


# From Necessity to Economic Opportunity:

## Turning the work young people already do into secure livelihoods

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# Foreword

Most young people in low- and middle-income countries will not find a formal job. Yet they are already at work or looking for a way to earn a living. The terms on which they earn will shape the next two decades of these economies. Most conventional employment and enterprise policy still misses much of this economic reality. As a result, many young people remain outside the finance, support, protection and recognition that could make their work more secure.

The report focuses on the livelihood economy: the enterprises and economic activities through which many young people already make a living. For most young people who work in low- and middle-income countries, this will not be a short transition on the way to a formal job. It will be the setting in which much of their working life unfolds. Across our networks, we see what this means in practice. They may be offered credit that does not fi t their income, or training disconnected from fi nance and markets. Registration can bring costs before benefits, while social protection often depends on an employment relationship they do not have. Their work is also frequently absent from the data used to make policy and funding decisions that could help them.

Our research identifi es fi ve systems that shape whether this work becomes more secure or remains precarious. Can young people obtain fi nance suited to the work they do? Can they access practical support that addresses what is actually holding them back? Are registration and tax rules affordable and worthwhile? Are they protected when illness, income loss or family emergencies strike? And are their activities recognised in the information governments and funders use? Too often, the answer to each question is no.

The analysis brings together independent research, young people's own evidence gathered with Generation Unlimited, and the delivery experience of Generation Unlimited and of Youth Business International (YBI) member organisations in one practical framework. It identifies the levers held by governments, fi nancial institutions, development organisations, business-support providers and youth networks, and shows how they can be used together instead of through disconnected programmes.

We publish this report now because decisions that will shape the next decade are already being taken. The statistical standards are agreed, new jobs indicators are being developed, and national reforms are in motion. We ask readers to treat the work young people already do as an economy worth building on, and to act on the levers they hold.

**The leadership of Generation Unlimited and Youth Business International**



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# Contents


**Foreword** 1

**Executive summary** 3

**Section 1: Defining the livelihood economy** 5

1.1 The limits of the formal and informal divide 5

1.2 Four concepts that defi ne the livelihood economy 6

1.3 How the livelihood economy relates to existing categories 7

1.4 What this means for outcomes 8

1.5 How the report approaches the evidence 8

**Section 2: The scale of the livelihood economy** 9

2.1 Global scale 9

2.2 Regional concentration 11

2.3 Beyond the average: gender and enterprise segments 11

2.4 Shifting labour-market demands and youth transitions 12

**Section 3: The five system failures** 14

3.1 Finance 14

3.2 Business support 17

3.3 Rules and formalisation 19

3.4 The safety net 21

**Section 4: Gender and young people's own evidence** 25

4.1 Gender, segment by segment 25

4.2 What young people's own evidence says 27

**Section 5: The reform agenda** 29

5.1 How the agenda is ordered 29

5.2 Governments: the primary actor 30

5.3 Private sector: finance, with market access in support 31

5.4 Multilateral institutions: a supporting role 31

5.5 Intermediaries and youth networks 32

5.6 What each segment needs 33

**Section 6: Conclusion: the case for acting now** 34

**About this report** 35

# Executive 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. It is also 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.

Existing categories - informal employment, micro, small and medium enterprises, self-employment and entrepreneurship - capture a fragment of how young people actually earn, but none capture the whole. The livelihood economy is a practical framework for 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. Many activities begin because no better income option is available. Nevertheless, they provide valued services, sustain households and create employment.

The livelihood economy cannot yet be measured directly because global statistics classify work by employment status, enterprise size, sector and registration; they do not classify it by the function it serves. Informal employment provides the nearest comparable reference point, but it is not a count of livelihood enterprises.

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 about 420 million projected jobs. In Africa, 362 million are expected to reach working age against 151 million job opportunities. In 2025, 257 million young people aged 15 to 24 were outside employment, education or training. More than two in three were young women: 27.4 per cent of young women were NEET, compared with 13.1 per cent of young men. Nearly nine in ten employed young people aged 15 to 29 in low- and lower-middle-income countries work informally. A simple average across 17 low- and lower-middle-income countries shows that two in three workers aged 25 to 29 were still in insecure work, a broader category than the livelihood economy. The NEET, informality and insecure-work figures are current estimates, not part of the decade-long projections above.

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. This distinction matters because credit that helps a growth-constrained enterprise can push a survival operator further into difficulty. A single offer of finance or training will therefore miss many of the people it is intended to support.

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 or market access.

Established livelihood enterprises: Higher-productivity enterprises with more capital that may employ others, while remaining organised primarily to secure livelihoods.

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. Formalisation is an instrument, not an end; support should match current circumstances and constraints, not enterprise size alone. Whether an enterprise becomes more secure and productive depends not only on the enterprise itself but also on the systems around it.

The livelihood economy is shaped by five interacting systems. A failure in one may change what the others can do. Finance based on collateral, accounts and credit histories excludes many viable operators. Generic

business training often fails to resolve a capital or market constraint. Registration can impose costs before benefits, while growth may trigger abrupt increases in taxes, permits and reporting. Social protection tied to formal employment leaves people working for themselves or combining several income sources without cover. Existing statistics capture fragments of a livelihood, not the whole. Fixing one system while ignoring the others often shifts the problem elsewhere.

The main actors hold different but connected levers:

Governments hold the primary levers because they determine legal status, taxation, registration, protection, education, statistics and coordination. A priority reform is a low-cost legal status for very small enterprises, attached to a tangible benefit and recorded through an integrated registry. A basic protection floor should also be available regardless of employment status, with affordable contributory options above it.

Financial institutions should offer transparent, appropriately priced working capital where repayment is realistic. Large companies should widen access to procurement and supply chains on workable terms, with results judged by enterprise outcomes, not participation alone.

Multilateral institutions should help countries apply the international standard for measuring informal work and fill financing gaps that commercial lenders cannot.

Enterprise support organisations and youth networks should replace generic training with practical support, broker access to finance and markets, and take formal roles in design and accountability.

The aim is to make livelihood activities more secure, productive and visible, whether or not they become conventional firms or formal jobs.

## How to read this report

Section 1 defines the livelihood economy and its boundaries. Section 2 establishes its scale and the three enterprise segments. Section 3 examines each system and sets out a corresponding recommendation. Section 4 draws together the analysis of gender and young people's own evidence, both of which also run throughout the report. Section 5 sets out what each actor should do and what each segment needs. Section 6 draws the agenda together and sets out why action is needed now.

The technical annex contains detailed definitions, case dossiers, implementation matrices and references that underpin this report, and is intended to be read alongside it.

The report draws on four kinds of evidence. Independent research and official statistics provide the main basis for the analysis, supported by institutional and administrative data. Written submissions from YBI member organisations and published YBI programme evidence show how these problems appear in practice. Young people's own evidence comes from a global U-Report poll and a focus group run with Generation Unlimited. Member and youth evidence illustrate and test the diagnosis; population claims rest on independent research and official statistics. The annex grades each central claim by evidence type and by how directly the evidence supports it.

## A short guide to the language

The livelihood economy comprises enterprises and activities organised chiefl y to secure a living. Its boundary is sustained expansion as the principal ambition, rather than registration status, size or the employment of others.

An own-account worker works for themselves and does not employ anyone else on a continuing basis. Formalisation means entering one or more forms of registration, taxation, legal recognition or protection. A growth-constrained enterprise is productive but held back by a specific barrier, often finance. Social protection covers income and essential needs when shocks strike; portable protection follows a person across jobs and activities. Other specialist terms are defined at first use; the complete glossary and technical definitions are in the annex.

Two points frame the report. Private finance is proposed only where repayment is realistic on appropriate commercial terms. Because the evidence uses different age bands, the report focuses broadly on young people aged 15 to 29. This includes young people already assembling livelihoods and those outside employment, education or training who need a viable route into earning.

# Section 1: Defining the livelihood economy


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Most policy thinking divides the economy into formal and informal. That division is too crude for the question this report asks. Self-employment and enterprise-size categories also capture only part of how young people earn. This section fi rst explains those limits, then defines the livelihood economy through four established concepts.

Together, these concepts describe the economic space in which many young people work, the outcomes policy should value and the systems that shape what their activities can become. Rejecting the formal-informal divide as the organising framework does not mean that rules stop mattering. Informality is treated here as a feature of particular rules, not as a single status. A business can therefore sit outside the tax system while holding a licence, or be registered for one purpose and invisible for another. The question is not whether an operator crosses one formalisation line. It is which rules bring useful benefi ts and which simply exclude.

## 1.1 The limits of the formal and informal divide

"Informal" defi nes work by what it lacks: registration, taxation, legal protection or recognition in official statistics. Defining much of the world's work chiefly by these absences can make it invisible to policy, or visible only as a defi cit to be corrected. It can also imply that the expected destination is a formal wage job, even though many young people in these economies will not make that transition.

The binary also conceals how people earn. A young person in Nairobi, Dhaka or Maputo may combine several ways of earning and fi t no single category. The same person might sell goods at a market, take seasonal work, run a small enterprise from the household, draw on a rotating savings group and carry substantial unpaid care. Several of these can run in the same week.

These are not separate economies that a person travels between. They are strategies within a single livelihood.

The person moving among them is assembling enough income, with enough resilience against shocks, to support a household. A statistical system that files each activity in a different box, and a policy system that designs a different programme for each, both miss the unit that matters, which is the livelihood.

In the World Bank's Informal Sector Enterprise Surveys, covering 24 cities across seven countries, about two-thirds of owners report that they started their enterprise because they had no better alternative. Only about one in eight owners holds a contracted job elsewhere.[1] For most, the informal enterprise is their principal job, not a sideline or a temporary staging post on the way to formal employment. Policy that treats it as a waiting room for formal employment is aimed at a transition many will never make. The difficulty is not only that the formal and informal divide is imprecise. It begins with the legal status of an activity, when the more useful starting point is the livelihood a young person is assembling and the function the activity serves within it.

## 1.2 Four concepts that defi ne the livelihood economy

The livelihood economy comprises enterprises and activities organised chiefl y to secure a living. Sustained expansion as the principal ambition marks its boundary; investment, higher productivity and employing others do not by themselves place an enterprise outside it. It includes street trading, small workshops, household enterprises, small-scale farming, delivery and repair services. These activities may be run by one person or employ others. A young person's wider livelihood may combine this enterprise activity with seasonal wage work and unpaid care. The livelihood economy contains both survival operators and stable, productive businesses.

The report therefore keeps two levels distinct. The livelihood is the wider combination of activities through which a young person secures a living. The enterprise is the narrower unit. Where a young person runs an enterprise, it is the unit classified by the three segments and addressed by the recommendations on fi nance, business support and regulation.

Keeping these levels separate matters because constraints operate at different levels. Capital, registration and business support act mainly on the enterprise. Illness, harvest failure, family emergencies and unpaid care affect the wider livelihood and the operator's ability to take business risks. The report analyses both levels without treating wage work or unpaid care as livelihood enterprises.

The framework draws on four established concepts. Each supplies something that the formal and informal divide leaves out.

1. **The livelihood economy identifi es the economic space, not the legal one.** Its defining feature is the function the work serves, which is securing a means of living, and not the activity's registration status, sector or size. Sustained expansion as its principal ambition marks the boundary. The idea draws on the sustainable-livelihoods tradition in development economics and carries it from its rural origins into the urban and peri-urban settings where a growing share of young people now earn. UNICEF has likewise distinguished a livelihoods approach to youth entrepreneurship from a growth approach centred on enterprises that create jobs for others.[2]
2. **Productive entrepreneurship** describes enterprise activity that creates value through income, employment or a service that people need. Within the livelihood economy, being productive does not require high growth. A stable small business can create real value without becoming a larger company.
3. **Informality is a property of the rules,** and it varies rule by rule instead of operating as a single on/off status. A business can be outside the tax net but inside the licensing regime, registered for one purpose and invisible for another.
4. **Necessity and opportunity describe starting motivations, not fixed enterprise types.** Necessity means beginning an activity because no better income option is available. Opportunity means beginning in order to pursue a perceived market possibility. The distinction is introduced because

1. About 66 per cent of owners said they started primarily because they could not fi nd a better source of livelihood, and about 12 percent had employment with a contract elsewhere. In a separate multiple-response question, 64 per cent listed inability to findanother income source and almost 90 per cent listed the opportunity to develop a profi table business, so the two are not mutually exclusive in these data. Aberra et al. (2022), 15,497 interviews across 24 cities in seven countries.
2. Alam, A. (2019), Youth Entrepreneurship: Concepts and Evidence, UNICEF Offi ce of Global Insight and Policy, February 2019.

entrepreneurship policy often uses these labels to infer which businesses have potential and which are merely surviving. That inference is unreliable. Motivations may overlap or change, and the reason an activity began does not determine its trajectory. Support should therefore be matched to an enterprise's present circumstances and binding constraint, not to a label assigned at its founding.

