TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

Geneva, 6 – 8 October 2015

SERVICES TRADE AND EMPLOYMENT

Session-5

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Services Trade and Employment
UNCTAD Trade Policy and Sustainable Development Meeting

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8 November 2015
Geneva, Switzerland
Drivers of Global Trade in Services

- Technological Progress
- Servicification of Manufacturing and Global Value Chains
- Increasing demand for services with rising incomes
Growth in Global Services Trade (1980=0)

Data source: WTO
Regional Growth in Exports

Data source: WTO
Regional Services Trade Balances

Graphs by Region

Data source: WTO
Trends in Global Services Trade Flows

Figure 6: Structure of Services Exports (% of total)

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Source: World Bank, World Development Indicators
Data: The Analytical Void

- Data shortcomings on services trade flows
  - Modes international services delivery
  - Extensive and intensive margins

- Data shortcomings on services trade policies
  - How to quantify measures of regulatory nature?
# Services Sector Share in Employment

## Figure 8: Employment Shares by Sector (in %)

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Source: ILO, Key Indicators of the Labor Market
Services Revolution or Premature Deindustrialization?

Figure 9: Peak Manufacturing, Employment and Output

Source: Felipe, Mehta, & Rhee (2014)
Services Exports and Employment

- Job elasticity of services exports smaller than for manufacturing (0.12% vs. 0.42%), but caveats apply.
- Exports usually done by firms that are large in terms of output, while SME’s provide the bulk of employment.
- Correlation between export propensity and firm size does not hold for firms in services → Services firms find it easier to internationalize
- Indirect effects of services exports appear to be much stronger, but links not understood well yet
  - One job in tourism creates three jobs elsewhere in the economy
  - One job in information technology enables services creates four jobs elsewhere
Services Imports and Employment

- Service offshoring has significant *potential* for job dislocation

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<th>Non-Tradable Occupations</th>
<th>Tradable Occupations</th>
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<td>NT Industries</td>
<td>51.4%</td>
<td>11.7%</td>
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<td>T Industries</td>
<td>19.6%</td>
<td>17.3%</td>
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Source: Jensen (2011)

- Some evidence on job dislocation on industry level, but not on aggregate
Services Trade and Job Quality

- US Workers in tradable services have on average substantially higher education and wages than workers in non-tradable services and in manufacturing.
- Similar results hold for Argentina, Brazil, India and the Philippines, also with respect to working hours.
- Some evidence for increases in wage inequality as a result for offshoring on firm and industry level.
Services Trade and Gender

![Graph showing the relationship between employment in services and female to male labor participation ratio. The graph includes various countries, indicated by their codes, and shows a fitted line representing the trend or relationship.](image)

- **Female to Male Labor Participation Ratio (%)**
- **Employment in Services (%)**
- **Fitted values**

**Source:** CEP Council on Economic Policies
Conclusion

• Services trade becoming an increasingly important feature of international economic relations
• Africa, Latin America and the Middle East have deteriorating services trade balances
• But serious data shortcomings on services trade persist
• Direct employment effects of services exports appear to be limited, but indirect effects can be large
• Exporting more “accessible” to SMEs in service sector
• Participation in international trade associated with higher education levels, wages, working conditions
• Evidence for greater female employment in tradable service sectors
• Little evidence for massive job dislocations from offshoring in developed economies
• Services exports may offer untapped opportunities for employment in developing countries
Thank You!

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