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UNCTAD



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**The Role of Services in Trade:
A Labour Market Perspective**

SESSION # 1



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THE ROLE OF SERVICES IN TRADE: A LABOUR MARKET PERSPECTIVE

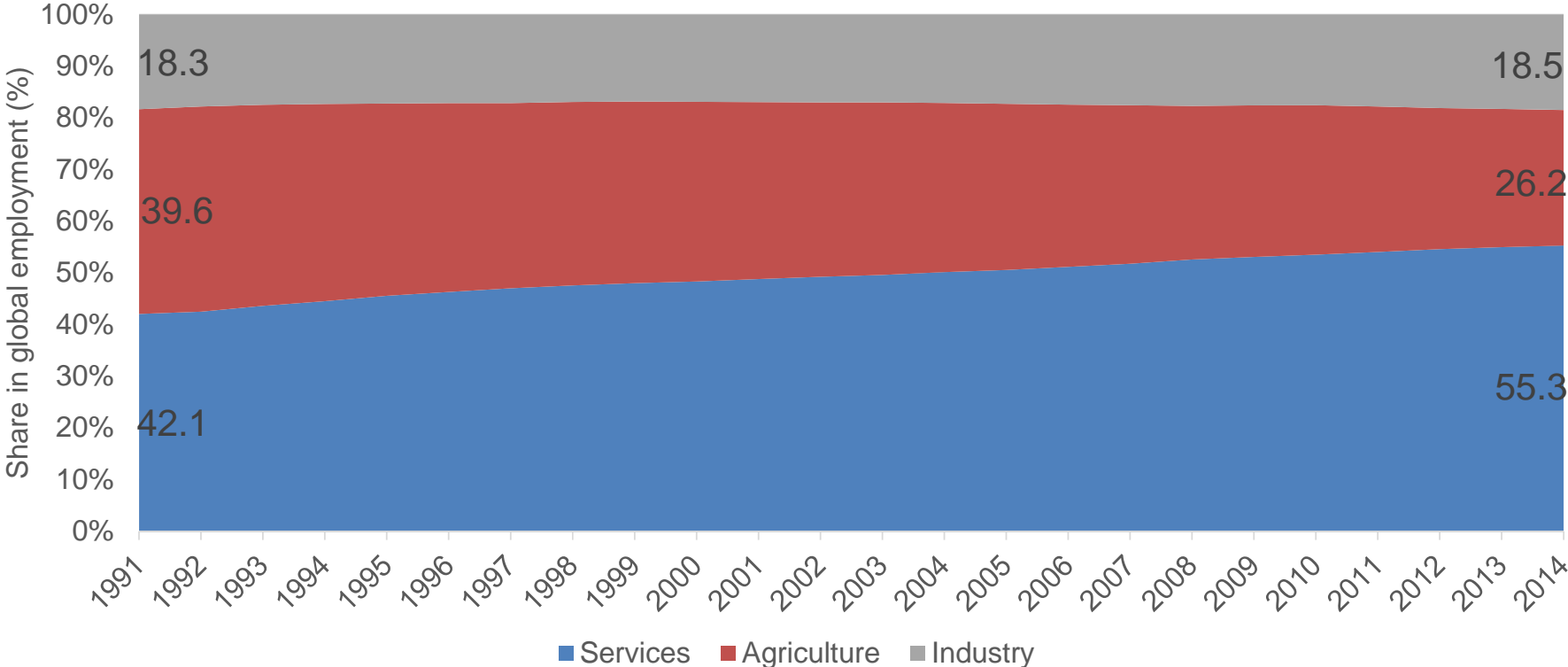
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Service sector is important for Decent Work

- Importance to growth and employment globally (slide 3 - 4)
 - Value added in services increased across all regions: 70.5% Globally
 - Globally 55% of employment is in services; 35% in Africa
- Trade and services
 - Growing share of service jobs linked to exports: both in service exports and in services linked to manufacturing exports (5-8)
 - Increased service sector trade does not automatically lead to sustainable development (9-10)
- Achieving decent work and link to 2030 Social Development Agenda(11-13)

Services sector accounts for more than half of global employment...

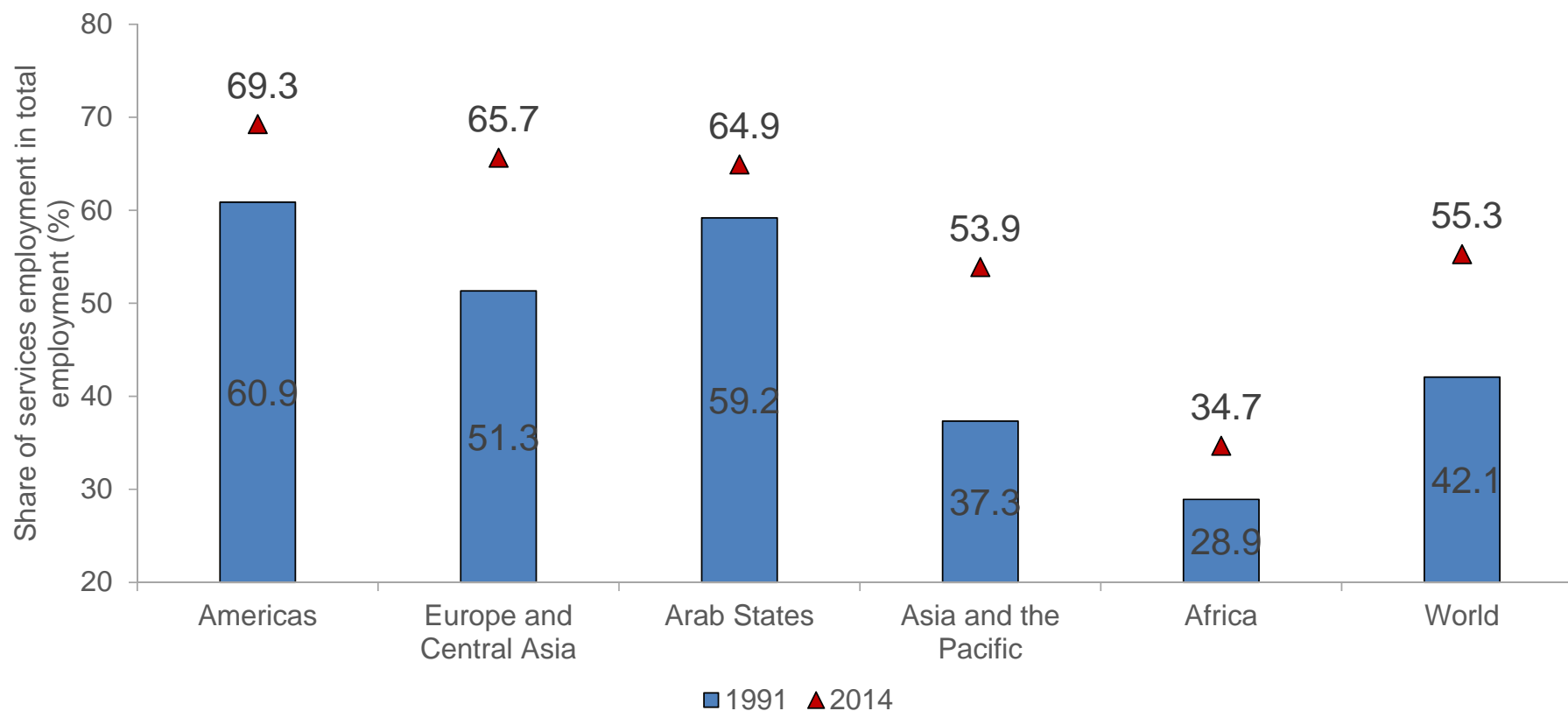
Sectoral composition of global employment, 1991-2014 (%)