## 1.3 How the livelihood economy relates to existing categories

The livelihood economy overlaps with informality, self-employment, micro, small and medium enterprises, subsistence activity and necessity entrepreneurship. Each category answers a different question. Informality concerns regulatory status. Self-employment concerns labour-market status. Micro, small and medium enterprise (MSME) categories concern enterprise size. Subsistence concerns whether production enters the market. Necessity entrepreneurship concerns the motivation for starting an activity. The livelihood economy is organised instead around the function an activity serves in securing a living.

The boundaries below are practical, not absolute. For each neighbouring concept, the report identifies where it overlaps with the livelihood economy, how it differs, and the policy mistake that follows when the two are treated as equivalent.




It overlaps with the MSME category but is not identical to it. The overlap is greatest among micro-enterprises, but MSME categories sort enterprises by headcount, turnover or assets. They can therefore group together enterprises facing very different constraints. Treating the livelihood economy simply as an MSME subset directs support towards the established businesses already most visible to policy and finance.

- It overlaps with self-employment but is not identical to it. Many people in the livelihood economy work for themselves, but self-employment also includes solo founders building businesses for scale. Treating all self-employment as one population combines operators with very different objectives and constraints, and directs the same support towards people who need different things.
- It overlaps with informal activity but is not identical to it. Informality describes whether particular rules and protections apply; the livelihood economy describes the function an activity serves in securing a living. An enterprise may be registered for one purpose and informal for another, while both formal and informal enterprises may fall within the livelihood economy.
- It overlaps with subsistence activity but is not identical to it. Livelihood operators may earn little more than subsistence, but their goods and services are produced for sale. That market engagement is what makes fi nance, business support, market access and regulation relevant. Treating the activity as subsistence alone places it entirely within a household-welfare frame and misses those enterprise levers.
- It overlaps with necessity entrepreneurship but is not identical to it. Necessity describes why an activity was started. The livelihood economy describes the wider space in which it operates. The domain also contains opportunity-founded businesses, while necessity-founded enterprises may become stable or productive. Treating starting motivation as a permanent enterprise type wrongly uses it as a proxy for future potential.

The technical annex provides the full defi nition, its source lineage and the basis for each boundary.

The framework does not reject formalisation. International Labour Organization (ILO) Recommendation 204, adopted

in 2015,[3] recognises that most people enter the informal economy because they lack alternatives. It says existing livelihoods should be preserved during transition and social protection progressively extended to all informal workers, including people working for themselves. Where this report differs is in treating the livelihood economy as a durable part of these economies.

Recommendation 204 is framed around transition to the formal economy. The demographic evidence in Section 2 indicates that formal wage employment will remain out of reach for many young people now entering work. The livelihood economy therefore remains a structural feature of these economies, even as individual people and enterprises move between activities or into wage employment and larger fi rms. Recognising the livelihood economy as durable does not make it an alternative to job creation or wider economic transformation. Both agendas are necessary.

Three consequences follow. Protection must work for people whose livelihoods remain in the domain. Finance, support and rules must fit enterprises in different circumstances. Measurement must describe the domain instead of measuring only its distance from a formal norm.

## 1.4 What this means for outcomes

If formalisation is not an end in itself, policy should improve the terms on which young people earn. That requires finance only where it can be used productively and repaid, and support matched to the enterprise a young person actually runs. It also requires rules that bring useful benefi ts instead of penalties for growing, basic protection against shocks, and data that allow public support to reach people whose work is currently overlooked.

Formalisation should be judged by whether formal status offers benefi ts worth the cost. Brazil's experience, examined in Section 3.3, shows that lower-cost registration linked to social protection can increase take-up without necessarily increasing earnings.

Capital becomes the constraint worth relieving for the enterprises able to use it. In Nigeria, a business-plan competition increased the probability that recipient enterprises employed ten or more workers by more than twenty percentage points.[4] That shows what capital can do where it reaches enterprises ready to grow. How many are ready, and what else holds the rest back, differs by segment.

Value created at small scale becomes a legitimate outcome. A stable enterprise that supports a household, employs two or three people or provides a service a community relies on is productive even if it never becomes large. Progress counts too, in the sense that an operator who moves from survival trading to a business that holds steady and employs one other person has achieved something real. Conventional measures built around registration and fi rm size do not record it. A programme judged only by registration or fi rm size would miss that progress.

Measurement becomes a reform in itself. The international statistical standard[5] agreed in 2023 gives governments a route to recognise informal productive activity and forms of work that conventional statistics largely miss.

Section 3 examines five systems that shape whether livelihood activity becomes more secure and productive: finance, business support, rules and formalisation, social protection, and data and visibility. At the level of a single enterprise, failures in these systems can appear to be separate problems. Across a young person's whole livelihood, they form one connected problem.

## 1.5 How the report approaches the evidence

The report looks beyond individual projects to the rules and institutions that shape what those projects can achieve. It identifies structural barriers instead of attributing outcomes only to individual effort or mindset. Young people's evidence helps identify and test constraints that statistics may miss; population claims rest on offi cial statistics and independent research. The report analyses gender across three segments - survival operators, growth-constrained micro-enterprises and established livelihood enterprises - because the barriers women face and the strength of the evidence differ across them. Each recommendation identifies a responsible actor and a specificaction, making the agenda in Section 5 easier to apply.

3. International Labour Organization (2015), Recommendation concerning the Transition from the Informal to the Formal Economy (No. 204), adopted at the 104th session of the International Labour Conference, Geneva, 12 June 2015.
4. McKenzie, D., 'Identifying and spurring high-growth entrepreneurship: experimental evidence from a business plan competition', American Economic Review, 107(8), 2017, pp. 2278-2307. Full treatment in Annex E.1.
5. ILO, Resolution concerning statistics on the informal economy, adopted by the 21st International Conference of Labour Statisticians, October 2023. Full treatment in Annex E.5.

# Section 2: The scale of the livelihood economy




The livelihood economy is not a problem at the edge of the formal sector. It is where many young people in lower-income countries earn a living, and its importance will grow as youth populations increase.

No comparable measure exists of the livelihood economy's output. Informal activity, which overlaps substantially with it, accounts for around one-third of GDP across low- and middle-income countries.[6] This does not measure the livelihood economy itself, but it shows that the activity involved is economically signifi cant.

This section sets out what can be measured, what cannot yet be counted and where livelihood activity is concentrated. It then explains the differences by gender and enterprise circumstances that shape the analysis in the rest of the report.

## 2.1 Global scale

The livelihood economy cannot yet be counted directly. Global statistics classify economic activity by employment status, by enterprise size, by sector and by registration status. None of those classifications captures the function an activity serves in securing a livelihood. There is therefore no independent dataset from which a complete population total can be calculated.

The best available starting point is informal employment. The two are not the same, but informal employment is the only globally comparable measure that also separates workers by employment status.

About 2.1 billion workers are projected to be in informal employment worldwide in 2026. That total is too broad to represent the enterprise-centred core of the livelihood economy, because a little over a third are employees, not people running an activity of their own.

6. Elgin, C., Kose, M.A., Ohnsorge, F. and Yu, S. (2021), "Understanding Informality", CEPR Discussion Paper DP16497; see Technical Annex B.1.

People running an activity on their own without regular employees are called own-account workers in official statistics. They provide the narrowest defensible floor at roughly 950 million. Adding unpaid family workers in household enterprises and the smallest employers takes the indicative enterprise-centred range towards 1.3 billion.[7] Where the total falls within that span is a definitional question the available statistics cannot settle, so the report carries the range instead of a point estimate. The floor is the figure to use if a single one is needed, and it rounds to about one billion. The full construction is in the technical annex.

This range is not a complete count of livelihood enterprises. It excludes formally registered enterprises that meet the report's functional definition and may include family workers or small employers whose activities do not. It also cannot identify people who combine enterprise activity with other forms of work across a year. Current global data cannot add or remove these groups consistently without substantial double counting.

The range therefore establishes an order of magnitude rather than a population total. The measurable enterprise-centred core is around one billion people. The wider population whose livelihoods include such activity may be larger, but it cannot yet be measured directly. Informal employment has increased in absolute numbers over the past two decades while its global share has changed little. This does not measure the livelihood economy itself, but it shows that the informal work with which it overlaps is not disappearing.

For young people, the picture is sharper. These fi gures describe the conditions under which young people seek and undertake work; they do not measure the size of the livelihood economy. In 2025, 20 per cent of young people aged 15 to 24, about 257 million, were not in employment, education or training. More than two in three were young women: 27.4 per cent of young women were NEET, compared with 13.1 per cent of young men.[8] Nearly nine in ten employed young people aged 15 to 29 in low- and lower-middle-income countries work informally. NEET identifi es those furthest from an earning opportunity; informality describes the terms of much existing work. Across workers of all ages, the ILO estimates that nearly 300 million live below US$3 a day and projects a global jobs gap of 408 million in 2026.[9]

In low-income countries, employment growth has been concentrated in low-wage informal work while labour-productivity growth has slowed. Employment is growing, but job quality and productivity are not improving at the same pace.[10] Demography adds urgency. Sub-Saharan Africa is projected to account for nearly two-thirds of the increase in the global youth population. By 2050, roughly one in three people aged 15 to 24 worldwide will be African.[11]

The World Bank estimates that 1.2 billion young people will reach working age in developing countries between 2025 and 2035. Around 700 million of them will no longer be in school. Over the same period, these economies are projected to create about 420 million jobs. In Africa, 362 million young people are expected to reach working age against 151 million job opportunities.[12] These figures should not be subtracted as though they describe identical populations. Together, they show that job creation will not keep pace with the number of young people needing routes into work. The source does not classify the projected jobs by employment status; on current patterns, much of the work available will be informal.

**The choice is not between the livelihood economy and a future dominated by formal jobs. It is between a livelihood economy that is financed, protected, fairly regulated and counted, and one that is not.**

7. Calculated from the informal-employment total in ILO, World Employment and Social Outlook: Trends 2024, Table C1, and employment-status shares in ILO, Women and Men in the Informal Economy: A Statistical Update (2023), Figure 5. The range reflects definitional choice rather than statistical uncertainty. See Technical Annex B.1.
8. International Labour Organization, Global Employment Trends for Youth 2026: Back to the future (11 August 2026), executive summary and pp. 17-18: 257 million people aged 15 to 24 (20 per cent) not in employment, education or training in 2025; more than two in three are women. Nearly nine in ten employed young people aged 15 to 29 in low- and lower-middle-income countries work informally. Figure 1.14, p. 26, gives a simple average of 66.1 per cent insecure employment among 25- to 29-year-olds in a 17-country low/lower-middle-income sample; latest country observations span 2022-25 and include temporary wage work, own-account and contributing family work. This is broader than livelihood enterprise work and is not longitudinal.
9. International Labour Organization, Employment and Social Trends 2026 (14 January 2026): nearly 300 million workers of all ages in extreme working poverty below the revised US$3-a-day international line; global jobs gap projected at 408 million in 2026; informal employment projected at 2.1 billion workers. These all-age measures are context, not counts of livelihood enterprises.
10. International Labour Organization, World Employment and Social Outlook: Trends 2025: labour productivity growth has slowed over the past decade with a widening gap between high- and low-income countries; employment growth has been concentrated in low-wage informal work, and low-income countries faced the greatest difficulty in creating decent jobs.
11. United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2024, medium variant. Calculated as the sum of the 15-19 and 20-24 age groups for Africa as a share of the same World total in 2050.
12. World Bank, Jobs: The Path to Prosperity, Development Committee paper DC2025-0002, April 2025. Full treatment at Technical Annex B.2.

