

The Present of our Future:

A Global Case for Investing in Youth

IsDB

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Foreword

Young people are among the world's greatest sources of human potential. They bring ideas, energy, creativity and ambition that can shape more prosperous, inclusive and sustainable societies. Yet for millions of young people, the transition from education and learning into productive employment and sustainable livelihoods remains difficult. Too many encounter pathways that are fragmented, opportunities that are inaccessible, and labour markets that do not provide sufficient decent and productive work.

The consequences extend far beyond individual young people. When young people are unable to develop their capabilities, connect to opportunities and participate productively in the economy, countries lose an important source of growth, innovation and resilience. The challenge is therefore not simply one of youth employment. It is a broader development and economic challenge, focusing on how to build systems that enable young people to move successfully from learning to earning and to contribute fully to their societies and economies.

This report, developed through the partnership between UNICEF Generation Unlimited and the Islamic Development Bank, makes the economic case for investing in stronger and more inclusive pathways from learning to productive employment and sustainable livelihoods. It demonstrates the considerable scale of unrealised economic potential associated with barriers to successful youth transitions. The analysis estimates that these barriers are associated with approximately US$8.7 trillion in unrealised market-based economic potential in 2026 alone. While such estimates should be interpreted as measures of economic exposure rather than comprehensive measures of social welfare, they illustrate the magnitude of the opportunity that can be unlocked when more young people are able to participate in productive economic activity.

These findings should be interpreted as indicative estimates of unrealised market-based economic potential, derived using country-level output-per-worker data and scenario modelling rather than regression-based causal inference. As such, they indicate potential economic gains under specified assumptions rather than the causal effects of policies, and they do not capture the value of unpaid domestic and care work, which remains outside conventional GDP accounting and is disproportionately undertaken by young women in many contexts. The estimates nonetheless show that these costs are highly gendered, with young women accounting for nearly 63 per cent of total estimated losses, reflecting persistent structural barriers to participation and access to economic opportunities. It is also important to highlight that not all actions need be justified by economic returns alone. Future work could extend this framework through econometric and structural modelling using pooled and longitudinal datasets, where data and appropriate methods allow, to examine causal relationships between youth transitions and economic outcomes and provide a stronger empirical basis for prioritising and sequencing policy choices.

The report also shows that reducing the number of young people not in employment, education or training is only part of the solution. Successful transitions depend on whether economies generate sufficient opportunities, whether young people can connect effectively to those opportunities, and whether the jobs they enter are productive and of sufficient quality. This requires investment across interconnected areas, including expanding labour demand and job creation; strengthening transition systems, including labour-market-relevant skills, Technical and Vocational Education and Training, work-based learning and employment intermediation; improving productivity and job quality; and removing the barriers that disproportionately exclude young women and other disadvantaged groups.

There is no single investment package that will achieve these objectives everywhere. Countries differ in their demographics, economic structures, labour markets, institutional capacities and the barriers young people face. Investment priorities must therefore be grounded in country realities and informed by evidence about where the most significant constraints lie. At the same time, the analysis presented in this report points to a common principle: investment in young people will

have the greatest impact when it connects their capabilities with real economic opportunities and strengthens the systems that support them throughout the transition to productive livelihoods.

Mobilising investment at the required scale will demand new forms of collaboration. Governments cannot meet this challenge alone, nor can development institutions, the private sector or youth organisations working independently. Public resources, development finance, private capital, technical expertise and innovation need to work together. Equally important, young people must have a meaningful role in shaping the policies, programmes, and investments intended to support their futures.

This shared conviction underpins the partnership between UNICEF Generation Unlimited and the Islamic Development Bank. By bringing together a focus on young people and their pathways to opportunity with the reach, partnerships, and financing capabilities of the development community, we can help shift the conversation from the cost of inaction towards the investments needed to unlock youth potential. This report is intended to contribute to that effort by providing governments, development partners, financing institutions, the private sector and other stakeholders with an evidence base for identifying priorities, mobilising resources, and building stronger pathways from learning to productive livelihoods.

The opportunity before us is significant. The economic gains quantified in this report are important, but the case for investment ultimately extends beyond economic output. Successful youth transitions can strengthen individual agency, household resilience, social inclusion, and confidence in the future. Therefore, investing in young people is not simply about recovering economic potential that is currently unrealised. It is about creating the conditions in which a generation of young people can contribute, innovate, and prosper.

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Acronyms

COI	Cost of inaction
GDP	Gross domestic product
GenU	UNICEF Generation Unlimited
ILO	International Labour Organization
ILOSTAT	ILO Department of Statistics database
IMF	International Monetary Fund
IsDB	Islamic Development Bank
LMICs	Low- and middle-income countries
NEET	Not in employment, education or training
PPP	Purchasing power parity
PV	Present value
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
TVET	Technical and vocational education and training
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNICEF	United Nations Children's Fund
WDI	World Development Indicators
WEO	World Economic Outlook

Executive summary

Young people represent one of the most significant untapped drivers of global economic growth. Yet across countries, their transitions from education to productive employment remain incomplete, unequal and inefficient. Rather than a simple labour-market outcome, barriers to successful youth transitions reflect deeper structural weaknesses in the systems that connect learning, skills development and employment opportunities. As a result, many young people remain unable to convert their capabilities into sustained, productive livelihoods.

This report reframes youth employment not as an isolated sectoral challenge, but as a system-level economic issue. It positions youth disengagement, commonly measured through the share of young people not in education, employment or training (NEET), as a symptom of broader system failures, including weak labour demand, inefficient transition pathways, low-productivity employment and structural participation barriers, particularly for young women.

The scale of the economic challenge

The analysis demonstrates that the economic costs associated with barriers to successful youth transitions are substantial and growing. Globally, the annual economic losses associated with barriers to successful youth transitions are estimated at approximately US$8.7 trillion in 2026[1]. Under the modelled projections, these annual losses rise gradually to approximately US$10.5 trillion by 2030, reflecting projected growth in output per worker and demographic dynamics across countries. When annual losses are aggregated over the 2026–2030 period and expressed in present value terms, the cumulative cost of inaction is estimated at approximately US$45 trillion, representing a substantial loss of productive potential and unrealized human capital. These estimates reflect the scale of productive potential that remains unrealized when young people are unable to transition into market-based employment and livelihoods. They are not evenly distributed. A disproportionate share is concentrated in countries with large youth populations, while the relative burden, measured as a share of GDP, is often highest in smaller and more vulnerable economies.

The findings should be interpreted as indicative estimates of unrealized market-based economic potential estimated using country-level output-per-worker data, rather than comprehensive measures of social or economic welfare. The analysis uses estimation and scenario modelling rather than regression-based causal inference. Results therefore indicate potential economic gains under specified assumptions, rather than causal effects of particular policies. In particular, they do not capture the value of unpaid domestic and care work, which remains outside conventional GDP accounting and is disproportionately undertaken by young women in many contexts. As a result, the estimates highlight the economic implications of exclusion from paid employment while recognizing that some forms of productive contribution remain invisible within standard economic statistics. Nevertheless, the analysis shows that the costs are highly gendered, with young women accounting for nearly 63 per cent of total estimated losses, reflecting persistent structural barriers to participation and access to economic opportunities.

At the same time, these losses are not immutable. The scenario analysis suggests that meaningful improvements in youth transitions could generate substantial economic gains. Depending on the scale of reform, estimated gains range from approximately US$1.1 trillion to US$14.4 trillion over 2026–2030, with gains remaining above US$10 trillion under the most ambitious scenario even after accounting for labour-market informality.

The scale of the opportunity

Despite the magnitude of these losses, the analysis shows that significant gains are achievable. Under the reform scenarios modelled in this report, improvements in youth transitions could generate between US$1.1 trillion and US$14.4 trillion in additional economic output

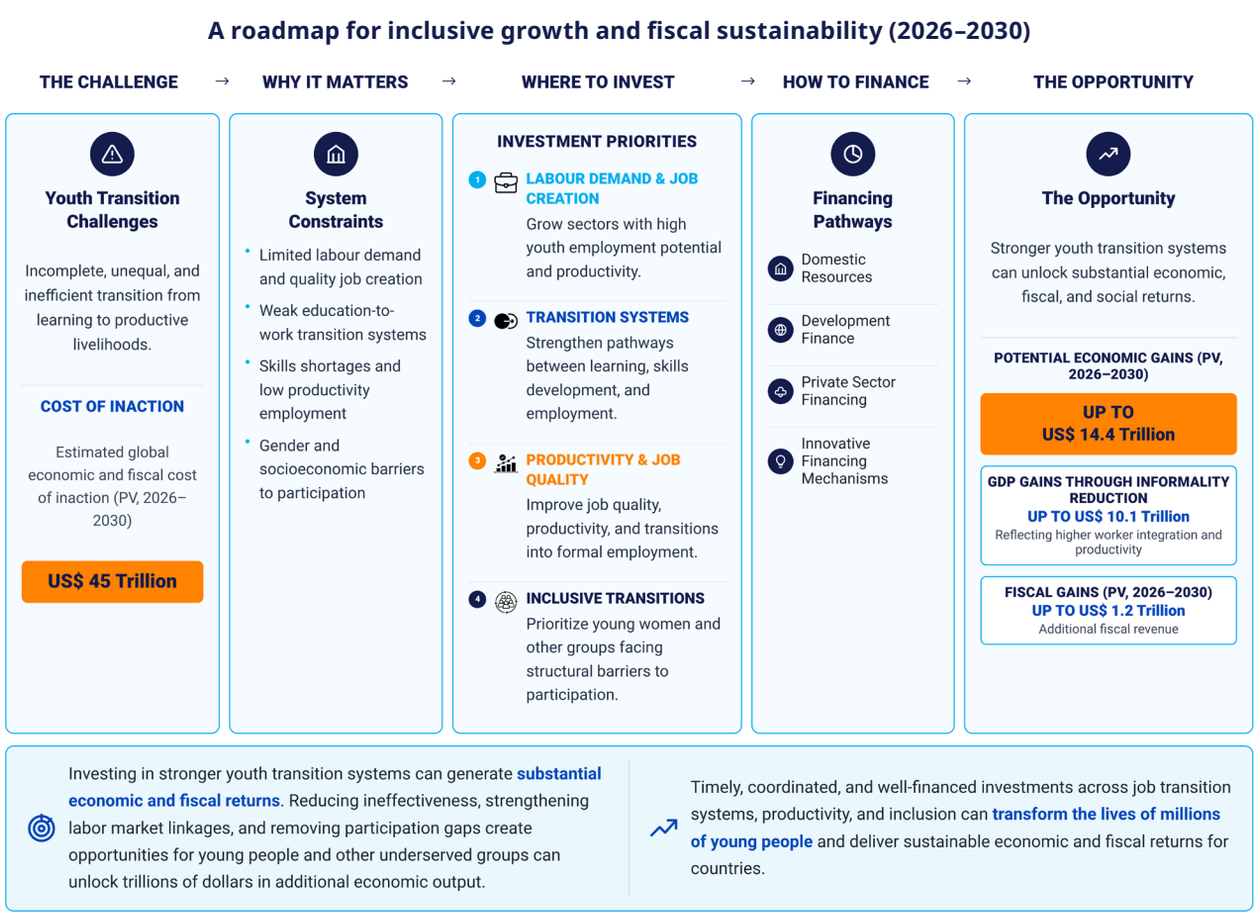
1. Source: Authors' calculations; see Chapter 3 for methodology and data sources and Chapter 4 for detailed results

globally over 2026–2030. However, after accounting for labour-market informality and lower productivity typically associated with informal employment, estimated gains range from approximately US$0.8 trillion to US$10.1 trillion. These adjusted estimates may provide a more realistic approximation of achievable economic returns in many developing-country contexts. The scale of gains depends on three core factors:

- the extent to which youth disengagement is reduced
- the capacity of labour markets to absorb young workers
- the productivity and quality of jobs into which youth transition

The findings highlight a critical insight that reducing NEET alone is not sufficient. Without adequate job creation, efficient transition systems and improvements in job quality, a large share of potential gains will remain unrealized.

Figure 1: From cost of inaction to economic opportunity – a roadmap for investing in youth transitions



Key structural constraints

The report identifies four system-level constraints that limit the realization of economic gains:

- insufficient labour demand, restricting the absorption of young workers even where supply improves
- weak transition systems, resulting in delayed and inefficient pathways into employment
- high levels of informality and low-productivity employment, reducing the economic returns to employment
- unequal access to opportunities and limited participation in decision-making processes, particularly for young women and disadvantaged groups

Together, these constraints help explain why barriers to successful youth transitions persist and why incremental, programme-based approaches have had limited impact at scale. They also highlight the importance of ensuring that young people are not only beneficiaries of policies and programmes, but active participants in shaping the systems, services and opportunities that affect their livelihoods and futures.

Investment priorities for system transformation

Addressing these constraints requires a shift from fragmented interventions to coordinated investment strategies targeting system-level change. The report identifies four complementary investment areas that address the principal constraints affecting youth transitions. While labour demand and job creation are critical, the analysis also highlights the importance of productivity, job quality, transition systems and inclusion in determining the scale and sustainability of economic gains. It suggests:

- expanding labour-market absorption through sectoral job creation, private sector engagement and policies that stimulate labour demand
- strengthening transition systems to improve matching, reduce transition delays and connect young people to opportunities
- improving productivity and job quality, including reducing informality and supporting transitions into higher-value employment
- targeting high-impact population groups, particularly young women and disadvantaged youth, to maximize both equity and economic returns

These priorities reflect a shift from supply-driven approaches towards a balanced strategy that integrates labour demand, system efficiency and inclusion.

Financing the youth investment agenda

The scale of required investment is significant, but the potential returns are equally substantial. While the report estimates the potential economic and fiscal gains associated with improved youth transitions, it does not estimate the investment costs required to achieve these outcomes. Such estimates would depend on country-specific policy choices, labour-market conditions, institutional arrangements and implementation pathways. Consequently, the analysis should be interpreted as illustrating the potential scale of economic returns rather than providing a formal benefit-cost assessment.

The analysis shows that improvements in youth transitions can generate up to US$1.2 trillion in additional fiscal revenues over five years, indicating that youth investments can partially finance themselves through increased economic activity. To mobilize resources at scale, countries will need to adopt integrated financing strategies, combining:

- domestic resource mobilization and expenditure reprioritization
- external financing and multilateral support
- private sector and blended finance
- innovative instruments, including Islamic finance and outcome-based financing

Financing approaches must move beyond short-term programme funding towards multi-year investment strategies aligned with macro fiscal frameworks and growth objectives.

From global evidence to country action

While the findings are global, their application is inherently country-specific. The report provides a structured approach for translating the investment case into national strategies, centred on diagnosing youth transition systems, identifying binding constraints, prioritizing high-return investments and aligning financing with system transformation. This approach enables countries to move from evidence to action, ensuring that investments are targeted, efficient and aligned with national development priorities.

Concluding remarks

Barriers to successful youth transitions are not only a social challenge but a major economic inefficiency. The costs of inaction are substantial, but so too are the potential gains from reform. Realizing these gains will require governments and partners to prioritize job creation and labour demand, strengthen transition systems, improve productivity and job quality, and align skills, jobs, institutions and financing. Achieving this vision will require coordinated action across governments, employers, development partners and youth themselves to expand opportunities, strengthen transition systems, improve job quality and align financing with long-term development objectives. Through such efforts, youth transitions can become a powerful engine of inclusive growth, productivity and long-term economic resilience.

Section 1: Introduction and purpose



1.1 Background

Young people today face increasingly complex and uncertain transitions from education to employment as labour markets, technologies and economic structures evolve. Globally, there are approximately 1.3 billion young people aged 15–24 (UNDESA, 2026), representing approximately 16 per cent of the world's population. Despite this demographic potential, many young people struggle to access education, skills development and decent work opportunities. It is estimated that around one in five young people worldwide are not in education, employment or training (NEET), highlighting the barriers that continue to limit successful transitions into productive livelihoods (ILO, 2022b). Demographic projections further suggest that the global youth population is approaching its historical peak, as fertility rates decline and population growth slows in many regions. This means that the current generation of young people represents a critical window for investment, as the choices made today will shape whether this large youth cohort becomes a driver of economic growth and social resilience or a missed development opportunity.

