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From Necessity to Economic Opportunity:

Turning the work young people already do into secure livelihoods

Executive Summary

October 2026

Summary

Across low- and lower-middle-income economies, job creation is not keeping pace with the number of young people reaching working age. This gap will widen over the coming decade, and secure formal employment will remain out of reach for many. Young people in large numbers are building working lives in trading, small shops, household enterprises, farming, delivery and repair - a set of activities that can be termed the “livelihood economy”. The policy challenge is not to formalise this work, or to move people out of it. It is to make this work more secure, productive and visible, to open viable routes into it for those seeking a foothold, and to support movement into wage employment or enterprise growth where those routes exist. This is the argument set out in *From Necessity to Economic Opportunity*, a forthcoming report prepared by Systemic Innovation for Generation Unlimited and Youth Business International.

Purpose and Rationale

Existing categories - informal employment, micro, small, and medium-sized enterprises (MSMEs), self-employment, entrepreneurship - each capture a fragment of how young people actually earn, but none capture the whole. The “livelihood economy” is a practical framework for this: enterprises and economic activities organised primarily to secure livelihoods, where sustained growth or expansion is not the principal ambition. An enterprise may access finance, invest in assets, raise productivity or employ others and remain within the livelihood economy. This includes trading, small retail shops, household enterprises, agricultural work, delivery and repair services. For many young people, these activities begin because no better income option is available. Nevertheless, they provide valued services, sustain households, and create employment. This is not a small or marginal category. It is where many young people in these countries will earn their living.

Most employment and enterprise policy sorts work into two boxes: formal or informal. This is the wrong starting point. This binary classifies activity by legal status - whether it is registered, taxed, protected or counted - and often assumes a transition towards formal labour markets as an ambition or logical pathway. The livelihood economy instead begins with the function work serves. Informality is treated as a property of particular rules, not a single status: an enterprise may be registered for one purpose and invisible for another, while an individual may combine several activities across formal and informal arrangements. Recognising the livelihood economy changes what policy protects, finances, regulates and measures. The aim is to make livelihoods safer, more productive and more resilient, not to make support conditional on formalisation, wage employment or sustained business growth.



Scale and Urgency

Today, the livelihood economy cannot be measured directly. This is because global statistics classify work by employment status, enterprise size, sector and registration rather than by function. Informal employment provides the nearest comparable reference point. Around 2 billion people work informally worldwide, including people working for themselves and family members working unpaid in a household enterprise. Informal wage work inside a large formal firm is informal but it is not a livelihood enterprise. A registered micro-enterprise is not informal but it is a livelihood enterprise. What counts is whether the work is run to secure a living.

For young people, the scale and significance of this largely unmeasured economy are particularly pronounced. Start with job creation. Over 2025-2035, an estimated 1.2 billion young people in low- and middle-income countries will reach working age. Around 700 million of them will no longer be in school. Against that, projected job creation is about 420 million. In Africa, 362 million are expected to reach working age against only 151 million job opportunities.

Two measures show what that means for young people now. Informality shows where the shortfall already lands: nearly nine in ten employed young people aged 15 to 29 in low- and lower-middle-income countries work informally. The share not in employment, education or training (NEET) shows who is furthest from any earning opportunity: 257 million young people aged 15 to 24, one in five, of whom more than two in three are young women. Both are current estimates, not the decade-long projections above.

A gap of this size cannot be closed by job creation alone. The policy task is therefore to finance, protect, fairly regulate and count the livelihood economy. None of that can be designed without knowing who is in it and what holds them back.

Three Livelihood Enterprise Segments

Young people enter the livelihood economy from different starting points, which show up as different constraints today. Policy should act on what currently holds an enterprise back, not on how it began. The distinction matters: credit that helps a growth-constrained enterprise can push a survival operator further into difficulty, so a single undifferentiated offer of finance or training will miss most of the people it is aimed at.

These are working segments of enterprises or activities, not fixed categories of people. People and enterprises may move into, within or beyond the livelihood economy, while the domain remains a continuing part of the economy.

