

***The EU India FTA in Services and Impact on Women in
India: Concern Areas***

Executive Summary

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Executive Summary

India has been a well known name in the field of global services trade. India has clearly benefitted from export of its services, mainly from the IT related services. This has been advanced as a positive example of a developing country basing its economic growth on the services sector. The proposed EU-India Free Trade Agreement (FTA) contains ambitious provisions in its services chapter, covering all the four modes of service trade liberalisation. Both EU and India are clearly interested in liberalising this sector as both have thriving services economies. India is expected to make gains in terms of receiving FDI, and getting access to services market in EU. The EU on the other hand, expects to make inroads into India's financial, retail, transport and many other services.

While India has benefitted from the high growth of its services sector, it is evident that most of it comes from the IT and IT enabled services. While other service sectors have also shown some promise, India is still far from being a completely service based economy. India is also not yet in a position where it can completely depend on services exports to sustain the entire economy. The reasons for this are several; exports are still concentrated in computer and other business services all linked to IT services; India has a large population still dependent on agriculture; the service sector has a low elasticity of employment compared to the other sectors; the services which have grown more are skill intensive and most of India's population has very low skill levels; the services sector liberalisation has also seen increasing FDI, a lot of which has been labour saving, for example in construction related services. In addition, trade has benefitted urban based services as opposed to rural services.

What is the likely impact on India's population is the question that arises naturally in this context; the first is through employment and incomes, while the second is through access to critical basic services like credit, health, education, water, energy. It is undeniable that many chapters of services trade liberalisation involve a clear and differential impact on women. *The impact on both employment and access to services can be more critical for women.*

When we talk of employment, there are several questions that we must ask. First, is there significant employment gain in the services sector which can make up for losses in other sectors? Second, does everyone gain even within the service sector? Do most services gain and do most workers gain? From a gender perspective, we need to ask whether women gain proportionately in terms of both job creation and income generation as much as men. Third, given India's current social development, especially the inequality in education, skills and training facilities, can everyone be shifted out of low skilled loss making sectors to high skilled services? As discussed above, it is the relatively high skilled segments within services that have done well under trade liberalisation in India, which makes this labour shift an even more difficult process especially for women.

Liberalisation under Mode 4 of services trade, which provides for movement of professionals, has also significant impact on female health and care workers. This is an important issue given the significant rise in international movement of women workers. Issues of protection, job and social security and of ensuring basic rights in destination countries are issues that our trade policy must address. Mode 4 gains is also used as one of the key reasons for developing countries' entry into FTAs.

Women's *access to services* poses another interesting question. Women's access to services is already limited and this is an important need that must be met to address all gender disparities; be it in jobs,

incomes, social relationships, trade relationships. Therefore how trade determines access to services is a critical question.

The Gender Contour of India's Service Sector

There are certain services which have a very high share of women workers in India, but the size of that sector may be small, resulting in a small share in total female employment in services. Waste Disposal is such an example (often with 80% of its workforce being women). However, given the high share of women workers, these sectors do remain important in terms of their potential to generate employment for women. Financial services and computer related services have a moderate but significant share of women workers (18.26 and 17.84 per cent) but their contributions to women's total services employment are very low at 3.02 and 1.31 per cent. On the other hand, there are certain sectors which may not have a high share of female workers, but are large sectors and therefore still account for sizeable chunks of female employment. Retail remains a prime example of this, both in rural and urban India. Work as domestic maids (in private households) has both a high share of women workers as well as a large share in total female services employment in urban areas. Education, and health & social work, are other areas where women have both high shares in employment in that sector, as well as significant sectoral contributions in their total employment.

There are many areas of concern regarding women's role vis-à-vis employment in the services sector. One is that despite its high growth, the growth has been unequally divided across service sectors. This is truer in case of employment, both in volume and in the nature. Second, women's access to resources and property has always been limited in India and this is reflected in low female ownership of enterprises. Women also end up as unpaid family workers in family owned enterprises (own account enterprises) but without any clear rights to property.

Third, informalisation of work, especially among women is a major concern in India. The National Commission on Enterprises in the Unorganised Sector (NCEUS) (2007) estimates 29.5 million unorganized female non-agricultural workers in 2004-05, an increase of 7 million compared to 1999-2000. Poverty among non-agricultural unorganized workers (both men and women) is estimated at 20.6 per cent (NCEUS 2007). There is no job security and contractual work, unprotected wages, inadequate leave-benefits, maternity benefits & health coverage are the norms (NCEUS 2007). About half of unorganized non-agricultural sector female workers belong to services, with trade and repair (retail etc) and a combined 'other services' accounting for major shares (NCEUS 2007). There are also unorganized female workers within the organized sector itself. The construction services is a major contributor to this kind of employment.