These challenges are not occurring in isolation. Rapid technological change, climate-related disruptions, demographic pressures and repeated global shocks have reshaped labour markets and heightened the risks faced by young people entering adulthood. For many, especially young women and those in vulnerable contexts, transitions are increasingly delayed, informal or incomplete (UNICEF Generation Unlimited, 2024). The longer these patterns persist, the more difficult it becomes for economies to convert youthful populations into productive and resilient workforces (World Bank, 2020).

Successful youth transitions depend on both supply-side and demand-side factors. While investments in education, skills development and employability remain important, they cannot generate sustainable employment outcomes

in the absence of sufficient labour demand. The availability of productive jobs influences the incentives young people face when making decisions about education, training and labour-market participation, while also shaping the effectiveness of skills investments. In many contexts, weak job creation, limited private sector dynamism and insufficient demand for labour represent important constraints on youth outcomes. As a result, improving youth transitions requires attention not only to the capabilities of young people, but also to the economic opportunities available to them.

While many countries already invest in programmes that support young people across sectors such as education, employment, health and social protection, these efforts often operate in parallel rather than as part of a coordinated investment strategy (United Nations, 2018). Strengthening the coherence of these investments presents a significant opportunity to improve youth outcomes and maximize economic returns. Developing such a framework can help governments better align existing spending with youth transition objectives and identify opportunities to improve efficiency and reallocate resources within constrained fiscal environments. When youth investments are framed as strategic drivers of productivity, resilience and economic growth, they can become a central component of national development and fiscal strategies.

This investment case positions youth investment as a central economic and development priority, grounded in evidence and aligned with the strategic agendas of UNICEF Generation Unlimited, the United Nations Youth 2030 framework (United Nations, 2018) and the Islamic Development Bank's Youth Development Strategy. At its core, the investment case asks a simple but consequential question: What are the economic and fiscal consequences of failing to support youth transitions at scale, and what is at stake if current patterns of underinvestment continue? Equally important, it explores the potential gains that can be realized when countries invest strategically in young people to unlock higher productivity, strengthen labour markets and facilitate more resilient and inclusive economies.

1.2 Objectives

This investment case will inform governments, development partners, financial institutions and youth-focused coalitions seeking to strengthen the economic argument for investing in young people. It provides an analytical framework that can support policy dialogue, resource allocation decisions and the design of national and regional strategies for improving youth transitions from education to productive employment.

Rather than advocating for individual programmes or sector-specific reforms, the report develops an economic narrative that links youth outcomes to productivity, economic growth and fiscal sustainability. While global in scope, the analysis is designed to complement country-level diagnostics and programme appraisals, rather than replacing them. Instead, it offers a common analytical foundation that policymakers and partners can adapt to their own contexts when designing youth-focused investment strategies. Specifically, the investment case seeks to achieve four objectives, namely to:

1. quantify the economic and fiscal implications of youth disengagement while illustrating the potential productivity and growth gains that could be realized through improved youth transitions, using scenario-based modelling of reductions in NEET prevalence
2. synthesize global evidence on what works for youth transitions, drawing on research, evaluations, systematic reviews and policy experience to highlight the economic and social returns associated with investments in skills development, employment opportunities, health and youth participation
3. identify strategic investment priorities that can guide coordinated youth investment across sectors, while remaining adaptable to diverse country contexts and development pathways
4. explore practical pathways for financing youth investments, including domestic resource mobilization, external financing and innovative financing mechanisms such as blended finance and Islamic finance instruments.

1.3 Approach and scope

Given the diversity of youth interventions and the lack of harmonized global data on programme costs and impacts, the investment case adopts a pragmatic analytical approach. Its quantitative backbone is a cost-of-inaction framework, which estimates the economic losses associated with current patterns of youth exclusion.

These losses are captured primarily through foregone earnings and productivity, as well as associated fiscal implications, using internationally comparable data sets and assumptions.

The cost-of-inaction analysis is complemented by a structured synthesis of global evidence on the returns to youth investment. Rather than producing new global cost-benefit or cost-effectiveness estimates, the report draws on existing studies, meta-analyses and evaluations by institutions such as multilateral development banks, research organizations and United Nations agencies, etc. These sources are used to illustrate consistent patterns and indicative ranges of returns, reinforcing the economic case without overstating precision.

The thematic focus of the investment case is organized around four interlinked investment pillars:

- Unlocking youth employment at scale
- Accelerating transitions from NEET to work
- Improving productivity and job quality
- Targeting high-impact population groups

Together, these pillars reflect the core dimensions of successful youth transitions. The report also considers financing pathways through a public finance and macro fiscal lens. Attention is given to innovative and Islamic financing instruments that offer opportunities to align youth investment with sustainability and long-term development objectives.

Overall, the investment case is intended as a strategic reference document. It does not prescribe a single model for youth development. Instead, it provides a shared evidence base and economic rationale to support informed decision-making by governments, ministries of finance and planning, multilateral institutions and youth-focused coalitions, enabling more coordinated action and sustained investment in young people across regions and income groups.



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Section 2: Global context of youth transitions



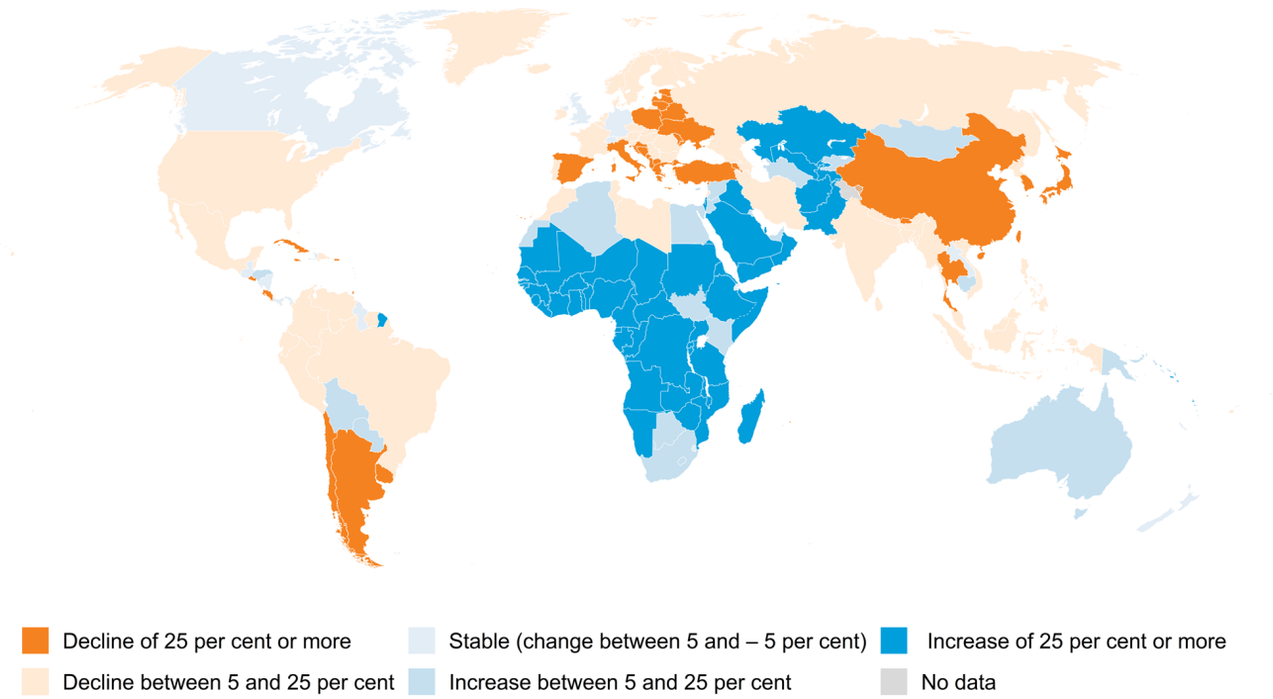
This section puts the investment case within the broader demographic, socioeconomic and structural context shaping youth transitions worldwide. It provides an overview of the conditions under which young people are navigating pathways from education to work, economic participation and civic engagement. The section highlights persistent challenges and inequalities affecting youth outcomes. It also examines how major global megatrends, including digitalization, climate change and labour-market transformation, are reshaping both opportunities and risks for today's youth. Together, these dynamics underscore the importance of timely and coordinated action to ensure that young people can transition successfully and contribute to inclusive and sustainable development.

2.1 Youth demographic trends

Global demographic patterns continue to shape the prospects for youth transitions in fundamental ways. Worldwide, there are approximately 1.3 billion young people aged 15–24 (UNDESA, 2026), representing roughly 16 per cent of the global population. More than half of the global youth population (around 760 million young people) is concentrated in low- and lower-middle-income countries. This concentration is projected to deepen over time, with approximately 69 per cent of the world's youth expected to reside in these countries by 2050 (UNDESA, 2026). In contrast, many middle-income countries are experiencing a stabilization of youth population growth as fertility rates decline, while high-income countries increasingly face shrinking youth cohorts alongside rapidly ageing populations. These divergent trajectories create markedly different policy and economic challenges across regions and highlight the importance of investing in human capital while demographic conditions still provide an opportunity to realize a demographic dividend.

Demographic dynamics have direct implications for labour markets, public services, productivity and social protection

Figure 2.1: Projected change in youth population (15–24), 2025–2050



Source: *UNDESA,2026*

systems. Countries with rapidly growing youth populations must expand access to education, skills development and employment opportunities at scale, while ensuring that public systems can absorb increasing demand. These same countries will also face the challenge of supporting ageing populations, making early investments in human capital and productive employment particularly critical. Where labour markets fail to generate sufficient productive jobs, demographic pressure can exacerbate unemployment and informality, while also constraining the tax revenues needed to finance education systems, health services and social protection programmes (ILO, 2022a; UNDESA, 2022). Conversely, countries with shrinking youth populations face the challenge of sustaining productivity and economic growth with a smaller working-age base.

Within this context, the concept of the demographic dividend remains highly relevant. When supported by timely investments in education, skills, health, employment and empowerment, large youth cohorts can contribute to accelerated growth and development. However, realizing this dividend is not automatic. It depends on whether countries can create the conditions for young people to transition into productive and decent livelihoods while also strengthening the fiscal systems, particularly effective taxation frameworks, needed to capture the economic gains generated by expanding employment and productivity.

Demographic trends also vary significantly across regions. Sub-Saharan Africa is projected to account for nearly half of the global population growth by 2050, with youth populations expected to continue expanding across many countries (UNDESA, 2022). Parts of south and southeast Asia will also continue to experience large youth cohorts over the coming decades, intensifying the urgency of youth investment. At the same time, Europe and east Asia face ageing and shrinking workforces, raising different but related questions about labour supply, productivity growth and the integration of younger generations into increasingly competitive labour markets (World Bank, 2019). These regional contrasts reinforce the need for a global investment narrative that is sensitive to diverse demographic realities.

2.2 Youth transitions, labour-market exclusion and gender gaps [2]

Youth transitions from education into productive livelihoods remain uneven across many parts of the world. While the policy objective is not to move young people prematurely into employment, persistent gaps in both education and labour-market opportunities mean that a large share of young people remain disconnected from both systems. In 2023, the global share of youth NEET stood at 20.4 per cent, only marginally lower than the 21.3 per cent recorded in 2015, when the 2030 Agenda for Sustainable Development was adopted (ILO, 2024). Importantly, the global NEET rate had already reached 21.4 per cent in 2019, indicating that progress had slowed even before the onset of the COVID-19 pandemic. The slight decline observed between 2019 and 2023 partly reflects temporary increases in youth participation in education during the pandemic period, as well as labour-market withdrawal in some regions. However, the overall stability of the global NEET rate over the past decade suggests that structural constraints affecting youth transitions remain difficult to address through incremental policy responses alone.

Box 1: Youth livelihoods and transition systems

Youth livelihoods refer to the capabilities, opportunities and systems that enable young people to transition from learning to earning, and to sustain productive, resilient and dignified lives. These transitions are often non-linear and depend on the alignment of multiple systems, including education and training, labour markets, social norms and institutional frameworks.

From this perspective, youth disengagement, commonly measured through NEET, is not only an outcome but a symptom of broader system failures. Weak linkages between education and employment, limited labour demand, information gaps and structural barriers can all disrupt transitions and reduce the ability of young people to access and sustain productive work.

This report therefore adopts a transition systems lens, focusing not only on outcomes but on the functioning of systems that shape youth livelihoods. This framing aligns with global approaches emphasizing pathways rather than programmes, and highlights the importance of coordinated cross-sectoral interventions.

While youth transitions are often discussed in terms of education, skills and employability, labour-market outcomes are equally shaped by the availability of economic opportunities. In many countries, weak labour demand, limited job creation and slow structural transformation constrain the absorption of young people into productive employment, regardless of their qualifications. The persistence of NEET therefore reflects not only barriers affecting young people themselves, but also broader labour-market conditions that influence the availability, quality and accessibility of employment opportunities. Understanding youth transitions thus requires attention to both the supply of skills and the demand for labour.

Gender disparities remain a defining feature of youth exclusion. Globally, approximately two thirds of young people in NEET status are female, meaning that young women make up the majority of those excluded from both education and employment. In addition, young women are twice as likely as young men to be in NEET status, highlighting the persistent gender gap in youth transitions (ILO, 2024). These gaps are particularly pronounced in certain regions. In south Asia, for example, the share of young women with NEET status reached 42.4 per cent in 2023, compared with 11.5 per cent among young men (ILO, 2024). At the same time, several regions demonstrate that much lower levels of people classified as NEET are achievable. In parts of Europe and east

2. This subsection draws primarily from the International Labour Organization (ILO, 2024).

Asia, youth NEET rates are typically below 12 per cent (ILO, 2024). For example, the NEET rate was 4.1 per cent in the Netherlands, 8 per cent in Germany[3], and below 5.7 per cent in Hong Kong[4], reflecting strong school-to-work transition systems, high participation in vocational education and training, and broader access to education and training opportunities.

Employment participation indicators reveal similar patterns. The difference in the youth employment-to-population ratio between young men and women declined only modestly over the past two decades, from 15 percentage points in 2000 to 13 percentage points in 2023 (ILO, 2024). When employment parity scenarios are modelled, young women account for around 90 per cent of the estimated 'missing youth workforce', highlighting the extent to which gender inequalities continue to constrain overall labour supply and productive potential. Addressing these disparities does not imply encouraging early labour-market entry among adolescents. Rather, it reflects the importance of expanding pathways into education, skills development and decent employment for young women as they transition into adulthood.


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Beyond exclusion from employment, the quality of available work remains a critical concern. Globally, more than seven in ten young people who are employed in low- and middle-income countries work in informal employment, often characterized by low earnings, limited security and weak access to social protection (ILO, 2024). By comparison, the overall global rate of informal employment across all workers is estimated at around 57.8 per cent (ILO, 2024), indicating that young workers are disproportionately concentrated in insecure forms of work. Young women face additional barriers to exiting their NEET status, reflecting their disproportionate involvement in unpaid care and domestic work. As a result, transitions from inactivity into paid employment tend to be slower and less frequent for young women, reinforcing long-term disparities in earnings, economic security and labour-market attachment.

2.3 Challenges shaping youth transitions

Youth face a range of personal, institutional and structural barriers that affect their ability to move successfully from education into productive livelihoods. These barriers operate across multiple dimensions, including access to quality education and training, labour-market opportunities, social protection and participation in decision-making processes.

