

International Trade and the Youth in Bolivia

By Carlos Ludena



Key Points

- The youth face challenges in order to enter into the Labour market and gather benefits derived from commerce.
- The manufacturing sector is where the youth, due to their adaptability and learning capacity, can best insert themselves within the domestic productive sector.
- Due to the fact that a large amount the youth are non-qualified workers, there is a need for policies and programs that train them.
- These policies and programs include legal and fiscal incentives for hiring the youth, as well as programs for wholesome education, reduction of schooling, and an adequate legal frame for labour protection.
- The Bolivian Government and other institutions (NGOs, international cooperation organisms, etc.) should plan and implement such policies and programs, so the opportunities coming from trade can be capitalized.

National Work Group for Participation (NWGP) is a regional entity that procures initiatives for the relief of poverty, articulating public, private and civil society actors. Its range of action and vision is based on principles of solidarity, equity, social justice, sharing of training, powering and respect for plurality.

1. The challenges of a globalized economy

In recent times, a central subject in any economic discussion about the region and the country is globalization and regional integration. The Latin American and the Caribbean regional integration have had different initiatives in the last 30 years, including the Andean Pact, the MERCOSUR, the ALADI, etc. In the area of trade, such intra-regional integration includes national tariff reductions, the creation of customs zones, free trade treaties, free, transparent and fair markets, without technical barriers, as well as the strengthening of institutions on a regional level.

The opportunities and challenges that trade offers in the region have to be seized and confronted with a joint action among the governments and the national institutions, the private sector and the social sectors. The governments and local institutions need to create policies and actions that capitalize on the opportunities that free trade offers. In the youth's case, it is needed to consider how the opening of new markets, the increment of trade in certain industries, or an increment in the investment can turn out in more job opportunities. Nevertheless, it is important to secure that these opportunities of employment for youth won't go in detriment of their working conditions, their salary levels or achieved labour benefits. This document analyzes briefly the impacts, opportunities and challenges that the Bolivian youth faces, in face of free trade, the actions and the types of policies that should be taken in order to capitalize on these opportunities and to reduce the negative effects free trade might generate.

2. The youth and its space in society

Modern society places the youth in the process of preparation to integrate them into the productive system and become independent from their families. This process presents problems such as school desertion or dropping out of school, massive unemployment or risky conducts.

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Youth visualize themselves in the middle of a series of contradictions (Box 1) that worsen their conflicts with the grown up world.

Box 1. The youth and their paradoxes

According to CEPAL (2004), the relationship of the young people with the rest of the society has several tension points:

1. More access to education and less access to employment;
2. More access to information and less access to power;
3. More expectations for independence and less options to make it true;
4. Healthier youth but less recognition of their specific morbidity and mortality;
5. More prolific in sensibilities but more segmented in communication;
6. Between being political recipients and leaders of change;
7. Multiplication of the symbolic consumption and restriction of the material consumption;
8. Driven towards the present and more demanding for the future;
9. Caught in an imaginary paradox: eternal youth vs. risk behaviours.

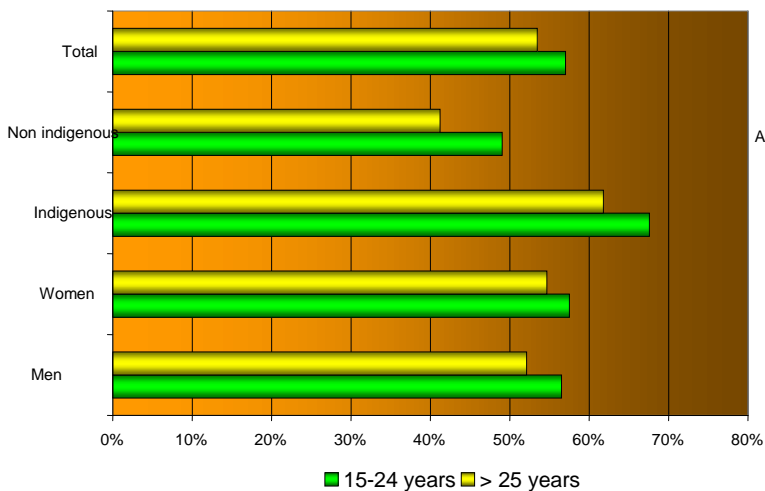
According to Alicia Bárcena (2005) of CEPAL, one of the paradoxes is larger access to education and less access to employment. In spite of having more education than the past generations, the unemployment levels are double or triple than before. From these, women and young (15 to 19 years old) are the most affected. This is magnified by an educational devaluation, where the same amount of school years is worth less than before. This reflects the difficulty of labour insertion and the labour instability which are characteristic of the youth.