Another cause for concern is the persistence of significant wage inequality on gender lines. Women casual workers do not earn more than men in any activity whatsoever. In addition there is evidence that a higher percentage of women workers earn less than the minimum wages compared to men.

Therefore, while the services sector has provided an increasing number of jobs to female labour force in the country, the terms on which these are offered are far from satisfactory. Women's work status, in terms of return to their labour, work environment, job security etc lag significantly behind. This gender inequality is partly historical and is entrenched in complicated socio-economic relations. But it is of course compounded by women's unequal access to physical, financial and human resources. We already discussed the lack of female ownership and entrepreneurship. But the inequality in education and technical skills is the other significant handicap.

EU-India Trade Pattern and Trade Interests in Services

India has advantages in its computer and IT sectors, and to a certain extent in other business services, but has inadequacies in transport, insurance and construction. All these are of relevance from the perspective of EU's services trade. If we look at EU-India trade patterns, our earlier observations are borne out. India has an advantage in computer & IT services and travel. But EU has clear offensive interests in transport, merchanting, financial, and insurance services. While it is already doing well in the first two and can look forward to further expansion, it has much to gain from the FTA in terms of the latter two areas.

EU's interest areas are clear in the areas of investment. Financial intermediation accounts for 42/43 per cent of both inward and outward stock of EU. Business services account for about 11.70 per cent, transport and communication a 5.21 per cent and trade and repairs another 4.22 per cent. But interestingly, Indian investors have also been investing in the EU market. In fact Indian FDI flows to EU, which reached a low - 34 million Euros in 2004, have been rising since then.

EU can significantly benefit from service trade liberalisation in India that goes beyond India's commitments under GATS. India has considerably higher barriers in services trade, a lot of these covering FDI. EU's major interest is in Mode 3 in many service areas including in financial services and retail.

India is interested in liberalizing Mode 1 (Cross border Supply) in IT services in both EU and India, and in receiving and making FDI under Mode 3 in this segment. The other area of interest for India is Mode 4 or the movement of persons. EU has strict entry norms and India seeks more flexible terms of entry for its workers. However, current Mode 4 liberalisation under GATS is effectively restricted to movement of skilled professionals on a temporary basis and it is unlikely from current information that anything more is on the agenda under this FTA.

The EU-India Free Trade Agreement in Services and Gender Concerns

The trade impact assessment studies on the EU-India FTA (ECORYS et al 2009, CEPPII-CERM 2007) harp on service sector gains following the EU-India FTA and suggest deep liberalisation of the service sector. However, these clearly come at the cost of commodity trade, especially agriculture, where a large population is situated. The CEPPII-CERM Report (2007), for example, suggests there will be a clear loss in agricultural trade where India will not improve market share while the EU will significantly increase its share leading to a long term trade deficit. In manufacturing, only textiles and garments are projected to gain. ECORYS et al (2009) suggests a long term decline in agricultural employment with imports increasing significantly while exports increase marginally in the long run. Services sector liberalization, therefore, clearly represents a divide where gains in services are traded for losses in other sectors led by agriculture. This paper has looked at some of the concerns raised even within the service sector, from a development based gender perspective.

From a gendered analysis, the disparity is even clearer. The natural bias towards skill in services automatically results in a bias against women, as Indian women historically possess lower skills, a phenomenon not yet corrected by policy interventions. While women have surely made significant gains in many segments in services, especially in the IT sector, gains still remain low in absolute terms. The sectors which have done well with trade liberalisation and are expected to do better after the FTA, computer and business services, for example, together occupy only 3 per cent of Indian urban female services employment. Banking, another segment expected to gain under FTA, contributes only another 3 per cent of urban female services employment. This is inadequate, as the services sector as a whole contributes only about 12 per cent of total female employment in India. Skill differences and other reasons, also lead to significant job segregation, for example in the IT and ITES services. In addition, the study points out, that women may face natural barriers to entry into these segments, given odd working hours.

While benefits may be limited, costs may be heavy. Labour saving FDI and domestic big investment has particularly hit large segments of largely informal female employment. These are also low skilled jobs on which women and the poor depend. The most glaring example is retail, which accounts for a significant portion of female employment in services in both urban and rural India. Increased move towards corporatisation has already resulted in job losses for women and this is evident in the declining shares of retail in female employment in both rural and urban India, with an absolute decline in urban areas. Some of the other informal services studied here, where women workers proliferate, are construction and waste disposal. These sectors are also feeling the impact of increased privatisation and FDI (in case of construction). Galloping trade liberalisation through this FTA, as expected in these sectors, will make this pressure more intense.