On an individual level, many young people face significant gaps in access to good quality education and training, digital tools and connectivity, decent work opportunities, mental health services and social protection (ILO, 2022b). These challenges are often most severe for youth affected by poverty, disability, displacement, conflict or humanitarian crises, where public systems are weakest, and risks are highest (World Bank, 2022). Young women face additional constraints linked to social norms, lower labour-force participation and disproportionate burden of unpaid care responsibilities (ILO, 2023; UN Women, 2023). Such inequalities shape not only immediate opportunities, but also long-term trajectories and life chances.

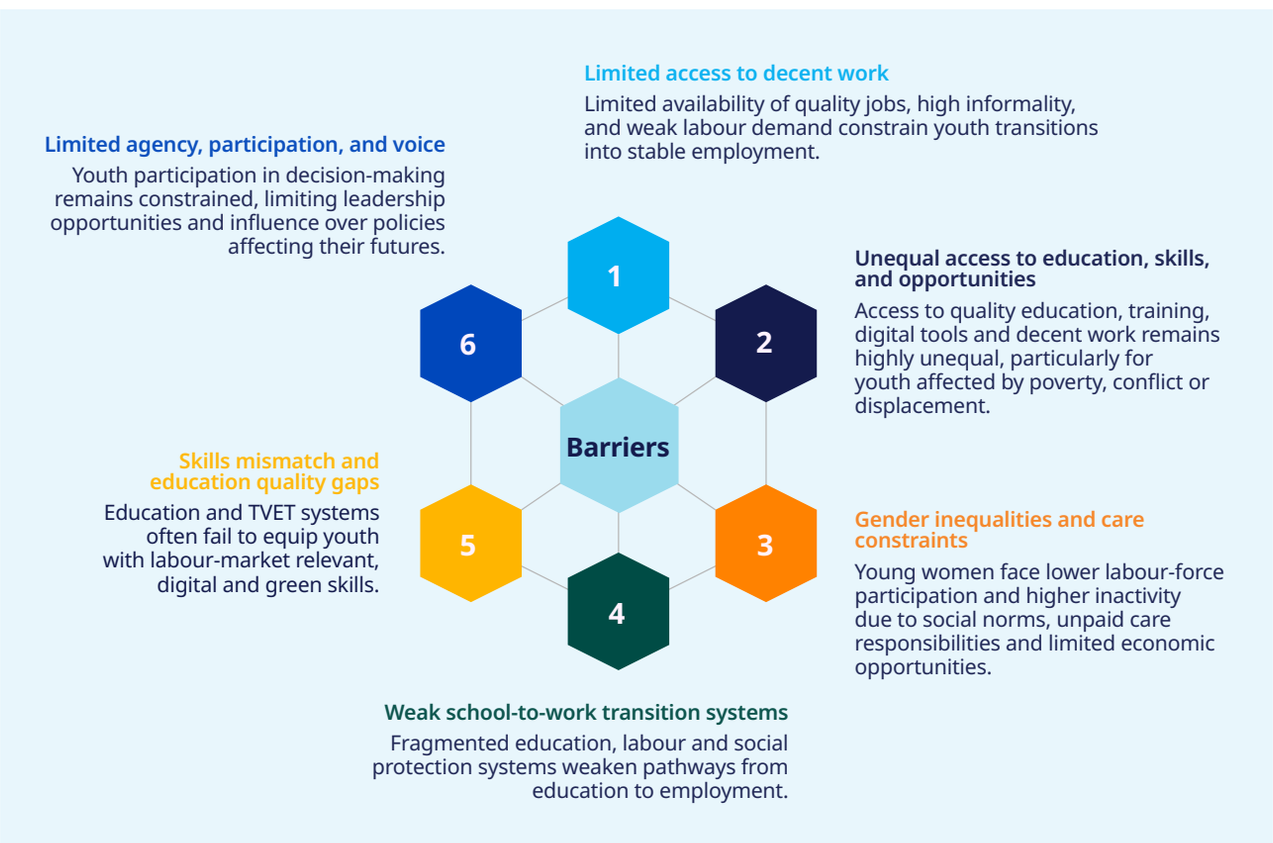
Structural and institutional factors further constrain youth transitions. Fragmented institutional arrangements, weak

3. Organisation for Economic Co-operation and Development, 'Youth not in employment, education or training (NEET)', <www.oecd.org/en/data/indicators/youth-not-in-employment-education-or-training-neet.html>, accessed 27 August 2026.
4. International Labour Organisation, 'Statistics in Asia and the Pacific', <https://ilostat.ilo.org/data/asia-and-the-pacific/?cat_mode=subject>, accessed 27 August 2026.

coordination across education, labour and social sectors, and poorly functioning school-to-work transitions reduce the effectiveness of youth-focused interventions. In many contexts, support for youth entrepreneurship remains limited, while access to finance, markets and business development services continues to constrain young people seeking to create their own livelihoods.

Sector-specific weaknesses also contribute to these challenges. Technical and vocational education and training (TVET) systems are often insufficiently aligned with labour-market demand, with weak links to employers, limited work-based learning opportunities and curricula and delivery models that do not always respond sufficiently to changing skills needs or provide flexible pathways into employment. Digital and green skills remain unevenly distributed, despite growing demand across many economies. Opportunities for youth participation in decision-making, civic engagement and leadership are also limited, reducing young people's ability to influence the systems that shape their futures (UNICEF Generation Unlimited, 2025).

Figure 2.2: Key barriers affecting youth transitions globally



Source: *Authors' synthesis from reviewed literature*

Together, these factors contribute to persistent outcomes across youth labour markets globally, including high levels of youth NEET, underemployment, informality and unemployment (ILO, 2022b). These outcomes reflect not only labour-market conditions but also the cumulative effects of unequal access to opportunities and weak institutional support for youth transitions.

2.4 Shifting labour-market demands and youth transitions

In addition to long-standing challenges, youth transitions are being reshaped by a set of powerful global megatrends. Digitalization, automation and advances in artificial intelligence are transforming labour markets and altering the types of skills required for future jobs (UNICEF

Generation Unlimited, 2024; World Bank, 2019). While these changes create new opportunities in areas such as digital services, innovation and emerging industries, they also heighten the risk of exclusion for young people who lack access to relevant skills, technology or enabling environments (ILO, 2022). Young people entering the labour market for the first time may face particular challenges, as many entry-level occupations are increasingly affected by automation and AI-enabled technologies, potentially raising barriers to labour-market entry while simultaneously increasing demand for digital, adaptive and higher-order skills.

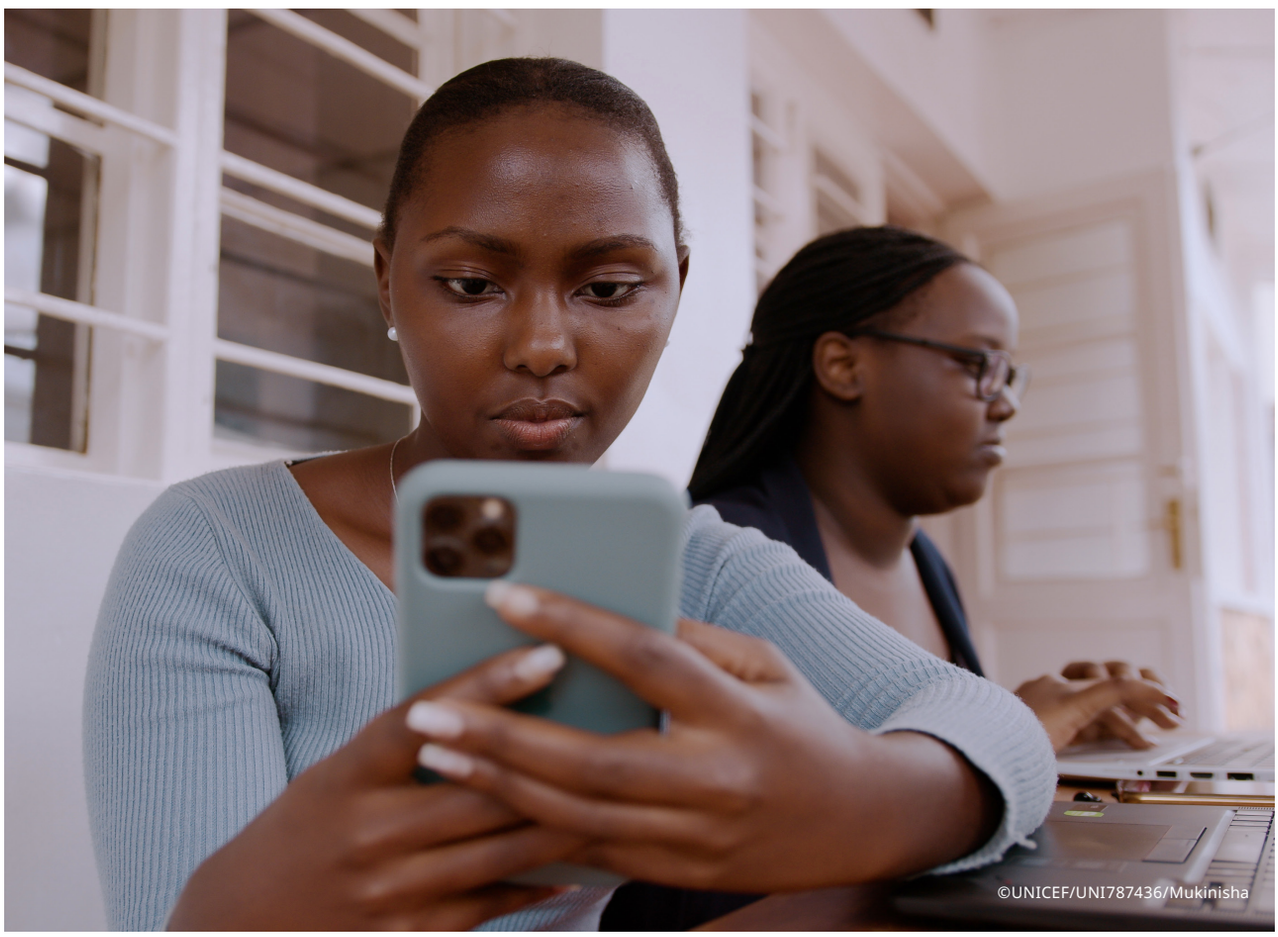
Climate change is another defining force. The transition towards green and climate-resilient economies is generating new demand for green skills and creating opportunities for youth engagement in climate action, environmental management and sustainable industries (ILO, 2019). At the same time, climate-related shocks disproportionately affect young people in vulnerable contexts, disrupting education, livelihoods and well-being.

Navigating this transition will require investment in skills, employment pathways and youth leadership linked to sustainability (ILO et al., 2024). Global shocks, including conflict, economic instability, pandemics and protracted crises, also shape youth aspirations and trajectories (OECD, 2020). These shocks tend to exacerbate existing inequalities, widening gaps between those with access to support and those without.

Taken together, these trends highlight the need for systems that can support multiple and non-linear youth transitions. Increasingly, young people move through complex pathways that involve re-skilling, periods of informality, entrepreneurship and engagement beyond traditional employment. Supporting such transitions requires flexible skills development, access to support services and meaningful opportunities for participation and leadership. Recognizing and responding to this complexity is essential for any credible global youth investment agenda.



Section 3: Analytical framework and methodology



This section sets out the analytical framework and methodology used to estimate the economic costs associated with incomplete and inefficient youth transitions and the potential gains from improved youth outcomes. It describes the cost-of-inaction model, key data inputs, scenario design and modelling assumptions, including adjustments for labour-market conditions and fiscal effects. These elements provide the basis for the results presented in section 4.

3.1 Analytical framework overview

This report adopts a cost-of-inaction approach to estimate the economic implications of barriers to successful youth transitions and the potential gains from improved youth outcomes. The analytical framework links youth labour-market outcomes to economic output by estimating the foregone productivity associated with young people who are not in employment, education or training. The approach proceeds in three steps. First, a baseline estimate of the economic cost of youth NEET is constructed by combining country-level data on youth populations, NEET prevalence and output per worker. Second, a structured scenario framework is applied to simulate potential gains under alternative assumptions about reductions in NEET and labour-market integration. Third, the analysis extends to estimate fiscal implications by approximating the share of additional output captured as public revenue.

Box 2: How to interpret the economic model

The economic model estimates the market-based productive output that is potentially forgone when young people are not in employment, education or training (NEET). It combines country-level estimates of the number of young people who are NEET with output per worker and projects these values over 2026–2030. Reform scenarios then estimate how much of this unrealized productive potential could be recovered under different assumptions about reductions in NEET, the capacity of labour markets to absorb additional workers and the productivity of the employment they enter.

The resulting figures should be interpreted as indicative estimates of economic exposure and recoverable productive potential, rather than as direct fiscal losses or amounts of income that could automatically be realized. The model does not value unpaid domestic and care work, wider social benefits of education and employment, or other dimensions of well-being that fall outside conventional measures of market-based output. It also does not deduct the costs of the policies and investments required to achieve the modelled improvements in youth transitions. The large aggregate figures partly reflect the global scale of the analysis, which covers many countries and accumulates annual economic effects over 2026–2030.

3.2 Baseline cost of inaction model

The baseline cost of inaction (COI) is defined as the total economic output that would have been generated if youth, currently classified as NEET, were productively employed at average output levels. At the country level, the number of youths in NEET are estimated as:

$$\mathrm{NEET}_{ct} = \mathrm{NEET\_rate}_{ct} \times \mathrm{Youth\_Population}_{ct}$$

where **c** denotes country and t denotes year.

The annual cost of inaction is then calculated as:

$$\mathrm{COI}_{ct} = \mathrm{NEET}_{ct} \times \mathrm{OPW}_{ct}$$

where **c** denotes country, **t** denotes year, and **OPW** is output per worker (GDP per worker, PPP-adjusted).

Global losses are obtained by aggregating across countries:

$$\mathrm{COI}_{t} = \sum_{c} \mathrm{COI}_{ct}$$

To account for time, losses are projected over 2026–2030 and expressed in present value terms using a 3 per cent discount rate, as shown below:

$$\mathrm{COI\_PV} = \sum_{t} \frac{\mathrm{COI}_{t}}{(1+r)^{(t-t_0)}}$$

where **r** is the discount rate and t_0 is the base year.

A common discount rate is applied across all countries to ensure consistency and comparability of estimates within the global analysis. While country-specific social discount rates may differ depending on macroeconomic conditions, investment practices and opportunity costs of capital, the use of a uniform rate provides a transparent and standardized basis for cross-country aggregation and comparison. A 3 per cent discount rate is commonly used in long-term economic and development analysis. However, to assess the robustness of the results, sensitivity analyses were also undertaken using alternative real discount rates of 5 per cent and 7 per cent. These results are presented in Annex A and demonstrate that the principal conclusions remain unchanged under alternative discounting assumptions.

The baseline cost of inaction represents a theoretical estimate of foregone output under full labour-market utilization. It assumes that youth currently classified as NEET could be productively engaged at average output levels and is therefore intended to illustrate the scale of unrealized economic potential rather than a prediction of immediately recoverable output. Subsequent adjustments and reform scenarios introduce labour absorption, productivity and informality parameters to provide more realistic estimates of achievable gains.

3.3 Data and key inputs

The analysis combines harmonized international data sets to construct a globally consistent modelling framework. The data sets along with their source and purpose are described below.

Table 3.1: Data used for analysis

Input	Source	Notes
Youth population	United Nations population projections	Ages 15–24
NEET rates	ILOSTAT	Gender-disaggregated
Output per worker	ILOSTAT	PPP-adjusted baseline productivity
GDP growth rates	IMF WEO	Used for productivity projections
Tax revenue (% of GDP)	World Bank WDI	Proxy for fiscal capture
Informality rates	ILOSTAT	Used for productivity adjustment

Data are harmonized at the country level and projected over the analysis horizon to ensure internal consistency. Baseline output-per-worker estimates are drawn from ILOSTAT and projected using IMF World Economic Outlook growth forecasts.