The youth in Bolivia

In this document we define youth as those men and women between 15 to 24 years old. Under this definition, 20% of the total population of Bolivia is defined as youth using data from the National Census of the year 2001. An important aspect of free trade and the opportunities for the youth is the creation of jobs and the reduction of poverty. This section analyzes the youth situation in these two areas in Bolivia.

Poverty incidence in the segment of working population is shown in figure 1. In general terms, the poverty incidence is bigger among youth between 15 to 24 years old than in the overall population (57% vs. 52%). This incidence is exacerbated by ethnicity and gender, being larger in indigenous groups (Quechua , Aymara , Guarani, etc.) and women.

Figure 1. Incidence of Poverty in Bolivia



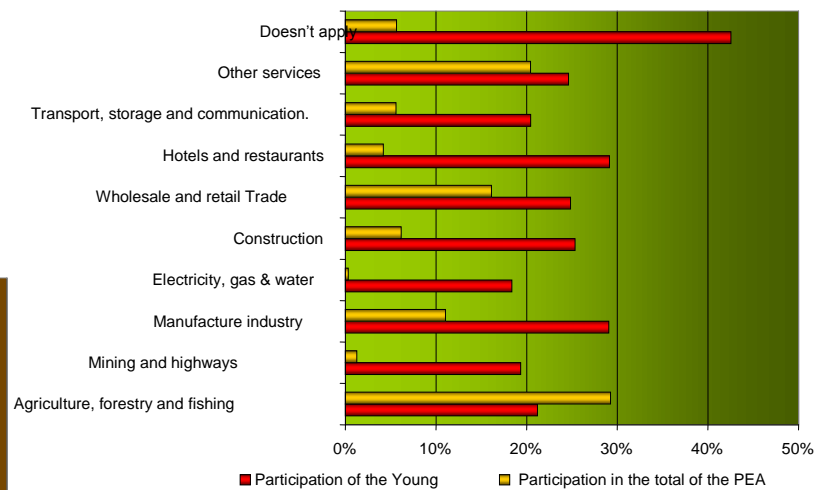
Source: INE, household survey 2007

On the other hand, the presence of the youth in the total labour force is important, since they represent about a third of the total economically active population. I.e., one of every three workers in Bolivia is between 15 to 24 years old. Regarding unemployment, the youth faced a rate of 5.3% of unemployment in 2001. Among these, the urban unemployment was 6.5% and the rural one was 3.1%, and the unemployment between young men was bigger than in young women.

Analyzing the presence of the youth in the labour force, its relative importance varies according to the economy sector (Figure 2). The agricultural sector uses 30% of the total, followed by commerce (16%), manufacture industry (11%), construction (6%), transport and communication (6%). Within these sectors, we can observe that the youth have a bigger relative importance in the manufacture

industry (29%), in hotels and restaurants sector (29%), construction (25%), commerce (25%) and other services (25%). Their presence in all these sectors is bigger than its share in the total population, which reveals the importance of youth in the labour force of Bolivia. Finally, it is important to point out that the youth represent an important share of those people that declared themselves as inactive or unoccupied ('Doesn't apply' category).

Figure 2. Employment by type of activity



Source: INE, Population and Housing Census, 2001.

Note: 'Doesn't apply' corresponds to the population that declared themselves as inactive (housewives, students, retired) or unoccupied (unemployed and applicants).

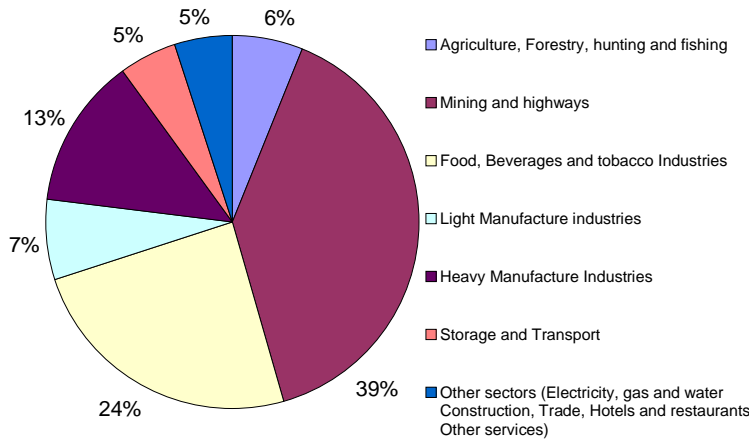
Trade and youth

It's complex to understand how international trade affects the youth, particularly in countries like the Bolivia. This becomes problematic because thousands of young people have made the effort to get qualifications and education to insert themselves into the labour force, but with no encouraging outcomes. The links between trade and opportunities for youth employment and how these can be exploited have various dimensions, such as gender, ethnic origin, educational level and their socioeconomic status. In this context, it is important to answer the question of how international trade can give the youth without any basic qualifications and with low levels of literacy a chance of a decent job.