Source: ILO, *Trends Econometric Models*, October 2015.

In all regions, the share of services in total employment has increased.

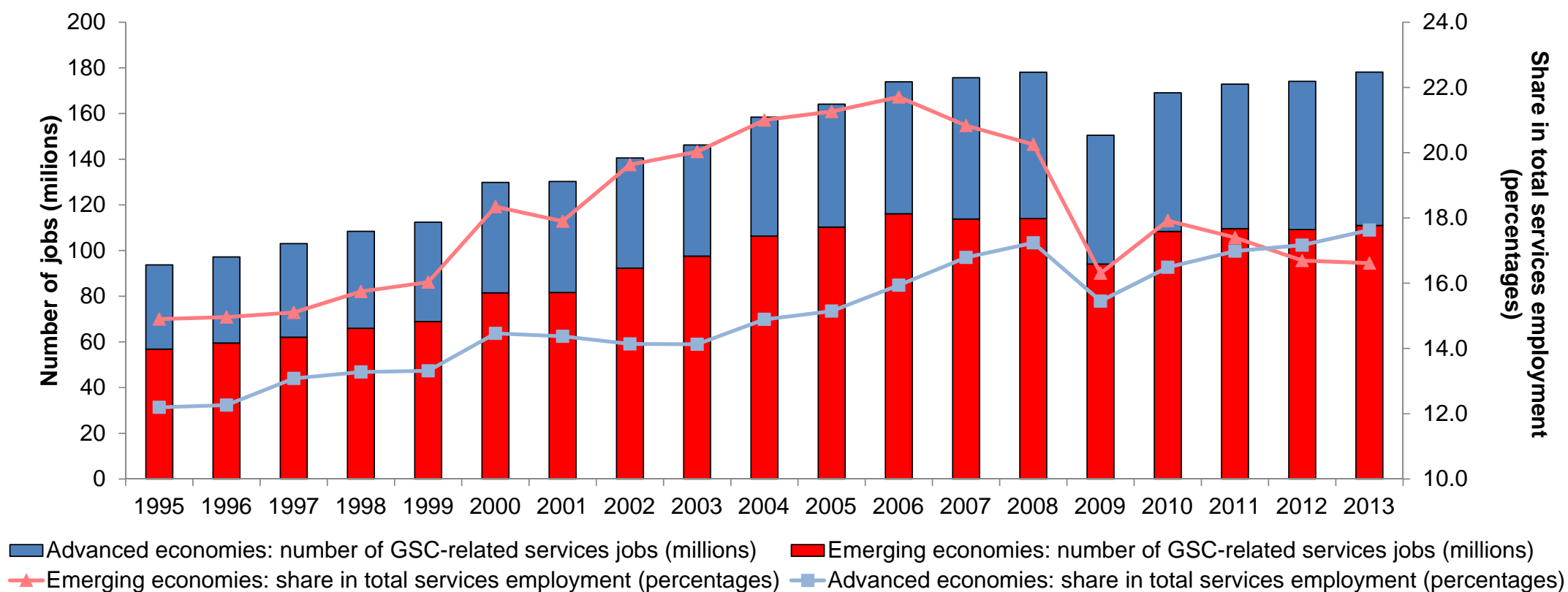
Share of services employment in total employment in 1991 and 2014 (%)



Source: ILO, *Trends Econometric Models*, October 2015.

The number of GSC-related services jobs has been rising, especially in advanced economies