## 2.2 Regional concentration

YAll-age informal-employment rates are highest in sub-Saharan Africa, at about 87.6 per cent of employment, and in the least developed countries, at about 88.6 per cent, compared with 57.9 per cent globally.[13] These are also places where demographic pressure is greatest, so high informality and rapid youth-population growth overlap.

South Asia holds the largest absolute number of informal workers. East and South-East Asia, the Middle East, and Latin America sit progressively lower, with Latin America at around half, and more of its informality inside registered enterprises. The region-by-region breakdown is in the technical annex.

Two features of this pattern matter for the report. First, many of the regions with the highest informality also have the fastest-growing youth populations. Livelihood activity will therefore become more important where formal job creation is already weakest. Second, the pattern is strongly gendered. In several African countries, more than nine in ten working women are informally employed, while the youth gap between women and men is especially wide in Southern Asia.

Priorities and sequencing must therefore reflect each country's labour market, gender norms and fiscal and administrative capacity; they should not be copied from one setting to another.

## 2.3 Beyond the average: gender and enterprise segments

Headline averages conceal two differences that are central to this report: gender and the circumstances of different enterprises.

The first difference is gender. Young women are more than twice as likely as young men to be outside employment, education or training, and the gap is particularly wide in Southern Asia.[14] Section 4 examines how care responsibilities, mobility constraints and social norms contribute to these differences.

The second difference is how much capital an enterprise has, what it can produce with that capital and what currently holds it back. Livelihood enterprises are not one undifferentiated mass of survival traders. Credit that helps a productive business can place a survival operator under greater pressure, so support must respond to the constraint each activity faces now. These are segments of enterprises or economic activities, not fixed categories of people. An enterprise may move between segments as its income, capital and market access change. A young person may also combine or change activities as household circumstances change.

The segments are not defined by sector or registration status. Registered and unregistered enterprises can sit within any of the three segments. At the survival end, enterprise income may be closely tied to household cash flow and combined with other sources of income. At the established end, there may be a distinct enterprise employing other people. In both cases, the segment classifies the enterprise or activity, not the whole person.


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The three-way structure has been identified independently in several settings. Comparable three-way groupings appear in analysis of survey data from the Democratic Republic of the Congo, while capital-and-productivity classifications identify a constrained middle in Mexico and dynamic and constrained entrepreneurs in Ethiopia.[15] What varies is the proportion falling into each group. The estimate that roughly one-third fall into the growth-constrained segment comes from West African evidence and is treated here as an indicative reference, not a global estimate. The technical annex sets out the supporting evidence, its limits and the provisional operational rule.

13. ILOSTAT modelled estimates for 2025: informal employment as a share of total employment in sub-Saharan Africa, the least developed countries and globally. See Technical Annex B.3.
14. International Labour Organization, Global Employment Trends for Youth 2026, Table A.3: in 2025 the youth NEET rate was 27.4 per cent for women and 13.1 per cent for men worldwide; in Southern Asia it was 41.0 per cent for women and 11.6 per cent for men. Figures cover ages 15 to 24.
15. Adoho and Doumbia (2018; published 2022) on the Democratic Republic of Congo; Negrete (2022) on Mexico, where the constrained middle rises from 16 to 22 per cent; Abebe et al. (2018) on Ethiopia. Full treatment in Technical Annex B.4.

The three segments are:

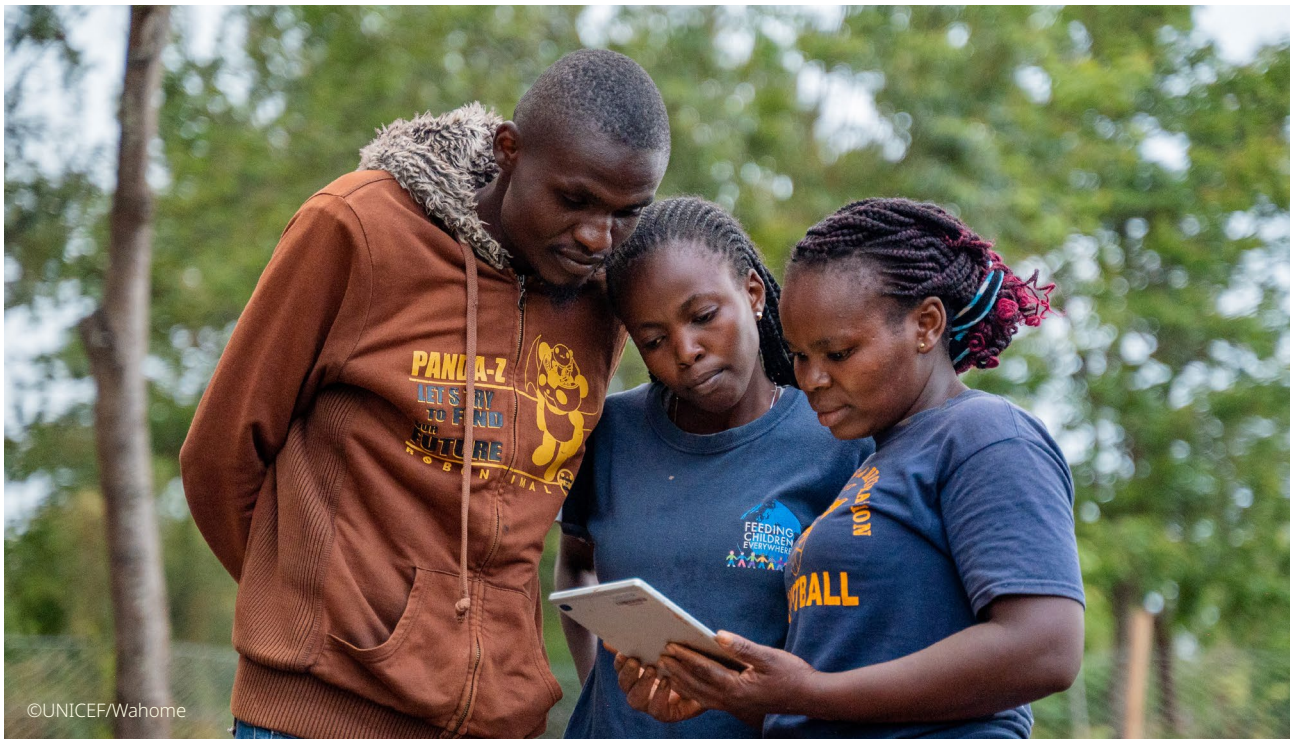
- **Survival operators:** activities with low and volatile earnings, little capital and a thin or negative margin above basic household needs. Operators commonly combine several sources of income. The immediate constraint is resilience and stability rather than growth capital.
- **Growth-constrained micro-enterprises:** productive activities with potential returns to additional capital, held back by weak access to finance, capability, markets or a combination of the three. This is the segment where well-placed capital and integrated support can change the trajectory.
- **Established livelihood enterprises:** activities with higher capital and productivity that may employ a small number of other people and create value beyond the owner, while remaining organised primarily to secure livelihoods rather than pursue sustained expansion. Their constraints shift towards larger working-capital facilities, market access, proportionate compliance and stronger operational capability.

These segments guide the analysis that follows. They are not stages on a single pathway, and success does not require every enterprise to move from survival to growth. The relevant question is what currently constrains the activity and what form of support fits its present circumstances.

## 2.4 Shifting labour-market demands and youth transitions

The evidence behind this picture varies in strength. The most comparable figures come from the ILO's harmonised labour-force data and United Nations population projections. These cover informal employment, employment status, NEET rates and demographic trends. Evidence on enterprise motivations, trajectories and movement between livelihood activities is much weaker. The technical annex identifies each source and grades the strength and relevance of the evidence it provides.

The split between necessity-driven and opportunity-driven activity is not measured consistently over time. In 2019, the Global Entrepreneurship Monitor survey replaced its necessity and opportunity categories with several motives that could overlap. Results before and after the redesign are not directly comparable, so they cannot support a simple trend. Enterprise-level dynamics inside the livelihood economy, meaning how enterprises enter, survive, grow and fail, are measured only patchily. The movement of individuals between livelihood strategies over time is barely captured at all, despite being central to how livelihoods work.



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**Table 1: Measuring founder motivation before and after the 2019 Global Entrepreneurship Monitor redesign**

| | Before 2019 | From 2019 |
|---|---|---|
| Instrument | Single binary question, in use from the 2001 cycle: whether the founder started to take advantage of an opportunity or because no better work option was available. Refined from 2005 with an improvement-driven opportunity subset. | Four motive statements, respondents may agree with more than one: to make a difference in the world; to build great wealth or a very high income; to continue a family tradition; to earn a living because jobs are scarce. |
| What it yields | Mutually exclusive necessity and opportunity shares, and a ratio between them used as a headline comparative measure. | Non-exclusive endorsement rates for each motive. The jobs-scarce statement is the closest proxy to the earlier necessity pole, but it is not the same measure. In the first year of the new instrument, more than half of early-stage entrepreneurs endorsed it in 35 of 50 economies. |
| Effect on the series | Comparable across cycles from 2001. | Not comparable with the pre-2019 series. Before-and-after shares cannot be read as a trend. |

***Source:*** *Reynolds et al. (2005); Bosma et al. (2020), GEM 2019/2020 Global Report.*

These data limitations have practical consequences. A government cannot protect workers it cannot see, tailor rules to enterprises it cannot count or direct finance towards a segment its statistics do not show.

The available evidence shows that livelihood activity is economically significant and will remain central as youth populations grow. Headline averages nevertheless conceal important differences by gender and enterprise circumstances. Section 3 now examines the systems that determine whether these activities remain precarious or become more secure and productive.



# Section 3: The five system failures


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The livelihood economy is not failing for lack of effort, enterprise or aspiration. Five areas shape the terms on which people work: finance, business support, rules and formalisation, social protection, and data and visibility. We call them systems because a failure in one changes what the others can do.

Each subsection first diagnoses what is broken and then sets out the corresponding recommendation. The three segments defined in Section 2.3 help show who is affected and which response fits. Section 4 examines their gendered and youth implications, and Section 5.6 consolidates how the combined failures land on each segment.

## 3.1 Finance

The financial system on offer to the livelihood economy was designed for formal wage-earners and established enterprises. Newer products often follow a venture-growth model designed for a different kind of firm. Livelihood enterprises rarely fit either model. Conventional lenders ask for collateral and formal records that many operators do not have and cannot readily produce.

The result is a large and well-documented financing gap, but the available figures measure different things. An International Finance Corporation (IFC) and SME Finance Forum update published in 2025, using data for 2019, estimates unmet financing demand among formal micro, small and medium enterprises (MSMEs) in developing economies at approximately US$5.7 trillion. That is around 19 per cent of the combined GDP of the 119 emerging markets and developing economies covered, and more

than a quarter higher than the 2015 estimate. A further US$2.1 trillion of potential demand is estimated from informal enterprises. That estimate is modelled, not measured, so the two figures should not be added into a single total.[16]

The same 2019 data estimate that around 40 per cent of formal MSMEs are fully or partly constrained by access to credit. The estimate covers the same 119 economies. There is no comparable global percentage for informal enterprises, and this report does not extrapolate one. What can be said is that the barriers driving the gap, collateral requirements, formal accounts and documented trading histories, are especially likely to exclude operators outside formal systems. The figures therefore establish the scale and direction of the problem, not a precise incidence rate across the whole livelihood economy.

Mobile money has widened access to payments and roughly three-quarters of adults in low- and middle-income economies now hold an account.[17] Access to digital payment infrastructure is not the same as access to finance. An account can enable people to receive, store and send money. It does not by itself provide the working capital, safe savings, insurance or longer-term credit that a livelihood enterprise may need.

That distinction matters for outcomes. Payment access alone has not produced a consistent improvement in productivity, and its benefits are least likely to reach the poorest operators unless other financial services are available alongside it. Mobile money is therefore useful infrastructure on which finance can be built, not a substitute for a wider set of financial services.

## The commercial case and its limits

The commercial case rests first on independent evidence about assessment. Studies find that scoring based on digital and transaction data can predict repayment better than traditional collateral-based methods. The advantage is greatest for borrowers with little credit history and during economic shocks.