To understand in a better way the link between trade and youth, Figure 3 shows the importance that each sector of the economy has in the total of Bolivian exports. Those sectors that represent the majority of exports are the mining sector (39%), food industry

(24%), heavy manufactured industry (13%) and the sector of light manufactures (7%).

Figure 3. Sector share in total Bolivian exports



Source: INE, Population and Housing Census, 2001

According to the INE (2006), the direct impact on employment emerging from the exporting activity in Bolivia, would reach as many as 371.000 jobs, of which 42.000 are direct jobs and 328.000 are indirect jobs. From these, 78% is concentrated in the manufacture and semi-manufacture sectors, and the 10% in mining industries. However, the exporting manufacture industry (food and beverages, light manufactures and heavy manufactures) due to their linking backwards and forward with the rest of the national productive economy would only demand 7% of the total indirect employment. If we compare the importance of these exporting sectors with those in which the youth have an important share in the labour market, we can see that the manufacture sector represents an important source of employment and opportunities for the youth.

According to CEPAL, firms prefer to hire the youth with education and with work experience. Firms value them for their knowledge, existing skills and for their easier adaptation to local working conditions. On the other hand, youth without experience are valued by their learning capacity, low training costs and predisposition to accept any kind of work. In the case of industrial companies oriented towards exports, youth's capacity of learning is one of the most valued characteristics they consider. However, the youth's rotation in this type of industries is bigger, which contributes to the youth unemployment.

On the one hand, how big can the opportunities be due to the trade's growth of Bolivia? According to UDAPE, in 2005 91% of the export values were made of goods with scarce transformation degree and added value, coming mainly from agricultural, forestry,

mining, natural gas and other fossil fuel sectors. This export structure limits the increase in productivity, employment, and the degrees of capitalization and industrialization of the economy. In short it limits the opportunities for the youth in the sector.

On the other hand, what effects would the changes in trade have, as for example the elimination of the tariff preferences of the USA under the ATPDEA? UDAPE (2006) estimates that 54% of the total Bolivian exports to the US materialize through the ATPDEA regime. The number of jobs related to exporting activities through the ATPDEA are 5.190 direct and 17.712 indirect. Out of the indirect jobs, 60% belongs to manufacture and 20% to minerals, metals, fossil and refined fuels. Out of the direct jobs, 75% belong to the agricultural and forestry sectors.

This figures show again the importance of jobs in the manufacture sector. However, these jobs represent only 6% of the total employment related to the exporting sector. This would imply that the impact of the elimination of the ATPDEA is little compared to the total of jobs generated by the exporting activity. The effects over the youth workers would depend on the degree of specialization and their capacity of learning, especially in jobs in the manufacture sector.

Youth and employment in Bolivia

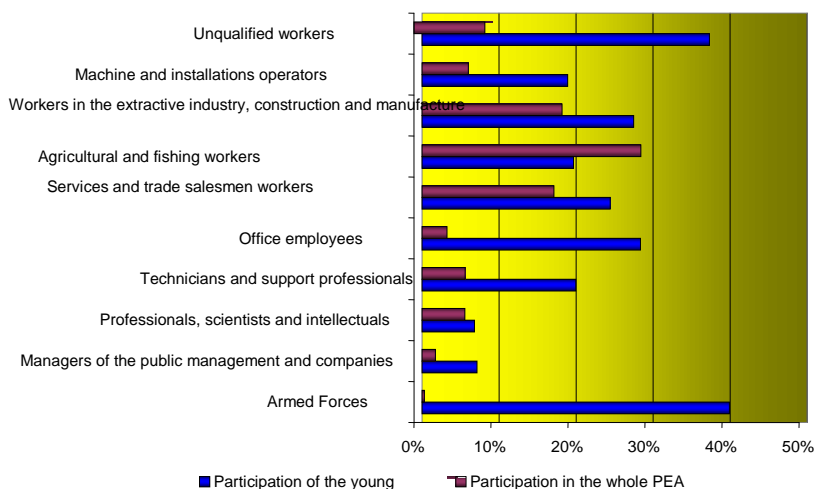
What is then the youth need to insert themselves in a better way into those companies or industries oriented towards exports, so that taking advantage of the benefits of a larger intra- regional and global trade? The youth find themselves in an unstable or absent working culture. Among the problems we find, there are unemployed youth with low schooling, inactive young people (they don't work neither study), poor women mainly adolescents and the young people that represent a social group most of the time excluded and without social networks. These effects are magnified when we refer to the rural youth and /or ethnic groups.

