

**DEMAND PATTERNS AND EMPLOYMENT GROWTH:  
CONSUMPTION AND SERVICES IN FRANCE, GERMANY,  
THE NETHERLANDS, SPAIN,  
THE UNITED KINGDOM AND THE UNITED STATES**

Acronym: **DEMPATEM**

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Socio-economic Key Action (IHP-1999.-4)

**Work Programme  
Annex I to Contract  
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## 1. Objectives

In the 1960s employment rates in Europe, as a proportion of the population of working age, were higher than the United States. By the 1990s, however, the US was leading many – although not all – European countries by about 10 percentage points. Understanding how this transatlantic employment gap has developed is highly relevant to the Socio-Economic Key Action and to the formulation of appropriate policy measures at the European and national level.

The difference in employment trends seems to be related to the relative role of services, low-paid as well as high-paid, on the two continents. This will be the central area of investigation in the project. The issue also relates directly to the important aspects of gender and of macroeconomic policies. It has a clear European dimension in that the gap applies to many European countries, certainly the major countries, but there are also interesting intra-EU differences which will be taken into account.

The precise relation between the structure of the economy and the growth of employment is not well understood. A number of hypotheses have been put forward as the potential explanation of Europe's poor employment outcomes. These range from wage compression in Europe and differences in income levels between Europe and the US, through the inability of European firms to specialize and outsource services, to differences in consumer behaviour including the demand for services created by the higher level of female labour force participation in the US. As a consequence of the strong focus on the supply side in recent decades very little attention has been paid to the way *patterns* of demand, which show strong variation internationally, may be affecting employment.

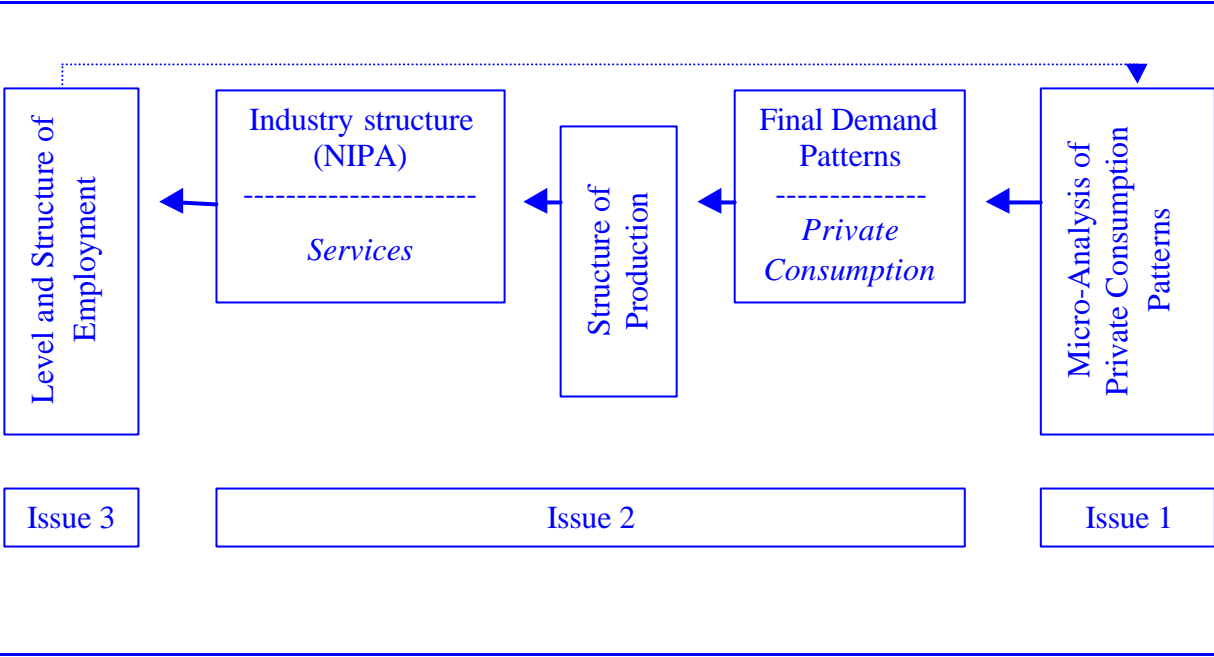
The sources of the observed differences in employment patterns to be examined in this project can be grouped under three broad heads, spanning product demand, production techniques and employment patterns :

1. The composition of final demand may differ between Europe and the US:
  - a) with respect to aggregate demand categories (consumption, exports etc.)
  - b) in the structure of private final consumption (household demand)

- 2. The inter-industry structure of production (outsourcing, supply patterns in intermediate goods)
- 3. The within-industry structure of employment, by skill, gender, age, working time and other characteristics

A comprehensive analysis of the differences in employment-to-population rates between the US and the EU, and also within the EU, therefore requires an investigation of the differences in each of these areas. Our work will examine comparative structures in each of these three areas with the overall objective of analysing the impact of differing patterns of consumer demand for employment growth. Particular attention will be paid to the role of services. The analysis will be carried out for various EU-countries individually and in comparison to the US. Schematically, the impact of the structure of consumer demand on production and employment is as follows, moving from micro-economic product demand at the right hand to the macro- and meso-economic structure to the microstructure and level of employment on the left:

**Scheme A Structure of the work**



The approach will take up each of the three complementary issues indicated in the scheme. The analysis will be based on microdata on household consumption (allowing us to identify the determinants of differences in private consumption patterns), input-output data (allowing

us to analyze the inter-industry structure of production and the impact on it of the structure of final demand), and on employment, pay and the labour force (allowing the analysis of the within-industry issues and the micro-macro integration). It will be carried out for a highly relevant set of countries (France, Germany, Netherlands, Spain, UK and USA).

