

STRENGTHENING THE ROLE OF YOUTH IN GENDER-EQUITABLE AND INCLUSIVE TRADE

POLICY BRIEF

TRADE AND INVESTMENT ADVOCACY FUND 2+

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SUMMARY

Although youth theoretically stand to benefit from trade, and trade can gain from increased youth participation, young women and men face structural and capacity barriers to participating in trade as entrepreneurs and employees. This brief summarises a paper¹ that investigates the challenges to participation of young women and men in trade and the lessons learned from the policies and programmes that can address these barriers². The brief then makes recommendations on actions that can address remaining gaps and enhance the engagement of youth in gender-responsive and inclusive trade³.

KEY MESSAGES

- While **young women and men stand to benefit from trade**, and benefits of trade can be maximised with increased participation of youth in their various trade roles, these **positive outcomes do not automatically occur**.
- **Firms integrated into global value chains are better able to overcome barriers related to** factors of production. SMEs in particular play a crucial role in integrating youth into exporting sectors and value chains; however, **access to finance is their main challenge. A gender gap in ownership and management** of trading companies means women-led firms encounter competitiveness challenges.
- Since **trading firms face a shortage of skilled labour**, youth skills can contribute to firms' internationalization and diversification of exports. Trading SMEs may provide more **stable, skilled employment for young women** and increased opportunities for youth if successful policies and programmes to **address a labour-skills mismatch, particularly digital skills**, are scaled.
- Policies and programmes to encourage the full participation of youth in trade can address market gaps and enhance trade, though **gaps in policy formulation, implementation, and monitoring** undermine their effectiveness. **Youth participation in leadership and decision-making** can address sustainability and gaps through a holistic approach involving **capacity building and mentorship**.
- **Existing experience and evidence indicate initial successes** and provide insight into approaches stakeholders can take at the levels of **trade agreements, policy, and implementation** to ensure young women and men fully benefit from trade and trade outcomes are enhanced as a result.

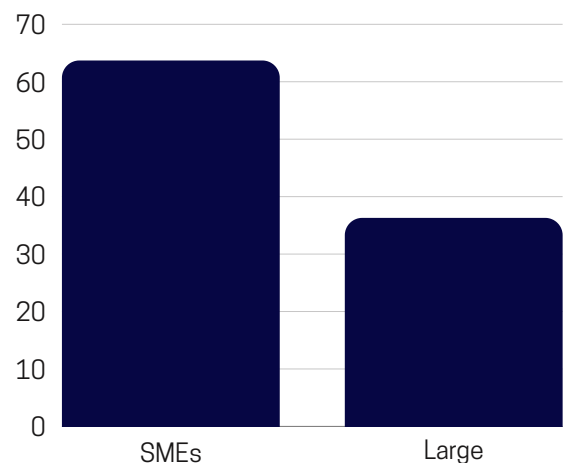
[1] See Hasham, Nadia & Kalliny, Marize, Nsowaa-Adu, Modesta & Kaseka, Regina. (2023). Investigating the Role of Youth in Gender Equitable and Inclusive Trade.

[2] This brief relies on both quantitative and qualitative analysis, including desk research on existing evidence of trade agreements, policies, and programmes; quantitative data analysis using firm-level pooled data from the World Bank Enterprise Surveys (WBES) from 2006 to 2022, representative at the country level; and assessment using the four definitions of a Global Value Chain (GVC) by DAVIS and ZAKI (2020). In the absence of age-disaggregated data, the characteristics of and barriers faced by SMEs engaged in global value chains is used as a proxy, complemented by literature and qualitative evidence on the experience of youth. A gender mainstreaming approach is applied throughout.

[3] While there is no universal definition, the proposed concept of "youth in trade" refers to young people – from 16 years of age (or higher in accordance with national laws), with the maximum age determined by national or regional context – in their various economic roles as entrepreneurs, producers, traders, workers, investors, decision-makers, researchers and consumers of trade-related goods and services.