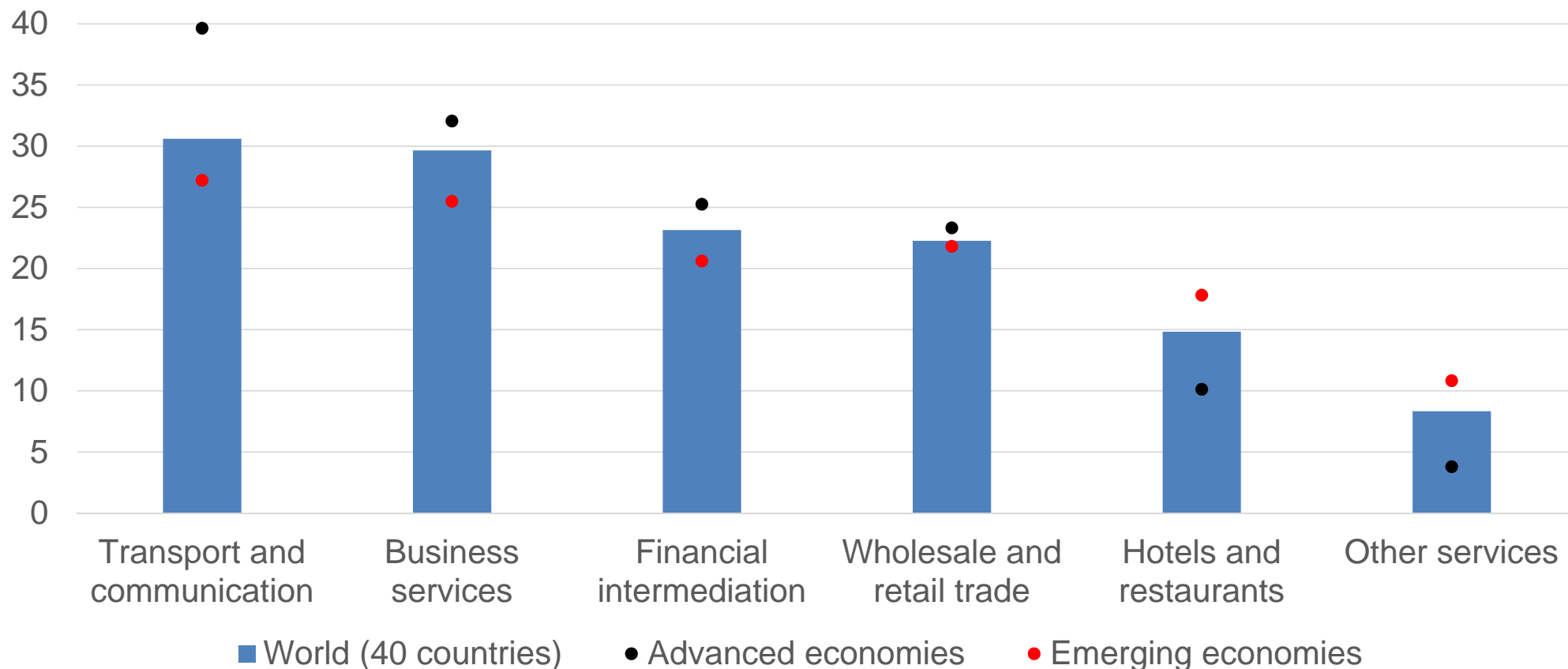
Number and share of GSC-related services jobs, 1995-2013



Source: ILO Research department based on WIOD.

Many jobs especially in business and transport services are part of GSCs

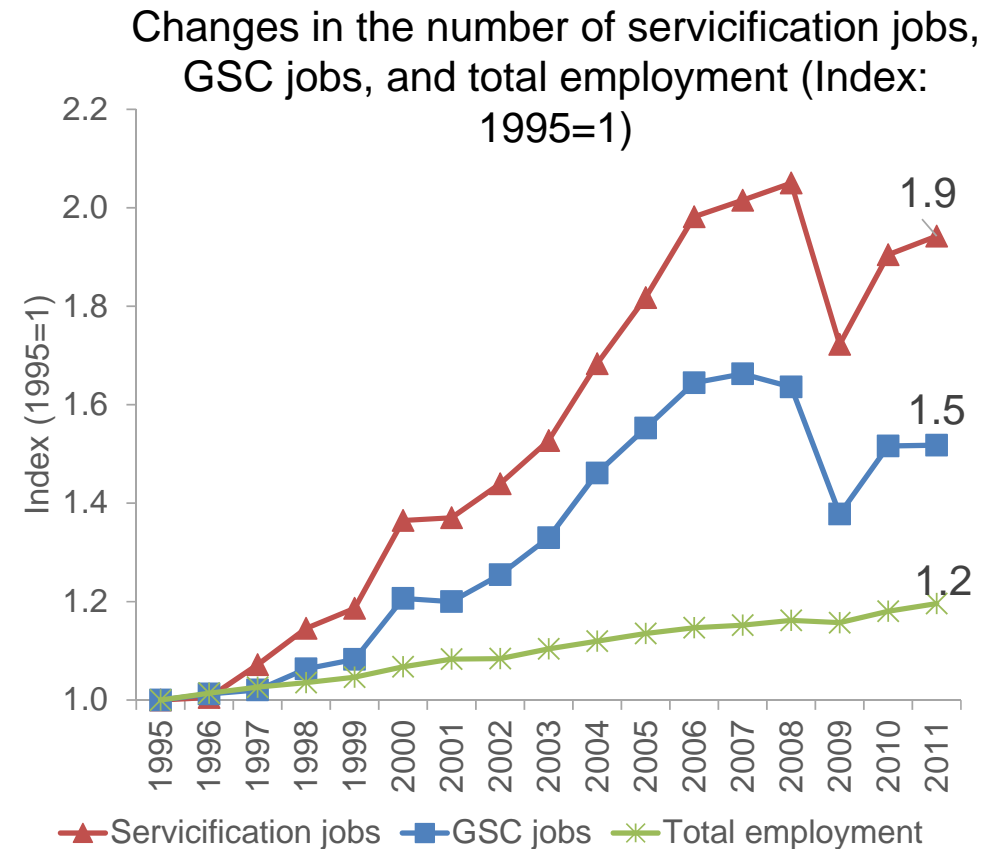
Share of GSC-related employment in total employment, 2011, by services sector (%)



Source: ILO Research department based on WIOD.