\* First, we will establish the significance of final demand patterns, particularly the role of private consumption, for explaining the ‘jobs deficit’ in European employment, especially in services; we will explore the international differences in levels and macro-economic patterns of demand that are found from this.

\* Second, we will investigate the micro-economic determinants of the levels and patterns of consumption at the household level for the different countries. Relating level and pattern to the characteristics of consumer households will enable us to distinguish between the effects following from the composition of the household population, their income level and their spending behaviour. Particular attention will be paid to the effects of female labour participation on household income and spending and to the impact of rising wage and income inequality.

\* Finally, we will examine the structure of employment within industries, with particular attention to the service industries, studying the role of skill, gender, age including the widely differing incidence of part-time jobs across countries.

Our work will scrutinize differences in the demand structure of the major EU economies using the US as a benchmark. We will analyze the final demand structure at a more aggregated level distinguishing various categories within private consumption. We will proceed to analyze the consumption of private households in detail, which will allow us to identify determinants of consumption behaviour, such as household composition and income and (as the remaining category) consumer attitudes. For example, Americans may be more

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<sup>1</sup> This may be brought about by hiring different groups (adult men, youths, women, part-timers etc.) differently depending on their pay differentials. This is one of the subjects of study in Task 4.

<sup>2</sup> For example the Dutch minimum wage fell as much as its American counterpart potentially generating a much wider distribution; in fact this did not incite a corresponding increase in low-wage employment (and thus wage inequality). In addition, the distribution of literacy is also more compressed in Europe – the least educated attaining much higher levels than in the US – which goes some way explaining differences in wage inequality.

inclined than Europeans to buy services instead of doing-it-yourself. Naturally, we will also take into account the labour market participation of members of the households and the hours worked, that is, the largely different female participation rates, as this may leave less time for private household activities after deduction of the time spent in paid employment.

Differences in consumption patterns may produce very different effects on employment, depending on both the input-output structure of the economy and within-industry employment patterns. As to the former, the production structure and use of intermediates must be expected to differ between countries. It is to be investigated how far services consumption actually affects employment in consumer industries, and to what extent it affects other industries. That is, how far do the production functions for vertically integrated sectors differ across countries, and does this affect the employment structure as measured by the industry concept of the National Income and Product Accounts (NIPA)? Low-wage employment is concentrated in service industries (OECD 1996) but does demand for services create only low-wage jobs? To answer these questions requires knowledge of the inter-industry production structure (input-output data) bringing us back from consumer-oriented services to the wider question of the larger service sector in the US. Conventional National Income and Product Account (NIPA) statistics classify workers by industry, i.e. if manufacturing firms perform services in-house the employees performing these tasks are counted as manufacturing employees. However if the very same service is outsourced to a specialized service firm, the worker performing the same task will be classified as a service worker. Therefore, different degrees of inter-industry specialization may alter the relation between final demand structure and industry structure. For example, if the share of services and manufacturing in overall demand remains unchanged but manufacturing firms are outsourcing services to specialized service firms, service employment will rise and manufacturing employment as measured in the NIPA statistics will decline. Although firms are outsourcing to achieve efficiency gains, the changing structure of employment is a pure statistical effect. A common argument is that the differences in service employment shares between the US and the EU are due to differences in specialization - US firms make better use of specialization gains than their EU counterparts. Recent analysis shows that outsourcing is taking place but that it is overestimated as a source of service-sector growth. Furthermore, European economies seem to be as specialized as the US; i.e. European firms seem to be able to capture efficiency gains related to specialization. There are no dollar bills on the European boardwalks, to paraphrase the late Mancur Olson. Moving on from the

role of consumption, a further aspect of the role of services is the recent evidence for the UK that the services sector has been a major source of new demand for other services. Business services have been the fastest-growing area of employment, with much of the output supplied to other service producers. These services-to-services supply chains are a new and potentially important area for exploration, particularly as they generate many high-paid service jobs. We will examine particularly how this development relates to consumption patterns.

Finally, within-industry differences are relevant for international employment differences. The I-O analysis targets aggregate employment outcomes at the industry level in relation to demand; consumer spending analysis aims at understanding the patterns of demand. Similar levels of demand in different countries that result from this analysis may however relate to different employment outcomes, at the overall level as well as for specific groups such as women or youth or the low-skilled. It will be important to extend the I-O analysis to encompass the employment aspect of the derived demands for output back along supply chains.

For example, higher shares of low-skilled low-paid labour may go together with a greater number of jobs. In particular, services may be produced at different levels of productivity and therefore employment. A well-known example is the French Toys–R–us shops that employ thirty percent fewer employees than their American counterparts (Nickell, 1999). Now either productivity may be higher or certain (additional) services may not be produced (which European consumers perhaps find too costly and/or do not appreciate). Productivity can differ because of a different choice of technology, that is a different process of capital-labour substitution, and/or a different supply of skills – the European low educated often being much better skilled according to the International Adult Literacy Survey of OECD and Statistics Canada. Productivity and the composition of employment could also differ because of the diverging availability of labour (by gender, skill, age) and/or diverging preferences of labour supply (e.g. concerning working time). Pay differentials, again by gender, skill or age may also affect the structure of employment. Higher rates of part-time work, which adapt the actual presence of the work force better to the peaks of consumer demand and skip idle hours, can also affect productivity positively and employment (hours worked) negatively.