The illustration of scale is JUMO, an African platform that scores borrowers with no formal credit history on alternative data such as mobile-wallet activity and transaction behaviour. Since 2015 it reports disbursing over US$8 billion to more than 31 million people across nine African markets, administering over 250 million individual loans.[18] The figures are the platform's own, and the case does not depend on them.

The commercial case is promising but still limited. Trading and repayment records can make previously invisible borrowers assessable. The evidence does not establish the size of the market, lender returns after losses, or borrower outcomes. Lenders in this segment do not publish their returns. Public support should therefore test the model and require outcome reporting before treating it as proven.

The same evidence shows why safeguards are essential. In Kenya, digital credit widened borrowing for people the banks had always excluded, and then accounted for roughly 90 per cent of all credit blacklistings. The study attributes this concentration to both higher default rates and a greater likelihood that digital-credit defaults were reported to credit bureaus.[19] The same technology can provide useful working capital to enterprises able to deploy and repay it, while exposing low-income borrowers with volatile earnings to high-cost debt, default and blacklisting.

Access to credit is not automatically beneficial. For survival operators with small and volatile earnings, commercial or digital credit may be the wrong instrument and can deepen debt or increase the risk of default. Safe savings,

16. IFC and SME Finance Forum, MSME Finance Gap, update published in 2025 using data for 2019: approximately US$5.7 trillion in unmet financing demand among formal MSMEs across 119 emerging markets and developing economies, against potential demand of US$10.3 trillion and credit supply of US$4.6 trillion. A further US$2.1 trillion of potential demand is estimated from informal enterprises, around 8 per cent of GDP in those countries. That figure is modelled potential demand rather than a measured gap, so the two should not be added into a single total. The estimate that approximately 40 per cent of formal MSMEs are credit-constrained, fully or partially, applies to formal MSMEs only; no directly comparable global incidence rate is available for informal enterprises. Women-owned businesses account for approximately 34 per cent of the formal MSME financing gap. See Technical Annex E.1.
17. World Bank, Global Findex Database 2025 (2024 data): account ownership of about 75 per cent of adults in low- and middle-income economies. On mobile-money impact, T. Suri and W. Jack, "The long-run poverty and gender impacts of mobile money," Science 354(6317), 2016: access to M-PESA is estimated to have raised per-capita consumption and lifted about 194,000 Kenyan households (2 per cent) out of poverty, with effects concentrated among female-headed households shifting into business - gains that nonetheless accrue mainly above the poorest and depend on payments being paired with credit, savings and insurance.
18 JUMO, cited in Orange Money Group press release, 28 July 2025: disbursement of over US$8 billion to more than 31 million people in Ghana, Kenya, Tanzania, Zambia, Uganda, Côte d'Ivoire, South Africa, Benin and Cameroon since 2015, administering over 250 million individual loans. Company-reported figures.
19.. C. Johnen, M. Parlasca and O. Musshoff, "Promises and pitfalls of digital credit: empirical evidence from Kenya," PLOS ONE, 2021: digital credit widened access for otherwise-excluded borrowers but accounted for about 90 per cent of all credit blacklistings, the study relates this concentration to higher default rates and a greater likelihood that digital-credit defaults were reported to credit bureaus.

protection against shocks and, in some cases, grants are more appropriate than a loan offered on nominally better terms.

Where formal finance is absent, informal finance often fills the gap. Rotating savings and credit associations operate across a wide range of low- and middle-income settings. For many livelihood operators, these groups are an existing source of savings and working capital, not a relic that formal finance can simply replace.

The policy question is therefore how formal finance can work through and strengthen these institutions instead of displacing them. The YBI member evidence is consistent across very different contexts. In Kenya, Mozambique and Mongolia, young entrepreneurs run their early years on personal savings, family money and rotating savings groups. Bank credit is effectively closed to all but a small established minority. In Mongolia it is gated behind a one-year trading-history requirement that excludes enterprises at the point they most need start-up capital. These three accounts are not a representative sample. Their value is that practitioners in different markets report the same pattern.

Price matters as much as presence. The Lagos State Employment Trust Fund, a Lagos State government body and a YBI member, lends to enterprises in Lagos at single-digit annual rates. Nigerian commercial rates run from 25 to 40 per cent. The Fund's own worked example is a fashion business earning margins of 20 to 30 per cent, which cannot service interest at 35 per cent. The arithmetic is the point. Credit priced above the margin an enterprise earns cannot be repaid out of the enterprise, whoever lends it.[20]

Finance fails at several levels: regulation, lender assessment, pricing and the pressures on household income. Repairing only one level moves the constraint elsewhere.

Public guarantees raise a related question: do they reach viable enterprises that lenders would otherwise reject? Chile's FOGAPE shows both outcomes. Early guarantee volumes went largely to enterprises that already had bank loans. A study at the eligibility threshold later found a large increase in borrowing among constrained enterprises, including new bank relationships. The lesson is that guarantees can add finance, but only when eligibility and delivery are designed to reach underserved firms. Otherwise public support concentrates on enterprises already served. Annex G.3 gives the study design and limits.[21]

Two further cautions apply - first, a grant can change an enterprise's starting point without permanently changing its destination. In Uganda, a cash grant of US$400 per person raised earnings by 38 per cent after four years, but the treatment and control groups had converged by year nine. The grants nevertheless produced lasting gains in durable assets and skilled work. The study did not compare the value of nine years of higher earnings with the programme's cost, so it does not establish whether the intervention represented value for money. The lesson is that one-off capital is more reliable as a starting boost than as a permanent route out of poverty.[22]

Second, capital does not work equally by gender. A Sri Lankan field experiment found mean returns to capital of 5 to 6 per cent a month overall, but returns for women-owned enterprises that were not different from zero.[23] The study found no explanation in ability, risk preferences, entrepreneurial attitudes, family labour or access to wider markets. Women invested the grants differently, the gap was widest in female-dominated sectors, and household allocation mattered. Capital did not produce the same returns for women in this study, and the differences could not be explained by enterprise characteristics alone. Finance programmes must therefore consider household, sector and gender constraints alongside the enterprise's ability to use and repay capital.

20. Lagos State Employment Trust Fund, YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as representative or causal evidence. See Technical Annex E.1.
21. Chile's FOGAPE guarantee scheme: early leakage to already-banked enterprises in Benavente, Galetovic and Sanhueza, and additionality at the eligibility margin in Mullins and Toro, Central Bank of Chile Working Paper 820 (2018). Additionality depends on targeting and delivery. Full discussion in Annex G.3.
22. Blattman, C., Fiala, N. and Martinez, S. (2014), "Generating skilled self-employment in developing countries: experimental evidence from Uganda", Quarterly Journal of Economics, 129(2), pp. 697-752; and Blattman, C., Fiala, N. and Martinez, S. (2020), "The long-term impacts of grants on poverty: nine-year evidence from Uganda's Youth Opportunities Program", American Economic Review: Insights, 2(3), pp. 287-304. See Technical Annex E.1.
23. S. de Mel, D. McKenzie and C. Woodruff, "Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns," American Economic Journal: Applied Economics, 1(3), 2009, pp. 1-32. The underlying experiment is reported in Quarterly Journal of Economics, 123(4), 2008.

### Finance serves different purposes

Young entrepreneurs in a consultation run with Generation Unlimited described using finance for at least four separate purposes: starting up, day-to-day cash flow, equipment and scaling. What equipment meant varied by sector, from connectivity and classroom infrastructure in education technology to specialised measurement tools in green building. One participant put the limit of capital alone directly:

"Money is an accelerator, but not a compass...We need maturity, discipline and clarity in the business."

B.Y., 25, Lebanon. Youth focus group convened with Generation Unlimited, July 2026.[24]

### Recommendation: a finance system built for this economy

Finance should be matched to the enterprise's current circumstances and ability to use and repay capital. Survival operators need safe savings, ways to manage volatile income and protection against shocks. Growth-constrained micro-enterprises need appropriately priced working-capital and growth finance, assessed where necessary through trading and repayment records instead of relying only on conventional collateral. Established livelihood enterprises need larger working-capital facilities and trade finance on appropriate terms.

Some viable growth-constrained enterprises will remain outside commercial lending. Grants, guarantees or patient capital should be used where they reach enterprises that commercial lenders would reject without support. Public guarantees should be assessed by whether they add finance, not by total lending alone. Formal providers should also work with existing savings groups and other community-based financial institutions and build on them, not displace them.

Finance can remove an important constraint, but it cannot compensate for weak capability or poor market access. Section 3.2 therefore turns to the support that must accompany it.

## 3.2 Business support

Of the five systems, business support has the least direct evidence for livelihood enterprises. Studies support individual ingredients, but fewer test a complete model built for these enterprises. This section draws on related experiments and states where they do not directly answer the question. Over the past two decades, enterprise support has divided into two models, and neither fits most of the livelihood economy well.

At one end are short classroom courses in business and financial skills. They are inexpensive and open to many participants. At the other are accelerators, incubators and competitions that select a small number of ventures for intensive support. The two models serve different enterprises, cost very different amounts and produce different results.

Development Solutions, YBI's member in Mongolia, describes this divide from the delivery side. It reports that donors concentrate on competitions, challenges and incubation while the practical constraints facing most young enterprises receive less attention. Growth-constrained micro-enterprises sit between the two dominant support models and often receive the least suitable version of either.

Generic business training raises profits only modestly and the gains often fade within a year or two. A randomised trial in Togo found stronger results from practical training that built personal initiative than from conventional accounting-led classes. It raised profits by around 30 per cent, against no significant gain for the conventional curriculum. Seven years later, the average gain was larger, but outcomes had diverged by gender: gains grew for men as they accumulated more capital, while the estimated effect for women was flat or declining and their capital build-up was much more limited.[25]

Graduation programmes combine a productive asset, training, coaching, temporary consumption support and a savings link in a sequenced package. Coordinated trials across six countries found lasting income gains among

24 Eleven participants from growth-oriented enterprises in mostly middle-income countries; illustrative of the growth-constrained and established segments, not of survival operators.

25.. F. Campos and others, "Teaching personal initiative beats traditional training in boosting small business in West Africa," Science, 2017; Campos, F. and others (2025), 'Long-Term and Lasting Impacts of Personal Initiative Training on Entrepreneurial Success', AER: Insights, 7(4), pp. 463-479: personal-initiative training in Togo raised enterprise profits by around 30 per cent against no significant gain for conventional training, with average gains larger at seven years, growing for men but flat or declining for women.

very poor households.[26] These studies do not test a support model for livelihood enterprises directly, but they show why sequencing and combining support can matter. Separate evaluations of conventional microcredit found weak average effects on enterprise performance.[27]

YBI members corroborate this from the delivery side. CAP Youth Empowerment Institute (CAP YEI), YBI's member in Kenya, reports from its delivery experience that finance is frequently treated as the sole constraint when market access, capability and mentorship may be equally important. In its experience, enterprises receiving a combination of support have performed more strongly than those receiving support for only one business challenge.[28]

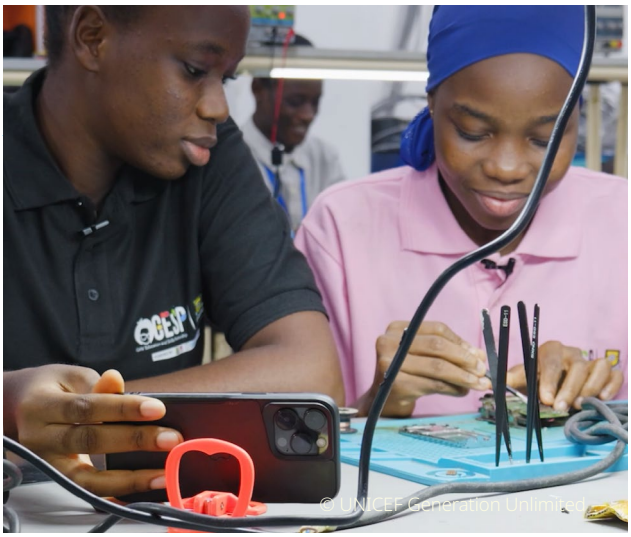
YBI's member in Mongolia also warns against importing a technology-start-up template that fits a tiny minority. The overwhelming majority of young people are building practical businesses in food, retail, services, agriculture and the green economy. Those enterprises need market linkages and working capital far more than they need pitch coaching. Enterprise Uganda, another YBI member, reports the same from its own delivery. It describes gains in working capital and sales among entrepreneurs where mentoring was combined with monitoring and follow-through, and the combination worked where a single input would not.[29]

School-based financial education provides a related lesson. A randomised evaluation in Brazil covered six states, nearly 900 schools and about 25,000 students. It improved financial knowledge, saving and budgeting, with effects into early adulthood. It did not test later enterprise formation or performance, and it also increased some students' use of consumer credit. The finding supports sustained, assessable provision during the school years while showing that financial confidence is not the same as financial caution.[30]

### Recommendation: a support system built for this economy

Effective business support should avoid the choice between generic classroom training and intensive programmes reserved for a small number of high-growth ventures. It should combine practical training with mentoring and follow-through. Where finance or market access is also a constraint, those elements should be provided with the capability support, not as separate programmes. Shared quality standards should define what support providers are expected to deliver. Performance should be judged through enterprise health and participant outcomes, not workshop attendance. The offer should vary by segment; one curriculum will not fit everyone.