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3.4 Scenario framework

To assess the potential gains from improved youth transitions, the analysis applies a structured scenario framework that simulates reductions in NEET and their translation into employment and productivity outcomes. Three parameters define the scenario grid as outlined below. The baseline cost-of-inaction estimate represents a status quo scenario in which current youth transition outcomes persist. The reform scenarios presented below therefore assess the potential gains associated with progressively stronger improvements relative to this reference case.

- **NEET reduction** (10 per cent – conservative, 25 per cent – moderate, 50 per cent – transformative): These values represent increasing levels of policy ambition, ranging from incremental improvements to systemic transformation of youth transition systems.
- **Employment absorption** (60 per cent, 70 per cent, 80 per cent): Not all youth exiting NEET are assumed to immediately secure employment. These values reflect varying degrees of labour-market responsiveness.
- **Productivity adjustment** (40 per cent, 60 per cent, 80 per cent of national output per worker): This accounts for the fact that newly employed youth may initially produce below average productivity due to skills gaps and early-career dynamics.

These scenario levels are informed by observed ranges of improvement in youth employment outcomes across country contexts and are intended to represent plausible outcome shifts under varying degrees of policy intensity.

3.5 Estimate of economic gains

For each scenario s, the additional output is estimated as:

$$\begin{aligned}\mathrm{Gain}_{cts} = \mathrm{COI}_{ct} &\times \mathrm{NEET\_Reduction}_{s} \\ &\times \mathrm{Employment\_Absorption}_{s} \\ &\times \mathrm{Productivity\_Adjustment}_{s}\end{aligned}$$

The total gains are aggregated and discounted as:

$$\mathrm{Gain\_PV}_{s} = \sum_{t}\sum_{c}\frac{\mathrm{Gain}_{cts}}{(1+r)^{(t-t_0)}}$$

The estimates represent the additional economic output generated by improved youth transitions under different assumptions.

3.6 Informality adjustment

To account for labour-market structure, the model incorporates an informality adjustment that reduces estimated gains in countries with high levels of informal employment. This adjustment reflects the lower average productivity typically associated with informal employment and helps generate more conservative estimates of potential economic gains. However, the adjustment does not capture forms of productive activity that fall outside conventional labour-market measures, including unpaid domestic and care work, which may be particularly relevant for some young people classified as NEET, especially young women. As such, the adjustment should be interpreted as reflecting labour-market informality rather than the full range of productive contributions made by young people. The informality adjustment is calculated as:

$$\mathrm{Gain}_{cts}^{inf} = \mathrm{Gain}_{cts} \times \emptyset_{c}$$

where, ϕ_c is a country-specific adjustment factor derived from informality rates.

This adjustment reflects the lower average productivity associated with informal employment and represents a key sensitivity parameter in the model.

3.7 Fiscal estimate approach

Fiscal gains are estimated by applying country-level tax-to-GDP ratios to the additional output generated under each scenario, as modelled below:

$$\mathrm{Fiscal\_Gain}_{cts} = \mathrm{Gain}_{cts} \times \mathrm{Tax\_to\_GDP}_{c}$$

The total gains are aggregated as:

$$\mathrm{Fiscal\_Gain\_PV}_{s} = \sum_{t}\sum_{c}\frac{\mathrm{Fiscal\_Gain}_{cts}}{(1+r)^{(t-t_0)}}$$

Fiscal gains represent the share of additional economic output captured as public revenue and should not be interpreted as additional benefits beyond total economic gains. Given that youth employment is often lower-wage and partially informal, these estimates may represent upper-bound approximations of potential fiscal gains.

3.8 Gender considerations

The model incorporates gender-disaggregated data on NEET rates and youth populations, enabling an estimate of gender-specific economic losses and gains. While the modelling framework applies common productivity and transition assumptions across genders, the results reflect structural differences in NEET prevalence and, therefore, provide an indication of the relative economic implications of youth exclusion for young women and men. The analysis does not explicitly model gender differences in wages, labour-market participation patterns, occupational segregation, job quality or informality. As a result, the estimated gains associated with reductions in female NEET should be interpreted as indicative macroeconomic scenarios rather than precise estimates of realized labour-market outcomes.

3.9 Model parameters and assumptions

The modelling framework is defined by a set of core parameters that shape the scale and distribution of estimated economic and fiscal outcomes. These parameters reflect both empirical evidence and simplifying assumptions required to operationalize the analysis across a large number of countries. While values are selected to ensure internal consistency and comparability, they also introduce uncertainty into the estimates. In particular, parameters related to labour-market integration, such as employment absorption, productivity adjustment and informality, play a critical role in determining the magnitude of estimated gains. Among these, the informality adjustment is especially important, as it varies significantly across countries and directly affects the productivity of newly employed youth. The table below summarizes the key parameters used in the model.

Table 3.2: Model parameters and assumptions

Parameter	Value	Notes
Discount rate	3%	Standard practice
NEET reduction	10%, 25%, 50%	Scenario parameter
Employment absorption	60%, 70%, 80%	Labour-market responsiveness
Productivity adjustment	40%, 60%, 80%	Early-career productivity
Informality adjustment	Country-specific	Key sensitivity
Tax-to-GDP ratio	Country-specific	Proxy for fiscal capture

Productivity adjustment parameters are applied as proportions of each country's output per worker. While the adjustment factors (40 per cent, 60 per cent and 80 per cent) are standardized across scenarios, the resulting productivity levels remain country-specific because they are derived from country-specific output-per-worker estimates.



3.10 Limitations and interpretation boundaries

While NEET provides a useful aggregate indicator of youth disengagement, it does not fully capture the quality, stability and inclusiveness of youth livelihoods. In particular, it does not reflect underemployment, informality, earnings quality, unpaid care work or the duration and stability of transitions into work. The analysis in this report partially addresses some of these limitations by incorporating productivity adjustments and labour-market informality, but important dimensions of youth livelihoods remain outside the scope of the model and may warrant further consideration in future applications. In addition, the analysis is subject to a number of limitations:

- It does not model behavioural responses or labour-market equilibrium effects.
- It does not estimate programme-level returns or implementation costs.
- It uses average output per worker as a proxy for productivity and therefore does not fully capture differences in earning trajectories, job quality or gradual productivity growth among young labour-market entrants.
- It does not explicitly estimate the economic value of unpaid domestic and care work, which may be particularly relevant for some young women classified as NEET.
- It assumes uniform productivity within countries.
- Fiscal estimates are indicative and may represent upper-bound approximations.
- Results are sensitive to key parameters, particularly informality and productivity assumptions.
- A uniform discount rate is applied across countries and does not reflect country-specific differences in social discounting practices, opportunity costs of capital or macroeconomic conditions.

More broadly, this is an estimation and scenario-modelling exercise rather than an econometric causal analysis. It combines observed country-level data with explicit assumptions to estimate unrealised economic potential, rather than causal relationships between youth-transition outcomes and economic performance.

The findings should therefore be interpreted as illustrative macroeconomic scenarios of the potential economic and fiscal implications of improved youth transition outcomes rather than precise forecasts of realized gains or comprehensive measures of social welfare. Future iterations could incorporate additional dimensions of youth livelihoods, including unpaid care work, earning trajectories, job quality and broader well-being outcomes.



Section 4: Economic case for investing in youth



Youth disengagement from education and employment carries significant economic costs at a global scale. The analysis shows that the annual economic losses associated with youth NEET are substantial and increasing, reflecting both demographic trends and rising productivity levels. Over 2026–2030, the discounted present value of these losses reaches tens of trillions of dollars, underscoring the scale of unrealized economic potential associated with stalled youth transitions. At the same time, the analysis highlights the significant economic gains that could be realized through improvements in youth transitions into productive and decent employment. These gains vary depending on the extent to which youth are able to move into employment, the quality and productivity of available jobs, and broader labour-market conditions. The results presented in this section, therefore, provide an empirical basis for understanding both the costs of underinvestment and the economic returns associated with strengthening youth transition systems.

4.1 Baseline cost of youth NEET

The baseline analysis shows that youth disengagement represents a substantial and persistent drag on global economic performance. In 2026, the estimated economic cost associated with young people in amounts to approximately US$8.7 trillion, equivalent to around 4 per cent of global GDP. This reflects the scale of productive potential that remains unrealized due to stalled or incomplete youth transitions. Looking ahead, these losses are projected to increase gradually, reaching approximately US$10.5 trillion annually by 2030 under current trajectories. This increase reflects the combined effects of demographic change and rising output per worker across countries. While youth population trends vary across countries, sustained levels of youth disengagement combined with growing labour productivity increase the economic value of foregone employment. The distribution of these losses is also highly uneven across population groups, particularly by gender, as discussed in Section 4.5.

Table 4.1: Baseline global cost of youth NEET, 2026-2030 (US$, trillion)

Year	Annual baseline loss	Discounted baseline loss
2026	8.69	8.69
2027	9.10	8.84
2028	9.55	9.00
2029	10.00	9.15
2030	10.45	9.28
2026 – 2030	47.78	44.96

***Source**: Authors' estimates based on UN DESA World Population Prospects, ILOSTAT NEET rates and output-per-worker data, and IMF World Economic Outlook (WEO) growth projections.*

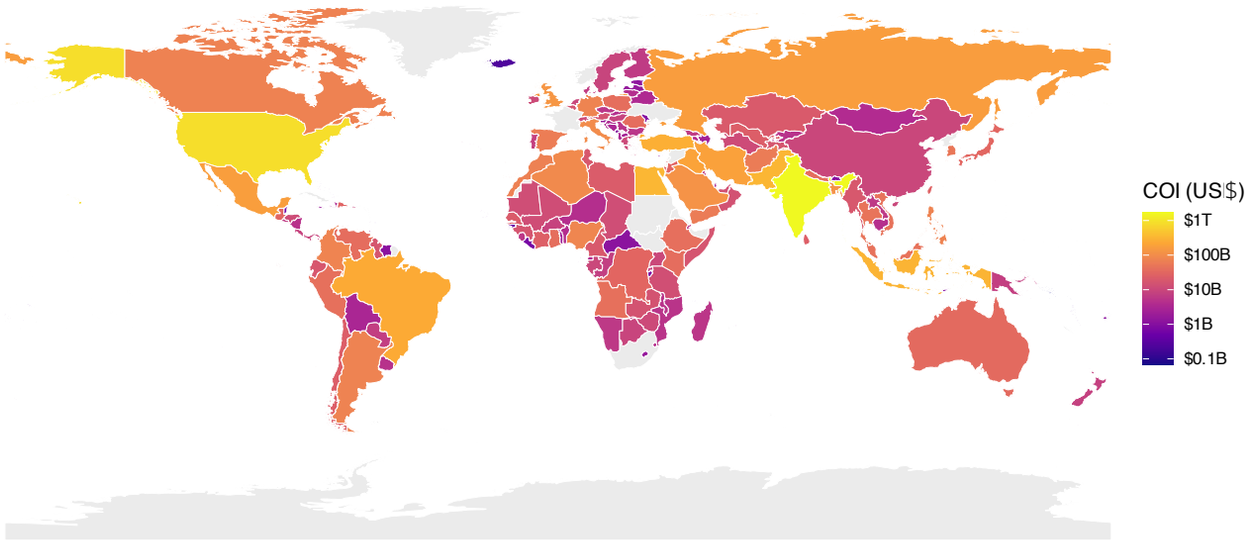
***Note**: Annual baseline losses are undiscounted. Present values are calculated using a 3 per cent real discount rate.*

These estimates capture the economic value of output that could potentially be generated if young people currently classified as NEET were productively engaged in the labour market. The analysis combines country-level estimates of youth NEET populations with measures of average output per worker, expressed in purchasing power parity terms, to approximate the magnitude of foregone production. While this approach provides a consistent global benchmark, it should be interpreted as an indicative estimate of unrealized market-based economic potential rather than a precise measure of achievable gains. The estimates assume that youth transitioning into employment eventually contribute at average economy-wide productivity levels and therefore do not fully capture differences in job quality, informality, underemployment or labour-market frictions. These factors are incorporated later through scenario analysis and informality-adjusted estimates.



The distribution of these losses is highly uneven across countries and regions. In absolute terms, the largest economic costs are concentrated in countries with large youth populations, substantial numbers of young people outside employment, education and training, and relatively high levels of output per worker. Country rankings reflect the interaction of youth population size, NEET prevalence and labour productivity rather than demographic trends alone. As a result, countries may rank highly for different reasons, including large youth cohorts, elevated NEET levels, high productivity or a combination of these factors. At the same time, a broad range of middle-income countries also contribute substantially to the global cost of inaction, reflecting a combination of sizeable youth populations and persistent labour-market constraints. Figure 4.1 illustrates the geographic distribution of the cost of inaction across countries in 2026.

Figure 4.1: Global cost of inaction, 2026



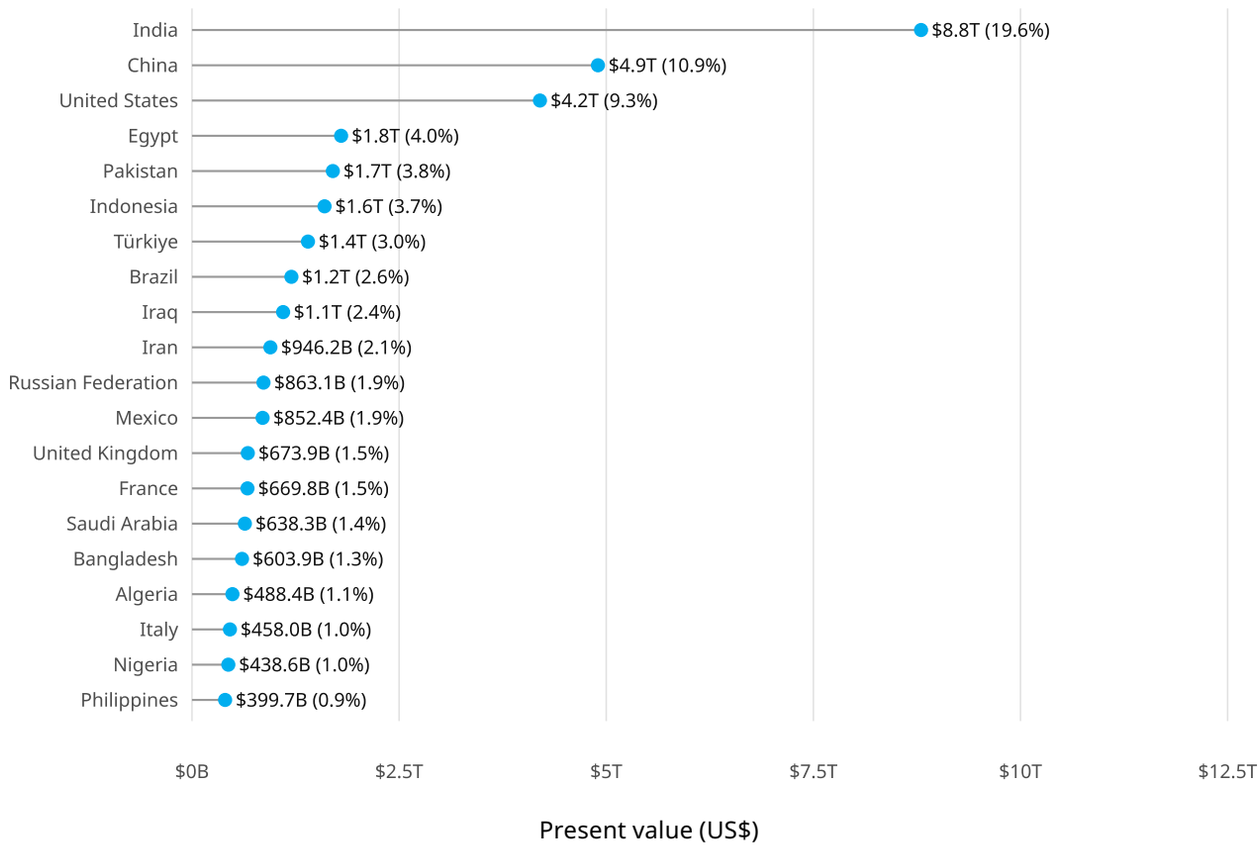
Source: Authors' estimates based on ILOSTAT, United Nations population projections and IMF WEO

The map should be interpreted as a measure of economic exposure to youth disengagement rather than a direct measure of the severity of youth transition challenges, as estimated losses depend on both labour-market outcomes and country-specific productivity levels.

