



TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

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SERVICES TRADE AND EMPLOYMENT

Session-5

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Services Trade and Employment

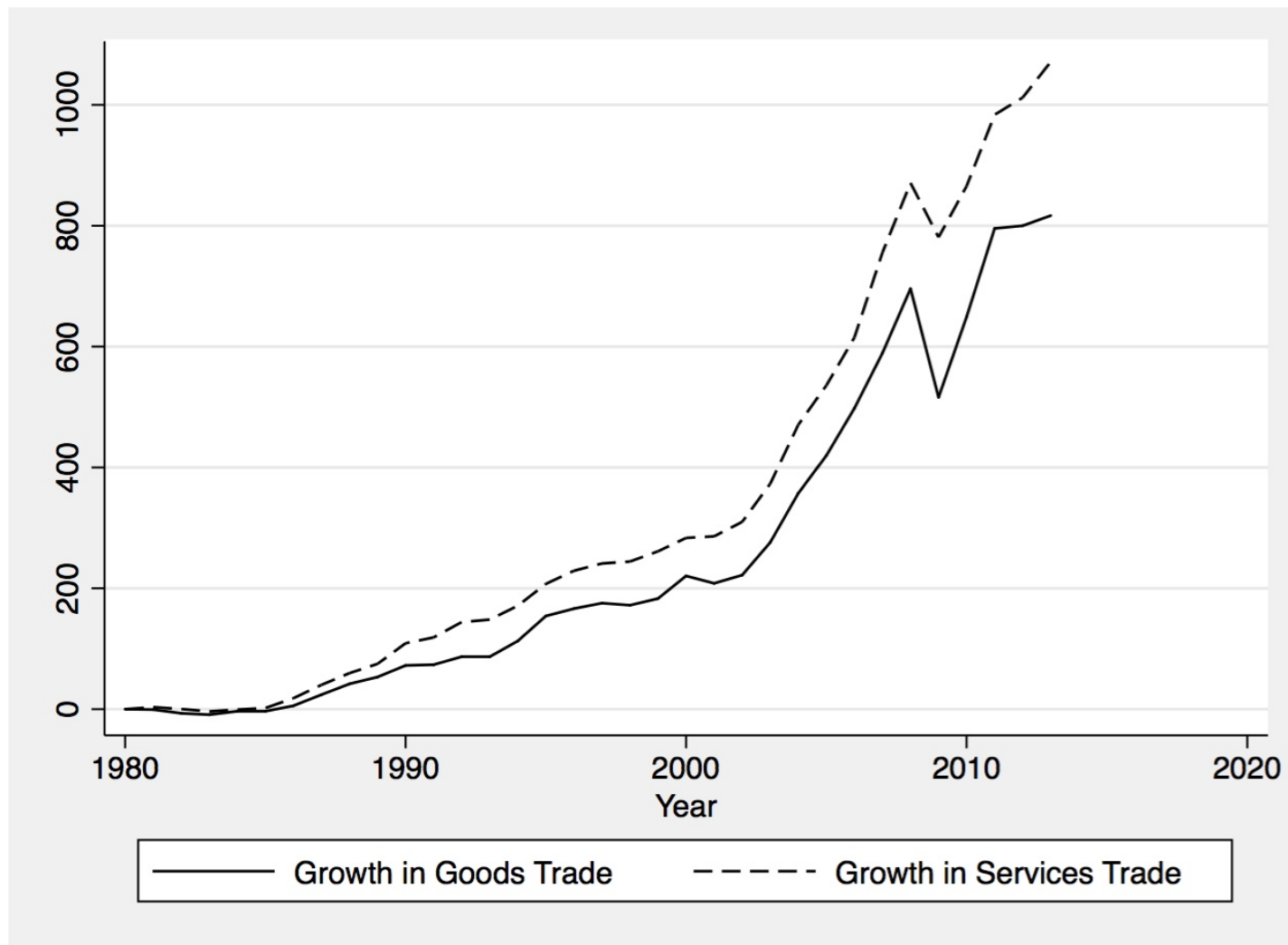
UNCTAD Trade Policy and Sustainable Development Meeting

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8 November 2015
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Drivers of Global Trade in Services