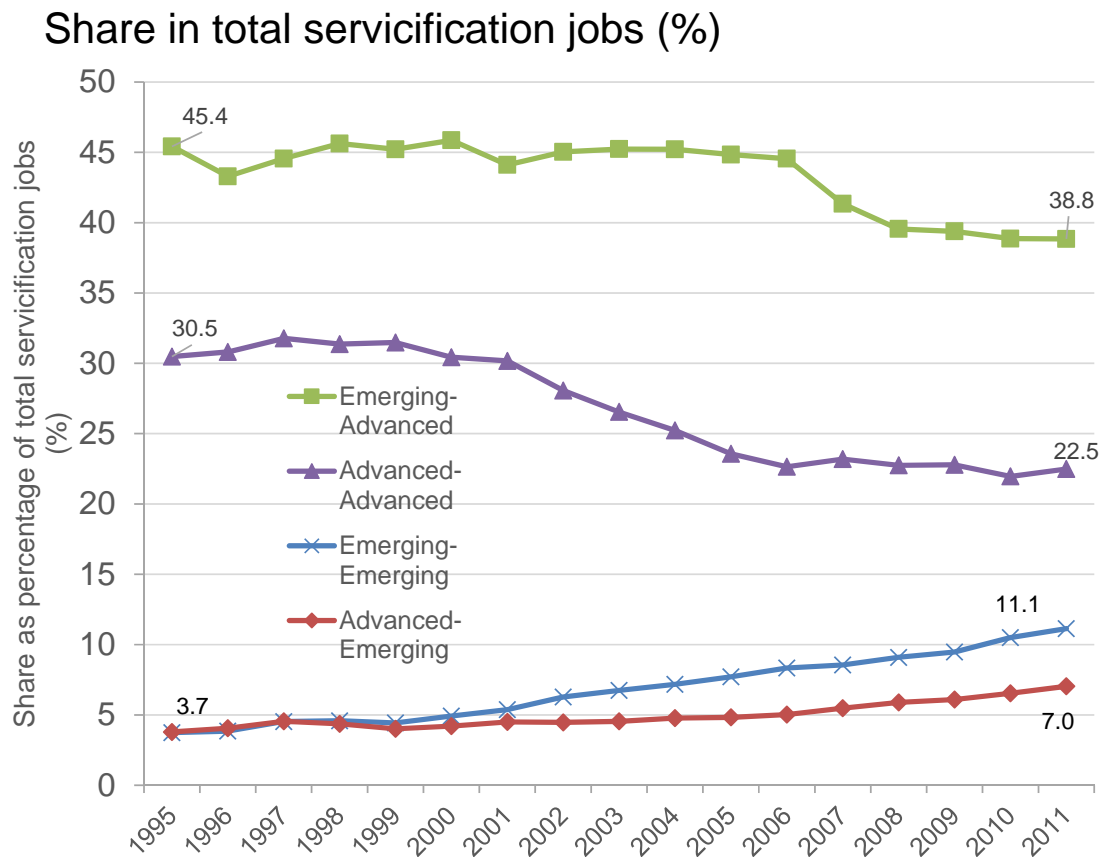
In addition, more service jobs are also being created by 'servicification' of manufacturing

- GSC jobs created through servicification are growing faster than overall GSC jobs or total employment
- Servicification are service jobs that support manufacturing exports in terms of production or sales.
- There is a multiplier effect: jobs not only being created in service sectors directly supporting manufacturing *but indirectly in services that support direct services.*



Source: ILO Research department based on WIOD; Kizu, Kuhn and Viegelahn (forthcoming)

Service jobs linked to manufacturing goods exports to emerging economies is expanding ...



In the 40 countries:

- 60% of servicification jobs are linked to manufacturing demand from advanced economies, down from 75% in 1995.
- 18% of servicification jobs are linked to manufacturing demand in emerging economies, up from 3.7%

Source: ILO Research department based on WIOD; Kizu, Kuhn and Viegeln (forthcoming)

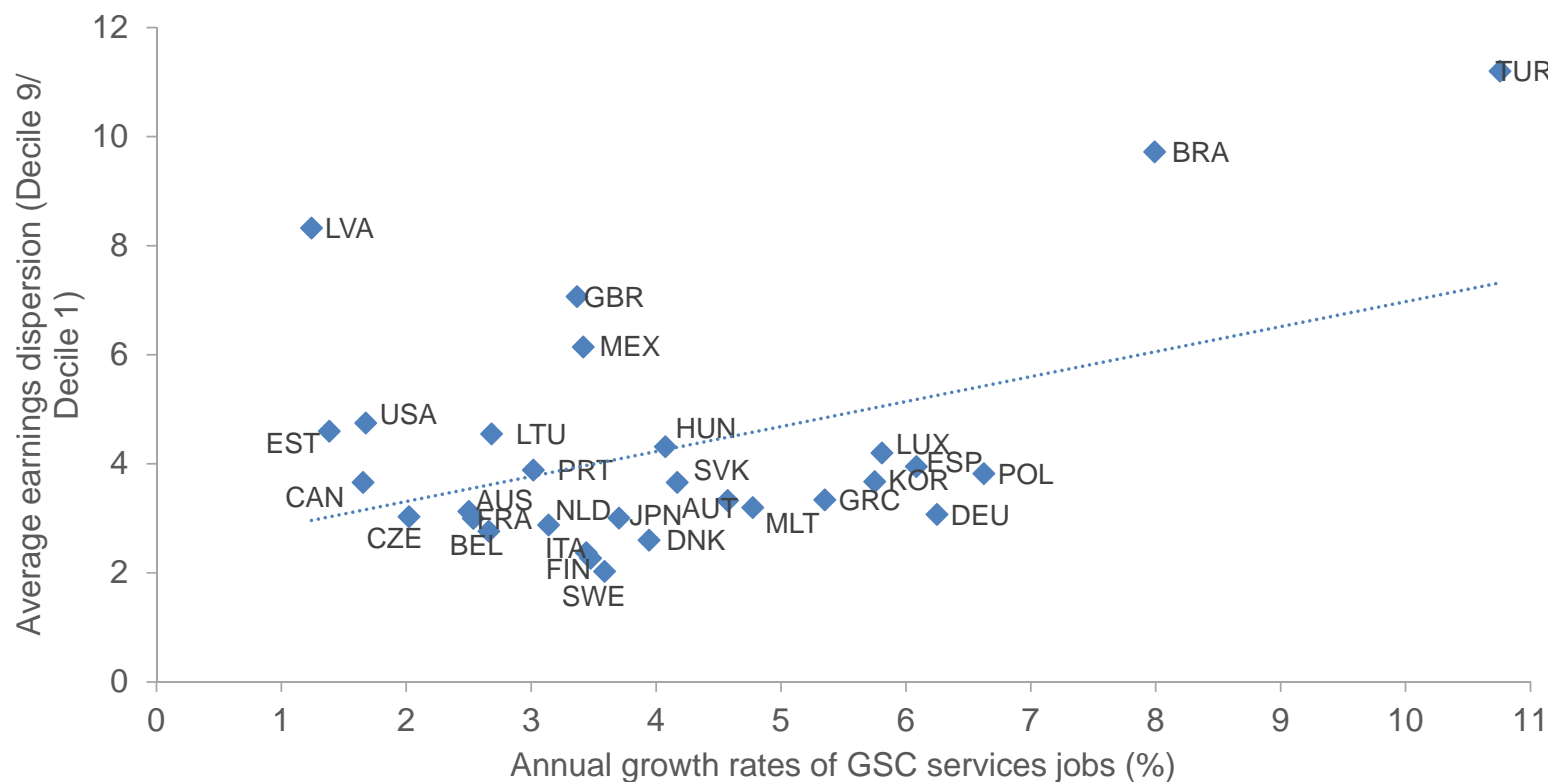
Increased trade in services does not automatically lead to sustainable development