India's booming informal economy, which uses women's labour on flexible terms, should be an area of serious concern for policymakers and development specialists. It may be premature to allow free foreign competition of certain services with large informal segments, without protecting jobs, providing social security, skill upgradation services, ensuring healthcare, maternity benefits and decent conditions of work. The proposed Social Security Bill 2008, an attempt to secure such rights for informal workers, is still inadequate in coverage and ambition. *The very important issue is that low skills and resources, coupled with the absence of state support, makes shifting (on better or even equivalent terms) between sectors a very difficult process in India.* For women it is also difficult to shift physically, say from rural services to urban based services.

Investment liberalisation, which is clearly a significant part of the EU-India FTA services trade liberalisation package, has already targeted female labour in labour intensive processes. The construction sector is a well known example. Small entrepreneurs, especially female entrepreneurs, may also find it difficult to meet the technological standards set by foreign investment in India. Foreign investment and technology may be beneficial (add to capital stock) in high technology sectors where Indian entrepreneurs can also compete, but in areas where labour intensive processes are used with low grade technology, it may cause negative impacts on domestic enterprises with resultant impacts on employment and incomes. Without enabling our entrepreneurs with the capital and technology to compete with foreign capital and associated technology, it is immature to expect them to stay competitive. We also need to find technological solutions in keeping with our employment needs. Increased control of knowledge in general and technology in particular, in a paradigm of high IPR standards set by TRIPS and further raised by the EU (if TRIPS plus provisions go through), small and women entrepreneurs are likely to become even more uncompetitive.

While India may gain employment benefits in some sectors where a large women's presence is noticed e.g. education, health and to a much more limited extent, in banking, these have to be balanced against the question of *access to critical services*. While the situation of education after the FTA is not clear, the current tendencies in the banking and health services raise serious concerns, especially with regard to access for women who represent a vulnerable group, in dire need of these services but who already face severe disparity in access. This paper shows that foreign banks in India are not only vulnerable to speculative risks given their nature of activities, they also lend less to women and do not lend to rural areas where critical and gender sensitive sectors like agriculture are based. Apart from the direct impact on lending to women, the latter process means; on the one hand that Indian women, a large section of who depend on agriculture for their livelihoods, are directly hurt. On the other hand, rural areas itself represent currently as much as three fourth of women credit disbursement in India, and this need is untouched and is likely to remain untouched by foreign banks.

In the field of health, increased privatisation of health services has already skewed access against the poor, especially in rural areas. Increased FDI, as expected in the wake of the FTA will exacerbate this impact. The

Indian health sector is growing and the availability of skilled health professionals makes this an attractive business opportunity for foreign investors. This also offers opportunities for linked services like medical tourism. Therefore, though the EU currently invests very little in health services abroad, this can change if the FTA represents enough opportunities. While this may be beneficial for India, it is likely to put pressure on public services in two ways. First, it will directly replace public services as is already happening. Second, it will put an upward pressure on user fees even in public services. All of this skews access against women who clearly have unequal access and with even worse access to private services. What India needs is public services at low cost, not private services at high cost which *replaces* public services. The regulation of health services especially of critical trade linked services (e.g. medical tourism including surrogate motherhood etc), is a policy tool for just and effective use of health services, but the space for regulation may also be constrained under investment provisions under the FTA.

The question is 'how real are the gains?' For example, India may not be able to make much progress in liberalisation of mode 4, a significant area of interest from an Indian perspective. Women workers, looking to the EU for job opportunities, may not really gain. Also, will India not be able to make gains even if it liberalises at its own pace? It is already making substantial advances in IT and telecommunications and unless the FTA confers significant additional advantages, there may be costs that are too heavy to bear.

Finally, from the framework of the FTA, an obvious question arises. Is India planning to become a skill-based, service sector oriented economy that it places so much emphasis on service sector gains and undermines losses in commodity trade? If that is the case, its development indicators have a long way to go before it can meet its target. Inclusiveness in terms of job and income creation remains a major challenge. The policy needs to target broad based human development first and move to suitable policy solutions. We must achieve certain minimum indicators before we can use it to maximise gains from trade and investment liberalisation in services. Only with this achieved, can India fully gain from an ambitious FTA in a people friendly way. It may be prudent to go slow until this is achieved.