YBI member evidence points to a practical delivery conclusion. Finance, capability, mentoring and market access are often complementary, not interchangeable. Young people's own evidence is examined separately in Section 4.2, where the report distinguishes finance as the most frequently named need from finance as the sole binding constraint. The complete YBI network case and its evidential limits are set out in the annex. Even well-designed support will underperform if registration and growth trigger costs the enterprise cannot bear. The next section turns to those rules.




26. A. Banerjee and others, "A multifaceted program causes lasting progress for the very poor: Evidence from six countries," Science,
27. 2015: sequenced 'graduation' packages (asset, training, coaching, consumption support, savings link) produced durable income gains
28. across six randomised trials.
A. Banerjee, D. Karlan and J. Zinman and others, six-country
29 randomised evaluations of microcredit (American Economic Journal: Applied Economics, 2015): weak average effects on enterprise performance.
30. CAP Youth Empowerment Institute (CAP YEI), YBI member submission, 2026. Practitioner evidence based on programme delivery in Kenya, used for implementation insight rather than as representative or causal evidence. See Technical Annex E.2.
S. de Mel, D. McKenzie and C. Woodruff, "Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns," American Economic Journal: Applied Economics, 1(3), 2009, pp. 1-32. The underlying experiment is reported in Quarterly Journal of Economics, 123(4), 2008.

## 3.3 Rules and formalisation

Enterprise policy often treats registration as the finish line: register the business and assume that finance, protection and growth will follow. Experimental evidence shows that registration alone does not produce those results. Simpler forms, information campaigns and small direct payments persuade only a modest share of enterprises to register, and those that respond are disproportionately the larger businesses already close to formal status. For the smallest operators, registration may bring immediate costs without a corresponding benefit. The useful question is therefore which rules help operators and which exclude or penalise them.

Inspections can raise registration more sharply than information or small incentives. In a Brazilian field experiment, receiving an inspection raised the likelihood of registering by 21 to 27 percentage points.[31] Enforcement alone, however, cannot distinguish between an enterprise avoiding affordable obligations and one that could not survive them. The study estimated that around half of informal firms fell into the second group. Applying the same enforcement to both risks closing the enterprises whose operators have no alternative source of income.

Three problems recur across very different countries.

First, almost every step a business takes toward growth triggers additional obligations. More permits, more tax and more reporting follow, so growth is taxed at the point where policy claims to encourage it. In Mongolia, reporting obligations begin at registration regardless of revenue, and late tax or social-insurance payments can lead the authorities to freeze the business bank account, a penalty out of all proportion to a micro-enterprise's capacity.[32]

Second, permitting is fragmented across multiple authorities and often depends on separate discretionary decisions. That increases the time, cost and uncertainty involved in complying. In India, practitioners describe piecemeal queries from banks and licensing agencies that stall start-up.[33]

Third, the rules fall unevenly depending on where and who you are. In Mozambique a rural entrepreneur faces a materially different process from one in the capital, and surprise municipal taxes can appear midway through an attempt to license a business properly.[34] Young people flag the same burden in their own words. Regulatory cost and official fees recur more often in the open-text answers to the U-Report youth poll run for this report than a closed survey option might pick up.[35] The poll and its limits are set out in Section 4.2.

The consequence shows up in the data. Startup Vietnam Foundation, a YBI member, tracks businesses through its programmes and finds performance peaking between years three and five and then falling back. Operators who had separated business and personal money begin mixing it again. Cash-flow planning drops away and professional accounting declines. The Foundation reads this as a deliberate retreat. Enterprises meet the compliance wall when they try to borrow, and shrink to save administrative cost. It notes that survivorship contributes, because the strongest performers leave the dataset. This is practitioner evidence, not a causal finding. It describes behaviour that the Foundation associates with the cost and complexity of compliance.[36]

Where experiments have increased formalisation, the value offered through registration has mattered more than administrative ease. Brazil's individual-microentrepreneur scheme increased formal registration in eligible sectors, although estimates of the scale and persistence of the response differ widely. It did so by cutting the cost of being formal to a low flat monthly payment and bundling it with benefits people valued,

31. Lagos State Employment Trust Fund, YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as de Andrade, Bruhn and McKenzie on enforcement effects; taxonomy of informal firms from G. Ulyssea, 'Firms, informality, and development: theory and evidence from Brazil', American Economic Review, 108(8), 2018. Full treatment at Technical Annex E.3.
32. Development Solutions, YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as representative or causal evidence. See Technical Annex E.3.
33. Bharatiya Yuva Shakti Trust (BYST), YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as representative or causal evidence. See Technical Annex E.3.
34. ideiaLab, YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as representative or causal evidence. See Technical Annex E.3.
35. U-Report open-text responses, 2026: regulation, government and fees appear in around 6 per cent of classifiable open text, against 1.8 per cent selecting the closed "legal issues" option - an indicative floor on an opt-in poll, used to show the closed option under-captured regulatory cost.
36. Startup Vietnam Foundation, YBI member submission, 2026. Practitioner evidence used for implementation insight rather than as representative or causal evidence. See Technical Annex E.3.

including a simplified tax, a contributory pension and other social-insurance benefits. One study finds a modest, short-lived response concentrated among higher-earning operators and driven by existing informal enterprises registering. A later study using new administrative data finds a much larger and sustained increase, driven by new firm creation. Neither study finds higher earnings. The clearest gain was wider social-security coverage, achieved at a net fiscal cost.[37]

## Young people object to the process, not the principle

Participants in a consultation run with Generation Unlimited did not reject registration, licences, taxation or standards. What they described was how the rules work in practice: fragmented procedures, unclear requirements, multiple authorities, delays, professional fees and lost founder time.

"The taxes, licences, all these processes in the first place were meant to enable more organisations and businesses... [but] it defies the intention... because it is made too complex."

N.J., 22, India

The same consultation offered the positive case.

"It's quite easy to register your business with your smartphone... having your registration makes your business more visible and authentic. People trust you."

F.S., 27, Nigeria. Youth focus group convened with Generation Unlimited, July 2026.[38]

### Recommendation: a rules system built for this economy

Compliance should rise gradually with the enterprise's size and capacity. The smallest operators need a genuine minimum-turnover threshold, with no tax liability and minimal obligations below it. Growth-constrained enterprises need a low-cost tier that combines simple obligations with useful benefits. Above that, tax and reporting should rise gradually. One-window registration should replace multiple permits, backed by protection from harassment and arbitrary local charges.

## What this could mean for one operator

Consider a young person selling household goods at very small scale. While turnover remains below the minimum threshold, the activity can operate legally without tax liability or full reporting requirements, and with protection from arbitrary municipal charges. As sales become more stable, the operator can register through one window and enter a low-cost tier carrying a simple turnover-based payment, a recognised business identity and basic social-protection benefits. If the enterprise later employs others or moves above the next threshold, its obligations rise gradually, avoiding one punitive jump. Progression is not compulsory. An enterprise that remains stable within a tier can remain there.

The international experience extends beyond Brazil. India's self-declared microenterprise registration brought more than 78 million enterprises onto the register by early 2026. The Reserve Bank now treats certificates issued to informal micro-enterprises on the same footing as full registration for priority-sector lending.[39]

Argentina's Monotributo, a single flat payment covering tax and social security, shows that a bundled entry regime can operate at scale in a third institutional setting. Annex F.3 sets out the regime's design and its evidential limits. Neither case shows how much additional credit or protection registration caused, or which businesses benefited. Only the Brazil evidence directly identifies a change in formalisation. The businesses that respond to registration incentives are disproportionately those already close to formal. Good design at the top of the tier does not reach the bottom by itself, which is why the survival tier has to be designed separately and deliberately. Proportionate rules remove one barrier, but operators still need protection when illness, care or income loss threatens the whole livelihood.

37. Brazil's Microempreendedor Individual regime was introduced under Complementary Law 128/2008 and became operative in 2009. It bundled simplified taxation with pension and other social-insurance benefits. Rocha, Ulyssea and Rachter (2018) find a 4.3 per cent increase in formal firms in eligible industries, short-lived and concentrated among higher-earning operators, and driven by existing informal firms registering. Farias and Hsu Rocha (2026) find an 86 per cent increase in active formal firms by December 2015, driven mainly by new firm creation, again with no earnings gains. They estimate that additional social-security costs were 2.56 times the additional tax revenue. Under the assumption that beneficiaries valued each real of benefits at one real, the estimated marginal value of public funds was 1.64. See Technical Annex F.3
38. Eleven participants from growth-oriented enterprises in mostly middle-income countries; illustrative of the growth-constrained and established segments, not of survival operators.
39. India's Udyam Registration Portal and Udyam Assist Platform: more than 7.83 crore (78.3 million) enterprises registered across the two systems by 28 February 2026 (Ministry of MSME, Press Information Bureau, 30 March 2026). The Reserve Bank of India treats Udyam Assist certificates issued to informal micro-enterprises at par with Udyam Registration certificates for priority-sector lending. See Technical Annex F.3.

## 3.4 The safety net

Most social-protection systems are built around formal jobs and regular contributions. That leaves much of the livelihood economy outside them. Coverage remains in single digits in the lowest-income countries, and around half of the world's population has no social protection at all.[40] The largest gap is among people who do not qualify for tightly targeted assistance but whose income is too low or irregular for conventional contributory insurance. Much of the livelihood economy sits within this gap.

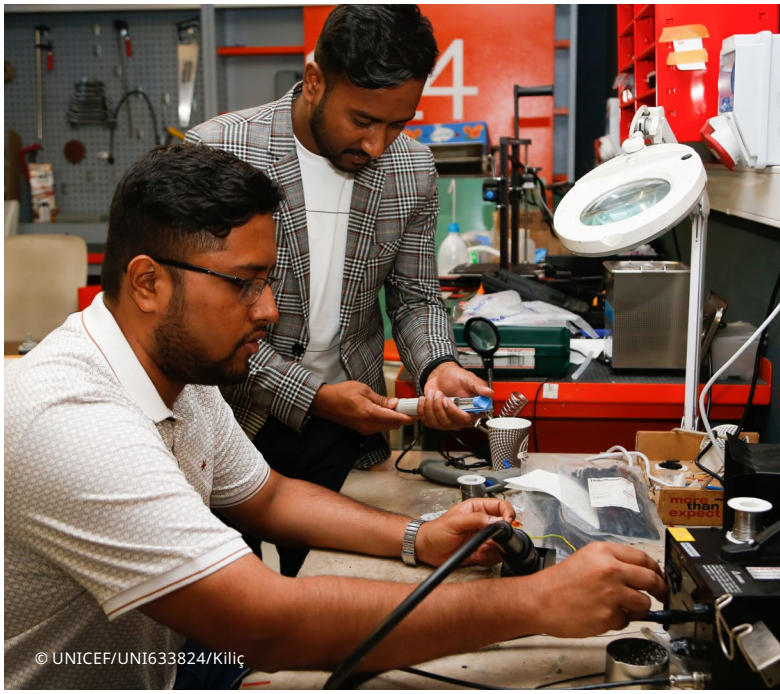
The consequence is economic as well as social. Without protection against illness, theft, seasonal losses or family emergencies, operators keep scarce cash available for the next shock instead of investing it in their enterprise. Protection can therefore create the security needed for productive risk-taking. It should not be treated only as a benefit that arrives after a business has succeeded.