- Increased trade (including services) does not automatically lead to lower working poverty
- Economic benefits of participation in global supply chain does not automatically spillover to social benefits:
 - In general, positive relationship between trade and employment creation
 - Improved productivity, but not necessarily wages
 - Higher wage inequality
 - Increased informality
 - Sectoral specificities with respect to job quality

→ Decent work essential to making trade a driver of sustainable development

Some countries with high inequality have seen fast growth of GSC-services jobs

Relationship between GSC services job growth and earnings dispersion. 1996-2011



Source: ILO Research department based on WIOD and Global Wage Database.

Achieving Decent Work in GSCs

1. Macro and sectoral policies

- Macro policies that promote job creation and support demand base;
- Sector specific policies to enhance productivity and transition to formal employment; support for businesses to enable better integration into GSC & movement up the chain

2. Support for businesses/workers

- Skills training
- Active labour market policies for vulnerable groups, women and youth

Achieving Decent Work in GSCs

3. Promoting workers rights in GSCs

- Strengthen labour market institutions:
 - Increased bargaining power and strong worker's voice.
 - Implement minimum wages across workers and sectors;
 - Improve capacity to effectively implement laws
- Social protection
 - Access to health care and basic income
 - Labour protection: promotion of just working terms and conditions

Decent work and 2030 Agenda for Sustainable Development

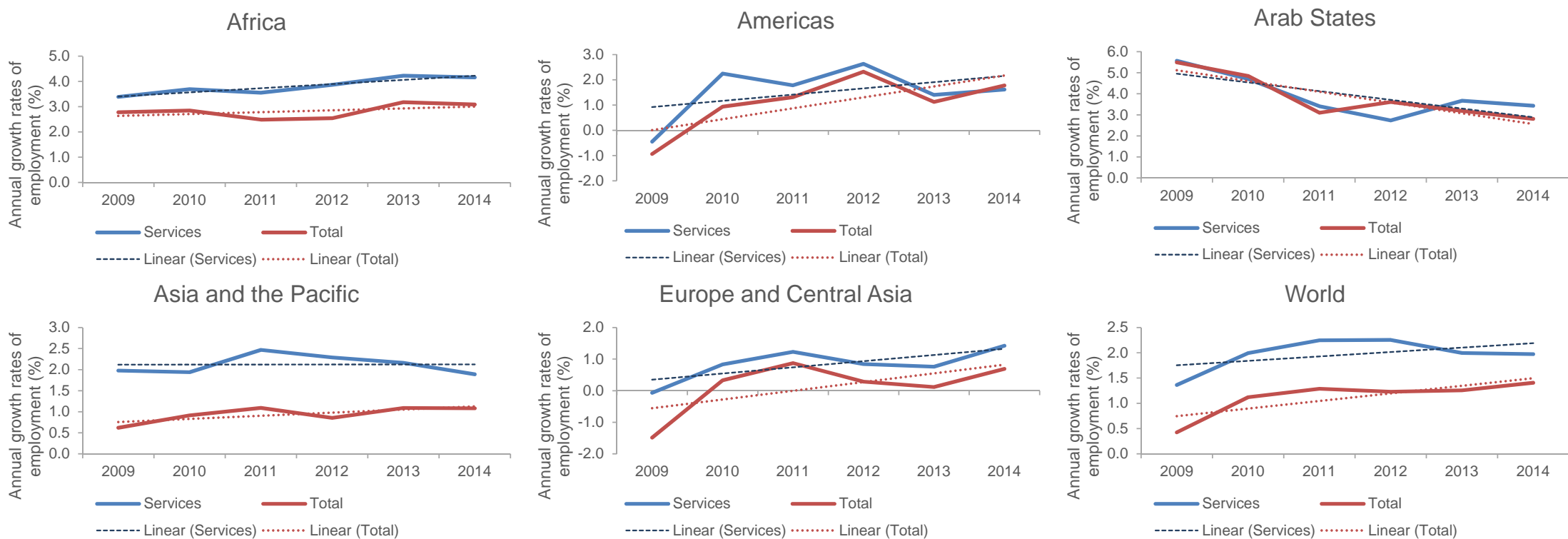
- Social dialogue to foster sustainable outcomes
 - Voluntary initiatives
 - Codes of Conduct
 - CSR
 - Binding agreements:
 - ILO Better Work Programme
 - Bangladesh Accord on Fire and Building Safety
 - Trade and investment arrangements

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Thank you!

In most regions, the growth of services employment has been stronger than that of total employment.