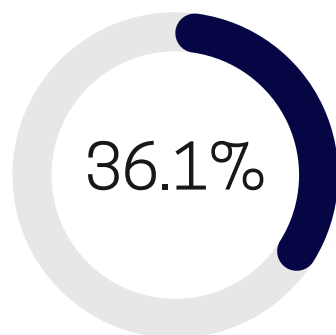
YOUTH AS ENTREPRENEURS & EMPLOYEES IN TRADE: CHALLENGES & OPPORTUNITIES

Although entrepreneurship remains a crucial engine of job creation for the economic empowerment of women and youth, most women- and youth-owned firms fall within the categories of micro, small, or medium-scale enterprises (MSMEs) for goods and services. Youth are 1.6 times more likely to start a business than those above 35 years old and account for 44% of the world's entrepreneurs. SMEs generated by youth have the potential to create employment opportunities, particularly in developing countries, and often hire individuals from poorer and more vulnerable segments of society. Almost 64% of firms engaging in international trade are SMEs⁴, confirming the crucial role that youth play in international trade. Therefore, empowering and supporting SMEs helps countries foster economic development, enhance participation in international trade, and create opportunities for inclusive growth⁴. Using the World Bank Enterprise Surveys (WBES) to compare firm size to engagement in trade.



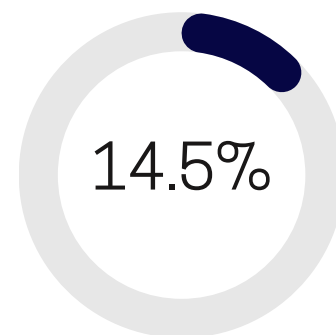
64% of firms engaging in international trade are SMEs.

Ownership



Women

Management



Women

Only 36.1% and 14.5% of SMEs engaging in trade have a woman owner or manager.

[4] Using the World Bank Enterprise Surveys (WBES) to compare firm size to engagement in trade.

SMEs integrating into Global Value Chains (GVCs) are concentrated in the services sector. Sectors such as services, food, and textile/garments have a notable presence of women's representation in terms of ownership and top management positions. However, despite efforts to increase women's inclusion in the economy, a significant gender disparity in entrepreneurial activity remains: only 36.1% and 14.5% of SMEs engaging in trade have a woman owner or manager, respectively. As engaging in international markets and international trade is a sign of a firm's competitiveness and ability to meet the quality standards of foreign countries, the lower likelihood of women engaging in international trade raises concerns about the sustainability of women-owned firms and their ability to remain competitive, further exacerbating the gender gap over time.

Although youth theoretically stand to benefit from trade, and trade can gain from increased youth participation, these positive outcomes do not automatically occur. Various youth-specific barriers exist that hinder their involvement and limit the associated benefits. For instance, access to finance is a significant obstacle for firms, with 14.7% reporting it as their main challenge, most often SMEs, irrespective of the owner's gender. However, a higher proportion of women-owned businesses report taxes, informal sector competitors, and an inadequately educated workforce as barriers compared to men-owned firms, who more often report challenges with electricity, political instability, and corruption. Therefore, the removal of tariffs through trade agreements may prove helpful for women to enter new markets, while the reduced non-tariff barriers can incentivise formalisation and improve the entrepreneurial environment.

