Policy Brief

How services trade impacts workers

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Key messages

- **Services trade is becoming an increasingly important source of economic growth and employment.** As digitalisation reduces the cost of delivering services across borders, international trade in services is one of the fastest-growing parts of the global economy. Given that most workers are employed in services sectors, understanding how services trade affects workers is essential for policy.
- **Services trade can create jobs through multiple pathways.** Employment gains arise not only through exports, but also through firms' use of imported services inputs and spillover effects in local economies. As a result, services trade can generate additional employment in both manufacturing and non-tradable services sectors, extending the benefits beyond workers directly engaged in international markets.
- **Services trade affects more than the number of jobs in the economy.** Services trade can reshape workers' experiences by shifting employment into larger firms, increasing labour market dynamism without greater job precarity, and altering the demographic composition of sectors. These factors can meaningfully impact the quality of work and the opportunities available.
- **As services become more tradable, it is more important than ever that policymakers understand their evolving labour market effects.** Digitalisation is accelerating the internationalisation of many service activities, creating new opportunities as well as new adjustment pressures. A better understanding of how services trade affects workers can help governments ensure that the benefits are widely shared and support policies that enable workers to adapt to changing labour market conditions.

What's the issue?

Services trade has become one of the fastest-growing parts of the global economy. Over the past two decades, international trade in services has expanded more rapidly than trade in goods and faster than gross domestic product (GDP). Digital technologies have made it easier for firms to deliver services across borders, creating new possibilities for activities such as software development, finance, consulting, design and business support services to be traded internationally at an unprecedented scale. These developments are likely to present a significant opportunity.

Changes in services trade can affect a broad range of workers. Services range from highly tradable sectors such as information technology and financial services to often locally provided activities such as education, healthcare, hospitality and retail. Because services are deeply embedded throughout modern economies, changes in services trade have the potential to affect a much broader group of workers.

The labour market effects of services trade remain much less understood than those of manufacturing trade. Most of the evidence underpinning policy debates on trade and labour markets comes from studies of manufacturing. Yet services differ from manufactured goods in important ways. They are generally more labour-intensive, rely more heavily on specialised skills, and are often used as inputs into the production of other goods and services. As a result, the labour market effects of services trade may differ substantially from those traditionally associated with manufacturing trade, making it necessary to examine them in their own right.

New OECD evidence provides an updated picture of how services trade reshapes labour markets. Drawing on worker-level data covering more than 90 million observations across 32 countries, the research examines a range of adjustment mechanisms that are often overlooked in discussions of trade and jobs. The analysis investigates both the multiple channels through which services trade affects employment and the wider changes it brings to labour markets, including workforce composition, labour market dynamism, regional economies and job characteristics. (See “Further Information” below.)

Ways services trade can create jobs

The employment effects of services trade operate through multiple channels. Public debates often focus on whether exports create jobs or imports destroy them, but the reality is more complex. Services trade can influence labour markets through direct export opportunities, access to imported inputs, local spillovers into other sectors, and broader regional economic effects. Focusing on only one of these mechanisms risks providing an incomplete picture. Several channels often operate simultaneously and can offset or reinforce one another, making headline employment effects difficult to interpret unless the underlying mechanisms are carefully disentangled.

Expanding services exports creates new employment opportunities. Export growth increases demand for labour in firms serving foreign markets and can also support job creation in related occupations and activities. Analysis shows that employment tends to increase in sectors and regions experiencing stronger exposure to services exports, suggesting that participation in international markets can create opportunities for firms which translate into opportunities for workers.

Access to imported services can support job creation at least as well as exports do. Services are increasingly used as inputs throughout production processes in both services and non-services sectors, making access to specialised foreign services an important source of productivity and growth. Imported services can enable firms to operate more efficiently, improve their competitiveness and expand output, thereby increasing labour demand elsewhere in the production process. As a result, a 10% increase in the exposure to imported services used as input is linked to an 1-2% increase in employment in the relevant sector or occupation, with the effect being strongest within non-services sectors. This highlights the importance of viewing imports not only as a source of competition for domestic providers, but also as a productive input that supports jobs throughout the economy.

The overall employment effect of imports is ambiguous because positive and negative effects can offset one another. Imports may reduce demand for some domestic services providers, but they can simultaneously increase employment by lowering costs and improving access to specialised inputs. In services, these offsetting effects are particularly important because imported services within the same sector are often used intensively as production inputs. As a result, the net employment effect can mask substantial labour market adjustments in both directions.

The benefits of services trade extend beyond tradable services sectors into local economies. Employment gains are not confined to sectors that trade internationally. As workers in tradable services earn income and firms expand their operations, demand increases for a wide range of locally provided services, from restaurants and childcare to catering and security. Across Brazil, France and the United States, every additional job in tradable services is estimated to generate between 0.6 and 1.6 additional jobs in non-tradable services within the local area. This means that workers who are not directly involved in international trade can also benefit from expanding exchange of services.