- **Survival operators:** Low and volatile earnings, little capital, and thin or negative margins above household needs. Stability, safe savings and protection against shocks are more urgent than growth credit.
- **Growth-constrained micro-enterprises:** Productive activities that could generate returns to additional capital but are held back by finance, capability, market access or a combination of constraints.
- **Established livelihood enterprises:** Higher-productivity enterprises with more capital that may employ others but remain organised primarily to secure livelihoods rather than pursue sustained expansion. Their needs shift towards greater access to working capital, market access, stronger operational capability, and proportionate compliance.

This segmentation changes how we define success. A stable enterprise that supports a household, employs one or two people or provides a valued service is economically productive even if it never scales. Formalisation is an instrument, not an end; support should match current circumstances and constraints rather than enterprise size alone. What places an enterprise in the livelihood economy is the purpose it serves now, not why it was started. Many begin out of necessity and go on to become stable and productive. Whether they do depends less on the enterprise itself than on what surrounds it.

Five Systems and their Failures

The livelihood economy interacts with five systems. We call them systems because they interact: a failure in one changes what the others can do. These systems, however, are largely designed around formal wage work or growth-oriented firms.

- **Finance:** Collateral, account and credit-history requirements exclude many viable operators. Transaction and behaviour data - mobile money flows, repayment records, supplier histories - can widen who gets assessed, but assessment alone is not the answer: the test is whether the credit offered suits the enterprise, not simply whether the enterprise qualifies for it. Appropriately priced working-capital credit may help growth-constrained enterprises while instant or high-cost debt can harm survival operators. The answer is a layered offer: safe savings and shock-smoothing at the survival end, protected working-capital credit for growth-constrained enterprises, and public and concessional finance where commercial lenders will not go.
- **Business support:** Provision is polarised between inexpensive generic training, whose average effects are often small or fade, and intensive accelerators designed for a small number of start-ups judged to have high-growth potential. The growth-constrained middle is poorly served. The answer is practical, initiative-based training with mentoring and follow-through, sequenced so that capability arrives alongside capital and market access.
- **Rules and formalisation:** Registration can impose costs before benefits, while growth may trigger abrupt increases in taxes, permits and reporting. Fragmented administration adds uncertainty. The answer is a low-cost status that combines simple obligations with useful protection, genuine turnover thresholds and one-window administration.
- **Social protection:** Systems tied to formal employment leave people working for themselves or juggling several income sources without cover. Without buffers against illness, income loss or care emergencies, operators rationally retain cash against shocks instead of investing. A public protection floor should be available regardless of employment status, with affordable contributory options above it.
- **Data and visibility:** Existing statistics and administrative systems capture fragments of a livelihood rather than the whole. National surveys should count own-account and multi-activity work: people working for themselves, and people combining several income sources at once. Integrated worker-and-enterprise registries should make people reachable for protection, support and proportionate obligations.

When systems perform poorly, their failures compound: punitive rules keep enterprises informal; informality leaves them invisible to lenders and outside protection; exposure to shocks encourages operators to preserve scarce cash; low investment constrains productivity; and low productivity reinforces poor creditworthiness. Fixing one system while ignoring the others often just shifts the problem elsewhere.

This is why single-instrument programmes keep underperforming. What is needed is a connected architecture, not a menu of stand-alone interventions. A loan cannot compensate for a compliance wall; training cannot unlock a firm that lacks capital and market access; and registration without benefits is unlikely to attract operators. Reforms can be sequenced according to national capacity, but the connections and conditions among them should be designed from the outset. What follows sets out who should do what.

Recommendations: Institutional Roles, Implementation, and Learning

Governments hold the primary levers because they determine legal status, taxation, registration processes, protection, education, statistics and coordination.

A priority reform is a low-cost legal status for very small enterprises, attached to a tangible incentive and recorded through an integrated registry. It makes enterprises visible to lenders and protection systems at once, and most of the other reforms depend on it. Four changes follow:

- **Tax and reporting obligations** rise gradually above a genuine minimum-turnover threshold.
- **Registration** operates through a single window.
- **Protection** is portable across employment arrangements.
- **Enterprise and financial capability** are built into secondary school curricula.