14.7% OF FIRMS REPORT ACCESS TO FINANCE AS THEIR MAIN CHALLENGE

Encouragingly, the greater a firm's integration into GVCs, the more likely it is to overcome obstacles and challenges. SMEs in GVCs tend to employ a higher proportion of highly skilled than semi-skilled workers, while larger firms in GVCs show the opposite trend. This suggests that trading SMEs provide more opportunities for highly skilled jobs for youth. Firms in GVCs overall provide more stable and secure employment opportunities for women as they tend to employ more full-time permanent than temporary workers and more women when compared to non-trading firms. However, women are more often employed by indirect channels – often less competitive upstream suppliers of firms that subsequently export – rather than direct channels – the exporting firms themselves – suggesting lower productivity and less secure jobs. Additionally, the skills mismatch between the education system and labour market requirements are still critical and lead to economic inefficiencies and significant costs, hindering innovation, technology adoption, and competitiveness. Youth skills and human capital can contribute to firms' internationalization and diversification of exports, highlighting the positive relationship between entrepreneurship, youth, and trade participation. Prioritising initiatives that address these issues to improve firms' operations and facilitate their participation in GVCs becomes crucial. Challenges associated with skills gaps can be addressed by policies and programmes ensuring youth receive appropriate skills training.



LESSONS LEARNED FROM POLICIES AND PROGRAMMES

Policies and programmes focused on youth entrepreneurship and the skills gap have been shown to address structural barriers and inequalities limiting youth participation in trade and may support youth to grow through trade, though gaps in effective policy formulation and implementation remain.

01. Promote the integration of youth-owned businesses into GVCs

As firms increase their integration into GVCs, the proportion of firms reporting operational challenges tends to decrease, suggesting that greater integration helps firms overcome obstacles and challenges. To ensure sustainability and resilience, youth entrepreneurs, especially young women who are less likely to own or manage businesses integrated into GVCs, should be encouraged to expand through trade.

02. Promote youth entrepreneurship in value chains and cross-border connections to foster business linkages

Efforts aimed at youth participation in value addition in sectors with export potential through market linkages have not only empowered young entrepreneurs but have also created sustainable employment opportunities for youth along the value chain. One such project in Zambia focused on smallholder aquaculture attributes its success partly to promoting business models that actively include youth and illustrates the potential to attract private sector investments in the sector and its value chains. Additionally, programmes connecting youth entrepreneurs across borders and creating regional platforms have facilitated business linkages that support cross-border trade.

02. Build digital skills and address the gender gap in STEM education

Youth represent a substantial segment of digital consumers and e-commerce users. Their digital literacy, capacity to adapt to emerging technologies, and active engagement in online marketplaces position them as key drivers of the expanding trade digitally. However, the gender digital divide exacerbated by barriers related to access, affordability, education, digital literacy, and socio-cultural norms, beginning with underrepresentation in STEM education and the resulting skills gap, limits these possibilities. Policies and programmes that address gender disparities in STEM education, global commitments to implement job-ready digital skills programmes for women, the promotion of mentorship and role modeling, and active endeavors to challenge deeply ingrained gender biases within educational and workplace settings can ensure youth, particularly young women, are prepared to create and use digital solutions to access new markets and address challenges of trade.



04. Create and sustain context-relevant public-private partnerships at scale to encourage entrepreneurship and build skills.

The collaboration of public and private sectors brings together the resources, expertise, and networks that create a robust environment for nurturing entrepreneurial talent as well as address the skills gap. Such partnerships involve joint initiatives to design and implement skill development programs, educational campaigns, and mentorship opportunities that equip young individuals with the necessary tools to thrive as entrepreneurs in trade. Additionally, Aid for Trade programmes that focus on enhancing the ability of technical and vocational education and training (TVET) institutions to align with industry needs have been helpful in positively shaping youth employment outcomes. Challenges with context-specific scalability hinder the sustainability of these partnerships, suggesting that achieving positive outcomes in one environment is not sufficient to determine success factors; instead, applying lessons learned and scaling effective programmes should take into the relevant socio-economic context.

05. Integrate youth into professional networks

The limited organisational presence of youth presents a challenge for engaging with and addressing their specific needs. In recent years, several youth business associations have emerged globally to provide essential support and resources to young entrepreneurs and exposure to wider opportunities in growing their businesses. The effectiveness of these associations depends on how well their internal structure is designed to support and promote sustainability as well as the level of support and engagement they receive from governmental bodies and other stakeholders. Whilst these associations can organise and connect youth entrepreneurs well, they are often not as successful in engaging at the policy level. Additionally, associations and the services they provide tend to focus on youth as entrepreneurship roles rather than address the skills gap. To remedy this, networks can make a dedicated effort to attract young entrepreneurs as valuable members who can provide useful business linkages and exposure to innovation.

