

VOORBURG MEETING, OTTAWA, 27 SEPTEMBER – 1 OCTOBER 2004

**OECD WORK ON THE SERVICE ECONOMY: SOME ISSUES FOR MEASUREMENT AND A
WORKSHOP ON SERVICES, 15-16 NOVEMBER 2004**

NOTE FOR INFORMATION FOR THE SESSION ON STRATEGY, FRIDAY 1 OCTOBER

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Introduction

In 2003, the Japanese government requested the OECD to undertake a project on “Enhancing Performance of the Service Economy.” The project is intended to enhance the understanding of services sector performance and will need to derive conclusions for policy measures that can improve the performance of the services sector in OECD economies. The final report on the project is due in May 2005. The need for better performance of the service sector owes to its growing weight in OECD economies; if policy makers wish to increase employment and aggregate productivity growth, the services sector will need to make a larger contribution than is currently the case.

The proposal presented by the Japanese government identified some of the key analytic requirements and policy challenges that must be addressed. It also raises important challenges for statistical measurement and for empirical analysis. The challenges for services statistics are well known and have been the subject of work at the international level for many years, in the context of OECD work and that of other international organisations and expert groups, including the Voorburg Group.¹ The need for better measurement has become even more urgent in the light of the greater political priority that many OECD countries are currently attaching to the services sector and its contribution to economic performance.

To help address some of the major measurement challenges, OECD is organising a workshop on services in the context of the next meeting of the Statistical Working Party of the Committee on Industry and Business Environment (CIBE), in November 2004. The workshop is being co-ordinated with the European Commission, as it hosted a workshop on services measurement in June 2004.

The workshop will focus on a number of themes that are of particular interest for the OECD work on services:

- *Overview of OECD work on services.* This introductory session will give a brief overview of OECD work and available statistics on services, notably as regards structural business statistics as well detailed industry data from national accounts, as included in the STAN database. The session will also give a brief perspective from the OECD on the main challenges for services measurement, based on an OECD paper presented to the Voorburg group.
- *Measuring the integration of manufacturing and services.* A particularly important issue in the context of the growing role of services concerns the links between different sectors of the economy, notably manufacturing, and the ways in which these interactions could potentially be measured. Input-output tables offer one option, but they are not always available at a level detailed enough to address questions regarding the evolving nature of supply chains. Firm-level data might also provide helpful insights, as they might enable an analysis of the changing distribution of enterprises value added or employment disaggregated by sector on the basis of its

1. See OECD (2003), “Statistics on Services: OECD Data, Planned Work on Service Performance and the Role of SWIC”, DSTI/IND/EAS/SWP(2003)7, OECD, Paris.

establishments. This would obviously be helpful in examining how much manufacturing value added originates from service activities or how much services value added originates from manufacturing activities. This session will present some results of work with firm-level data along these lines that has been conducted by statistical offices in the context of an OECD-EC project. A third approach is to use data on occupations, which can show the changing composition of the services and manufacturing workforce. This session will present some new statistical work in this area.

- *The measurement of output, prices and productivity in services.* Measuring output, prices and productivity in the services sector remains a key challenge for all countries. Many official measures point to negative or poor productivity growth in key parts of the services sector, despite evidence of a growing dynamism in many parts of the services industry.² Better measures are being developed in some OECD countries and it will be useful to use the workshop to discuss and highlight new and innovative approaches to output, price and productivity measurement in services. The session will focus in particular on measurement issues in one important sector that accounts for much of the variation in productivity growth across OECD countries, namely retailing.
- *Micro perspectives on the services sector.* Available firm-level statistics demonstrate that most growth of new firms and new jobs occurs in the services sector.³ Growth is also driven by the allocation of resources from high to low productivity firms within the services sector. This session will highlight new and innovative statistical and empirical work with firm-level data that is currently underway across OECD countries and their implications for our understanding of growth in the services sector. It will particularly focus on micro work for the retailing sector.
- *Explanations for the growing share of services and the differences across OECD countries.* The final session of the workshop will discuss why OECD countries differ in the contribution that services make to their economy. This topic will feed into OECD's analytical work on the services sector.

A draft agenda of the workshop follows below; a final version will be developed following the CIBE meeting of October 2004.

Interested government officials of OECD member countries are welcome to participate in the workshop. Please contact Dirk Pilat at dirk.pilat@oecd.org for further information.