Three forms of protection serve different purposes. Social assistance provides public cash or essential services when household income is inadequate. Personal insurance protects income during illness, maternity, disability, old age and other periods when a person cannot earn. Enterprise protection covers losses to stock, equipment or trading activity. The first two belong to social protection; the third sits mainly within finance.

Productive-inclusion and graduation programmes provide one model for connecting temporary income support with assets, coaching and savings. The evidence summarised in Section 3.2 supports the value of sequencing these elements, but does not establish graduation as the organising model for the livelihood economy.

Most governments cannot fund comprehensive protection in one move. The ILO estimates the annual financing gap for basic social protection, including essential healthcare, at around 3.3 per cent of GDP across low- and middle-income countries. That rises to 17.6 per cent across Africa and 52.3 per cent for low-income countries as a group.[41] The practical question is therefore which layer to build first. At this scale, domestic sequencing will often need to be accompanied by sustained external financing.

International experience suggests that registration and access to benefits should be designed together. India's e-Shram portal had registered more than 315 million unorganised workers by March 2026. PM-SYM, the contributory pension integrated with it, had enrolled just over 5.2 million by January 2026. The two figures are not directly comparable. PM-SYM eligibility is restricted by age, income and exclusion from other schemes, the counts are taken months apart, and no survey establishes why people registered or declined to enrol. The figures show that registration and participation in a benefit are different


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achievements.[42] Building the registry was easier than securing enrolment in the pension.

Rwanda's Ejo Heza scheme shows the other path. Launched in 2018 as a voluntary digital pension for informal and own-account workers, it built the incentive into the design from the start. That design included government top-up contributions weighted toward the

40. International Labour Organization, World Social Protection Report 2024-26: social-protection coverage remains in single digits in the lowest-income countries, while approximately half of the world's population lacks any social-protection coverage. See Technical Annex E.4.
41. Cattaneo, U. and others (2024), Financing Gap for Universal Social Protection: Global, Regional and National Estimates and Strategies for Creating Fiscal Space, ILO Working Paper 113. The estimates include essential healthcare and five principal social-protection cash benefits. See Technical Annex E.4.
42. e-Shram had registered more than 31.55 crore unorganised workers by 2 March 2026. PM-SYM had enrolled more than 52 lakh beneficiaries by 22 January 2026, including bulk registrations. PM-SYM is limited to eligible unorganised workers aged 18-40 earning no more than Rs 15,000 per month and not covered by EPFO, ESIC or government-funded NPS; the two figures therefore illustrate relative scale rather than a formal take-up rate. Government of India, Ministry of Labour and Employment, Lok Sabha Unstarred Question No. 2744, 9 March 2026; Rajya Sabha Unstarred Question No. 103, 29 January 2026. Full detail at Annex F.5.

poorest, life insurance, registration and payment by phone, and savings that can be used as loan collateral or withdrawn for education and housing. It reached roughly 317,000 members in its first year and 2.9 million by December 2022. That was 37 per cent of the working-age population, in a country where the formal-sector pension scheme covered 8 per cent of the labour force.[43] The case shows how incentives and useful benefits can support take-up beyond registration alone, although sustained contributions and long-term coverage still require assessment.

Care responsibilities must be considered from the start. Unpaid care keeps many women outside paid work or limits the activities they can undertake. A protection system that ignores care will therefore miss many of the women it is intended to reach.

Two cautions apply to any protection reform. Reach is not the same as sustained contribution. Getting people to enrol is easier than getting them to keep paying in over years, and the durability of voluntary informal-sector schemes is the open question the next decade has to answer. The sequencing lesson also cuts against the temptation to announce a registry as an achievement in itself. The registry is the start of the work, not the end of it.

### Recommendation: a protection system built for this economy

A working system would connect two forms of personal and household protection. The first is a publicly funded floor available regardless of formal status. The second is a low-cost personal-insurance tier attached to the first formal step, with cover portable across jobs and activities. Section 5.2 sets out what that asks of government.

Enterprise-risk products would sit alongside this system, not inside it. They include safe savings, emergency finance and appropriately designed insurance against losses to stock, equipment or trading income. These products can protect an activity from a business shock, but they cannot substitute for income support, healthcare or personal insurance when the operator or household is in difficulty.

Making protection portable also depends on data and registries that can identify people across different jobs and activities. The next section turns to that measurement problem.




43. Rwanda Long-Term Savings Scheme (Ejo Heza), launched 14 December 2018: 317,595 subscribers with over RWF 1.3 billion saved within the first year (International Social Security Association, Good Practice profile gp/182218). By December 2022, 2.9 million members were registered, equal to 22 per cent of the population and 37 per cent of the working-age population; 2.4 million were active savers. Rwanda's formal-sector pension scheme covered 8 per cent of the labour force. Guven, M. and Jain, H. (2023), The Promise of Ejo Heza: A Brighter Future for All Rwandans, World Bank.

## 3.5 Data and visibility

Public data systems are built mainly around formal jobs and registered enterprises. Labour-force surveys count informal workers, but they measure people, not the enterprises they run. They do not show an enterprise's capital, growth or survival. Enterprise censuses and tax records capture those features but largely miss unregistered operators. The result is that workers are counted while their enterprises remain poorly observed. Data on young people, particularly young women, are thinner still.

This invisibility has practical consequences. Governments cannot design or target support around economic activity they cannot see. Funders cannot direct capital confidently, and neither can judge whether an intervention is improving livelihoods. Survival operators, and the women concentrated within that segment, are the most likely to disappear from the evidence.

The ILO's Resolution concerning statistics on the informal economy was adopted by the 21st International Conference of Labour Statisticians (ICLS) in 2023. It provides an integrated framework for measuring informal productive activity, informal employment and the wider informal economy. New jobs indicators are also being developed, but their treatment of own-account and multi-activity work is not yet clear (Section 5.4).




### Recommendation: a data system built for this economy

Two instruments are needed, and they perform different functions. Aggregate statistics can show the scale and distribution of informal productive activity and employment that overlap with the livelihood economy. They cannot yet count the livelihood economy directly. A connected worker-and-enterprise registry can reach individual operators so that protection, support and proportionate obligations can be delivered. Neither instrument substitutes for the other: statistics do not deliver benefits to individuals, while registration does not tell a finance ministry how large the wider population or economic activity is.

Alongside improved official data, three other sources can fill particular gaps. Youth-polling platforms can identify concerns and experiences directly. Practitioner and YBI member records can follow enterprises receiving support over time. Digital payment and lending records can show economic activity that conventional surveys miss. None is a substitute for representative statistics: youth polls are not population estimates, programme records cover selected participants and digital records miss cash-based and disconnected operators.

The remaining constraints include statistical capacity, interoperability between systems, privacy safeguards and political commitment. Multilateral institutions can support countries across all four.

What invisibility looks like in practice - Somo's DigiKua, Kenya and Tanzania

Somo, a YBI member working in Kenya and Tanzania, built DigiKua to solve the visibility problem at the level of the individual operator. Entrepreneurs record sales, expenses, clients and stock through basic-phone text menus (USSD) or WhatsApp. The system turns those entries into cash-flow and income statements without requiring a smartphone or internet connection. No prior registration is needed. An operator who was invisible to lenders and

to the statistics acquires a record of what the business actually does. The tool demonstrates that a usable business record can be produced without formalisation first. It does not demonstrate that better records lead to credit or higher income, and no evaluation identified in this review has tested that. The example shows what visibility can enable and what still requires testing.[44]

### 3.6 How the failures compound

One operator can encounter all five failures at once. Consider a young woman running a small food enterprise. She may be absent from the data used to target support and outside the safety net that would allow her to invest instead of holding cash against the next shock. Registration may offer few immediate benefits while creating new costs as soon as the enterprise grows.

She may be unable to borrow without collateral or a credit record and have no clear route to build either. YBI members in Kenya, Mozambique and Mongolia report that operators in this position rely on personal savings, family money and rotating savings groups. If the operator attempts to comply with the rules, she may encounter fragmented permits, discretionary decisions and unexpected municipal charges.

This is a composite example, not a single case. Each constraint is drawn from evidence presented earlier in the report. Its purpose is to show how the failures combine around one livelihood.

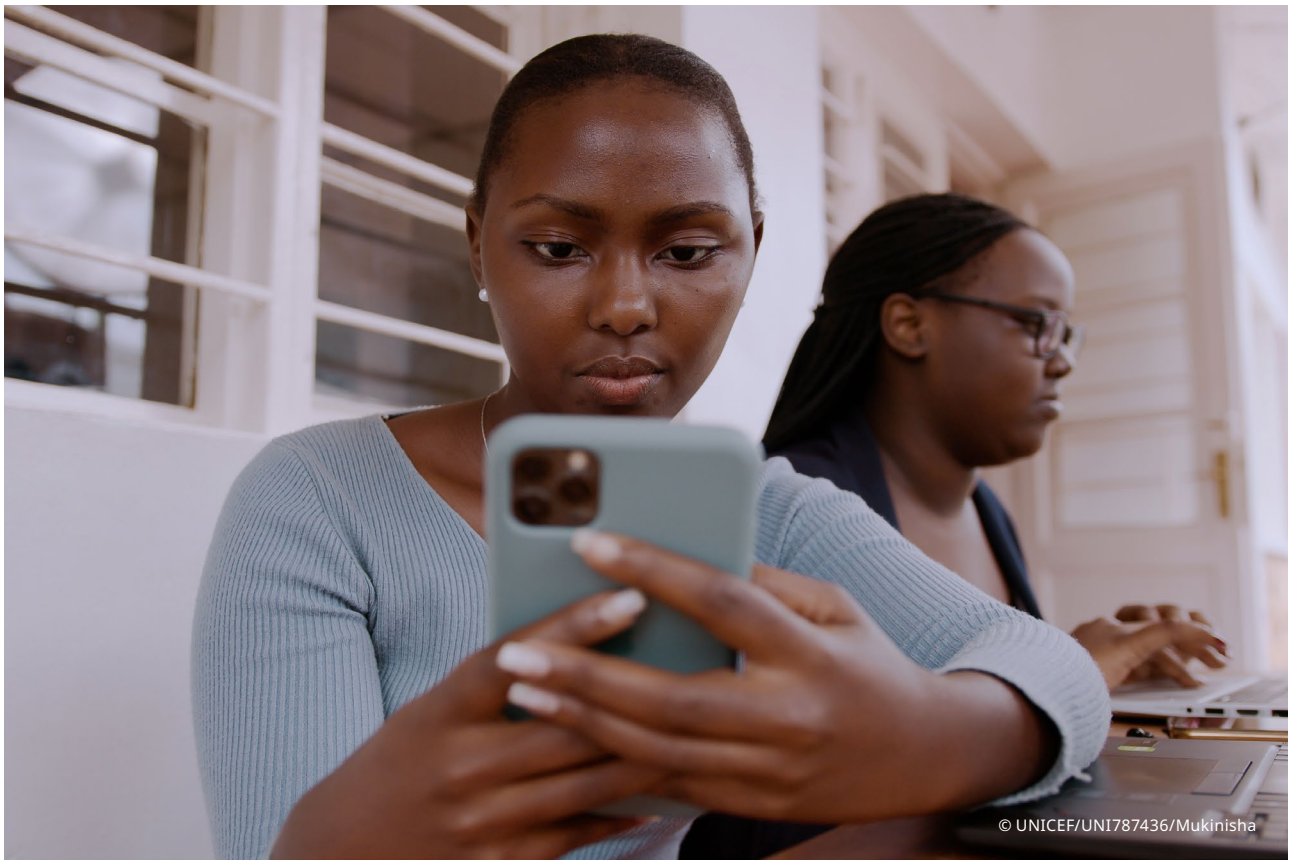
No single intervention resolves all these constraints. Better finance does not remove punitive rules. Simpler rules do not provide protection against illness or income loss. A safety net does not create a credit record or market access. The problem is systemic because each constraint changes what the other interventions can achieve.

44. Youth Business International, 'Supporting Kenya's microentrepreneurs with DigiKua - business records made simple', 17 April 2021. Provider-reported; no evaluation has tested effects on credit access or enterprise income. Full case at Annex F.4.