The concentration of global losses becomes clearer when examining country-level contributions, A relatively small group of large economies accounts for a substantial share of the total cost of inaction. Country rankings reflect the interaction of youth population size, NEET prevalence and output per worker. Consequently, countries may rank highly for different reasons. India and China contribute substantially because of the scale of their youth populations, while countries such as the United States combine large youth cohorts with relatively high productivity levels. Countries including Egypt, Pakistan, Indonesia and Türkiye also feature prominently due to the combination of sizeable youth populations and persistent youth disengagement. As a result, the rankings should not be interpreted as measures of demographic pressure alone or as direct indicators of the severity of youth transition challenges (see Figure 4.2).



Figure 4.2: Top 20 countries by cost of inaction (present value, 2026–2030)



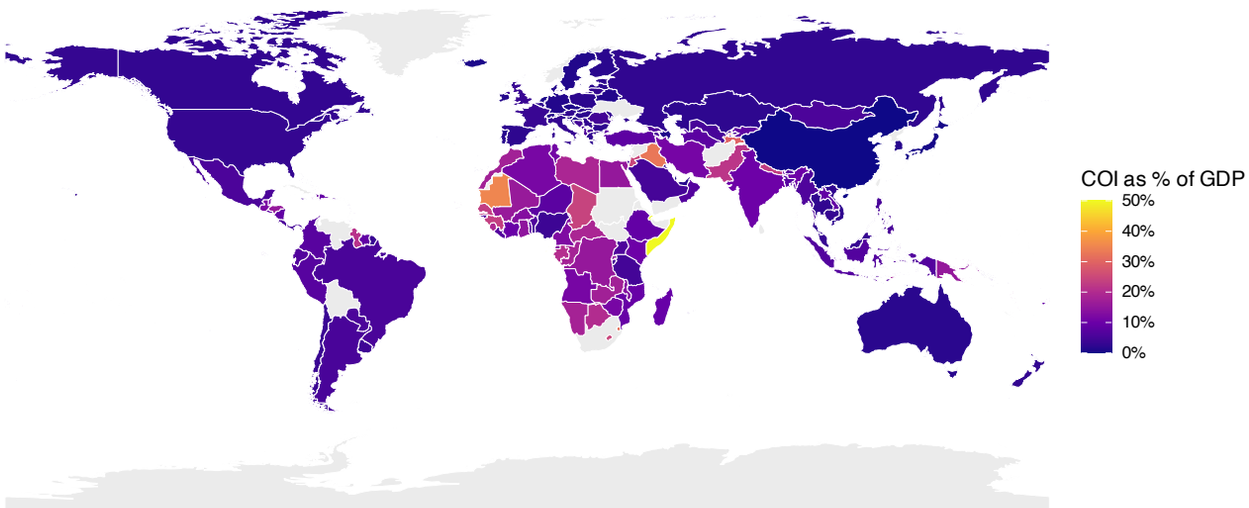
Note: *Baseline present value discounted at 3 per cent; labels show value and share of global PV losses*

The presence of several upper-middle- and high-income countries among the largest contributors does not necessarily indicate more severe youth transition challenges. Rather, it reflects the interaction between youth population size, NEET prevalence and output per worker used in estimating foregone economic output. Because the analysis applies average economy-wide productivity levels, the estimated cost of each disengaged young person is higher in economies with higher output per worker. In practice, newly employed youth would typically enter the labour market at a lower productivity level and experience productivity gains over time. As a result, the estimates for higher-income countries should be interpreted as indicative upper-bound values rather than immediate realizable losses.

At the same time, the composition of top contributors reflects different underlying dynamics. The composition of top contributors reflects different underlying dynamics. In some economies, particularly high-income countries, estimated losses are influenced by relatively high output per worker, which increases the economic value associated with each disengaged young person. In other contexts, including countries such as India, Pakistan, Indonesia, Egypt and Türkiye, large losses are more closely associated with demographic scale and the number of young people outside employment, education and training.

A different but complementary perspective emerges when these losses are expressed relative to the size of national economies. When measured as a share of GDP, the economic burden of youth disengagement is often most pronounced in smaller and more vulnerable economies. Across countries, the median cost is approximately 6 per cent of GDP, although substantial variation across contexts. While the global cost of inaction is equivalent to around 4 per cent of global GDP, the relative burden is considerably higher in many countries, particularly those characterized by high NEET prevalence and limited economic diversification. Figure 4.3 presents the cost of inaction as a proportion of the GDP across countries in 2026.

Figure 4.3: Country-level cost of inaction from youth NEET as a percentage of GDP, 2026



Source: *Authors' estimates based on ILOSTAT, United Nations population projections, IMF WEO and World Bank GDP ppp data*

Taken together, the absolute and relative estimates highlight complementary dimensions of the challenge. Absolute losses identify where the largest volumes of unrealized economic potential are concentrated, while relative losses indicate where youth disengagement represents the greatest economic burden relative to national economic output. Countries that rank highly on one measure do not necessarily rank highly on the other. This distinction underscores the importance of interpreting the cost of inaction from multiple perspectives. Large economies often dominate global totals because of their demographic and economic scale, whereas smaller or lower-income countries may experience much higher relative economic burdens.

These baseline estimates should be interpreted as indicative estimates of unrealized market-based economic potential rather than forecasts of achievable outcomes. Actual gains depend on the pace at which labour markets can absorb young workers, the quality and productivity of available jobs, and broader economic and institutional conditions. These factors are explicitly incorporated within the scenario analysis presented in subsequent sections.

4.2 Economic gains under reform scenarios

The scenario analysis estimates the additional economic output that could be generated through improvements in youth transitions into productive employment. Across the range of scenarios modelled, the results suggest that even modest improvements in youth participation can yield substantial economic gains, while more ambitious, system-wide reforms have the potential to unlock significantly larger benefits. These scenarios are anchored in plausible ranges observed in policy and programme experience. Modest improvements reflect an incremental expansion of existing interventions, while more ambitious scenarios correspond to coordinated reforms that combine skills development, labour-market access and enabling support systems.

These scenarios should not be interpreted as cost-free improvements. Achieving reductions in youth NEET at the scale modelled here would require substantial investments across multiple sectors, including education, skills development, employment services, labour-market institutions, social protection systems and measures that address barriers faced by specific groups of young people. The analysis focuses on the potential economic gains associated with improved youth transitions and does not estimate the costs of implementing the policies and reforms required to achieve these outcomes. As such, the results should be interpreted as illustrating the potential scale of recoverable economic value rather than the net returns of specific interventions or investment packages.

Across all scenarios, estimated gains range from approximately US$1.1 trillion to US$14.4 trillion in present value terms over 2026–2030. Under the most ambitious scenario, characterized by a 50 per cent reduction in youth NEET, 80 per cent employment absorption, and productivity reaching 80 per cent of

average output per worker, global economic gains are estimated at approximately US$14.4 trillion. Even under more moderate assumptions, the potential gains remain substantial. For example, a 25 per cent reduction in NEET under similar absorption and productivity conditions yields gains of around US$7.2 trillion (see Table 4.2)

Table 4.2: Scenario results: Output gains across reform scenarios

NEET reduction	Employment absorption	Productivity level	Output gain (US$, trillion)
50%	80%	80%	14.37
50%	70%	80%	12.57
50%	60%	80%	10.78
50%	80%	60%	10.78
50%	70%	60%	9.43
50%	60%	60%	8.08
50%	80%	40%	7.19
50%	70%	40%	6.29
50%	60%	40%	5.39
25%	80%	80%	7.19
25%	70%	80%	6.29
25%	60%	80%	5.39
25%	80%	60%	5.39
25%	70%	60%	4.72
25%	60%	60%	4.04
25%	80%	40%	3.59
25%	70%	40%	3.14
25%	60%	40%	2.69
10%	80%	80%	2.87
10%	70%	80%	2.51
10%	60%	80%	2.16
10%	80%	60%	2.16
10%	70%	60%	1.89
10%	60%	60%	1.62
10%	80%	40%	1.44
10%	70%	40%	1.26
10%	60%	40%	1.08

The results highlight three key dynamics. First, economic gains increase proportionally with reductions in youth disengagement, reflecting the scale of untapped labour potential. Second, labour-market absorption plays a critical role in determining realized gains, as not all young people transitioning out of NEET status are immediately able to secure employment. Third, productivity assumptions significantly influence outcomes, particularly in contexts where new labour-market entrants may initially operate below average productivity levels. The results also demonstrate that gains are highly sensitive to the interaction of these parameters. For example, a moderate reduction in youth disengagement combined with strong labour-market absorption and productivity outcomes can generate gains comparable to more ambitious NEET reductions under less favourable labour-market conditions.


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Importantly, these estimates do not assume immediate or full productivity gains upon labour-market entry. In practice, young people transitioning into employment often experience a gradual process of integration, with productivity increasing as skills, experience and job-matching improve. The model accounts for this by incorporating conservative productivity assumptions, which serve as a proxy for transition dynamics and early-stage employment conditions. Even under the most ambitious scenario, the estimated gains represent only around one third of the baseline cost of inaction identified in Section 4.1. This reflects the deliberately conservative structure of the scenario framework.

The scenarios assume partial rather than complete reductions in youth disengagement, incomplete labour-market absorption, and productivity levels below national averages for newly employed youth. Together, these assumptions produce estimates of recoverable economic value that are intended to be plausible rather than aspirational.

The scale of potential gains underscores the importance of strengthening youth transition systems in a holistic manner. However, achieving these outcomes would require sustained policy commitment, institutional reform and investment across multiple sectors. Improvements in skills alone are unlikely to generate these gains without corresponding expansion in labour demand, effective matching mechanisms, supportive social and labour-market institutions, and targeted measures to address barriers faced by vulnerable groups. Achieving sustained gains therefore depends not only on the scale of investment, but also on the effectiveness with which investments are coordinated across education, employment and broader economic systems.

4.3 Informality adjustment

In many labour markets, particularly in low- and middle-income countries, a substantial share of employment takes place in the informal sector. Informal employment typically generates lower levels of measured output and contributes less to tax revenue than formal employment. If all newly employed youth were assumed to generate output at average national productivity levels, the model would risk overstating potential economic gains. To address this issue, the analysis incorporates an informality adjustment that reduces estimated output gains in countries where informal employment is prevalent.

Country-level informality rates are drawn from labour-market data sources compiled by the ILO. For each country, a productivity adjustment factor is applied based on the share of employment occurring in the informal sector. This adjustment reduces the estimated output gains generated by newly employed youth in economies where informal employment is widespread. Informality information is available for approximately 70 per cent of countries included in the analysis, covering around 77 per cent of total estimated baseline economic losses. While coverage is incomplete, the available data capture a large share of the countries where labour-market informality is most prevalent and economically significant.

A country-level assessment indicates that the adjustment captures most low- and middle-income economies, where informality is most prevalent and has the greatest impact on productivity. However, informality data are unavailable for a number of economies, including several high-income countries. As a result, no productivity adjustment can be applied in these cases, which may lead to a modest overstatement of potential gains where labour-market informality remains relevant but unmeasured. Overall, the adjustment provides a reasonable approximation of labour-market structure, particularly in countries where informality is a binding constraint (see Table 4.3).

Table 4.3:

NEET reduction	Employment absorption	Productivity level	Informality-adjusted output gain (US$, trillion)
Transformative scenarios (50% NEET reduction)			
50%	80%	80%	10.11
50%	70%	80%	8.85
50%	60%	80%	7.58
50%	80%	60%	7.58
50%	70%	60%	6.64
Transformative scenarios (50% NEET reduction)			
50%	60%	60%	5.69
50%	80%	40%	5.06
50%	70%	40%	4.42
50%	60%	40%	3.79
Moderate scenarios (25% NEET reduction)			
25%	80%	80%	5.06
25%	70%	80%	4.42
25%	60%	80%	3.79
25%	80%	60%	3.79
25%	70%	60%	3.32
25%	60%	60%	2.84
25%	80%	40%	2.53
25%	70%	40%	2.21
25%	60%	40%	1.90
Conservative scenarios (10% NEET reduction)			
10%	80%	80%	2.02
10%	70%	80%	1.77
10%	60%	80%	1.52
10%	80%	60%	1.52
10%	70%	60%	1.33

NEET reduction	Employment absorption	Productivity level	Informality-adjusted output gain (US$, trillion)
10%	60%	60%	1.14
10%	80%	40%	1.01
10%	70%	40%	0.88
10%	60%	40%	0.76

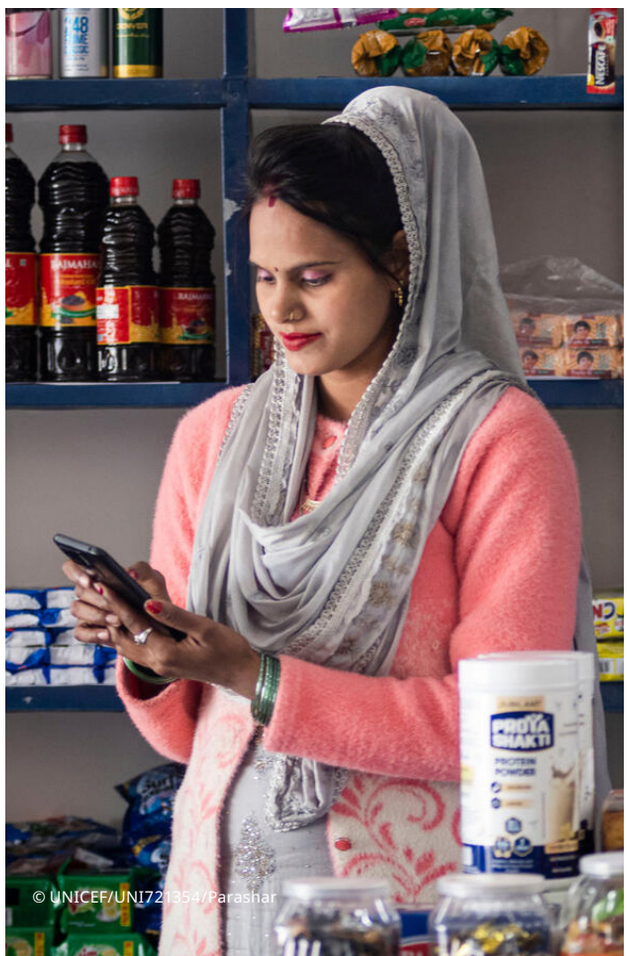
The results show that accounting for labour-market informality reduces estimated economic gains across all reform scenarios by approximately 30 per cent. Under the most ambitious reform scenario, combining a 50 per cent reduction in youth NEET with 80 per cent employment absorption and productivity at 80 per cent of average output per worker, estimated gains decline from approximately US$14.4 trillion to US$10.1 trillion after applying the informality adjustment. This reduction reflects the lower average productivity typically associated with informal employment in many labour markets and highlights the importance of considering employment quality alongside employment quantity.

Overall, the difference between the headline and informality-adjusted results highlights the critical role of labour-market structure in shaping the economic returns to youth employment policies. The findings suggest that reductions in youth disengagement alone are unlikely to generate the full economic gains implied by headline estimates if newly employed youth remain concentrated in low-productivity informal employment. Realizing the full potential of youth transition reforms therefore depends not only on expanding employment opportunities, but also on improving job quality, productivity and pathways into formal employment.