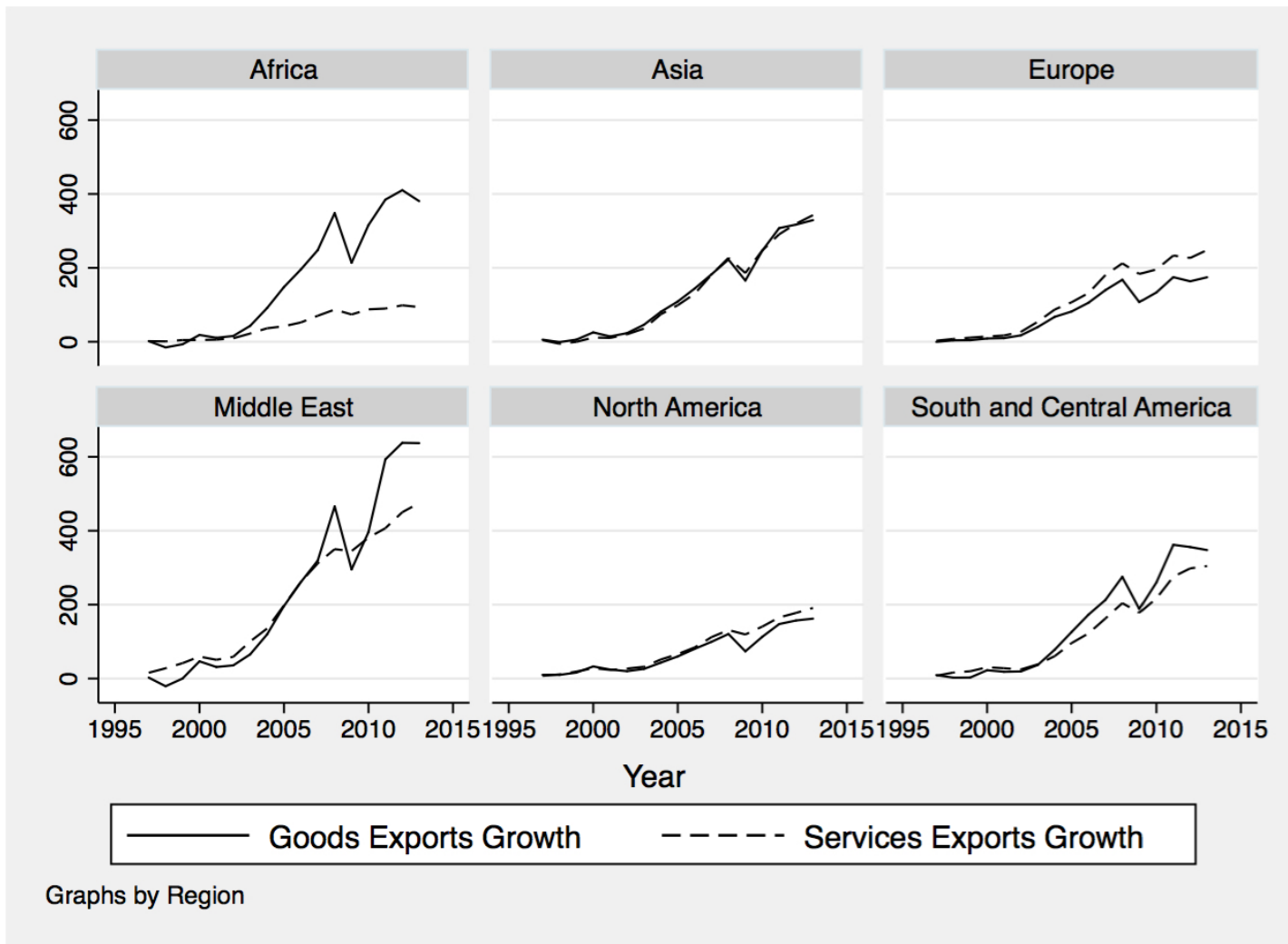
- Technological Progress
- Servicification of Manufacturing and Global Value Chains
- Increasing demand for services with rising incomes

Growth in Global Services Trade (1980=0)