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# Section 4: Gender and young people's own evidence




The five system failures do not affect everyone in the same way. This section first examines how they affect young women across the three enterprise segments. It then compares the report's diagnosis with young people's own accounts.

## 4.1 Gender, segment by segment

Gender shapes livelihood activity differently across the three segments. The most comparable figures are global or regional aggregates; evidence that also distinguishes between enterprise segments is much thinner. The strongest experimental evidence concerns growth-constrained micro-enterprises. Evidence on survival operators and established livelihood enterprises relies more heavily on structural data and practitioner accounts. These limitations are stated openly; the report does not fill the gaps with unsupported estimates. Producing better gender-disaggregated evidence by segment is therefore part of the data agenda in Section 5.

This review did not identify comparable evidence on disability across the three segments. The report therefore does not make an equivalent population claim for young people with disabilities. This is an evidence gap, not evidence that they face no additional constraints.

The available figures show substantial gender differences, but they cover different populations. All-age enterprise data suggest that female-owned informal enterprises have labour productivity around 15 per cent below male-owned enterprises. Across workers of all ages, women's employment rate is around 23 percentage points below men's. Among young people aged 15 to 24, more than two in three of those outside employment, education or training are young women. In 2025, the global NEET rate was 27.4 per cent for young women and 13.1 per cent for

young men. In Southern Asia, the corresponding rates were 41.0 and 11.6 per cent.[45]

The mechanism behind those gaps differs by segment, and so does the effective response.

**A single gender response can obscure the different constraints operating across the three segments. The evidence below therefore points to responses matched to the constraint faced within each segment.**

## Women in the survival segment

Evidence from many low- and middle-income settings suggests that women are disproportionately concentrated in low-capital and insecure livelihood activity. The most important constraints often sit outside the enterprise itself. Unpaid care limits the time available for paid work. Safety and social norms can restrict mobility. Asset ownership, identity documentation and access to financial accounts may also depend on household or legal arrangements that disadvantage women.

Enterprise support alone cannot overcome these constraints. Childcare, safe mobility, equal rights to assets and inheritance, accessible identification and direct access to financial services may all be necessary before training or finance can produce livelihood gains. These are therefore preconditions for effective enterprise support, not unrelated social issues.

## Women in growth-constrained micro-enterprises

For many women-owned enterprises in this segment, capital is a binding constraint, but it is not the only one. In Togo, the seven-year follow-up found that gains grew for men but were flat or declining for women, whose capital build-up was much more limited. In Sri Lanka, women-owned enterprises saw no average return from capital alone. Together, the studies show that training and finance may need to be combined with responses to constraints outside the enterprise. Young people's evidence adds the same caution: finance is frequently named as a need, but the term covers different requirements, including day-to-day working capital, equipment, digital tools and payment systems.[46]

Bias in financing decisions and women's concentration in lower-margin sectors can compound these constraints. ideiaLab, YBI's member in Mozambique, reports that young women are often assumed to be necessity entrepreneurs with little potential to manage growth and are therefore excluded from larger opportunities. This is practitioner evidence of bias in assessment, not evidence that women-led enterprises are less capable.

### Mongolia - national figures

Development Solutions, YBI's member in Mongolia, reported national figures for this report. They cover one country, so they illustrate an allocation pattern but do not establish its wider prevalence. Women lead around 40 per cent of all enterprises and nearly 70 per cent of micro, small and medium enterprises, yet only around 17 per cent of those enterprises hold a bank loan. Bank of Mongolia data show loans to women borrowers average less than half the size of those to men. The member submission reports a lower non-performing-loan rate: 9.6 per cent compared with 13.2 per cent. The data do not establish why the allocation gap exists. Within the submitted figures, weaker repayment performance does not explain it.[47]

## Women in established enterprises

Available evidence and practitioner accounts suggest that women are under-represented among established livelihood enterprises. Those who reach this segment face a different set of constraints, including business succession, asset ownership, inheritance law, governance and access to corporate procurement.

45. World Bank Informal Sector Enterprise Surveys for the labour-productivity gap; ILO modelled estimates for the labour-force participation gap; International Labour Organization, Global Employment Trends for Youth 2026, pp. 17-18 and Table A.3, for the 2025 NEET figures.
46. Generation Unlimited and UNICEF, U-Report Youth Entrepreneurship Poll, fielded 16 March to 17 May 2026: 191,826 responses across more than 110 countries, including 116,480 open-text answers. Method and limits at Annex I.2.
47. Development Solutions, YBI member submission, 2026. Loan share and average loan size for women borrowers: Bank of Mongolia, Governor's remarks at the launch of the Financial Code for Women Entrepreneurs, 16 April 2025 (42.1 per cent of SME lending; average loan MNT 66.4 million, about half that to men). Women's share of SMEs: IFC (2025), around two-thirds. Enterprise shares, loan coverage and non-performing-loan rates are reported in the submission, which does not identify their original source. They are used as single-country practitioner evidence, not as a representative estimate.

## 4.2 What young people's own evidence says

A global U-Report poll run with Generation Unlimited between 16 March and 17 May 2026 received 191,826 responses from young people across more than 110 countries, including 116,480 open-text answers. It provides indicative youth evidence, not a representative population sample. Participation is heavily concentrated in sub-Saharan Africa, and a national SMS campaign in the Democratic Republic of Congo accounts for around two-fifths of all responses. The analysis therefore uses the poll to identify patterns in what respondents reported, not to estimate their prevalence among young people generally. No population claim in this report rests on the poll. A focus group convened with Generation Unlimited in July 2026 adds qualitative depth on a much smaller base and is used in the same way.[48]

Read on those terms, the poll adds a distinct youth-evidence layer to the analysis. Among respondents, the need for income and the absence of decent work were the dominant stated motivations for enterprise activity. These motivations became more common in the older age bands, while interest in enterprise did not disappear after the early twenties.

The pattern of stated needs also changes by age, although age bands should not be read as the three enterprise segments. Younger respondents mention confidence, guidance and skills almost as often as finance. Respondents in their late twenties and thirties mention capital more frequently.

Finance is the most-cited single need in every age band. Among respondents aged 15 to 29, 53.7 per cent selected it as their main barrier. The open-text answers show why this does not establish finance as the single binding constraint. Approximately 95 per cent of open-text finance mentions refer only to “money” or “capital”, without identifying whether the respondent needs start-up finance, working capital, equipment finance or growth capital. Regulation, government requirements and fees appear in around 6 per cent of coded open-text responses, compared with 1.8 per cent selecting the closed legal-issues option. The closed question therefore appears to have understated the salience of regulatory cost among respondents.

Young people’s accounts provide evidence about experiences that standard datasets do not capture. They help identify meanings, mechanisms and overlooked constraints, but they cannot establish how common those experiences are in the wider population. Because long-run data on livelihood enterprises are thin, this evidence is especially useful for interpreting the quantitative patterns. The U-Report poll, focus group and YBI member evidence point in similar directions, but that consistency is not itself proof of population prevalence or causal effect.


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### In young people's words

When young people were asked what they needed in their own words, "money" turned out to mean several different things:

- "...affordable startup capital, grants, or microloans without harsh conditions so that my peers and I don't feel stuck at the survival stage."
- "...more affordable high-speed internet, better access to professional equipment, and easier ways to receive international payments for our work."
- "Supportive environment to ensure few legal formalities and easy procedures for obtaining loans from commercial banks by youths."

48. Generation Unlimited and UNICEF, U-Report Youth Entrepreneurship Poll, 2026. Method, sampling limits and open-text coding at Technical Annex I.2.

U-Report respondents, 2026 - anonymous open-text poll responses, indicative youth voice. Selected to illustrate the range the single word "money" conceals, not as representative quotation. The poll is opt-in and geographically concentrated; see Technical Annex I.2.[49]

Respondents describe finance as necessary but rarely sufficient on its own. They also identify market access, capability and workable rules as distinct constraints. Their accounts describe livelihood-building as a non-linear process in which people combine or change activities as conditions change. They do not describe a single orderly ladder from informal to formal. These accounts are consistent with the report's segmentation and its case for combining support, but they illustrate those arguments; they do not prove them.

## What stability means to the people building it

A separate consultation run with Generation Unlimited in July 2026 asked a small group of young entrepreneurs about their trajectories. Within this group, most described moving from survival towards greater stability through diversification, digital tools, trusted teams and mentoring. They also described being pushed backwards by currency shocks, conflict, funding cycles, infrastructure failure and burnout. Stability, as they defined it, did not mean the absence of difficulty.

"For me, stability does not mean everything is easy. It means having a clear direction, knowing your next step and having the right people around you."

S.N.G., 24, Türkiye. Youth focus group convened with Generation Unlimited, July 2026.[50]

These accounts have an implication for how programmes and policy are designed. Young people should not only be respondents or beneficiaries; youth networks should have formal roles in designing, testing and monitoring the responses intended for them. Section 5.5 sets out that role.




49. 110 U-Report open-text responses, provided by Generation Unlimited and UNICEF, 2026. Responses are anonymous and are reproduced with the agreement of Generation Unlimited and UNICEF.
50. Eleven participants from growth-oriented enterprises in mostly middle-income countries; illustrative of the growth-constrained and established segments, not of survival operators.

# Section 5: The reform agenda




The livelihood economy is a durable part of low- and middle-income economies. Sections 3 and 4 showed how the five system failures affect young people in practice, including how their effects differ by gender. This section sets out who can change each system, the first practical move and the actions that follow.

## 5.1 How the agenda is ordered

Different institutions control different parts of the reform agenda. Governments hold the primary levers over rules, registration, social protection, education and public statistics, and shape the conditions within which finance and business support operate. Private financial institutions provide much of the repayable finance, while large companies shape access to markets through procurement and supply chains. Multilateral institutions support national implementation and responsible local finance. Enterprise support organisations and youth networks connect policy to delivery, co-design and accountability.

Each subsection identifies what the actor controls, the failure it must address, the first practical move and the priority actions that follow. Where the appropriate response differs by segment, Section 5.6 draws those differences together. Annexes H.2 and H.3 set out the evidence, sequencing and implementation pathways in full. Sequencing should start from a national diagnostic that identifies which of the five systems is most binding for each segment. It should also reflect the country's fiscal and administrative capacity and the maturity of its financial and social protection systems.

Across all actors, results should be judged by livelihood and enterprise outcomes: income level and stability,

resilience to shocks, working conditions, enterprise survival, productivity and employment, disaggregated by gender and segment. A focused learning agenda should test which combinations of finance, capability, market access and protection produce sustained results, and for whom. Registrations, loans and training completions show activity, not results.




## 5.2 Governments: the primary actor

### System

Governments control the rules, tax and registration regimes, social protection, public education, official statistics and coordination across ministries. They also set the regulatory and risk-sharing conditions within which finance operates. This makes government the primary actor, although delivery depends on the other institutions below.

### Failure

Rules are often designed around formal firms and regular wage employment. Small operators can face abrupt increases in permits, tax and reporting as they grow, while fragmented administration raises the cost and uncertainty of compliance. Social protection tied to regular contributions excludes many people working for themselves. Official data do not capture livelihood activity well, and education systems often provide little practical preparation for the self-employment many young people will enter.

### First move

A practical first move is to create a low-cost legal tier for very small enterprises, attach it to a useful benefit and record it through a connected worker-and-enterprise registry. This would make obligations more proportionate, extend protection beyond conventional employment relationships and make operators reachable by public systems.

The legal tier and registry can be established before a complete protection floor is fully funded, although both require political agreement, coordination and administrative capacity. Section 3.3 sets out the evidence from Brazil and its limits.

### Priority actions

#### Rules

Make tax and reporting obligations rise gradually with enterprise income and capacity. Below a meaningful minimum-turnover threshold, no tax should be due. The first tier above it should use a simple turnover-based payment without requiring detailed accounts. Replace multiple permits with one-window registration and attach a benefit worth having. End municipal harassment and unexpected charges that punish attempts to comply.

#### Safety net

Guarantee a publicly funded floor of cash and essential services available regardless of formal status. At the first formal step, add a subsidised personal-insurance tier covering health, maternity, disability and old age, with benefits portable across jobs and activities. Link both tiers to the integrated worker-and-enterprise registry so eligible operators can be reached.