Evidently, there is a two-way process at work with many interactions between consumer demand and employment going both ways. The present project does not address all these complex issues of interaction but focuses on a detailed study of microeconomic data on

employment and labour supply – distributions of skills, of earnings and of working time – to establish the structure of employment for the service industries. Special attention will be paid to retail trade which is both the largest consumer industry and the largest low-paying industry and which also shows a substantial US-European employment gap (at the NIPA-level that is – it remains to be seen what its role is after the input-output analysis). Special attention will also be paid throughout the project to the role of female labour market participation. A higher level of participation may enhance income and product demand and it may also change the pattern of demand to the extent that household production is ‘outsourced’ to market production. This type of production may also be relatively labour intensive.

Summarizing we list the questions which we intend to investigate, all in international comparative perspective:

- Does the higher share of service industries in the US derive from a larger role of services in the structure of final demand, and is this gap growing?
- Particularly, is consumer demand higher and growing more rapidly in the US? What is its impact on the production of services?
- What is the role of the pattern of consumption in this?
- What determines the patterns of consumption? What role do household characteristics, including labour market participation, income inequality and consumer attitudes play?
- How does consumer spending on services translate into the structure of production?
- What is the structure of employment in these industries by skills, gender, age, and pay? And how does this depend on female labour supply?

The project will have two kinds of benefits. Naturally, the first and most significant output will be the direct results of the analyses that we undertake. We hope to contribute an important new understanding of the transatlantic employment gap based on a first systematic and elaborate linking of product and labour markets. We expect to move beyond the simple views of more inequality (USA) versus less inequality (EU) to which the employment gap is too often ascribed. We will look simultaneously at the product market and the labour market in a systematic and comparative fashion. This will be the first time such an integrated

approach spanning product and labour markets will be developed for an international comparison of employment trends and their causes.

Both the level and the pattern of employment are relevant to the very important aspects of female employment participation, earnings dispersion and last not least the industrial structure. If the patterns of demand do appear to exert significant influences on both level and pattern of employment this will shed important new light on broad economic policy making. It will contribute to the interpretation of “the sound macroeconomic policies” in support of the supply-side labour market policies (employability etc.) which are aimed at raising the EU’s poor employment rate performance. The intra-EU differences that may appear from our research will be particularly relevant for the feasibility and importance of the Co-ordinated Employment Strategy (Articles 125-130). There may also be implications for the role of controlled pay increases (the ‘Cologne Process’ of the European Employment Pact) and, specifically, on inequality as a tool for stimulating job growth.

Even if the effects would turn out to be on the pattern of employment only, and not on its level, the outcomes of the project will still be highly relevant to policies concerning matters such as:

- the creation of job opportunities in services,
- the furthering of female employment.

The set of EU countries covered is very interesting and meant to enhance the European relevance of the project. All the major economies are included (France, Germany and the UK), with the exception of Italy which had to be left out as unfortunately no adequate data on consumer spending are available. The Netherlands is a middle-range economy which has been rather successful in lowering unemployment recently. Spain has a different employment experience and demand structure which greatly add to the relevance of the international comparison. Unfortunately, the present project could not comprise one of the Scandinavian countries that seem to represent a economic model with a notably different organisation of private consumption and public consumption. However, the advice of Scandinavian colleagues on the set-up of our work will be sought at an adequate moment, during the workshops, to keep open the option of a future replication study on Scandinavian data.

Second, at the methodological level the project will provide an analytical framework for connecting product demand and employment patterns. It will be relatively easy to apply this framework to simulate more detailed questions such as the impact of demographic changes on

consumption expenditure or the lowering of VAT on labour intensive services, for example bicycle repair or house cleaning. A fine example of such an exercise along similar lines was given by Golladay and Haveman (1976). Thus, the project will provide a general tool for policy analysis, enabling quantitative analysis of the employment effects of developments in consumption or specific policy proposals.

Finally, it should be observed that the work proposed here will not be done in isolation – it fits within the broader framework of activities (2000-2003) of the established and highly active European Low-wage Employment Research network (LoWER). Most partners to the present proposal are actively engaged in the network, which tackles a broader range of issues comprised by the question *Can Improving Low-Skilled Consumer-Services Jobs Help European Job Growth?* This includes *inter alia* the study of labour supply, for low-paid as well as high-paid services, of the role of education and training and also, in more detail, of the quality of services (as a stimulus to both labour supply and product demand). The themes of the present proposal will lead on naturally to further areas of analysis of the labour market being studied by other partners in the Network. As was stated above the structure of the present proposal is not a reflection of a view that demand is all-determining. Rather, the present approach targets consumption as its prime ‘suspect’, in a complementary fashion to other research undertaken within the network.

The work done for the present project will be the core of the network activities addressing the significance of consumption for low-skilled job growth. The seminar and the conference to be organised for the network will overlap with two events to be organised for the present project. This has been taken into account for the budgeting of the travel and subsistence costs of the present project.

## 2. Work Content

We will now set out how these questions will be approached in a work plan.

The basic organisation of the research needed to investigate these questions will be by means of three teams, who will interconnect at intervals via the two Project Workshops, the Project Conference and the Concluding Conference and by the Project Co-ordinator in co-operation with Partner 2A. The teams will each address one of the above themes: i) final demand analysis, ii) consumer demand analysis and iii) structure of employment analysis. The teams will have a distribution of labour by country, producing country results (papers), either for the single countries (Team 3) or for three countries taken together (Teams 2 and 4). They will each have a Team Co-ordinator guaranteeing the congruence of the approaches and executing the comparative overview of the country results. In addition, a fourth team (Team 1) will, during the first year, do a review of the literature and situate the issues addressed here in the wider context of the theoretical and empirical debate. Details of the separate tasks will be discussed below.

