“Worker-Centric” Trade in Services Policy, October 27, 2021

Linda Schmid, Trade in Services International [i]

A “worker-centric” trade in services policy:

- recognizes the relationship between domestic policies and trade policies;
- considers where U.S. workers are actually employed;
- promotes the benefits that services industries bring to any economy;
- addresses the labor market challenges in the U.S. services economy; and
- diligently removes services trade barriers at home and abroad.

“Worker-centric” trade policy recognizes the relationship between domestic policies and trade policies that return growth to real wages and expand employment. Maintaining an open trade regime requires high-quality education, investment in infrastructure, as well as fair tax policies. Returning growth to real wages and expanding employment means educating citizens to participate in a technologically-infused, global services economy with high-quality K through 12 education as well as affordable higher and continuing education. Educational attainment has a direct effect on earnings and the capabilities of workers in the labor market. Investment in infrastructure should also address the gaps that hinder workers’ economic engagement, such as, adequate broadband, affordable childcare and healthcare, and public transportation. Distinct domestic policies position workers to effectively engage in an open, global economy.

A “worker-centric” trade approach considers where U.S. workers are actually employed and those industries’ intersection with the global economy. Today 80% of U.S. workers are employed in services industries (Table 1). The size of the professional and business services sector is 13% of employment versus manufacturing of 8%. Financial services and information technology services together represent 8% of employment. Healthcare, leisure and hospitality, and retail represent over 30% and were particularly hard hit by the pandemic due to the in-person provision of services in these sectors. Similarly, exports of travel, tourism, and educational services declined due to the restrictions on foreign travel. Transportation and warehousing represent 4% of employment and are on an upward trend. Non-agricultural self-employed represents 6%. In terms of the overall labor market, it is useful to know that only 13.4% of employed persons were able to telework in the light of the coronavirus pandemic.[1] Services industries are playing a significant role in the economic recovery. In August 2021, "Notable job gains occurred in professional and business services, transportation and warehousing, and private education,” services.[2] A “worker-centric” trade approach would expand market opportunities for services industries and their employees at home and abroad.

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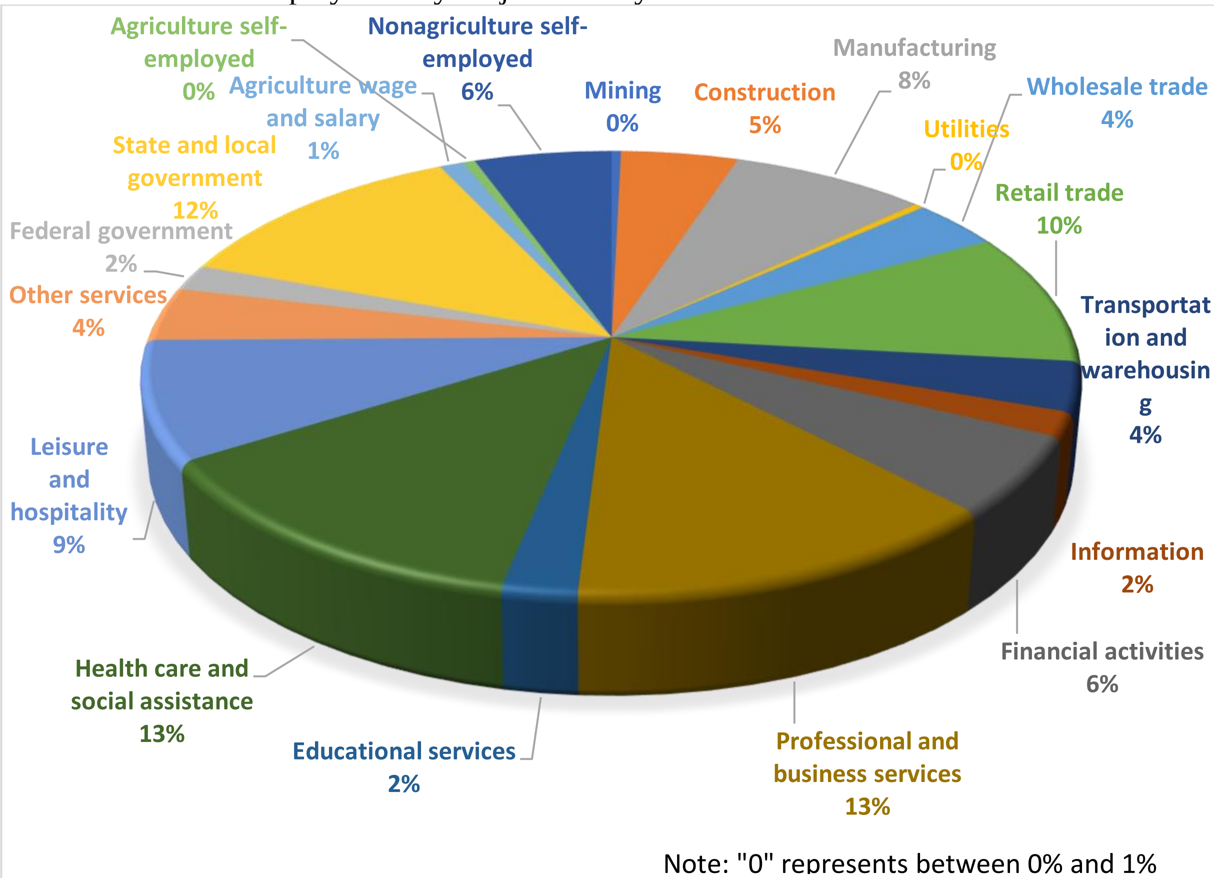
[1] U.S. Bureau of Labor Statistics, Employment Situation News Release, September 3, 2021.