4.4 Fiscal implications

Beyond private income gains and increased economic output, a portion of these additional gains can be captured as public revenue through taxation. Higher employment levels increase the number of workers contributing to national tax systems and social insurance programmes. To approximate these fiscal implications, the analysis applies country-specific tax revenue as a share of GDP to the estimated additional output generated under the reform scenarios. This approach provides a proxy for the share of additional output that can be captured as public revenue, which is then applied to estimate fiscal gains in absolute terms. As such, the estimated fiscal gains represent a subset of the total economic gains reported in Section 4.2, rather than additional benefits.

Country-level tax revenue data are obtained from World Bank Development Indicators (WDI) database, using recently available values as a proxy for average effective tax-to-GDP ratios across countries. While this provides a useful approximation of the share of output captured as public revenue, it may overstate fiscal gains in the context of youth employment, which is often characterized by lower wages, partial informality and limited tax liability, particularly in the early stages of labour-market entry. As a result, the fiscal estimates presented here should be interpreted as indicative upper-bound approximations of potential public revenue gains. Table 4.4 presents the resulting fiscal gains in absolute terms associated with each reform scenario, showing both the headline estimates and the results after adjusting for labour-market informality.



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Table 4.4: Fiscal gains from reform scenarios (PV, 2026–2030)

NEET reduction	Employment absorption	Productivity level	Headline fiscal gain (US$, trillion)	Informality-adjusted fiscal gain (US$, trillion)
Transformative scenarios (50% NEET reduction)				
50%	80%	80%	1.22	0.95
50%	70%	80%	1.07	0.83
50%	60%	80%	0.92	0.71
50%	80%	60%	0.92	0.71
50%	70%	60%	0.80	0.63
50%	60%	60%	0.69	0.54
50%	80%	40%	0.61	0.48
50%	70%	40%	0.54	0.42
50%	60%	40%	0.46	0.36
Moderate scenarios (25% NEET reduction)				
25%	80%	80%	0.61	0.48
25%	70%	80%	0.54	0.42
25%	60%	80%	0.46	0.36
25%	80%	60%	0.46	0.36
25%	70%	60%	0.40	0.31
25%	60%	60%	0.34	0.27
25%	80%	40%	0.31	0.24
25%	70%	40%	0.27	0.21
25%	60%	40%	0.23	0.18
Conservative scenarios (10% NEET reduction)				
10%	80%	80%	0.24	0.19
10%	70%	80%	0.21	0.14
10%	60%	80%	0.18	0.14
10%	80%	60%	0.18	0.14
10%	70%	60%	0.16	0.13
10%	60%	60%	0.14	0.11
10%	80%	40%	0.12	0.095
10%	70%	40%	0.11	0.083
10%	60%	40%	0.092	0.071

The fiscal implications of improved youth employment outcomes are substantial. Under the most ambitious reform scenario of combining a 50 per cent reduction in youth NEET, 80 per cent employment absorption and productivity at 80 per cent of national output per worker, the model estimates that governments could generate approximately US$1.22 trillion in additional fiscal revenue over 2026–2030. When the informality adjustment is applied, the estimated fiscal gain declines to around US$0.95 trillion, reflecting the lower tax capture associated with informal employment.

Across the broader range of scenarios, fiscal gains vary considerably depending on the scale of NEET reduction, labour-market absorption and productivity outcomes. Moderate reform scenarios, such as a 25 per cent reduction in NEET combined with 80 per cent employment absorption and productivity at 80 per cent of national output per worker, generate fiscal gains of approximately US$0.61 trillion, while more conservative scenarios yield gains ranging from approximately US$92 billion to US$240 billion. These findings demonstrate that improvements in youth transitions can generate meaningful fiscal returns alongside broader economic benefits, although the magnitude of these gains remains sensitive to labour-market conditions, productivity outcomes and the extent to which additional employment occurs within the formal economy.

Consistent with the economic gain estimates presented in Section 4.3, accounting for labour-market informality reduces estimated fiscal gains by roughly one fifth to one quarter across most scenarios, highlighting the importance of improving not only employment outcomes but also the quality and formality of jobs available to young people.

4.5 Gender dimensions of economic costs and gains

Youth labour-market outcomes are highly gendered in many countries, with young women significantly more likely to be out of employment, education or training than young men. This imbalance has important implications for both the scale and distribution of economic losses associated with barriers to successful youth transitions. The analysis indicates that female NEET accounts for a disproportionately large share of total estimated losses under the modelling framework. Over 2026-2030, approximately 63 per cent of the estimated global cost of inaction is associated with young women, equivalent to around US$28.2 trillion in present value terms. This reflects higher NEET prevalence among young women as well as persistent structural barriers affecting their participation in education, training and labour markets. Young men account for the remaining US$16.8 trillion, or approximately 37 per cent of total estimated losses (see Table 4.5).

Table 4.5: Gender-disaggregated baseline cost of youth NEET, 2026–2030

Gender	Baseline COI (US$, trillion)	Gender share (%)
Female	28.20	62.7%
Male	16.76	37.3%
Total	44.96	100.0%

These findings highlight that gender is not only a social equity concern but also an important dimension of youth transition systems. Nearly two thirds of estimated global losses are associated with young women, underscoring the extent to which barriers to education, skills development, labour-market entry and economic participation continue to constrain the productive potential of young women in many contexts. Addressing barriers faced by young women, including constraints related to education, childcare, mobility, labour-market access and participation in decision-making processes, can generate substantial economic and social benefits. At the same time, the estimates should be interpreted with caution, as the model does not explicitly account for gender differences in wages, job quality, labour-market participation patterns, informality or unpaid domestic and care work.

Consequently, the results should be interpreted primarily as reflecting differences in the prevalence and scale of youth disengagement between young women and young men. They do not capture broader gender differences in earnings, occupational segregation, job quality, unpaid

care responsibilities or other dimensions of economic participation. As such, they represent indicative estimates of the market-based economic implications associated with gender differences in NEET prevalence rather than comprehensive measures of women's overall economic contribution.

4.6 Interpretation of results

The analysis highlights the scale and persistence of economic losses associated with youth disengagement. Over 2026–2030, the global cost of inaction amounts to approximately US$45 trillion in present value terms, reflecting a substantial and persistent underutilization of human capital. While the annual cost of inaction rises, driven by projected growth in output per worker and demographic dynamics in many countries, the aggregate losses remain significant throughout the projection period.

The scenario analysis demonstrates that even with ambitious reform assumptions, only a portion of these losses can be recovered within the five-year time-horizon. At the upper bound, reforms could generate approximately US$14.4 trillion in additional output over the five-year period. After accounting for labour-market informality, the corresponding estimate falls to approximately US$10.1 trillion. Even under ambitious assumptions, this represents only a portion of total baseline losses, highlighting both the scale of the challenge and the time required to strengthen youth transition systems and improve labour-market outcomes.

The results also underscore the importance of labour-market structure in shaping economic returns. Accounting for informality reduces estimated gains by roughly 25–30 per cent across scenarios, indicating that the quality, productivity and formality of employment outcomes are central to realizing economic benefits. Similarly, the distribution of losses is highly uneven, with young women accounting for approximately 63 per cent of total estimated economic costs. This highlights that addressing gender-specific barriers is critical not only for equity but also for maximizing economic returns.

Finally, the analysis shows that improvements in youth employment outcomes can generate meaningful fiscal space. A portion of the additional output generated through improved transitions is captured as public revenue, with potential fiscal gains reaching approximately US$1.2 trillion over the five-year period under ambitious scenarios, or around US$0.95 trillion after accounting for labour-market informality. While these estimates should be interpreted as indicative upper-bound approximations, they demonstrate that investments in youth transitions can generate meaningful fiscal returns through increased economic activity and tax revenues.

Taken together, the baseline and reform scenario estimates provide a robust quantitative foundation for the broader youth investment case presented in the remainder of the report. The analysis demonstrates that the economic costs associated with stalled youth transitions are substantial, while also showing that significant gains can be realized through coordinated investments that reduce youth disengagement, improve labour-market absorption and strengthen the productivity of employment outcomes. They highlight both the magnitude of the opportunity and the need for sustained, system-wide interventions that address not only access to employment but also the quality and structure of labour-market outcomes.



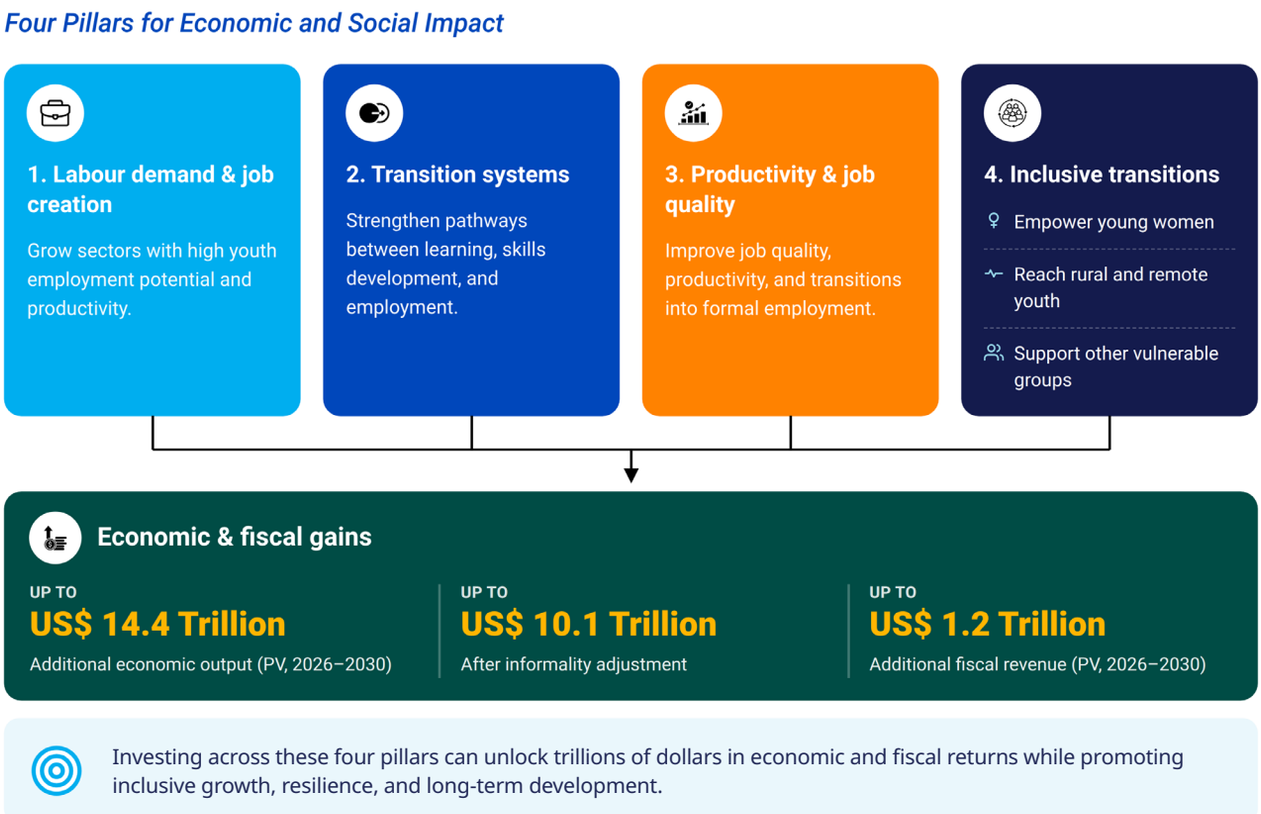
Section 5: Investment pillars and priority



Building on the economic analysis presented in Chapter 4, this section translates the identified costs of youth disengagement and the potential gains from reform into a set of priority investment strategies. With global losses estimated at approximately US$45 trillion over 2026–2030, and potential gains of up to US$14.4 trillion under ambitious reform scenarios, the analysis highlights both the scale of the opportunity and the constraints that limit its realization. The objective of this section is not to provide an exhaustive list of interventions, but to identify a focused set of high-impact investment priorities that can unlock these gains.

The investment strategies presented below are structured around the key drivers of economic outcomes identified in the analysis, including labour-market absorption, productivity of employment and the distribution of youth disengagement across population groups. Each pillar reflects a critical constraint within youth transition systems and outlines the actions required by governments, private sector actors and development partners to shift outcomes at scale. Taken together, these pillars provide a practical investment framework for translating the economic potential of improved youth transitions into sustained and inclusive growth.

Figure 5.1: Youth transition investment framework



5.1 Pillar 1: Unlocking youth employment at scale: Expanding labour-market absorption

Youth policies have traditionally focused on improving employability through education, skills development and training. While these investments remain important, they are unlikely to generate large-scale improvements in youth outcomes when labour demand remains weak. In many contexts, the primary constraint is not the supply of young people willing to work, but the availability of productive employment opportunities capable of absorbing them. For this reason, expanding labour demand and job creation is presented as the first investment priority in this report and serves as a foundational condition for improving youth transitions at scale.

Consistent with this perspective, the analysis in Chapter 4 identifies limited labour-market absorption as a central constraint in translating reductions in youth NEET into economic gains. Even under ambitious reform scenarios, only a proportion of youth transitioning out of NEET are assumed to secure employment, reflecting structural limitations in job creation and labour demand. This constraint significantly limits the realization of the estimated US$14.4 trillion in potential gains. Addressing this bottleneck is therefore a primary investment priority.

Expanding youth employment at scale requires a shift from supply-driven approaches towards policies that actively stimulate labour demand and create pathways for youth into productive sectors. Evidence shows that economic growth alone is often insufficient to generate adequate employment opportunities for young people, particularly in contexts characterized by structural transformation, skills mismatches and segmented labour markets (World Bank, 2019; ILO, 2022b). Emerging technologies, including artificial intelligence, are reshaping labour demand and altering the nature of many entry-level occupations, creating both new opportunities and new barriers for young people entering the labour market for the first time. Targeted interventions are therefore needed to ensure that growth translates into job creation.

Strategic investment focus

Addressing the labour demand constraint requires targeted investments that directly expand job creation and strengthen the capacity of labour markets to absorb

young workers. Broad-based growth alone is insufficient and, therefore, interventions must focus on sectors with high employment potential, the role of firms as primary job creators and the removal of structural barriers that limit youth hiring. The areas outlined below represent priority levers for increasing labour-market absorption and unlocking the economic gains identified in the analysis.

1. **Sector-targeted job creation:** Governments should prioritize investments in sectors with high employment potential for youth, including labour-intensive manufacturing, agribusiness, digital services and green economy sectors. Structural economic transformation, including digitalization and the transition towards greener economies, is already reshaping labour demand and creating new employment opportunities (World Bank, 2019; World Economic Forum, 2023). Aligning industrial policy, investment promotion and skills systems with these sectors can support job creation at scale while improving the relevance and sustainability of employment pathways.
2. **Strengthening private sector engagement:** The private sector is the primary engine of job creation, yet many youth employment strategies remain weakly connected to employer demand. Weak linkages between young workers and employers are a key constraint on labour-market outcomes (World Bank, 2019). Governments and development partners should establish structured mechanisms for employer engagement, including co-designed training programmes, sector-based partnerships and demand-driven financing instruments. Strengthening firm-level capacity, particularly among small and medium enterprises, can further expand employment opportunities and improve labour-market integration.
3. **Reducing barriers to hiring youth:** Labour-market entry barriers, such as limited work experience, information gaps and hiring risks, disproportionately affect young people and contribute to prolonged transitions into employment. Targeted measures, including apprenticeships, internships and hiring incentives, can help ease entry into employment and improve matching between young workers and employers (ILO, 2022b). These interventions are most effective when they are time-bound, well-targeted and integrated into broader employment strategies.