The support given to the project will primarily fund the necessary research assistance for each of the participating institutions, to enable the efforts which are indispensable for a good result. The assistance is preferably sought at the post-doc level to provide the acquaintance with the treatment of the microdata needed for the head start which is vital to reach a proper result within the relatively short time period. Most of the work on the data should be finished within a year and a half. The post docs will be a member of the teams depending on their specific tasks. The kick-off meeting is planned at a time the post-docs will have been selected so they can also be present. At this meeting the time planning for the three project periods, which has already been made more precise here compared to the original proposal of June 2000, will be complemented with the details of the work to be done for each of the three themes to enhance the comparability of outcomes. This is especially important as the data problems are non-trivial. We expect that the breakdown by industry that is available in the input-output data will dictate the aggregations that can be made for both consumption and employment analysis to attain a rigorous Leitfaden across the three main tasks, that is for the project as a whole. A

detailed comparison of all available datasets will be made to enable decision making about this at the kick-off meeting. Naturally, within the three themes more detailed international comparisons shall be made if the data allow. At the workshops the teams will exchange new-found information and views to allow feed back between members of each team and across the three teams. Between the workshops most communication will be done by email but there is a provision for additional ‘bilateral’ travel for direct research co-operation. Each team will present Workshop Papers showing the progress made for the respective countries. These papers will be circulated in advance to guarantee an effective exchange of opinions during the seminar and, for the second workshop, to also enable the timely drafting of a comparative Theme Paper by the Team Co-ordinator. The output of the second workshop will provide the draft input for the conference. The overall result will be presented and discussed at a special Concluding Conference open to invited researchers and to policymakers from government, at the national and EU level, and from business and unions in the service industries. At this conference four referees who are external to the project will be invited to participate and comment on the results. The output of the conference will be the (draft) input for the book and the Executive Report to the Commission which will provide the final output of the project together with the Analytical Tool. The last four months of the project are deliberately set apart for this consolidation of results. The participants attach great weight to the dissemination of the results at a conference and also as a book and an Executive Report. The fact that the project will be embedded in the LoWER network facilitates the dissemination process both through its newsletters and the conferences and seminars.

We flesh this out presenting the structuring of separate tasks of the project.

## 2.1 Literature Review and Context

The first team will deliver a critical overview of the discussion on the changing economic structure in economics but also in sociology (e.g. Esping-Andersen). This will include approaches to understanding international differences in the shifting structure of employment (e.g. Singelmann) and particularly the structure of services employment (e.g. OECD *Employment Outlook* and Elfring). Measurement issues of output and productivity (e.g. Boskin, Griliches, Gordon), demand considerations, the issues of public versus private provision of services, the subsidizing of services, the effects of changes (improvements) of product quality, NIPA accounting, and also the outsourcing of household production and

time-use for household or labour market activities will be considered. Qualitative aspects of preference formation, serving as a caveat to the quantitative side dealt with in the project, will also be considered in the review. This overview will be ready by the end of the first year. Quite likely it will also serve as a support for the research undertaken in the different tasks and as an ingredient for the resulting book.

## 2.2 Final Demand and Production Structure

The first aim of this team is to establish the above conjectures that services and consumption are playing a very significant role for employment. There is surprisingly little research available on this that draws an international comparison. Certainly, we will line up the macro-economic evidence on the basis of national accounts data. More importantly, however, we will with the help of a structural decomposition analysis of input-output data examine final demand and its categories, particularly private consumption, in relation to employment. This will be the first task. With the help of the same data we will simultaneously investigate the inter-industry structure of production. Thus we will derive a clear relationship between final product demand and production which is cannot be acquired with conventional National Accounts statistics. The latter miss the point of outsourcing, for example from manufacturing to services, which can make the same structure of final demand look differently, a statistical artefact caused by the institutional (industry-specific) definitions applied in National Accounts Statistics. Structural economic dynamics and structural differences between countries will thus be corrected for “measurement errors”. Investigating changes in Final Product Demand (FPD) and its effect on the structure of production requires the analysis of vertically integrated sectors (Pasinetti, 1983) as can be derived from Input-Output statistics. Input-Output analysis is designed to distinguish between these two principle sources of economic restructuring. Furthermore, it allows to differentiate changes in final demand into those caused by changing consumption patterns, government expenditures and international trade. It thus enables to study the link between demand and employment in a much more direct fashion.

We propose to investigate the relative importance of the changing inter-industry division of labour and the shifts in different final demand categories (consumption, government, international trade) over time for different industrialised countries. This will contribute to answering one of most fundamental economic questions, that is whether the industrialised economies have changed in their real patterns and it also investigates the causes of these changes. Different elements of final demand (private consumption, public consumption,

investment and exports) affect individual commodities differently and they generate different employment patterns with respect to skill types and earnings at different levels. Even similar demand patterns across commodities may create different industry patterns depending on the inter-industry production structure.

The research will cover German, British, French, Dutch, Spanish and American data using national and international datasets (e.g. the OECD Input-Output database). The selection of countries rests on the importance of the countries, their mutual difference and the availability of appropriate data. The research will investigate the developments over time within countries and compare these internationally. In this framework the role of aggregate consumption will be compared to the other categories of final demand to establish its importance relative to these, focusing on the changes over time and the international differences. Did the role of consumption increase? Is it more important and/or did it increase more strongly in the US than in Europe? Subsequently, the role of consumption vis-à-vis the industries providing low-skilled consumer services will be established, naturally in the same comparative framework.