[2] Ibid.

Table 1: 2020 U.S. Employment by Major Industry Sector



Source: [U.S. Bureau of Labor Statistics]

A "worker-centric" trade in services policy promotes the benefits services industries bring to any economy. Robust services industries contribute to growth and economic diversification away from agriculture, commodities, and hydro-carbons. Efficient financial services governed by sound prudential regulations contribute to the qualified expansion of credit and a lower cost of borrowing. Insurance enables enterprises and individuals to mitigate risk and reduce exposure to unanticipated events. Accountancy adds rigor to corporate health as well as public sector accountability. Environmental services protect against air, water, and ground pollution. Furthermore, when governments address opaque, services trade restrictions, they improve the quality of the business environment and regulatory transparency. To visualize this dynamic the Organization of Economic Cooperation and Development (OECD) offers a Services Trade Restrictive Index Regulatory Database that compares trade in services restrictions by sector and country. The Index also scores countries on regulatory transparency; a cross cutting issue for all sectors and an important tool for good governance. Robust services economies offer more types of employment, are more resilient due to their diversification, and with a commitment to regulatory transparency institutionalize good governance practices. The benefits of services industries are also at play in U.S. state economies. States that invest in education and infrastructure can diversify their economies away from dependence on commodities and hydro-carbons.

A "worker-centric" trade policy addresses the labor market challenges in the U.S. services economy. For example, policymakers should understand the range of wages in the U.S. services economy and their implications. The U.S. Bureau of Labor Statistics maintains data on wage rates in services industries according to occupation and the mean hourly and annual wage.[3] Scrutiny of this data demonstrates the broad range of wages in services industries. In general, professionals earn the highest wages while food, retail, and healthcare workers earn the lowest. A number of services workers earn wages so low they require public assistance, face mandatory ten or twelve-hour workdays, and operate under irregular scheduling systems that make planning for child care untenable. In October, nurses, healthcare workers, and group home workers were on strike in California, Connecticut, Massachusetts, and Washington due to unsafe staffing levels, health insurance costs, and retirement benefits. Warehouse workers in Staten Island, "filed a petition to form a union," with the National Labor Relations Board seeking wage increases, safer conditions, and more paid time off.[4] The increasing worker militancy[5] in the U.S. reflects perceptions of wage differentials and working conditions in the labor market. A "worker-centric" policy at home would address the root causes of downward pressure on wages, [6] increased hours, and unsafe working conditions associated with corporate concentration,[7] asymmetries in the bargaining power of services workers, and contractual provisions such as non-compete clauses that inhibit the ability of a services worker to move from one job to another.[8]

