

WTI Brown Bag Seminar



Title

The impact of trade liberalization on informality in local labor markets in Peru

Speaker

Emmanuel Milet, PhD

When

Wednesday
1 May, 2019
12.30-13.30

Where

Anna Nussbaum Auditorium
World Trade Institute
Hallerstrasse 6, 3012 Bern

For PhD students: This lecture in economics is eligible as part of the PhD seminar series.

Abstract

In this paper we investigate the impact of trade liberalization on informality in local labor market in Peru over the period 2007-2015. We consider both the reduction in import tariffs and the enhanced market access Peru gained through several free trade agreements. We compute a measure of tariff at the local labor market level by taking the weighted average of tariffs using the share of each industry in local employment at the beginning of the period. Data on local labor market from the Encuesta Nacional de Hogares (ENAH), a representative household survey conducted every year. The data allow us to identify formal and informal workers. In particular, we define informal workers as either employees without a contract, or self-employed individuals who did not declare their economic activity to the competent authority. In addition, we can differentiate self-employed workers based on their main motivation for being independent. We are able to identify self-employed workers whose chose this type of activity willingly to those who are independent "by economic necessity". This is an important distinction since the former traditionally represents more educated, older individuals, the latter is mostly made of younger workers without much education earning a low wage. Furthermore, voluntary self-employed workers earn much more than reluctant self-employed, even after conditioning for many individual characteristics such as age, education, gender, occupation or industry. We find that changes in import tariffs or market access do not impact informality at the local level. However, we find that informality in the manufacturing sector increases as import tariffs decline, and is reduced as foreign market access is enhanced. The opposite effect is found in the service sector.

Biography of the speaker

Emmanuel Milet is a post-doc student at the University of Geneva. He received his Ph.D from the University Panthéon-Sorbonne (Paris 1) in 2014. His research is mainly empirical and focuses on international trade, with a special focus on international trade in services, and on the interaction between trade and labour market outcomes. He also worked on the shift toward services activities within manufacturing plants, a phenomenon known as the "servitization" of the industrial sector.