GAPS REMAINING

Although the role of young people in trade and economic development is gaining necessary attention, and despite the profusion of policies and programmes focused on youth entrepreneurship and employment as well as the lessons learned that can enable scale-up and wider application, these policies encounter different challenges that lead to ineffectiveness or gaps.

1. POLICY FORMULATION



Different government departments or agencies work independently on youth-related issues can result in a lack of coordination and synergy. The Organization of American States underscored the need for improved coordination among government bodies to enhance the effectiveness of youth policies.



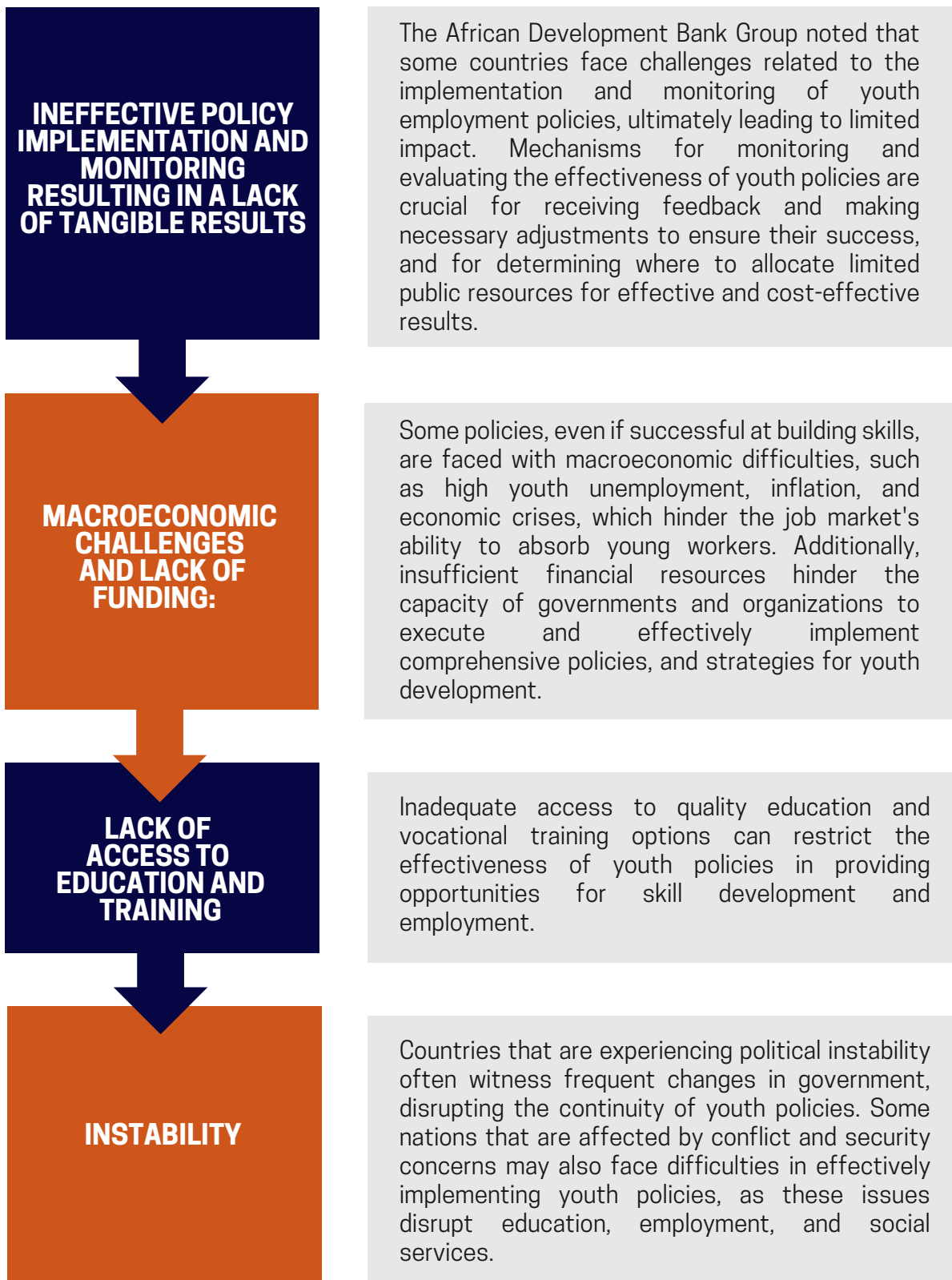
Without youth engagement in the policymaking process, the resulting policies may not adequately address the real needs of young people. The challenge is deep-rooted in social and cultural norms, which further hinder young people's full participation, particularly in regions with discrimination by gender, ethnicity, or social status. This is further compounded by the lack of access to professional networks and social capital.