Partner 2 has used the input-output approach extensively to compare changes in the industrial structure between the US and a number of European countries and to relate final demand categories to employment for the Netherlands. This indicates a very important and growing role for consumption. Partner 4A has used it to analyse the effects of final demand on the skills structure, between other factors such as technological change, particularly correcting for the high incidence of part-time work in low-skilled services. On the basis of this work the two partners intend to proceed, systematically drawing the comparisons of decomposition, each for a number of countries. The national data for other four countries will be provided to them by the project partners from these countries.

For studying the relationship between employment and economic growth, it would not be very helpful to stop here and not analyse the determinants of the level of consumption and the pattern of consumer expenditure in relation to services which appears to be where international employment rate differences are primarily located. This will be done by the microeconomic analysis of consumer spending undertaken by Team 2.

### 2.3 Consumption Patterns and Demand for Services

Very little work has directly examined the links between consumer demand and the pattern of employment. Can we identify any differences across countries and/or in time in product demand that may account for higher levels of employment or more rapid employment growth in certain industries, in certain occupations and for certain groups in the population (women)? And, subsequently, can we identify the household characteristics, such as its composition, its income level and its labour market participation, that are behind these differences? This is an important, yet extremely under-researched area, if we are to understand the forces which help determine employment. This project aims to fill this gap in existing knowledge.

We propose to investigate patterns of consumer demand and how it interacts with labour market outcomes. In particular, we will try to ascertain the extent to which goods and services are consumed by different income classes and estimate different elasticities of demand across these goods and income classes. We will then try and relate observed labour market outcomes to these estimated price elasticities of demand for different products. This may require using complementary data sources. The first to estimate the price elasticities, the second to provide detailed information on labour market changes. Menezes-Filho (1997) has undertaken a similar exercise in his analysis of the effect of product price elasticity of demand on firm-level profitability, mapping in the former at industry level to a company level data set. Central to these questions are the observed changes over time and how rising earnings inequality, on the one hand, is linked to changes in consumption patterns. To the extent that consumption reflects people's permanent income one can make links between the evolution of the distribution of earnings and examine how it maps onto widening consumption inequalities.

Data requirements for this type of work necessitate detailed information on consumption and household characteristics. Such information is rarely found in single data sources over a long time period. Two exceptions are the *Consumer Expenditure Survey* in the U.S. and the *Family Expenditure Survey* in the U.K. The Dutch *Budget Onderzoek* dataset, which covers the years 1980, 1985 and 1987-1997, will also be part of the study. For Germany the *Einkommens- und Verbrauchstichprobe* will be used, for France the *Enquêtes sur les Budgets des Ménages*, for Spain the *Encuesta de Presupuestos Familiares*. Cross-country and cross-time comparisons will be carried out. Where possible, we will also attempt to match the data across industries common to both the consumption and the labour market data sets, such as the Labour Force Survey for the

U.K. and the Current Population Survey for the U.S. We expect the study to reveal important new insights on the interaction between consumer demand and the labour market, how the connections between them have evolved through time and how they differ internationally.

Partner 3 who will lead the research in this area has top-level experience in micro-econometric analysis and is well acquainted with the UK Family Expenditure Survey. The US Consumer Expenditure Survey will be treated by the subcontractor who will work with the US data in the US. Partners 1A, 2, 5A/B and 6 will cover the other countries. Partner 2A, although affiliated to a Dutch university, has excellent access to German datasources.

## **2.4 Employment Structure in Service Industries**

Naturally, its essential to also explore the structure of employment within the service industries to complement both Task 1 (the level of production and employment given consumption) and Task 2 (the pattern of consumption) and finally arrive at results that bear on the employment rates of different groups and different countries. The relevant question is what pattern of employment is generated back through the total supply chain. For example, Partner 4A found for the UK in the 1980s that the growth of domestic consumer and government expenditure generated job growth at all skill levels, but with the least impact on the low-skilled. Exports similarly created jobs at all skill levels, while rising import penetration destroyed them; the net effect was job-destroying overall, again with the low-skilled most affected. Naturally, we will pay particular attention to private consumption.

The level and the pattern of employment within these industries depend on the level of productivity and the availability (skills, sex, age etc.), wages and preferences (e.g. working time) of labour supply, as in other industries. Such supply-and-demand interactions are not the focus of the task. The aim is with the use of microdatasets on earnings and employment to arrive at as detailed as possible a picture of the employment structure of services. The skill structure within the industry is a highly relevant issue to address as lower levels of skill and pay may correspond with more employment, or not. The employment structure by enterprise in the industries will also be considered. It comprises the share of larger and perhaps more professional enterprises and notably also the role of the self-employed. The employment share of the latter varies widely across the Atlantic and within the European Union, and in the service industries in particular, the share of the self-employed in production and employment can be substantial. Besides micro-data meso-economic data on the industries may be used.