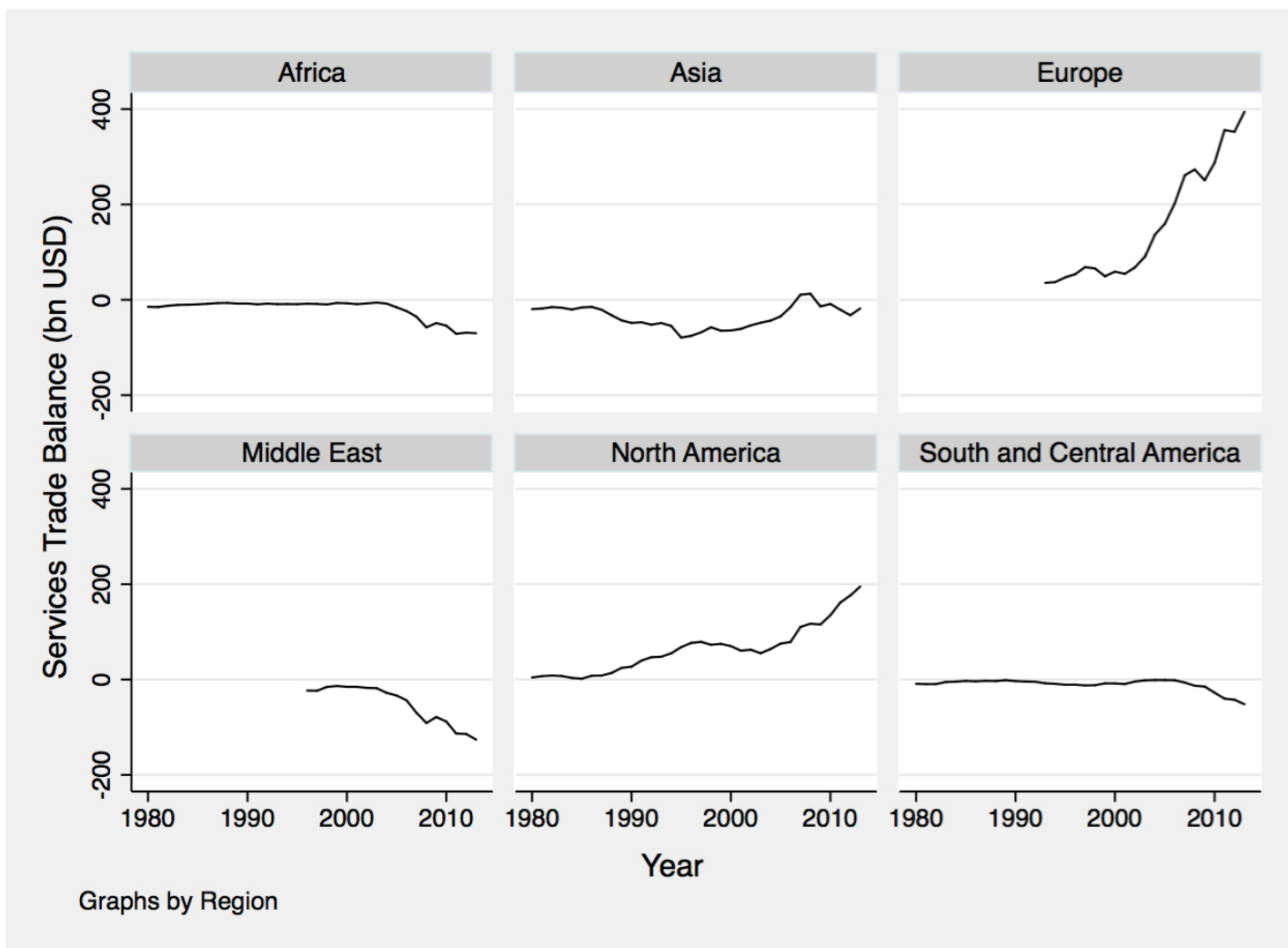
Data source: WTO

Regional Growth in Exports



Data source: WTO

Regional Services Trade Balances



Data source: WTO

Trends in Global Services Trade Flows

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

	Transport		Travel		Insurance and Financial		Computer, ICT and other	
	2005	2012	2005	2012	2005	2012	2005	2012
East Asia & Pacific	19	17	36	34	1	2	44	46
Europe & Central Asia	29	31	40	34	1	2	30	33
Latin America & Caribbean	18	15	55	53	6	8	21	24
Middle East & North Africa	31	35	42	38	9	7	18	31
South Asia	20	18	15	13	4	5	62	64
Sub-Saharan Africa	37	31	40	52	6	4	18	13