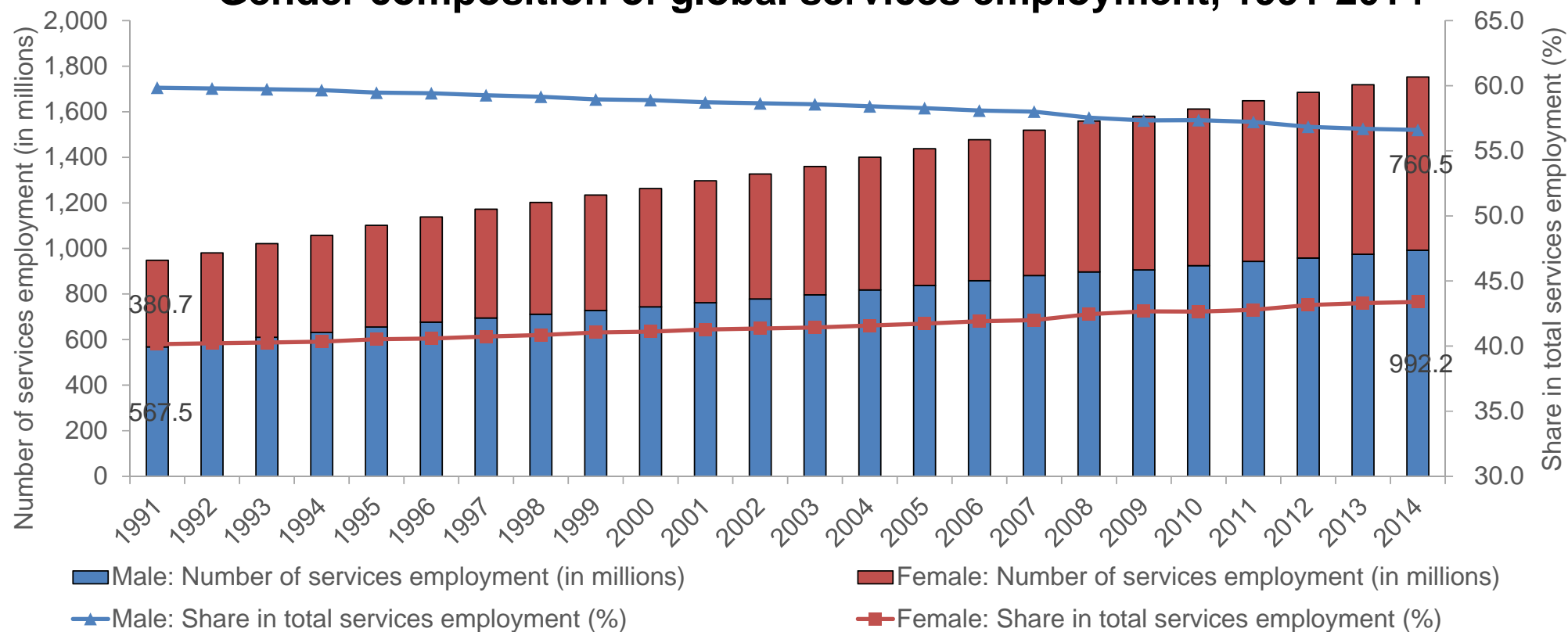
Trend growth of services employment by region (%)



Source: ILO, *Trends Econometric Models*, October 2015.

...with female persons increasing their share in the total services employment.

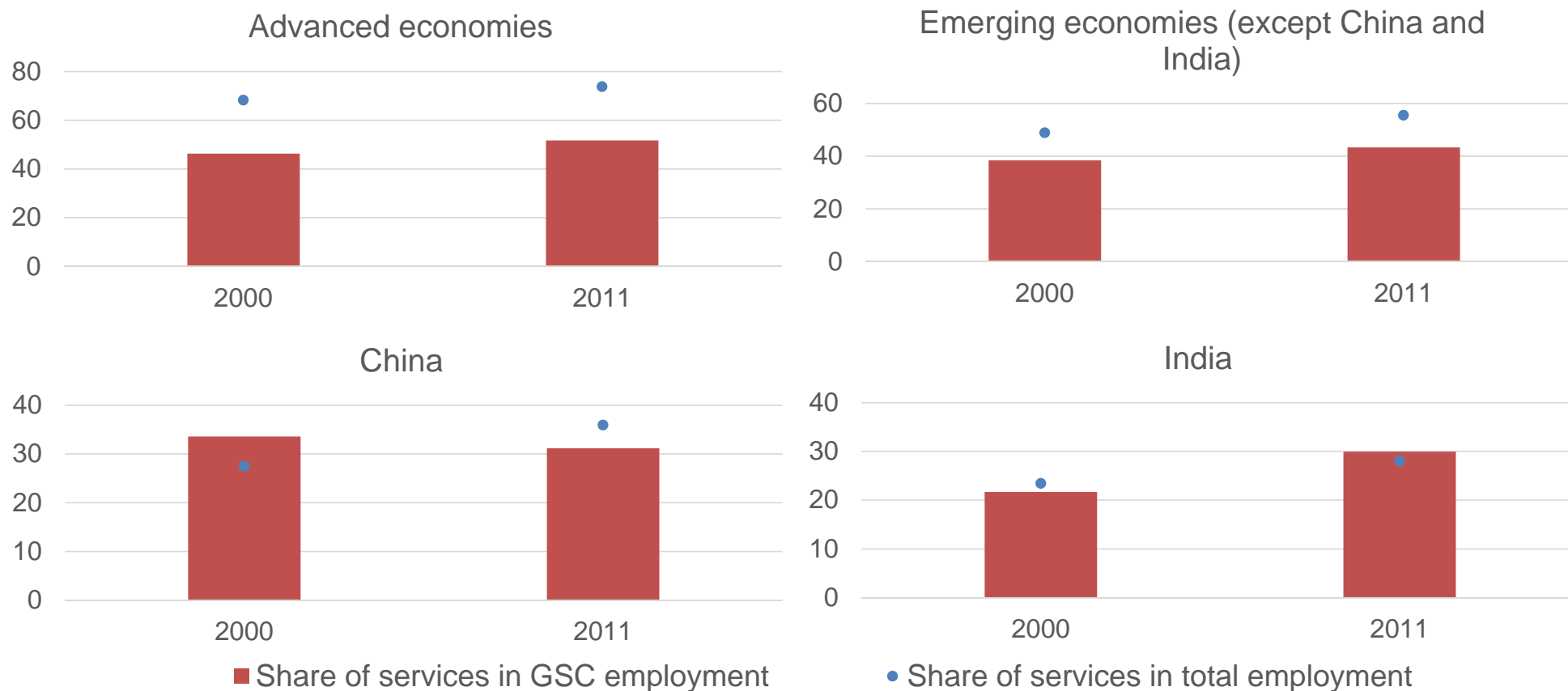
Gender composition of global services employment, 1991-2014