## List 1 Work Packages List

Package	Title	Months	Partners	Outputs	Person-months and Budget
1	<i>Review of Literature</i>	1-12	<b>1A/B, 2A</b> (lead), <b>4B</b>	1 Paper reviewing the literature and situating the issues	1
					1.0 month
2	<i>Theme 1: Final Demand and Production Structure: Services and Consumption</i>	1-22	<b>4A</b> (lead)	1 × 2 Workshop Papers on 3 countries 1 × 2 Theme Papers; 1 Chapter	16 3 .5
		1-24	<b>2A/B</b>	1 × 2 Workshop Papers on 3 countries	16
					35.5 months
3	<i>Theme 2: Consumption Patterns and Demand for Services</i>	1-22	<b>1A, 2A/B, 5A/B, 6</b>	4 × 2 Workshop Papers on one country	4 × 6.5 = 26
		1-22	<b>sub-contractor</b>	1 × 2 Workshop Papers on two countries	p.m
		1-24	<b>3</b> (lead)	1 × 2 Workshop Papers on one country; 1 × 2 Theme Papers; 1 Chapter	6.5 5 1
					38.5 months
4	<i>Theme 3: Structure of Employment in Services</i>	1-24	<b>1A</b> (lead), <b>1B, 4B</b>	1 × 2 Workshop Papers; 1 Theme Paper on all countries; 1 Chapter	2 × 10.25 1.5 .5
		22.5 months			
5	<i>Integration, Co-ordination and Dissemination</i>	1-22	<b>1A, 2, 3, 5A/B, 6, sub-contractor</b>	6 × 1 National Papers and Book Chapters	4 × 0.5 = 2 1 × 1 p.m.
		1-24	<b>2A</b>	1 Overview Paper; 1 Chapter; Book	2.5 2 1
		1-26	<b>1A</b>	Ibidem; Executive Report; Preparation of Book; Events Organisation	2.5 2 1
					14 months
<b>Total</b>					<b>111.5 months</b>

The partners are very well acquainted with the issues at stake and the datasets and 1A and 4B have performed joint research before.

## 2.5 Work Packages and Deliverables

For each of the tasks a separate sub-programme of research is envisaged making up a Work Package. The integration of the separate results will first be done in Theme Papers for each of the three themes. Subsequently, the Partner 2A and the Project Co-ordinator will integrate the theme results in an Overview Paper. The latter is part of the fifth work package together with the integrated summary of the results in six national papers and the co-ordination and organization of the project and, last not least, the dissemination of the results. List 1 presents an overview of the five packages, indicating the duration of the work, the composition of the teams, the outputs to be delivered and the amount of research assistance needed for the work.

### List 2 Deliverables

<i>No</i>	<i>Title</i>	<i>Month</i>	<i>Dissemination</i>
1	Review of the literature, situating the issues	12	RE
2-10	9 draft Workshop Papers	8	RE
11-19	9 final Workshop Papers	14	PU
20-21	2 draft Theme Papers, comparing the six countries on each of two issues	15	RE
22-24	3 final Theme Papers, comparing the six countries on each of the three issues	19	PU
25-30	6 National Papers integrating the three Themes for each of the countries covered	21	PU
31	1 Overview Paper bringing together the three Themes	21	PU
	4 Referee Comments	22	RE
32	Concluding Conference	22	PU
33	Book (copy for the publisher)	26	PU
34	Executive Report	26	PU

RE = restricted PU = public

The efforts provided by the participating scientists are not shown (except implicitly for Partner 5) but they will also be substantial, corresponding to an estimated one-third of the person-months requested here for the research assistance. More details of the work will surface when discussing the time planning and describing the work packages one by one. All

tasks will include a comparison over time, preferably between the early 1980s and the mid-1990s, and an international cross-section comparison for all the countries covered. The expected amount of time needed for doing the work which determines the different amounts of person-months dedicated to each of the tasks is also mentioned in List 1.

List 2 lists the project deliverables which will become available, in the more or less restricted manner indicated in the right-hand column, to the world outside the project consortium. The within-project workshops are not mentioned.

In addition progress reports will be delivered every six months and two annual reports will be delivered very twelve months. A website will be maintained throughout the project at <http://www.uva.nl/aias/lower/> (choose DEMPATEM).

### List 3 Time Sequence of Activities

<i>Month</i>	<i>Activity</i>
3	Kick off meeting (Oxford)
6	9 first-draft Workshop Papers: 2 for Theme 1, 6 for Theme 2, 1 for Theme 3
6	<i>Project Workshop 1</i> (Braga)
11	9 second-draft Workshop Papers: 2 for Theme 1, 6 for Theme 2, 1 for Theme 3
11	2 first-draft Theme Papers (Theme 3 Working Paper $\equiv$ 1 <sup>st</sup> draft Theme Paper)
12	Review of literature, situating the issues
12	<i>Project Workshop 2</i> (jointly with LoWER network seminar)
18	3 second-draft Theme Papers (all themes), 6 National Papers
19	<i>Project Conference with call for papers</i> , jointly with LoWER network
22	10 Chapters (= final-drafts of the 3 Theme Papers, the 6 National Papers and the Overview Paper)
23	Invited Comments
24	<i>Concluding Conference</i>
26	Book (publisher-ready copy)
26	Executive Summary Report
p.m.	Publication of the book by the publisher