In this context, the youth acquire a central value within the social policies, since they are a strategic resource of social development. Their education, upbringing and training are the means for an individual and social construction. In this case, education is a mechanism of genuine social mobility. However, as we have already mentioned, the youth unemployment rate doubles the adult unemployment rate. In many countries, Young people and women are considered as a 'secondary' work force. In addition, there is conflict between the formative and the educative activities with the labour activities, which are influenced by the socio-economic level of the youth that affects their ability to support themselves and finish their education.

If we analyze the labour force by the kind of occupation (Figure 4), the majority of workers in Bolivia are those of the agriculture and fishing sector (28%), extractive industry workers, construction and manufacture industry (18%), and services and sales from

commerce (17%). Nevertheless, the youth share is bigger in the armed forces (40%), unskilled workers (37%), office employees (28%) and workers for the extractive industry, construction and manufacture (27%). If we ignore the armed forces, we are concerned with the second group where the youth represent the majority of unskilled workers, which demonstrates a need for capacity building of this segment of the labour force.

Figure 4. Employment by type of occupation



Source: INE, Population and Housing Census, 2001.

The youth and the labour market

CEPAL (2004) shows a study made in various countries in Latin America about some characteristics among the young and their attitudes towards the labour market. They sense that there is more competition and demands that up to a certain point, can be contradictory as the youth, good qualifications and labour experience. Most of the jobs do not contribute to their personal development, and the schedules and salaries are not in accordance to the laws of each country, besides they are aware that they have to have the adequate contacts to be able to insert and move within the labour market.

For a better employability, the youth must have academic qualifications (good communication, identification capacity and solution-oriented, and interest in a permanent learning), capacities for Staff management, self improvement (self esteem, creativity, responsibility, good relations at work, disposition to change, active participation and entrepreneurship) as well as the capacity for team work. These characteristics will help them to be more attractive for the labour market.

Many proposals or models have been adopted to be able to reduce youth unemployment. The models have evolved from those offered by state entities and focused only in the labour demand to those where the capacity building is oriented by the demands of the enterprises and where strategic alliances have been created for the capacity building with multiple actors (private public or para-state entities) oriented towards integrating and adapting capacity building with a focalization –self focalization on the target population.

According to CEPAL (2005), integrating action seems to be the distinctive and characteristic sign of the most successful work strategies with the neediest and unemployed youth. Examples of these programs include Navega Sur in Argentina, the School of Entrepreneur Formation in Ecuador, Don Bosco in El Salvador, *Desmobilizados* in Colombia, etc. These education and formation institutions have the objective of making the youth (under vulnerable situation) to have an integral education, oriented towards a life with dignity based on a solidarity work and growth and personal creativity. In many of these cases, the youth become makers of their own processes, by increasing their responsibilities and duties within these institutions, which prepares them in a better way for their incorporation to the labour market.

Political Implications

For the youth to take advantage of what free trade offers and at the same time reduce youth's unemployment, it is necessary to implement social policies where the youth get a main role. Such policies must be coordinated with governmental trade policies so as to maximize their impact on reduction of youth unemployment.

Initiatives such as “My First Proper Employment”, a Bolivian government initiative that offers the youth between 15 and 24 the possibility of integration into the labour market, is a good starting point that has to be adopted in a more generalized manner. This program, with emphasis on the textile, metal mechanic, wood, leather, food, jewellery, electricity, and tourism, has three phases: Technical capacitating, work practice in private enterprises, and the guarantee of a stable employment with fair and just treatment. Government institutions should provide a legal frame for the employment of the youth, where neither their labour rights are diminished nor their social security, and where their formative process is not blocked, which is the sole source of social mobility among the poor. It must be ensured that the increase in the flexibility of the labour market does not result in little investment on human capital, low levels of qualification of the labour force, and little incentives to increase productivity. On the other hand, it is also necessary to implement policies that reduce significantly the abandonment or dropping out of the different phases of regular formation.

The State must also provide legal incentives for reducing costs of hiring of the youth and apprentices, and in certain stances, grant incentives given to enterprises that hire young workers. These measures should include the reduction or exemption of contributions to social security and other taxes, licensing fees, fiscal credits and direct subsidies. Such measures have been used in Argentina, Chile, Peru and Spain.

These State policies must be sustainable in the long term. Considering the growth of the role of the State in the Bolivian economy during the last years, some resources must be oriented towards the implementation of programs addressed to the vulnerable, which would improve their labour situation and provide opportunities in the face of increased international trade and regional integration.

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