Source: ILO, *Trends Econometric Models*, October 2015.

GSC-related services jobs have gained importance almost everywhere

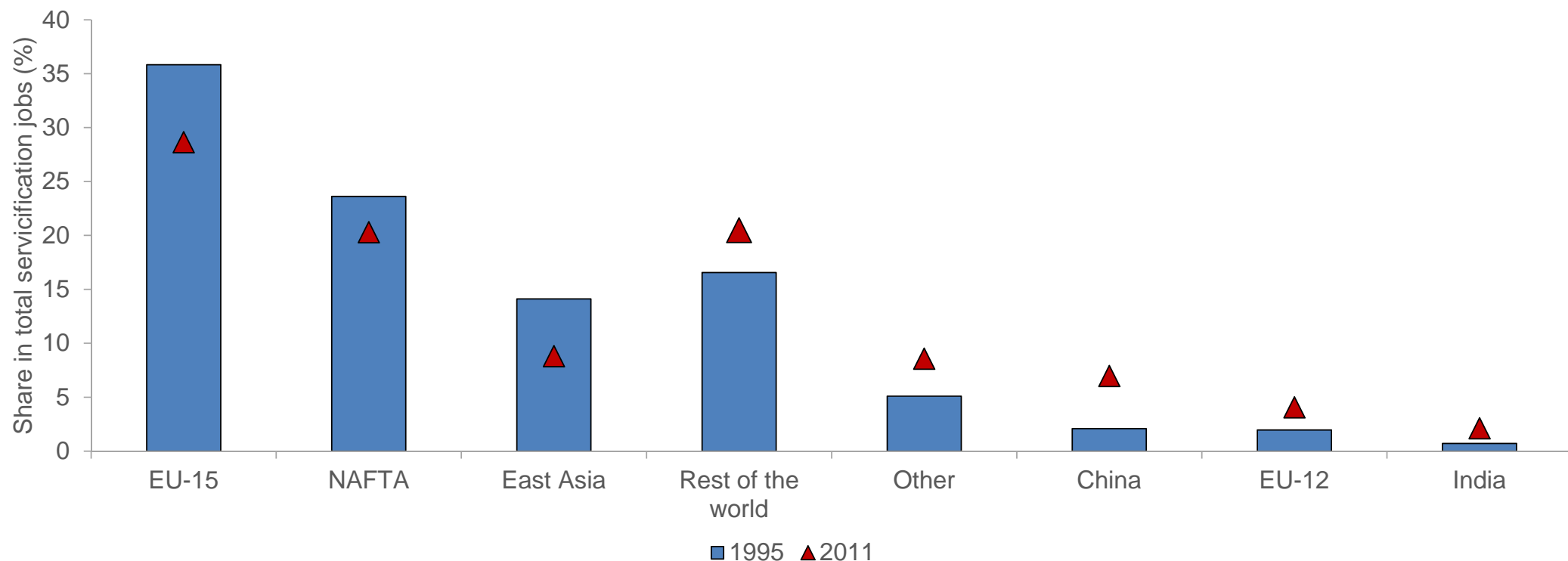
Share of services in GSC-related employment and total employment (%)



Source: ILO Research department based on WIOD; Kizu, Kuhn and Viegelahn (forthcoming)