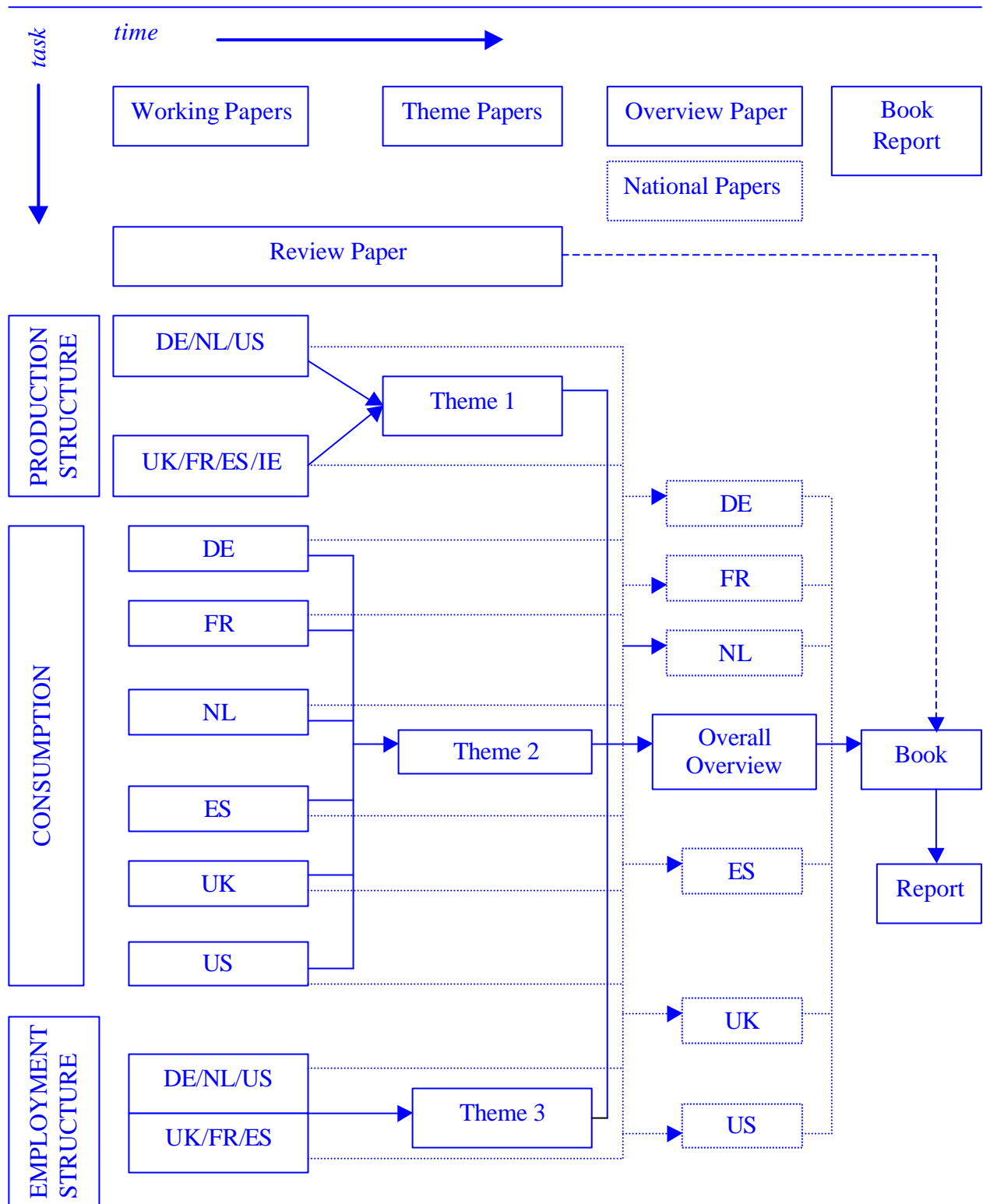
Note: The time planning may differ slightly depending on holidays, examination periods etc.

## 2.6 Time Planning

For their start the three theme tasks do depend on each other to establish a common format but after that there is no need to finish the work on one issue first before another can start. All

research will start at the same time and the workshops will pay attention to all three issues simultaneously. Interdependencies influencing further progress will be dealt with at the workshops. This will enable the integration of the themes that is anticipated before and after the conference. The workshops and the conference will be the main help to structure and speed up the activities. In List 3 the activities are mentioned in chronological order.

**Scheme B Organization of Tasks**



## 2.7 Overview of Work Packages

Scheme B presents an overview of how the different tasks hang together, Schemes 3.1 to 3.5 describe the work packages related to the five tasks.

### Scheme 3.1

#### General

Work Package number: *1 (Review of the Literature situating the Issues)*

Start date and duration: month 1, 12 months.

Responsible partners = partners involved: 2A (lead), 1A/B, 4B

Person-months per partner: 0.5 for partner 2A and 0.25 for partners 1A/B and 4B, total 1.0.

#### Objectives

Undertake a review of the literature available in the wider context of the research that will be undertaken, such as the changing structure of employment, the formation of consumer preferences particularly services, and a range of more and less fundamental measurement issues

#### Description of work

Study the relevant literature that is available and bring the main arguments together in a single, coherent text.

#### Deliverables

A report reviewing the relevant literature on the issues dealt with in the project aimed at both giving an overview of the literature in its own right and presenting the research undertaken in this project in the appropriate context of the theoretical, empirical and policies debate.

#### Expected results

A clear view of the relevant debate and the issues at stake, that also helps to guide the research and list the caveats of the research outcomes.

### Scheme 3.2

#### General

Work Package number: **2** (*Final Demand and Production Structure*)

Start date and duration: month 1, 12 months.

Responsible partners = partners involved: 4A (lead), 2A/B

Person-months per partner: 16 for partner 2A/B and 19.5 for partner 4A; total 35.5.

#### Objectives

Joint research on the real national changes and international differences of types of production, esp. services, and of final demand, particularly private consumption for each of the six countries, both in terms of money and of employment (full-time equivalents).

#### Description of work

Decomposition analysis of Input-Output data for the UK, Spain and France (partner 4A) and Germany, the US and the Netherlands (partner 2A/B) using existing national data and international data. Each of the two partners will cover three countries. National datasets for Spain and France will be provided through the national members.

#### Deliverables

1. Two first- and second-draft Workshop Papers to be presented at the workshops on each of the countries covered (both partners).
2. One draft Theme Paper comparing the country outcomes at the second workshop (partner 2)
3. One final Theme Paper at the Conference (partner 2A/B)
4. One Book Chapter on the theme (partner 2A/B)

#### Expected results

A clear view of the comparative role of final demand and the inter-industry division of labour for production and employment (particularly in services).