The employment opportunities created by services trade are not distributed evenly, but neither do they accrue to only a narrow group of workers. Expanding services trade is associated with a growing presence of women and younger workers in trade-exposed sectors, suggesting that these groups may be particularly well positioned to take advantage of new opportunities despite their initial lower involvement in tradable services. The evidence does not support the view that gains are confined to highly educated workers. Different forms of services trade are associated with opportunities for workers at different skill levels, reflecting the wide range of tasks involved in internationally connected services sectors. Together, these findings suggest that, while impacts vary across demographic groups, services trade can benefit a diverse workforce.

Services trade appears to draw people into the workforce. Greater exposure to services trade at the regional level is associated with a higher share of the population being employed, but not with changes in conventional employment rates. This suggests that expanding services sectors may attract workers who were previously outside the labour force, including some individuals in education, caregiving roles or outside formal labour market activities. Services trade may therefore expand labour market participation as much as it reallocates workers who are already employed.

Reshaping labour market experiences

The effects of services trade extend beyond employment levels to the nature of work itself. Trade-related labour market change is often assessed through employment counts alone, yet workers' experiences depend on a much broader set of outcomes. Services trade can influence who works in different sectors, how frequently workers move between jobs, where they live, and the types of firms that employ them. These adjustments may be gradual and diffuse, but they are an important part of how the effects of expanding international services activity materialise in workers' lives.

Services trade encourages a shift towards larger firms and away from self-employment. Greater exposure to services trade tends to increase employment in larger enterprises while reducing self-employment. This pattern is consistent with the fact that larger firms are often more internationally engaged and better positioned to participate in cross-border markets. For workers, such shifts may bring opportunities in career progression and access to training but can preclude the increased flexibility and independence that smaller-scale firms or self-employment can provide.

Services trade can reshape how much people work. In higher-income economies, greater exposure to cross-border services trade is associated with slightly shorter working hours and a greater likelihood of part-time work. In lower-income economies, services trade is linked to longer working hours and a lower incidence of part-time work, suggesting a shift towards full-time employment. While these effects are modest, they indicate that the opportunities created by services trade can translate into different work–life choices depending on workers' economic circumstances and the level of development of the countries in which they live.

Services trade is associated with greater labour market dynamism but not with greater precarity. Workers in more trade-exposed sectors tend to spend less time in a given job, suggesting more frequent job-to-job movement. However, there is no evidence of increased transitions into or out of employment, higher rates of switching between broad sectors, or greater use of temporary contracts. Services trade is also associated with a small increase in movement between regions, suggesting that some workers are responding to new opportunities beyond their local labour markets. Taken together, these findings are consistent with a labour market in which workers change jobs more often while remaining attached to employment, potentially reflecting the pursuit of better opportunities rather than increased insecurity.

The impact of services trade on workers' incomes remains difficult to identify. While employment and job composition effects can be observed, clear effects on earnings are harder to establish. Wage changes are influenced by many factors operating simultaneously and may take time to materialise. Moreover, income is often measured imprecisely in large-scale worker-level data. The available evidence therefore suggests caution when drawing strong conclusions about income gains or losses, even where other labour market effects are more clearly visible.

What can policymakers do?

- **Support a well-functioning environment for services trade.** Reducing unnecessary barriers to services trade can help firms access international markets, benefit from specialised services inputs and create employment opportunities. This includes efforts to reduce regulatory frictions and facilitate the cross-border delivery of services.
- **Ensure that the benefits of services trade are broadly shared.** The labour market effects of services trade are not evenly distributed across workers, sectors and regions. Policymakers should monitor which groups are benefiting most from expanding services markets and ensure that those less well-positioned to take advantage of new opportunities are not left behind.
- **Equip workers with the skills needed in an increasingly tradable services economy.** Digitalisation is changing the types of tasks that can be traded across borders and the skills that employers demand. Education, training and lifelong learning policies should help workers adapt to changing labour market needs and benefit from new opportunities.
- **Ensure labour market institutions support adjustment and mobility.** As services trade is associated with greater labour market dynamism, policies should help workers move efficiently between jobs and opportunities while maintaining adequate support during periods of transition.
- **Invest in data and evidence to keep pace with rapid change.** The digital transition continues to reshape how services are produced, delivered and traded. Governments should strengthen the evidence base on the labour market effects of services trade so that policy can respond to emerging opportunities and challenges in a timely and informed manner.

Further information

OECD (2026), "Shedding light on underexplored ways services trade impacts workers", *OECD Trade Policy Papers*, No. 301, OECD Publishing, Paris, https://doi.org/10.1787/8bfc6734-en.

van Lieshout, E. and A. Jaax (2025), "New evidence on the effects of services trade at the worker level", *OECD Trade Policy Papers*, No. 290, OECD Publishing, Paris, https://doi.org/10.1787/39ef4a9b-en.

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