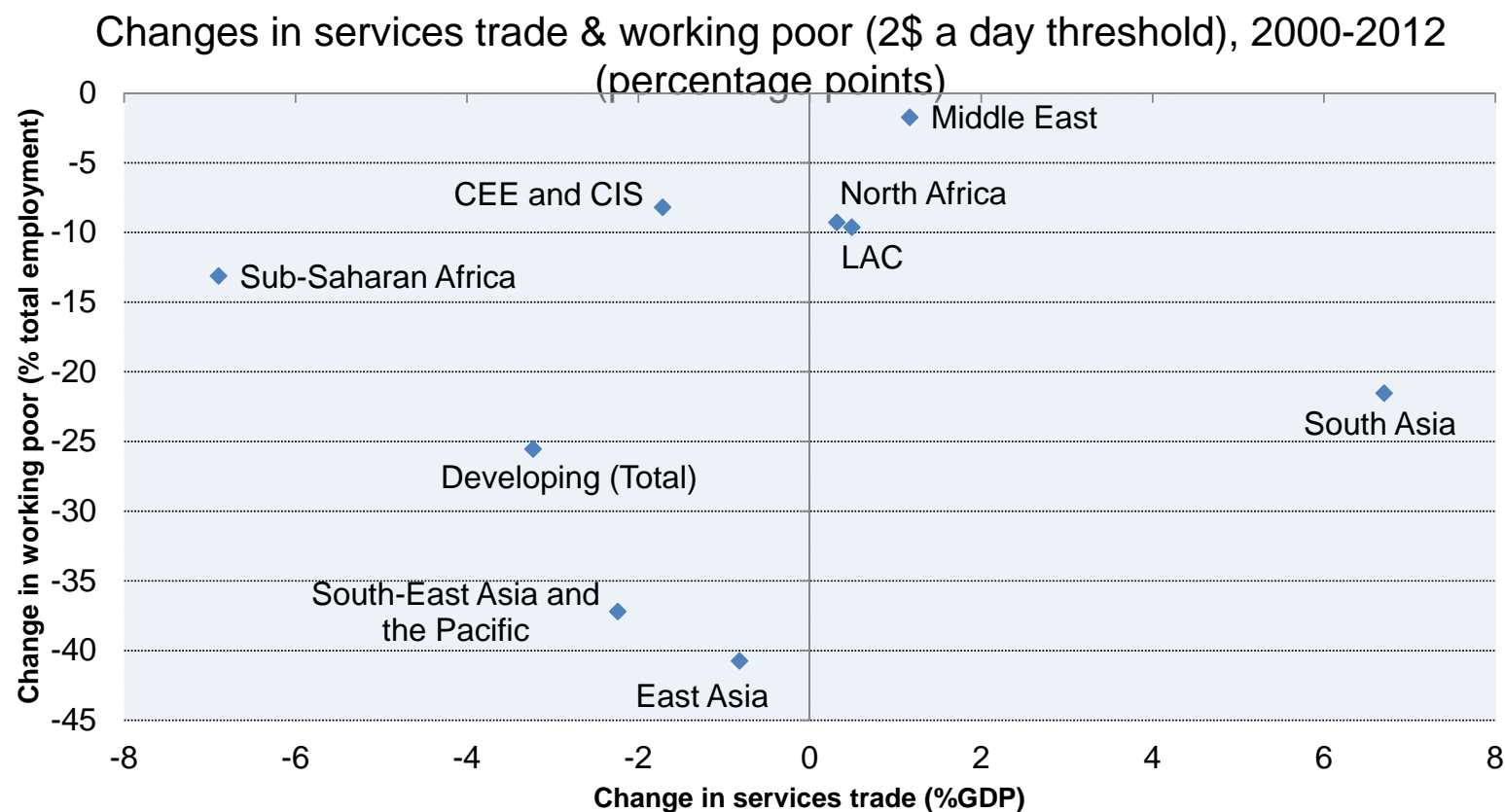
Manufacturing sectors in developing and emerging economies are increasing their importance in terms of services jobs creation

Share of country groups' manufacturing sectors as export destinations supporting services jobs, 1995 and 2011



Source: ILO Research department based on WIOD; Kizu, Kuhn and Viegelaahn (forthcoming).

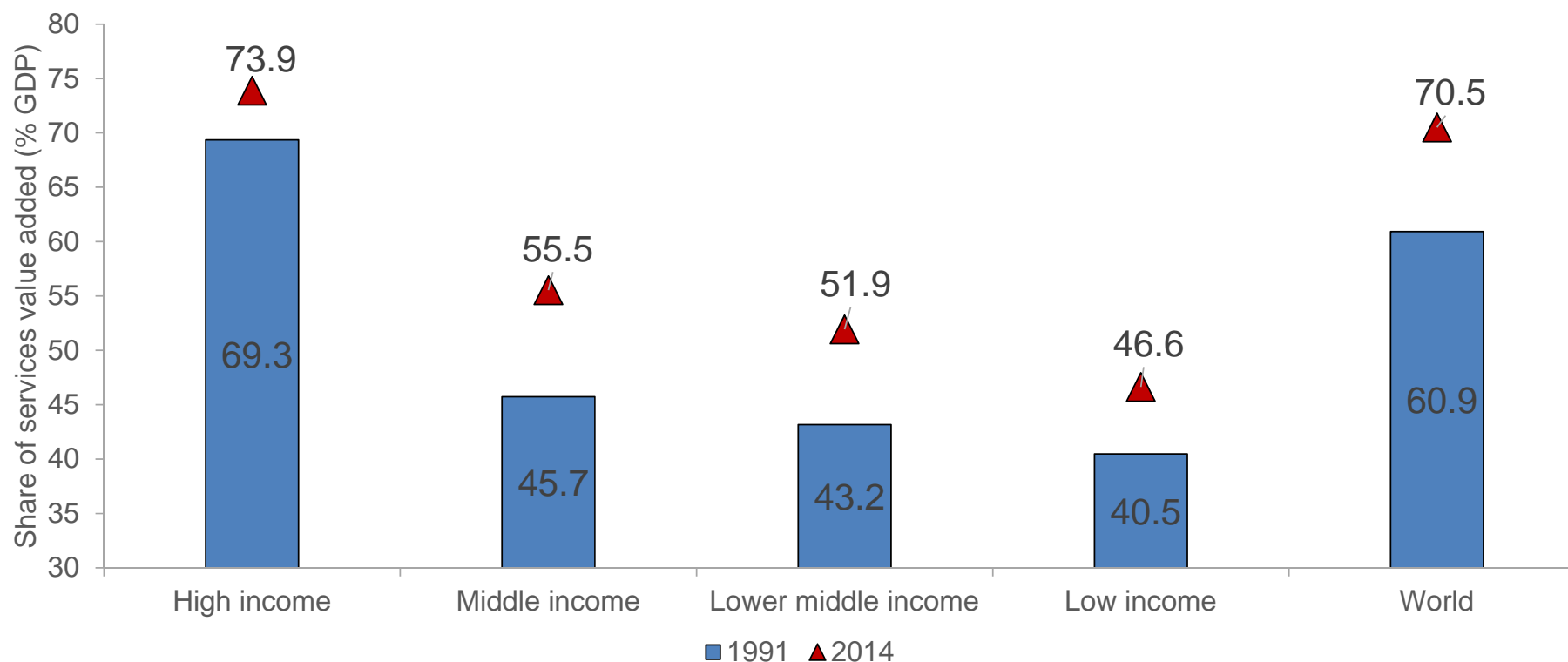
Services trade does not automatically lead to poverty reduction



Source: UNCTADStat and ILO, Trends Econometric Models, October 2014.

In all income groups, the share of services in value added has increased.

Changes in services value added between 1991 and 2014 (% GDP)



Note: The data for high-income group refers to 1997 and 2013. The data for World refers to 1995 and 2013, due to the data availability.

Source: World Bank, World Development Indicator Database.