The unavailability of reliable data on young people's participation in trade in statistical databases at national, regional, and multilateral levels limits adequate reflection of their trading activities and contributions to economic growth to better inform trade laws and policies. This is particularly notable in developing countries that may face capacity constraints to collecting statistics on economic activities undertaken by young people.



2. POLICY IMPLEMENTATION AND MONITORING



3. LACK OF RECOGNITION OF YOUTH CONTRIBUTIONS

Young men and women engaged in various roles as traders, entrepreneurs, researchers, and policymakers among others still suffer significantly from invisibility, poor working conditions, and a general lack of recognition of their economic contribution. Young women and men also face several challenges in leadership and policymaking, many of which are rooted in social and cultural norms and are often compounded by gender stereotypes and biases. By overlooking young women and men's contribution to trade and economic development, nations are neglecting a significant proportion of their trade. Addressing the role young people play in mainstream trade policymaking will strengthen the notion that the youth are an integral part of trade, economic growth, and development.

NEW APPROACHES: YOUTH IN TRADE AGREEMENTS

Globally, integrating gender and youth considerations in trade agreements through dedicated provisions is a new area with no standard practice. Instead, youth-specific provisions take different forms and are found in chapters and sections such as labour standards, education, capacity and training, entrepreneurship, small businesses, and in recent times digital trade.

Additionally, several trade agreements contain provisions or measures that implicitly favour vulnerable and marginalized groups, which include women and youth, to enhance their economic empowerment and ability to benefit from the opportunities created by trade agreements, such as those agreeing to alleviate key challenges encountered by MSMEs in trade. Since MSMEs owned and led by youth, particularly young women, face disproportionate challenges, such implicit provisions can level the playing field. SME-related provisions can vary, from identifying youth participation as a potential cooperation area to firmer cooperation commitments. Still, most are not subject to the dispute settlement mechanism of the agreement and are therefore difficult to enforce.

For the benefits of trade agreements to be reaped fully, domestic policy measures must be designed to correct for risks likely to arise from increased trade and to maximise possible opportunities for women and youth. While limited evidence exists on the effectiveness of gender and youth-related provisions, they collectively indicate the importance of implementation.



Monitoring labour provisions can reduce wage gaps

Labour provisions that aim to improve working conditions through eliminating discrimination between employees and reducing the gender wage gap and importantly their monitoring mechanism have reduced the gender wage gap and wage discrimination in the Cambodian textile industry.

Enforcement mechanisms matter

Gender provisions lead to a positive impact on women's ownership and women employees, though impacts on employment impacts are not significant without an enforcement mechanism.