2. See A. Wölfl (2003), "Productivity Growth in Service Industries: An Assessment of Recent Patterns and the Role of Measurement", *STI Working Papers 2003-6*, OECD, Paris.

3. See N. Brandt (2004), "Business Dynamics in Europe", *STI Working Paper 2004/1*, OECD, Paris.

WORKSHOP ON SERVICES - DRAFT AGENDA

Paris, 15-16 November 2004, starting at 9.30

DAY 1: MEASUREMENT PERSPECTIVES ON THE SERVICES SECTOR

SESSION 1: AN OVERVIEW OF SERVICES STATISTICS AT THE OECD

1. *Opening and introduction*
2. *Improving the statistical basis for empirical analysis of the services sector – Background paper* DSTI/EAS/IND/SWP/AH(2004)1
Dirk Pilat, OECD
3. *Overview of statistical work on services* DSTI/EAS/IND/SWP/AH(2004)2
Bill Cave, OECD
Room documents on key OECD databases, *i.e.* structural business statistics and STAN

SESSION 2: MEASURING INTERACTIONS BETWEEN SERVICES AND MANUFACTURING

4. *The growth of services and the interaction with manufacturing - measures based on enterprise and establishment data* DSTI/EAS/IND/SWP/AH(2004)3
Dirk Pilat, OECD, including and based on contributions from statistical offices in the OECD area.
5. *Inter-enterprise relations – findings from a new survey* DSTI/EAS/IND/SWP/AH(2004)4
European Commission
6. *Interactions between services and manufacturing – findings from input-output tables and occupation data* DSTI/EAS/IND/SWP/AH(2004)5
TBA

**SESSION 3:
NEW APPROACHES TO MEASURING OUTPUT AND PRICES IN MARKET SERVICES**

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| 7. | <i>Price and volume measurement in services – current recommendations for NSIs</i>
Paul Konijn, Eurostat | DSTI/EAS/IND/SWP/AH(2004)6 |
| 8. | <i>Producer Price Measures in OECD Countries – An Overview</i>
Seppo Varjonen, OECD | DSTI/EAS/IND/SWP/AH(2004)7 |
| 9. | <i>Productivity measurement in services</i>
Barry Bosworth – Brookings Institution | DSTI/EAS/IND/SWP/AH(2004)8 |
| 10. | <i>Productivity Measures for Retail Trade: Data and Issues</i>
Marilyn Manser, Bureau of Labor Statistics | DSTI/EAS/IND/SWP/AH(2004)9 |
| 11. | <i>Productivity in Retail Trade – measurement and international comparisons</i>
Bart van Ark, University of Groningen | DSTI/EAS/IND/SWP/AH(2004)10 |

DAY 2: ANALYTICAL PERSPECTIVES ON THE SERVICES SECTOR

SESSION 4: MICRO-PERSPECTIVES ON THE SERVICES SECTOR

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| 12. | <i>A micro-perspective on productivity growth in services – the case of retail trade</i>
Eric Bartelsman, Free University Amsterdam | DSTI/EAS/IND/SWP/AH(2004)11 |
| 13. | <i>Producer dynamics in the US Retail Sector</i>
Ron Jarmin, US Bureau of the Census | DSTI/EAS/IND/SWP/AH(2004)12 |
| 14. | <i>Firm performance in retailing – the Japanese case</i>
Toshiyuki Matsuura, RIETI and Kazuyuki Motohashi,
RIETI and University of Tokyo | DSTI/EAS/IND/SWP/AH(2004)13 |
| 15. | <i>Productivity in UK Retailing – Evidence from Micro Data</i>
Tony Clayton, ONS | DSTI/EAS/IND/SWP/AH(2004)14 |

SESSION 5: EXPLAINING THE SIZE OF THE SERVICES SECTOR IN OECD COUNTRIES

- 16.** *The role of institutions on service employment* DSTI/EAS/IND/SWP/AH(2004)15
Julian Messina, European Central Bank
- 17.** *The uneven pace of deindustrialisation in the OECD* DSTI/EAS/IND/SWP/AH(2004)16
Stephen Redding, London School of Economics

SESSION 6: IMPLICATIONS FOR STATISTICS AND EMPIRICAL ANALYSIS

- 18. Panel – what next?**
This panel will discuss the implications from the evidence presented during the workshop.