A "worker-centric" trade policy reaffirms the U.S. commitment to worker protections embodied in International Labor Organization (ILO) and U.N. conventions. The U.S. can consider ratifying additional ILO conventions to protect workers and include them in trade agreements. The United States has ratified 2 of the 8 ILO fundamental conventions, 1 of the 4 governance conventions, and 11 of the 178 technical conventions.[9] From a gender perspective, the U.S. can ratify the U.N. Convention on the Elimination of all Forms of Discrimination against Women (CEDAW), 1979. From a private sector perspective, U.S. firms can adopt the OECD Guidelines for Multinational Enterprises, 2011, including its employment provisions. The U.S. Mexico Canada Agreement (USMCA) does affirm the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines. A "worker-centric" trade policy would ratify, incorporate, and enforce labor conventions and trade agreement provisions that protect the rights of workers. A "worker-centric" trade policy must level the playing field for workers by securing enforceable commitments to worker protections and non-discrimination.

[3] U.S. Bureau of Labor Statistics, May 2020 National Occupational Employment and Wage Estimates, September 29, 2021.

[4] Jeffrey Dastin and Nivedita Balu, "Amazon's Staten Island Warehouse Workers File Petition for Union Election," Reuters, October 26, 2021.

[5] The Labor Action Tracker of the Industrial Labor Relations School of Cornell University and the U.S. Bureau of Labor Statistics' Strikes Occurring During Survey Reference Period, 1990-Present provide insight into the labor market challenges in the U.S.

[6] See page 45 for a state by state breakdown of the percentage of full-time workers who earn less than a $15 minimum wage – on average this is 15 to 35% of full-time workers in each state. International Monetary Fund, IMF Country Report Number 21/162: United States, Washington DC, July, 2021.

[7] The Economist, "Anti-Trust in Me," July 17, 2021.

[8] Alan B. Krueger and Orley Ashenfelter, NBER Working Paper Series: Theory and Evidence on Employer Collusion in the Franchise Sector, (Working Paper 24831), Cambridge, MA, July 2018.

[9] International Labor Organization, Ratifications for United States of America, October 27, 2021.

A “worker-centric” trade in services policy would diligently reduce impediments to services trade at home and abroad. For example, rules, regulations, or administrative practices that inhibit the travel of business persons, students, or medical patients can limit consumption of business services, educational services, and medical services in the U.S. domestic market by foreigners. Similarly, such restrictions in foreign markets can limit U.S. firms’ ability to sell abroad via the temporary movement of people. Restrictions on the movement of data and financial flows can restrict cross-border trade also known as online trade or digital trade. Restrictions on investment also termed establishment can restrict the sales of U.S. firms in foreign markets and vice versa. These are particularly substantial in heavily regulated industries such as banking, insurance, and securities, which account for 6% of U.S. employment and pay some of the highest wages among services industries. As a recent example of the removal of services trade barriers in the financial sector, The Wall Street Journal reports, after a 17-year joint venture, the “China Securities Regulatory Commission” approved Goldman Sachs’ full ownership of a local unit due to bilateral negotiations.[10] Diligent attention to removing services industries barriers creates greater opportunities for the 80% of U.S. workers employed in services industries. A “worker-centric” trade policy expands opportunities for U.S. services firms at home and abroad to propel growth and innovation.

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[i] *Linda Schmid is International Development Adviser at Trade in Services International (Email: lschmiddc@gmail.com).*

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[10] Quentin Webb, “Goldman Sachs Cleared to Own All of China Unit,” The Wall Street Journal, October 18, 2021.