Investment implications

The analysis suggests that labour demand represents one of the most binding constraints affecting youth transitions in many countries. Consequently, investments that expand productive employment opportunities have the potential to generate system-wide benefits by improving labour-market absorption and enabling young people to translate skills and qualifications into employment outcomes. Scaling up labour-market absorption is essential to unlocking the economic gains identified in this report. Without sufficient demand for labour, reductions in NEET will not translate into productive employment, limiting both economic output and fiscal returns. Investments under this pillar directly influence the employment absorption parameter in the model and therefore have a first-order impact on the magnitude of achievable gains. Given the scale of potential returns, policies that expand job creation, particularly in sectors with high youth employment potential, represent one of the most critical levers for realizing the economic benefits of improved youth transitions.

While the analysis demonstrates the potential economic gains associated with stronger labour demand and employment absorption, it does not estimate the investment costs required to achieve these outcomes. The scale of investment needed will vary considerably across countries depending on labour-market conditions, economic structure, existing institutions and the policy instruments adopted. Consequently, the findings should be interpreted as illustrating the potential economic value of reform rather than the net returns of specific investment packages.

5.2 Pillar 2: Accelerating transitions from NEET to work: Strengthening pathways and matching systems

The analysis in Chapter 4 highlights that reducing youth NEET is a necessary but not sufficient condition for achieving economic gains. The extent to which reductions in NEET translate into employment depends on the effectiveness of transition systems that connect young people to opportunities. Weak school-to-work transitions, limited access to labour-market information and inadequate support mechanisms often result in prolonged inactivity, repeated spells of unemployment and inefficient matching between young workers and available jobs.

Strengthening these transition pathways is therefore a critical investment priority.

Globally, many young people face fragmented and non-linear pathways between education, training and employment. Information asymmetries, weak institutional coordination and limited access to support services constrain the ability of young people to navigate these transitions effectively (ILO, 2022b; OECD, 2021; World Bank, 2019). As a result, even where opportunities exist, they are not always accessible to those who need them most. Addressing these bottlenecks can significantly improve the conversion of reduced NEET into sustained employment outcomes.

Strategic investment focus

Improving youth transitions requires investments that strengthen the systems connecting education, training and labour markets. This includes improving information flows, supporting first-time labour-market entry, and expanding pathways for young people who are disconnected from formal systems. The areas outlined below represent priority levers for improving matching efficiency, reducing transition delays, and increasing the likelihood that young people move into productive employment.

1. **Strengthening labour-market intermediation systems:** Many youth labour markets are characterized by weak intermediation, where both jobseekers and employers lack access to reliable and timely information. Public employment services, job-matching platforms and labour-market information systems can play a critical role in reducing information asymmetries and improving matching efficiency (ILO, 2022b; OECD, 2021). When designed with youth in mind, these systems can reduce job-search costs, shorten transition periods and improve alignment between skills supply and labour demand.
2. **Supporting school-to-work transitions:** The transition from education to employment remains a major bottleneck, particularly for first-time labour-market entrants. Many young people lack work experience, employer networks and practical exposure to labour-market conditions, which limits their employability even when they possess relevant qualifications. Structured transition mechanisms, such as apprenticeships, internships and work-based learning, can bridge this gap by providing young people with practical skills and facilitating entry into employment (ILO, 2022b). Within these transition systems, TVET has a particularly important role in connecting skills development with labour-market opportunities. Investment should strengthen the labour-market relevance of TVET through closer employer engagement, responsive curricula, apprenticeships and other forms of work-based learning, and stronger links between training providers, employment services and job-matching systems.
3. **Expanding pathways for disconnected and excluded youth:** A significant share of youth classified as NEET are not only unemployed but also disconnected from formal education and training systems. For these groups, standard transition mechanisms are often insufficient. Flexible and alternative pathways, including second-chance education, modular training and community-based programmes, are essential to re-engage these youth and provide entry points into productive pathways (UNICEF, 2021; UNESCO, 2021).



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Investment implications

Investments in transition systems directly influence the NEET reduction parameter in the model and determine how effectively young people move from inactivity into employment pathways. Strengthening these systems can significantly improve the efficiency of youth transitions, reduce the duration of inactivity, and increase the share of youth successfully entering the labour market.

Without targeted investments in matching and transition mechanisms, reductions in NEET may not translate into sustained employment gains. As such, this pillar represents a critical bridge between improvements in skills and the expansion of employment opportunities, ensuring that the economic potential identified in the analysis is realized in practice.

5.3 Pillar 3: Improving productivity and job quality – addressing informality and low-value employment

The analysis in the previous section demonstrates that the quality of employment outcomes is a critical determinant of economic gains. When labour-market informality is considered, the estimated gains from improved youth transitions decline by approximately 30 per cent across scenarios. This reflects the lower productivity typically associated with informal employment and highlights that expanding access to jobs alone is insufficient to fully realize economic benefits. Improving the productivity and quality of employment is therefore a central investment priority.

In many countries, a large share of youth employment takes place in the informal sector, characterized by low wages, limited job security and weak links to productivity growth. Young workers are disproportionately represented in informal employment due to barriers to entry into formal jobs, including limited experience, regulatory constraints and skills mismatches (ILO, 2022b; World Bank, 2019). As a result, even when youth transition into employment, the economic returns may remain limited unless job quality improves.

Strategic investment focus

Addressing informality and low-productivity employment requires a combination of regulatory, economic and institutional interventions that improve both the availability and the quality of jobs. Investments under this pillar aim to increase the productivity of employment outcomes, strengthen pathways into formal work, and ensure that economic gains from improved youth transitions are sustained. The areas outlined below represent priority levers for enhancing job quality and reducing the productivity gap associated with informality.

1. **Supporting formalization and reducing barriers to formal employment:** High levels of informality are often driven by regulatory complexity, high compliance costs and limited incentives for firms to formalize. Governments should prioritize simplifying business registration processes, reduce administrative burdens and introduce targeted incentives to encourage firms, particularly small and medium enterprises, to transition into the formal sector. Formalization policies are most effective when combined with access to finance, business development services and enforcement mechanisms that level the playing field (ILO, 2022b).
2. **Raising productivity in informal and entry-level employment:** Given the persistence of informality in many labour markets, improving productivity within informal and entry-level jobs is essential. This includes investments in skills development linked to productivity gains, support for micro and small enterprises, and access to markets, finance and technology. Digital tools and platforms can also play a role in improving productivity and enabling gradual formalization. Evidence shows that productivity-enhancing interventions at the firm level can significantly improve earnings and employment outcomes, even within informal contexts (World Bank, 2019; OECD, 2021).
3. **Strengthening labour-market institutions and worker protections:** Improving job quality also requires strengthening labour-market institutions, including minimum wage frameworks, occupational safety standards and social protection systems. Young workers are often excluded from these protections, particularly in informal employment. Expanding access to social protection, including contributory and non-contributory schemes, can improve income stability and support transitions into more secure forms of employment (ILO, 2022b; UNICEF, 2021).

Investment implications

Investments under this pillar directly influence the productivity adjustment parameter in the model and play a critical role in determining the magnitude of achievable economic gains. The analysis shows that failing to address informality can reduce potential gains by approximately 30 per cent, underscoring the importance of job quality in shaping economic returns. Improving productivity and facilitating transitions into higher-quality employment can therefore significantly increase the economic and fiscal benefits of youth employment interventions. Without such

improvements, a substantial share of the potential gains identified in this report will remain unrealized.

5.4 Pillar 4: Targeting high-impact population groups – maximizing economic returns through inclusion

The analysis in Chapter 4 shows that the economic costs of youth disengagement are not evenly distributed across populations. Young women account for a disproportionately large share of total losses, representing nearly two thirds (63 per cent) of the global cost of youth NEET over the 2026–2030 period. This reflects persistently higher NEET rates among young women, driven by structural barriers to education, employment and labour-market participation. Targeting these disparities is therefore not only a matter of equity but also a key determinant of economic efficiency.

More broadly, youth disengagement is concentrated among specific groups facing overlapping constraints, including young women, youth in rural areas and those from low-income or marginalized backgrounds. These groups often face multiple and reinforcing barriers, such as limited access to education and training, social norms, care responsibilities and geographic isolation, that restrict their participation in productive economic activities (ILO, 2022b; UNICEF, 2021; World Bank, 2019). As a result, untargeted interventions risk leaving the most economically impactful segments unaddressed.

Strategic investment focus

Maximizing the economic returns of youth employment investments requires targeted approaches that address the specific constraints faced by high-impact population groups. This involves moving beyond generic programme design towards differentiated strategies that prioritize those groups contributing most to overall economic losses. The areas outlined below represent priority levers for improving inclusion while simultaneously enhancing economic efficiency.

1. Reducing barriers to female labour-force participation: Young women face a range of structural barriers that limit their participation in education and employment, including unpaid care responsibilities, restrictive social norms, safety concerns and limited access to assets and networks. Addressing these barriers requires targeted investments in childcare services, safe transport, flexible work arrangements and gender-responsive policies. Evidence shows that reducing these constraints can significantly increase female labour-force participation and improve economic outcomes (World Bank, 2019; ILO, 2022b).
2. Targeting disadvantaged and marginalized youth: Youth from low-income households, rural areas and marginalized communities are disproportionately represented among NEET populations. These groups often face compounded disadvantages that limit access to opportunities and reduce the effectiveness of standard interventions. Targeted programmes, including cash transfers linked to education or training, community-based outreach, and tailored support services, can help overcome these barriers and facilitate re-engagement in productive pathways (UNICEF, 2021; UNESCO, 2021).
3. Designing inclusive and differentiated programme models: Effective youth employment strategies must be designed to reflect the heterogeneity of youth populations. One-size-fits-all approaches are unlikely to address the diverse constraints faced by different groups. Programme design should therefore incorporate differentiated pathways, flexible delivery models and targeted support mechanisms that respond to specific needs and contexts (OECD, 2021; ILO, 2022b). This includes integrating gender-



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sensitive approaches across all interventions rather than treating inclusion as a stand-alone component.

Investment implications

Targeting high-impact population groups has the potential to significantly increase the efficiency and effectiveness of youth employment investments. Given that a substantial share of economic losses is concentrated among young women and other disadvantaged groups, interventions that successfully engage these populations are likely to generate disproportionately large returns. From an investment perspective, this implies that allocating resources towards reducing structural barriers and improving inclusion is not only socially desirable but also economically efficient. Without targeted approaches, a large share of the potential gains identified in this report will remain unrealized, even if overall improvements in youth employment outcomes are achieved.

5.5 Prioritizing investments across the four pillars

Across the four pillars, priority should be given to investments that address the binding constraints between youth capabilities and productive employment:

- expanding labour demand and job creation
- strengthening school-to-work pathways, including labour-market-relevant TVET, work-based learning and employment intermediation
- improving the productivity and quality of jobs
- removing barriers that disproportionately exclude young women and other disadvantaged groups.

The appropriate investment mix will vary by country, but priority should be placed on interventions that respond to demonstrated labour-market demand, can reach young people at scale, and combine pathways into employment with improvements in job quality and productivity.



Section 6: Financing pathways for youth investment



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The analysis presented in Chapter 4 demonstrates that youth disengagement imposes substantial economic costs, while improved youth transitions can generate significant economic and fiscal returns. Global losses associated with youth NEET are estimated at approximately US$45 trillion over the 2026–2030 period. Under the reform scenarios modelled in the report, improvements in youth transitions could generate up to US$14.4 trillion in additional economic output, or approximately US$10.1 trillion after accounting for labour-market informality. These findings establish a clear economic case for prioritizing investments in youth transitions. However, realizing these gains requires overcoming persistent financing constraints. Public spending on youth-related sectors, including education, employment services, health and participation, is often fragmented across ministries and programmes, limiting coherence and scale. At the same time, many countries face structural fiscal constraints, including limited domestic revenue mobilization, rising debt burdens and competing social sector priorities. As a result, youth investments are frequently underfunded relative to their economic importance.

The scale of potential returns provides a strong justification for repositioning youth investment as a core component of national development and growth strategies. The findings suggest that even partial improvements in youth transitions can generate substantial economic and fiscal benefits, particularly when reforms improve not only employment outcomes but also labour-market absorption, productivity and job quality. Financing approaches must therefore move beyond incremental programme funding towards coordinated, multi-year investment strategies that align with macro fiscal realities while targeting the key drivers of economic gains identified in this report.

6.1 Expanding fiscal space for high-return youth investments

Expanding fiscal space is central to scaling up investments in youth transitions. The Fiscal Diamond Framework provides a useful structure for identifying the main channels through which countries can mobilize resources. The framework conceptualizes fiscal space across four complementary dimensions: domestic revenue mobilization, expenditure reprioritization and efficiency, external financing and responsible borrowing. Together, these dimensions define the scope within which governments can mobilize and allocate resources while maintaining macro fiscal stability. In the context of youth investment, these channels represent the primary mechanisms through which countries can finance the high-return opportunities identified in this report.

- **Domestic revenue mobilization** remains a critical foundation. Strengthening tax administration, expanding digital tax systems and improving compliance can increase available resources for social and economic investments, including youth-focused programmes. Improved youth employment outcomes can themselves contribute to higher revenues as increased labour-force participation and productivity expand the tax base.
- **Expenditure reprioritization and efficiency gains** are equally important. Many countries already allocate significant resources to sectors relevant to youth outcomes, but inefficiencies, fragmentation and misalignment reduce their impact. Redirecting spending towards high-impact interventions, particularly those linked to employment creation, transition systems and productivity, can improve outcomes without requiring large increases in overall expenditure.
- **External financing**, including official development assistance and multilateral development bank (MDB) financing, can play a catalytic role, particularly in low- and middle-income countries. Institutions such as the Islamic Development Bank (IsDB) and other MDBs can support large-scale investments in skills systems, employment programmes and youth-focused infrastructure through concessional and blended financing instruments.
- **Responsible borrowing** can also support youth investment where fiscal conditions allow. Given the scale of potential economic returns, well-targeted investments in youth transitions can be considered growth-enhancing expenditures. However, borrowing strategies must remain consistent with debt sustainability frameworks and macroeconomic stability.

6.2 Mobilizing external and private capital at scale

Public resources alone will be insufficient to finance the scale of investment required to transform youth transition systems. Mobilizing private capital through partnerships with firms, financial institutions and impact investors will be essential to achieving the scale required to realize the economic gains identified in this report. The following can be some potential avenues in this regard:

- Development finance institutions and MDBs can provide both financial resources and technical support to scale youth-focused investments. Blended finance approaches, combining public and private capital, can reduce risks for private investors while expanding investment in areas such as skills development, job creation and youth entrepreneurship.
- Private sector engagement is particularly important given its central role in job creation. Financing mechanisms that support firm-level growth, especially among small and medium enterprises, can directly expand employment opportunities for youth. This includes credit lines, guarantees and investment funds targeted at sectors with high youth employment potential.
- Impact investment and results-based financing offer additional avenues for aligning financial incentives with measurable outcomes.

These approaches are consistent with global youth investment frameworks, including UNICEF Generation Unlimited (GenU) and IsDB strategies, which emphasize the importance of leveraging partnerships and innovative financing to scale youth-focused solutions.

6.3 Financing instruments for system transformation

In addition to traditional public and external financing, a range of financing instruments can support targeted investments in youth transitions. These instruments are most effective when aligned with clearly defined investment priorities and measurable outcomes linked to employment, productivity and inclusion.

- **Islamic finance instruments**, such as sukuk and waqf, offer significant potential in contexts

where these mechanisms are well established. Sukuk can be used to finance infrastructure and systems investments, including skills centres, digital platforms and employment programmes. Waqf-based approaches can support longer-term investments in education, health and social services for vulnerable youth populations. Profit- and risk-sharing instruments such as Mudarabah and Musharakah can also support youth entrepreneurship and enterprise development.