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

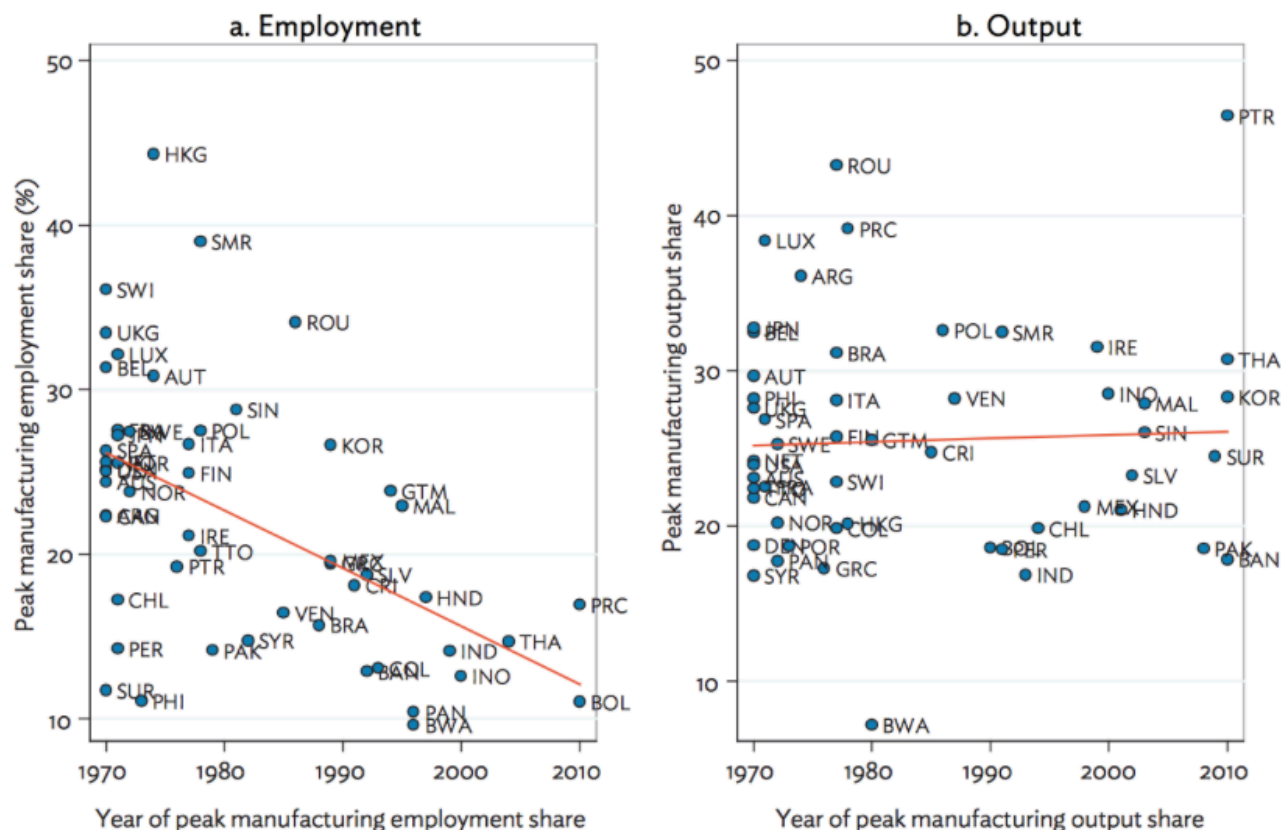
Figure 8: Employment Shares by Sector (in %)

	Agriculture		Industry		Services	
	2000	2012	2000	2012	2000	2012
World	40.4	31.9	20.5	23	39.1	45
Developed Economies and EU	5.5	3.6	27.2	22.5	67.3	73.9
Central and South Eastern Europe	25.3	20.1	25.1	24.0	49.6	55.9
East Asia	47.4	31.0	23.7	30.9	28.9	38.1
South East Asia and Pacific	49.8	39.2	16.4	19.8	33.9	41.1
South Asia	59.5	48.5	15.6	22.2	25.0	29.3
Latin America and Caribbean	21.5	15.7	21.2	21.1	57.3	63.2
Middle East	22.9	14.9	23.9	27.2	53.2	57.9
North Africa	33.8	30.1	20.1	21.5	46.1	48.3
Sub-Saharan Africa	65.5	61.1	8.1	8.9	26.3	30.0

Source: ILO, Key Indicators of the Labor Market

Services Revolution or Premature Deindustrialization?

Figure 9: Peak Manufacturing, Employment and Output



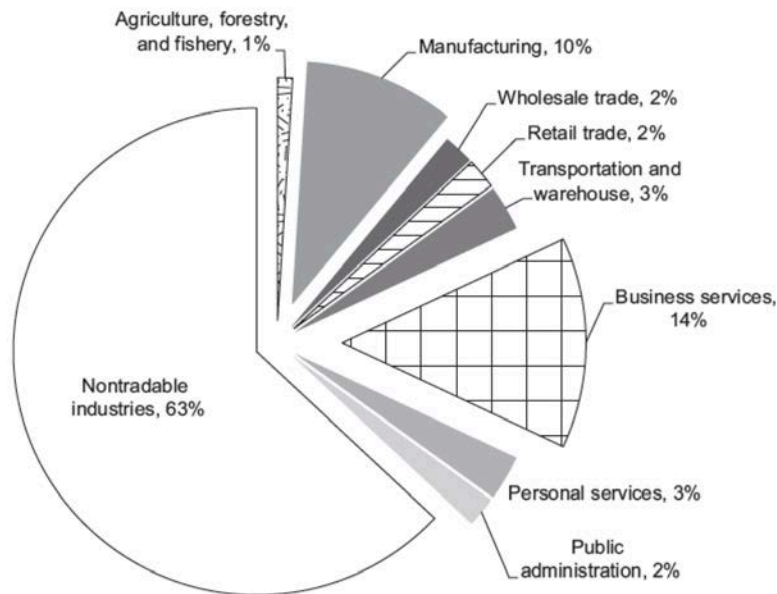
Source: Felipe, Mehta, & Rhee (2014)

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



	Non-Tradable Occupations	Tradable Occupations
NT Industries	51.4%	11.7%
T Industries	19.6%	17.3%

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



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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