in annual

GDP. However, as the general evidence is still scarce, the continued use of evaluations is necessary to learn what types of interventions can have an impact and in which settings.

Finally, have the courage to close ineffective programmes, reallocating resources and seeking appropriate additional funding. Scaling down popular but ineffective, or detrimental programmes, such as ”get tough” strategies, boot camps, abstinence-only programmes, or building youth centres (rather than using existing structures), will provide fiscal space to invest in more effective and promising programmes. Re-prioritizing the national investment strategy to emphasize the early years in the life-cycle of an individual would increase the size of the child and youth investment portfolio. In addition, Governments can raise money through bonds or external funders when used for investments where “returns” exceed the cost of paying off the loan.

For further reading:

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