- **Outcome-based financing mechanisms**, including social and development impact bonds can, as mentioned above, help align financing with results by linking payments to measurable improvements in youth outcomes. These instruments can incentivize innovation, strengthen accountability, and improve efficiency in programme delivery.
- **Innovation and ecosystem financing mechanisms**, including venture funds, youth innovation challenges and digital financing platforms, can support emerging sectors and entrepreneurial activity. These approaches are particularly relevant in the context of digital transformation and the transition towards green economies, where new employment opportunities are being created.


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While these instruments offer important opportunities, their effectiveness depends on strong institutional capacity, clear governance frameworks and alignment with broader national strategies.

6.4 From financing to impact – prioritization and scaling

Financing strategies must ultimately be aligned with the drivers of economic gains identified in this report. This requires prioritizing investments that directly influence labour-market absorption, strengthen transition systems, improve the productivity and quality of employment, and target population groups that account for a disproportionate share of economic losses. In practical terms, this implies that resources should be directed towards:

- expanding job creation in sectors with high youth employment potential
- strengthening school-to-work transitions and labour-market intermediation systems
- improving job quality and reducing informality
- targeting high-impact groups, particularly young women and disadvantaged youth

The analysis shows that the economic returns on these investments can be substantial, with potential gains far exceeding current levels of spending in many contexts. However, achieving these outcomes requires coordinated, multi-year investment strategies that combine domestic resources, external financing and innovative mechanisms.

A strong economic case, supported by the cost-of-inaction analysis and scenario modelling presented in this report, is essential for mobilizing political will and financing at scale. By aligning financing strategies with evidence on what drives economic gains, countries and partners can move beyond fragmented approaches towards a coherent and sustainable youth investment agenda.

6.5 Applying the youth investment case at country level

While this report provides a global investment case, its value ultimately lies in its application at country level. Translating the findings into policy and investment decisions requires a structured approach that reflects country-specific contexts, constraints and opportunities. A practical approach for country-level application would include four key steps:

Step 1 – Diagnose youth transition systems and outcomes: Assess the scale and nature of youth disengagement using both NEET and complementary indicators, including informality, earnings quality and transition duration. This should include identifying which groups, such as young women or rural youth, account for the largest share of economic losses.

Step 2 – Identify binding system constraints: Determine the primary constraints limiting youth transitions, distinguishing between:

- labour demand constraints (insufficient job creation)
- transition system gaps (weak matching, intermediation)
- job quality constraints (high informality, low productivity)
- inclusion barriers (gender, geography, social norms)

Step 3 – Prioritize investments based on economic returns: Align investment priorities with the key drivers of economic gains identified in this report, focusing in particular on:

- expanding labour-market absorption
- improving transition efficiency
- increasing productivity and reducing informality
- targeting high-impact population groups

Step 4 – Align financing strategies: Mobilize and allocate financing using the Fiscal Diamond Framework, combining domestic resources, external financing and private capital. Financing strategies should prioritize high-return investments and ensure sustainability within medium-term fiscal frameworks.

This approach enables countries to move from global evidence to context-specific strategies, ensuring that youth investments are both effective and sustainable. Countries should focus on the constraints that matter most for unlocking economic gains, rather than applying all interventions uniformly.bles countries to move from global evidence to context-specific strategies, ensuring that youth investments are both effective and sustainable. Countries should focus on the constraints that matter most for unlocking economic gains, rather than applying all interventions uniformly.



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Section 7: Policy recommendations and next steps



The evidence presented in this report highlights both the scale of the challenge and the magnitude of the opportunity. With global economic losses from youth disengagement estimated at approximately US$45 trillion over 2026–2030, and potential gains of up to US$14.4 trillion under realistic reform scenarios modelled in this report (or approximately US$10.1 trillion after accounting for labour-market informality), the cost of inaction is substantial, but not inevitable. These findings point to a clear conclusion: youth transitions are not only a social priority, but a central economic and fiscal imperative.

Realizing this opportunity requires moving beyond fragmented interventions towards a focused set of system-level reforms that address the key constraints identified in this report. This includes strengthening labour demand, improving labour-market absorption, enhancing the productivity and quality of employment, and reducing barriers faced by the groups most affected by youth disengagement. With the right combination of policies, investments and institutional alignment, countries can transform youth transitions into a powerful engine of inclusive growth, resilience and long-term development.

7.1 Priority policy recommendations

The policy riorities outlined below are derived directly from the analytical findings of this report and focus on the system-level changes required to unlock the identified economic gains. Rather than presenting a broad set of sectoral interventions, these recommendations highlight a limited number of high-impact actions that address the core constraints shaping youth transitions, including insufficient labour demand, weak transition systems, high levels of informality and unequal access to opportunities. Taken together, they provide a strategic framework to guide governments and partners in prioritizing investments, aligning institutions, and translating the economic case for youth into actionable policy agendas.

7.1.1. Reposition youth investment as a core economic and fiscal strategy

Youth investment should be repositioned as a central component of economic and fiscal policy, rather than treated primarily as a social sector priority. Governments need to move from fragmented, programme-based approaches towards integrated investment strategies that explicitly target the drivers of economic gains identified in this report, i.e., labour-market absorption, transition efficiency, employment productivity and inclusion. This requires elevating youth transitions within macroeconomic planning and ensuring that resource allocation decisions are guided by expected economic and fiscal returns. Governments should:

- integrate youth transition outcomes into national development plans and medium-term fiscal frameworks, including setting explicit targets for employment, productivity and inclusion
- mandate ministries of finance and planning to lead cross-sectoral coordination on youth investment, ensuring alignment between education, labour, economic and social policies
- adopt investment prioritization criteria that favour high-return interventions, particularly those that expand labour demand, improve transition systems and reduce informality
- institutionalize budget tagging or tracking mechanisms for youth-related expenditures to improve visibility, coordination and accountability across sectors.

Rationale: The analysis shows that improving youth transitions can generate substantial economic and fiscal returns, but these gains depend on how investments are prioritized and coordinated. Without integration into core economic policy and budgeting processes, youth investments are likely to remain fragmented and underfunded, limiting the realization of the potential gains identified in this report.

7.1.2. Prioritize job creation and labour demand as the central constraint

Addressing youth unemployment at scale requires a fundamental shift from predominantly supply-driven approaches towards strategies that actively expand labour demand. The analysis in this report shows that, even under ambitious reductions in NEET, the realization of economic gains is constrained by the capacity of labour markets to absorb young workers. Expanding employment opportunities, particularly in sectors with high job creation potential, is consequently a binding priority for translating improved youth transitions into economic outcomes. Governments should therefore:

- align industrial, sectoral and investment policies with youth employment objectives, prioritizing sectors with high employment elasticity such as manufacturing, agribusiness, care services and green and digital economies
- establish structured public-private coordination mechanisms (e.g., sector skills councils, employer platforms) to ensure that labour demand informs policy, training and investment decisions
- use targeted fiscal and regulatory incentives to stimulate job creation, including support for small and medium enterprises, wage subsidies for youth hiring and investment incentives linked to employment outcomes
- integrate youth employment targets into national economic strategies and large-scale public investment programmes, including infrastructure and sector development initiatives.

Rationale: The modelling demonstrates that labour-market absorption is a key constraint on the realization of economic gains. Without sufficient job creation, reductions in NEET will not translate into sustained employment, limiting both productivity growth and fiscal returns. Policies that expand labour demand therefore have a first-order impact on the magnitude of achievable gains.

7.1.3. Strengthen transition systems to improve efficiency and reduce NEET

Reducing youth disengagement requires more than expanding opportunities. It depends on the effectiveness of systems that connect young people to those opportunities. The analysis shows that improvements in NEET translate into economic gains only when young people are able to transition efficiently into employment pathways. Weak labour-market intermediation, fragmented school-to-work pathways and limited support for first-time jobseekers reduce the efficiency of these transitions and delay entry into productive employment. Strengthening transition systems is therefore essential to convert potential gains into realized outcomes. In this vein, governments should:

- strengthen labour-market intermediation systems, including modernizing public employment services and investing in digital job-matching platforms to reduce information asymmetries
- institutionalize work-based learning pathways, such as apprenticeships, internships and dual training systems, aligned with employer demand
- expand targeted activation programmes for NEET youth, particularly for those who are disconnected from both education and employment, including outreach, counselling and re-engagement pathways.

Rationale: The modelling highlights that reductions in NEET do not automatically translate into employment gains. The efficiency of transition systems determines how quickly and effectively young people move into productive work, directly influencing the realization of economic and fiscal returns.



7.1.4. Address informality and job quality as core economic priorities

Improving youth employment outcomes requires not only increasing the number of jobs but also enhancing their quality and productivity. The analysis in this report shows that, when labour-market informality is taken into account, the estimated economic gains from improved youth transitions decline by approximately 30 per cent. This reflects the lower productivity and weaker fiscal contributions associated with informal employment. Addressing informality and improving job quality are therefore central to maximizing the economic and fiscal returns of youth investment. Therefore, governments should:

- implement policies that incentivize formal job creation, including simplified business registration, reduced compliance costs and targeted support for firms transitioning into the formal sector
- invest in productivity-enhancing measures for small and informal enterprises, including access to finance, technology adoption and business development services
- expand access to social protection and labour-market institutions for young workers, particularly those in informal or precarious employment
- link skills development and employment programmes to productivity outcomes, ensuring that training investments translate into higher-value employment.

Rationale: The modelling demonstrates that informality significantly reduces the realized economic gains from improved youth transitions. Without improvements in job quality and productivity, a substantial share of potential output and fiscal gains remains unrealized. Policies that reduce informality and enhance productivity therefore play a critical role in increasing the efficiency and impact of youth investments.

7.1.5. Target high-impact population groups to maximize returns

Youth disengagement is not evenly distributed across populations, and neither are its economic costs. The analysis shows that a disproportionate share of total losses is attributable to specific groups, particularly young women, reflecting structural barriers to participation, employment and productivity. Targeting these groups is therefore not only a matter of equity,

but a central strategy for maximizing economic returns. Untargeted interventions risk missing the segments where the largest gains can be realized. In this regard, governments should:

- prioritize interventions that reduce barriers to female labour-force participation, including investments in childcare, safe transport, flexible work arrangements and gender-responsive labour policies
- design targeted programmes for disadvantaged youth, including those in rural areas, low-income households and fragile contexts, using differentiated delivery models rather than one-size-fits-all approaches
- strengthen data systems to enable disaggregated monitoring of youth outcomes, including by gender, geography and socioeconomic status.

Rationale: The modelling indicates that a large share of economic losses is concentrated among specific population groups, particularly young women. Targeting these groups can therefore generate disproportionately large returns. Without such targeting, a significant portion of the potential economic gains identified in this report will remain unrealized.

7.1.6. Align financing with high-return investments and system transformation

Realizing the economic gains identified in this report depends not only on the scale of financing, but on how resources are prioritized and allocated. Financing strategies must move beyond fragmented and short-term funding approaches towards integrated frameworks that support system-level transformation. This requires aligning financing with the key drivers of economic gains: labour demand, transition systems, productivity and inclusion, while ensuring fiscal sustainability. Governments should therefore:

- apply a structured fiscal strategy (e.g., the Fiscal Diamond Framework) to mobilize resources across domestic revenue, expenditure reprioritization, external financing and responsible borrowing, based on country-specific fiscal conditions
- strengthen public financial management systems to improve efficiency and coordination of youth-related spending, including budget tagging, programme consolidation and performance-based allocation mechanisms
- leverage private and blended finance to complement public resources, including partnerships with employers, impact investors and innovative financing instruments aligned with measurable outcomes.

Rationale: The analysis demonstrates that substantial economic and fiscal gains are achievable, but not automatic. Without deliberate alignment between financing and high-impact investments, resources risk being fragmented and inefficiently allocated. Financing strategies that prioritize system-level transformation and economic returns are therefore essential to unlocking the full potential of youth investment.





7.2 Next steps for implementation

Translating this investment case into action requires coordinated and sequenced efforts across policy, financing and implementation. Given the scale of potential economic gains, countries and partners should prioritize actions that address the most binding constraints and align investments with the drivers of economic returns identified in this report. The key next steps include:

- **Country-level application:** Countries should adapt the analytical framework to national contexts by diagnosing youth transition systems, identifying binding constraints (labour demand, transition efficiency, productivity, inclusion) and prioritizing high-impact investments accordingly.
- **Policy dialogue:** Governments and partners should use the economic evidence to engage ministries of finance, planning and sectoral ministries in repositioning youth investment as a core economic and fiscal priority.
- **Investment planning:** Governments should integrate youth transition priorities into medium-term expenditure frameworks and national development strategies, with a focus on interventions that expand labour demand, improve transition systems and enhance productivity.
- **Partnership building:** Governments, private sector, development partners and youth organizations should strengthen coordination mechanisms to support system-level implementation rather than fragmented programmes.
- **Data and monitoring:** Countries should strengthen data systems to track youth transition outcomes beyond NEET, including job quality, informality, transition duration and disaggregated outcomes for key population groups.

It is important to highlight that not all actions need to be pursued simultaneously. Instead, prioritization should be guided by country-specific constraints and potential economic returns.

Future work could extend this framework through econometric and structural modelling using pooled and longitudinal datasets. Where data and appropriate identification strategies permit, such analysis could examine causal relationships between youth transitions and economic outcomes and provide a stronger empirical basis for prioritising and sequencing policy choices.

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Annex A: Sensitivity analysis – alternative discount rate assumptions

The main analysis applies a 3 per cent real discount rate to express projected economic losses and gains over the 2026-2030 period in present value terms. In response to uncertainty surrounding the appropriate social discount rate across diverse country contexts, the model was also run using alternative rates of 5 per cent and 7 per cent. The sensitivity analysis changes only the discount rate. All other assumptions, including projected youth populations, NEET prevalence, output per worker, employment absorption, productivity adjustments, informality adjustments and country-specific tax-to-GDP ratios, remain unchanged.

Results are shown below for the baseline cost of inaction and for the most ambitious reform scenario, which assumes a 50 per cent reduction in youth NEET, 80 per cent employment absorption and productivity equivalent to 80 per cent of average national output per worker. The comparison includes both headline and informality-adjusted economic and fiscal estimates.

Table A.1: Sensitivity of Key Present Value Estimates to Alternative Discount Rates, 2026–2030 (US$, trillion)

Indicator	3% Discount rate	5% Discount rate	7% Discount rate
Baseline cost of inaction	44.96	43.25	41.67
Headline economic gain	14.37	13.82	13.32
Informality-adjusted economic gain	10.11	9.73	9.37
Headline fiscal gain	1.22	1.18	1.13
Informality-adjusted fiscal gain	0.95	0.92	0.88

Note: *Economic and fiscal gains are presented for the ambitious reform scenario: 50 per cent NEET reduction, 80 per cent employment absorption and productivity at 80 per cent of average national output per worker. Values are cumulative present values for 2026–2030.*

The sensitivity results show the expected inverse relationship between the discount rate and present value estimates. Increasing the discount rate from 3 per cent to 7 per cent reduces the baseline cost of inaction and the corresponding reform gains by approximately 7 per cent. The ambitious headline economic gain declines from US$14.37 trillion at 3 per cent to US$13.32 trillion at 7 per cent, while the informality-adjusted gain declines from US$10.11 trillion to US$9.37 trillion. Fiscal estimates show a similar pattern. Under the ambitious scenario, the headline fiscal gain declines from approximately US$1.22 trillion at 3 per cent to US$1.13 trillion at 7 per cent. The corresponding informality-adjusted estimate declines from approximately US$0.95 trillion to US$0.88 trillion.

Overall, the sensitivity analysis indicates that the absolute magnitude of the estimates declines moderately under higher discount rates, as expected, but the principal findings remain unchanged. Youth disengagement continues to impose substantial economic costs and improved youth transitions continue to generate large potential economic and fiscal gains under all three discount rate assumptions. The policy conclusions are therefore not materially dependent on the selection of the 3 per cent base-case discount rate.



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