A complete floor is costly, so build it in stages. Establish the legal entitlement, registry and subsidised first tier before expanding benefits and contributions as fiscal capacity grows. Insurance for stock, equipment or trading income belongs with financial services, not as a substitute for social protection. The fiscal estimates and full evidential case are set out in the technical annex.

#### Data

Apply the 2023 international statistical standard through national labour-force surveys and build connected worker-and-enterprise registries. The two instruments serve different purposes. Better statistics can show the scale and distribution of informal productive activity that overlaps with the livelihood economy. A registry can make individual operators reachable for protection, support and proportionate obligations. Neither can replace the other.

Education and capability

Build enterprise and financial capability into secondary education, particularly for learners approaching working age. Teach specific, assessable skills; do not treat entrepreneurship as a general aspiration. Section 3.2 sets out the evidence and its limits.

### Do / Stop

- **Do publish tiered formalisation roadmaps, legislate portable protection, implement the statistical standard through national labour-force surveys, and include practical enterprise and financial capability in secondary curricula.**
- **Stop coercive formalisation drives, presumptive taxes levied below the minimum-turnover threshold, municipal harassment, and fragmented permit regimes that increase the cost, delay and uncertainty of compliance.**

## 5.3 Private sector: finance, with market access in support

### System

Banks, fintechs and mobile-network operators shape access to finance. Large companies can also shape access to markets through procurement and payment terms, but the evidence reviewed here is stronger on finance. The priority actions therefore focus on finance.

### Failure

Formal credit histories and collateral exclude many young operators. Poorly regulated digital credit can deepen vulnerability among survival operators, while viable growth-constrained micro-enterprises remain invisible to lenders.

### First move

Offer working-capital finance assessed through sales, payment and repayment records without relying solely on collateral, with consumer-protection rules and transparent reporting on borrower outcomes. The commercial case is strongest for growth-constrained micro-enterprises and has not been established for survival operators with tiny, volatile incomes. For most livelihood enterprises, appropriately structured credit is a better fit than equity because it does not require an eventual investor exit or sustained expansion. Equity may still suit the small minority that deliberately pursues that path.

### Priority actions

Public guarantees and blended finance should reach viable enterprises that commercial lenders would reject without public support. That is the test of whether public money adds finance; otherwise it merely subsidises existing lending. Where public capital is used, channel it through suitable local intermediaries with explicit small-ticket and youth mandates, and combine it with capability support where that is also a constraint. The annex sets out the evidence and the risk of supporting firms already served.

Large firms and market actors should test ways to widen procurement and supply-chain access for livelihood enterprises, including prompt payment. Because the evidence is limited, pilots should be independently evaluated against enterprise outcomes, not participation alone. Voluntary commitments are unlikely to be enough; procurement rules, payment-terms regulation and tax treatment can make inclusion commercially rational.

### Do / Stop

- **Do use transaction and repayment data to assess creditworthiness, with appropriate safeguards.**
- **Stop relying solely on formal credit histories, pushing unsuitable instant credit at survival operators, and claiming supply-chain impact without evidence.**

## 5.4 Multilateral institutions: a supporting role

### System

Multilateral institutions shape international statistical standards, reporting systems, jobs indicators and the policy guidance that influences national agendas. Their role here is to support government reform and responsible local finance, not to create a parallel agenda.

### Failure

The formal-informal binary remains embedded in international statistics and results reporting. The 2023 statistical standard can improve the visibility of informal productive activity that overlaps with the livelihood economy, but it must still be implemented nationally. Headline jobs measures do not yet identify livelihood work clearly, limiting their use in steering resources towards the activities through which many young people earn.

### First move

Make jobs indicators livelihood-inclusive. They should recognise people working for themselves without ongoing employees - own-account workers - and people combining several income sources, while distinguishing secure livelihoods from precarious survival. The World Bank Group includes “More and Better Jobs” as an outcome area, and the related “More and better-paid jobs” indicator was launched in April 2026. How far it captures own-

account earnings and income from multiple activities should be assessed as it is implemented.

**This would improve global visibility and support the national reforms that depend on it.**

### Priority actions

- **Support countries to implement the 2023 ICLS resolution through national labour-force surveys and, separately, to build the worker-and-enterprise registries needed for delivery.**
- **Use blended finance, guarantees and patient capital only where they reach viable enterprises commercial lenders would otherwise reject.** Section 3.1 explains why the design and targeting determine whether guarantees add finance. The supporting FOGAPE evidence and its limits are set out in Annex G.3.
- **Pilot a livelihood-economy marker within development-bank youth-jobs systems and assess whether it improves targeting and reporting.**
- **Apply the same test to policy guidance and technical assistance as to indicators: whether a reform improves livelihoods, not whether it raises registration counts.**




**Do / Stop**

- **Do put the standard into practice, adopt livelihood-inclusive indicators, and support government and private-sector priorities instead of competing with them.**
- **Stop entrenching the measurement binary, undercounting the economy through survey convention, and positioning multilateral initiatives as ends in themselves.**

## 5.5 Intermediaries and youth networks

### System

Enterprise support organisations connect policy and finance to individual enterprises. Youth networks bring direct knowledge of how reforms affect young people and can strengthen their accessibility, legitimacy and accountability.

### Failure

Business support is often generic, separated from finance and market access, and measured by attendance, not enterprise or livelihood outcomes. Youth networks face a different problem: they rarely have a formal role in designing, testing or monitoring reforms, so participation remains consultative and carries little influence.

### First move

For enterprise support organisations, the first move is to replace generic stand-alone training with practical support coordinated with capital where finance is also binding. For youth networks, it is to secure a formal role in the design, testing and monitoring of the reforms.

### Priority actions

Enterprise support organisations should adopt shared quality standards. They should combine capability-building with mentoring, market access and appropriately matched finance, and measure enterprise and livelihood outcomes instead of workshop attendance.

Youth networks should use the three-segment framework to test whether proposed reforms fit different needs. Survival operators need protection and stability. Growth-constrained micro-enterprises need finance and integrated support. Established livelihood enterprises need proportionate rules and market access. Young people should help determine whether services are accessible, usable and improving the terms on which they work, and should have a formal role in monitoring the results.

**Do / Stop**

- **Do adopt shared quality standards so business support means something consistent. Bundle support with capital, measure enterprise and livelihood outcomes, and commission the multi-year evaluations the field still lacks. Give youth networks a formal role in co-design, implementation feedback and accountability.**
- **Stop one-off and gender-blind programmes, assuming every operator should grow, counting attendance as impact, and treating youth participation as consultation without influence.**

## 5.6 What each segment needs

The three segments introduced in Section 2.3 need different combinations of support. Sections 3 and 4 showed how the five systems and gendered constraints affect them. This section brings those findings together and sets out what to prioritise for each segment.

- **Survival operators.** The failures land as exposure without protection. These operators are often invisible in official data, face rules and enforcement without receiving meaningful benefits, and may be excluded from useful financial services while remaining exposed to unsuitable short-term credit. The priority is stabilisation, not a growth plan. This starts with an income and essential-services floor available regardless of formal status, alongside personal protection against illness and loss of earning capacity. Other priorities are safe savings; appropriately designed cover for stock, equipment or lost trading income; harassment-free trading; identification and basic financial services; and practical support linked to social protection.
- **Growth-constrained micro-enterprises.** The failures land as connected bottlenecks around otherwise productive activity. Conventional lenders cannot see enterprises without collateral or formal records. Generic training arrives without capital or market access. Registration brings costs before benefits, and weak protection discourages operators from risking scarce resources on investment. This is where repayable growth finance should concentrate. The response combines a low-cost formal tier above a genuine threshold, one-window registration and appropriately sized working-capital finance. It also requires lending designed and monitored to address gender differences in access and outcomes, public capital that reaches enterprises commercial lenders would otherwise reject, and practical support delivered alongside finance.
- **Established livelihood enterprises.** The failures land as a ceiling, not complete exclusion. Obligations can rise abruptly as an enterprise grows. Available finance may be too small, short-term or expensive for its next stage, and access to value chains, procurement and strategic support remains restricted. The response starts with proportionate compliance that does not penalise growth and portable contributory protection matched to capacity. It also needs larger working-capital and investment finance, access to corporate value chains on workable terms, and strategic and operational support. Enterprises that choose to grow should be enabled to do so, and those that choose to stabilise should still be recognised as productive.

This segmentation is a working structure for differentiating policy and delivery, not a permanent classification. Enterprises and activities may move between segments as their circumstances change. Annex H.4 sets out the corresponding interventions and delivery considerations in greater detail.

The reform agenda therefore begins with different needs but converges on one principle: finance, rules, protection, support and data must work together around the livelihood as a connected system.



# Section 6: Conclusion: the case for acting now




This report began with a simple problem: the formal-informal divide does not describe how many young people earn. The livelihood economy offers a better organising frame. It is a durable part of low- and middle-income economies, not simply a temporary holding area before formal employment. The task is to make the work within it more secure, productive and visible.

The reforms must work together. Registration without useful benefits gives operators little reason to comply. Finance without suitable terms can deepen vulnerability. Training without finance or market access leaves the underlying constraint in place. Better statistics without changes in delivery make activity more visible but do not improve the terms on which people work. The components already exist; the gap is that they are rarely designed as one connected system.

The timing matters. Countries can now implement the 2023 ICLS resolution, while major institutions are developing the measures that will shape investment in jobs. The World Bank Group Scorecard lists "More and Better Jobs" as an outcome area, and its "More and better-paid jobs" indicator was launched in April 2026. The African Development Bank's Youth, Jobs and Skills Marker System was approved in September 2024, piloted from 2025 and is moving to full implementation in 2026. Whether these systems recognise own-account and multi-activity work will influence what governments and funders can see and support.

Governments should begin with a low-cost legal status for very small enterprises, tied to a useful benefit and recorded through a connected worker-and-enterprise registry. Around it, tax and reporting obligations should rise with capacity; protection should extend beyond employment status; and finance, support and measurement should be designed around the same livelihood and delivered together.

Most livelihood enterprises will not become large. The test is whether the work within them becomes more secure, productive and resilient. That is a valuable economic outcome in its own right.

Many young people will work in the livelihood economy whether policy recognises it or not. The choice is whether they do so while trapped in precarious, invisible work, or with the finance, protection, capabilities and recognition needed to turn necessity into economic opportunity.

# About this report

## About the organisations

**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

**Systemic Innovation** designs and reforms innovation systems. Headquartered in London and operating as a globally distributed practice, it works with governments, multilateral institutions and funders on policy reform, programme architecture and institutional design. Its research focuses on how enterprises scale, how public money is accounted for, and what the evidence behind policy actually supports. systemicinnovation.work

## Commissioning and authorship

This report was commissioned by Generation Unlimited and Youth Business International. It was researched and written by Systemic Innovation. The analysis, and any errors in it, are Systemic Innovation's. The report does not necessarily reflect the policies or positions of UNICEF.
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## Suggested citation

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## Evidence and sources

The technical annex sets out the full evidence base and develops the definition source by source. It grades each claim by the type of evidence and how directly that evidence supports it, and includes the causal studies and full system-by-segment treatment. It records the provenance, evidential status and location of each source. It is more detailed and more technical than this report, and is intended to be read alongside it.

Scale and context statistics are footnoted to their sources throughout, and were checked against ILO, IFC, World Bank, IMF and UN releases during evidence passes in June, August and September 2026.

## Cases and inputs

Written submissions from seven YBI member organisations informed the analysis. They were CAP Youth Empowerment Institute in Kenya; ideiaLab in Mozambique; Development Solutions in Mongolia; FATE Foundation and the Lagos State Employment Trust Fund in Nigeria; Startup Vietnam Foundation; and Bharatiya Yuva Shakti Trust in India.

Published YBI programme evidence, including material relating to Enterprise Uganda, Somo in Kenya and Tanzania, and Opportunities Now (ONOW) in Myanmar, is used separately and identified as provider-reported programme evidence, not as a submission to this study.

Youth evidence comes from the U-Report poll and the focus group convened with Generation Unlimited in July 2026. Thanks are due to the young people who took part, to the YBI member organisations for their submissions, and to reviewers at Generation Unlimited and Youth Business International who shaped successive drafts.



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