### Scheme 3.3

#### General

Work Package number: **3** (*Consumption Patterns and Demand for Services*)

Start date and duration: month 1, 24 months

Responsible partners = partners involved: 1A, 2A/B, 3 (lead), 5A/B and 6, and the subcontractor

Person-months per partner: 12.5 for partner 3, 6.5 for partners 1A, 2A, 5A/B and 6; total 38.5

#### Objectives

Joint microeconomic research on household characteristics determining levels and patterns of consumer expenditure, particularly for services, including the relationship to income inequality and labour market participation, and on demand elasticities.

#### Description of work

Analysis of UK *Family Expenditure Survey* (partner 3) and US *Consumer Expenditure Survey* (subcontractor), Dutch *Budget Onderzoek* (partner 1A), German Einkommens- und Verbrauchstichprobe (partner 2A/B), Spanish *Encuesta de Presupuestos Familiares* (partner 5A/B) and French *Enquête sur les Budgets des Ménages*. All datasets enable a comparison to the late 1970s or early 1980s with the exception of the Spanish.

#### Deliverables

1. Six Workshop Papers to be presented at the workshops on each of the countries covered (all partners).
2. One draft Theme Paper comparing the country outcomes at the second workshop (partner 3)
3. One final Theme Paper at the Conference (partner 3)
4. One Book Chapter on the theme (partner 3)

#### Expected results

Good knowledge of the micro-economic determinants and explanation of US-EU differences in consumer demand patterns from income levels, household characteristics, labour market participation and consumer attitudes, particularly related to the demand for services.

### Scheme 3.4

#### General

Work Package number: **4** (*Employment Structure in Service Industries*)

Start date and duration: month 1, 24 months.

Responsible partners = partners involved: 1A/B, 4B.

Person-months per partner: 12.25 for partner 1 A/B; 10.25 for partner 4B; total 22.5.

#### Objectives

Joint research on within-industry employment structures in the service industries concerned for the countries covered.

#### Description of work

Analysis of structure of earnings and labour force data, particularly on skills, earnings, the gender and age composition of the work force and on working hours from Labour Force Surveys, Structure of Earnings Surveys, National Accounts, ISDB and OECD Services statistics.

#### Deliverables

1. One first- and second-draft paper to the workshops on all of the countries covered.
2. One integrating Theme Paper comparing the country outcomes for the Conference.
3. One Book Chapter on the theme.

#### Expected results

Good understanding of the international differences in employment levels and composition in the services industries linking demand to the structure of employment, particularly for the retail trade.

### Scheme 3.5

#### General

Work Package number: **5** (*Integration, Co-ordination and Dissemination*)

Start date and duration: 1, 20 months

Responsible partners = partners involved:

- a) national integration: 1A, 2A, 3, 5A/B, 6 and the subcontractor;
- b) overall: 1A and 2A

Person-months per partner: 6 for partners 1A/B and 2; 0.5 for partners 3, 4 and 5A/B, 1 for partner 6; total 14

#### Objectives

Integrate the results of the project at the national level and overall.

Guarantee its functioning in accordance with its work programme and the proper dissemination of its results, monitoring the expenditures and reporting to the European Commission about the progress, the final results and the financing of the activities.

#### Description of work

Partners 1A, 2A, 3, 5A/B and 6, and the subcontractor: Draft six National Papers on the basis of Workshop Papers from each of the three Themes which will subsequently be finalized as six Chapters to the Book.

Partner 2A:

Will play a stimulating role for the development of the project research and take the lead in drafting the Overview Paper, and co-operate with partner 1A for editing the Book on the basis of the three Theme Chapters.

Partner 1A:

Organise the kick-off meeting of the network.

Initiate and support the organisation of the Workshops, the Joint Conference and the Concluding Conference and its publicity together with the local organizer.

Formally invite the external experts to the Concluding Conference.

Organise the desk-top publishing of the Literature Review, the Executive Report and the Book

Organise the dissemination of results

Maintain the project website

Provide the administrative support to the project

Assist Partner 2A in drafting the Overview Paper, and co-operate for editing the Book on the basis of the three Theme Chapters.

**Deliverables**

General Overview Paper

Concluding Conference

Overview Chapter

Book as a whole

Camera-ready Book

Executive Report

**Expected results**

A proper functioning of the project and a good result of the research.

## Annex I Project Partnership

<i>No</i>	<i>Scientists and Institutions</i>
1 UvA	<p><b>A. Dr Wiemer Salverda</b>  <b>B. Dr Kea Tijdens</b></p> <p>Amsterdam Institute for Advanced Labour Studies and Faculty of Economics, Universiteit van Amsterdam, the Netherlands</p> <p><u>subcontractor for the USA.</u></p> <p><b>Dr John Schmitt</b>  EPI, Washington</p>
2 UU	<p><b>A. Prof. Ronald Schettkat</b>  <b>B. Dr Giovanni Russo</b></p> <p>Department of Economics and Policy Studies, Universiteit Utrecht, the Netherlands</p>
3 UCL	<p><b>Prof. Stephen Machin</b></p> <p>University College London, United Kingdom</p>
4 OUOXF.CU	<p><b>A. Dr Mary Gregory</b>  <b>B. Mr Andrew Glyn</b></p> <p>Department of Economics, Oxford University, United Kingdom</p>
5 UC3M	<p><b>A. Prof. Javier Ruiz-Castillo</b>  <b>B. Dr María Jose Luengo Pardo</b></p> <p>Departamento de Economía, Universidad Carlos III, Madrid, Spain</p>
6 ARMA	<p><b>Prof. François Gardes</b></p> <p>Association pour la Recherche en Micro-économie Appliquée (Université de Paris I-Panthéon-Sorbonne)</p>