Cooperation-based provisions can still prove effective in implementation

The agreements of three African sub-regions that urge cooperation, support, and promotion of women and youth organisations and professional associations without a specific implementation mechanism has led to the creation of a platform to support networking and access to information across 36 countries with 9990 monthly users. Impact assessments show that the platform is highly responsive to the specific needs of women entrepreneurs, indicating that even cooperation-based provisions may create effective implementation conditions.

National implementation plans can address context-specific inequalities

State Parties to the African Continental Free Trade Area (AfCFTA) Agreement have mainstreamed gender and youth considerations into national implementation strategies. Since the AfCFTA's impact on women and youth will differ between State Parties, national implementation strategies can be a particularly fruitful approach to making trade agreements contextually relevant and domestically effective for women and youth.





THE AfCFTA AGREEMENT A FRESH APPROACH

The African Continental Free Trade Area (AfCFTA) Agreement presents a fresh approach to gender mainstreaming and youth inclusivity in trade agreements.

- Its general objectives emphasise promoting inclusive socio-economic development.
- Its Protocol on Trade in Services acknowledges the importance of mobilising resources to “improve the export capacity of formal and informal service suppliers with particular attention to MSMEs, women, and youth service suppliers”.
- State Parties have committed to negotiate a Protocol dedicated to women and youth, the first of its kind globally – a welcome deviation from the norm of indirect and non-binding references to women and youth in trade agreements.
- To operationalise these provisions, State Parties are mainstreaming gender and youth considerations into national AfCFTA implementation strategies.



RECOMMENDATIONS

Policies and programmes to encourage and ensure the full participation of youth in trade in all their roles can address market gaps and enhance trade.

01. Encourage youth and women's leadership and participation in policymaking.

Addressing age-based norms, implicit biases, and gender disparities is essential to ensure the full and equal participation of women and youth in leadership and policymaking. Women in decision-making roles has been associated with better corporate performance, inclusive decision-making, and inspiring future generations of young leaders. Integrating young women and men into trade policymaking and leadership requires a holistic approach that combines education, inclusion, active engagement, and access to networks and mentorship. Youth Advisory Boards and consultative platforms comprising a diverse group of young individuals representing different backgrounds, experiences, and perspectives at various levels of government and decision-making bodies have shown success in providing a formalised structure for including youth voices in policy discussions and decision-making.

02. Collect age-disaggregated data and conduct inclusive assessments.

Stakeholders involved in trade negotiations can conduct prior inclusive assessments to determine the potential impact of trade agreements and policies on marginalized population groups. Such assessments would examine in detail how the agreement would affect young women and men's economic participation in trade. To achieve this, governments can invest in collecting and utilising age-disaggregated data to better inform trade-related negotiations and policymaking.

03. Conduct inclusive consultations during trade negotiations and policy processes.

Recognising the challenges faced by youth when accessing networks and participating in leadership and decision-making, governments and private sector associations engaged in trade negotiations can seek input from youth groups on proposed trade policies at all levels of the negotiation process. Such engagements would ensure the needs of young women and men in trade are taken into consideration to reduce the agreement's possible risks and maximise its potential benefits. Similarly, efforts can be made to ensure youth in trade are involved in trade-related decision making at all levels, including in the implementation of trade agreements.



04. Include specific inclusive trade provisions in legal frameworks.

Governments engaged in trade negotiations can include specific provisions on women and youth in trade in legal frameworks. Such provisions should address issues faced by young women and men in trade, particularly non-tariff barriers, such as their access to finance, equal pay, discrimination, and harassment, as well as access to networks. The provisions can be enforceable and tied to concrete implementation and monitoring mechanisms linked to evidence on effective policies.

05. Scale successful policies and programmes.

Lessons learned from policies and programmes that have been successful in creating an enabling environment for young women and men in entrepreneurship and employment. This can be achieved through public-private partnerships taking into account the relevant context.

06. Provide capacity building and technical support.

Capacity building and technical support can be provided to women and young people to participate in international trade. This includes access to credit, market access, trade regulations, and business development services, with a focus on maximising opportunities in area such as digital skills.