Four practices must end: coercive formalisation, regressive taxation, fragmented permits and municipal harassment.

Other institutions play key roles:

- **Financial institutions, fintechs and mobile operators** should use transaction and behaviour data to extend transparent, appropriately priced working capital to eligible firms, backed by consumer protection and borrower-outcome reporting. Public guarantees and blended finance should fill gaps in commercial provision, not subsidise borrowers already served.
- **Large firms and market actors** should expand supply-chain inclusion, procurement access and prompt payment for livelihood enterprises. New models should be piloted with independent evaluation so that commercial inclusion is judged by enterprise outcomes, not participation alone. Voluntary commitments are unlikely to be enough: procurement rules, payment-terms regulation or tax treatment are what make inclusion commercially rational.
- **Multilateral institutions** should help countries apply the 2023 international standard for measuring informal work, strengthening national surveys and records to better capture livelihood activities that overlap with informal work. They should also use development finance to fill gaps that commercial lenders and investors cannot or will not fill. Their policy guidance and technical assistance should carry the same test as their metrics: whether a reform improves livelihoods, not whether it raises registration counts.
- **Enterprise support organisations, NGOs, business membership bodies, and youth networks** should replace generic training with modular support and broker access to finance and markets on behalf of their members. Youth networks should have formal roles in design, monitoring and accountability, ensuring that reforms address young people's real constraints.

Additionally, implementation should be underpinned by a connected architecture that links registration to tangible benefits, aligns financing with enterprise needs and repayment capacity, and uses national diagnostics to identify local bottlenecks. This architecture should reflect each country's labour-market structure, gender norms, fiscal and administrative capacity, and the maturity of its financial and social protection systems.

Finally, measurement and learning should track both livelihood and enterprise outcomes. Core outcomes could include income level and stability, resilience to shocks, working conditions, enterprise survival, productivity and employment creation, disaggregated by gender and segment. A focused learning agenda should assess which combinations of finance, capability, market access and protection generate sustained results, for whom, and whether public finance and simplified legal tiers deliver value. Administrative, survey and programme data should answer these questions rather than merely count registrations, loans or training completions.

Conclusion

The livelihood economy is not a residual sector waiting to disappear. It is where many young people will build their working lives. With 1.2 billion young people in low- and middle-income countries reaching working age over the coming decade, and projected job creation falling far short, the central challenge is to transform the conditions under which young people already earn or seek a livelihood. This means making livelihood activities more secure, productive and visible, whether or not they become conventional firms or formal jobs.

Many of the necessary reforms already exist. They include: benefit-linked registration, proportionate rules, portable social protection, responsible finance, practical enterprise support and livelihood-inclusive data. However, the reform agenda is vast and no single institution can do this alone. The task now is to connect reforms at two levels: the person's livelihood and the enterprise they run, with each instrument applied where it works. Support should be tailored to the circumstances of different people and enterprises. Many young people will work in the livelihood economy whether policy recognises it or not. The choice is whether they do while trapped in precarious, invisible work, or with the finance, protection, capabilities and recognition needed to turn necessity into economic opportunity.

About us

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Generation Unlimited (GenU) is a global multi-sector partnership, hosted by UNICEF and launched at the 73rd UN General Assembly in 2018. It brings together young people, governments, multilateral organisations, the private sector and civil society, with the goal of ensuring every young person aged 10 to 24 is in school, learning, training or employment by 2030. generationunlimited.org

Youth Business International (YBI) is the global leader in youth entrepreneurship. For over 25 years, we've combined global influence with local expertise to drive economic growth and job creation through youth-led businesses. Operating across five continents, we deliver practical support for young entrepreneurs - from business skills and innovation to finance and markets. Through our global network of enterprise support organisations and our direct-to-entrepreneur offers, we provide tailored, high-impact solutions built with local partners. Find out more at youthbusiness.org

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