



**European Cooperation
in the field of Scientific
and Technical Research
- COST -**

Secretariat

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COST 259/07

MEMORANDUM OF UNDERSTANDING

Subject : Memorandum of Understanding (MoU) for the implementation of a European Concerted Research Action designated as COST Action IS0701: Comparative Analysis of Enterprise Data: Industry Dynamics, Firm Performance, and Worker Outcomes

Delegations will find attached the Memorandum of Understanding for COST Action IS0701 as approved by the COST Committee of Senior Officials (CSO) at its 169th meeting on 15 - 16 November 2007.

MEMORANDUM OF UNDERSTANDING
for the implementation of a European Concerted Research Action
designated as

COST Action IS0701

**COMPARATIVE ANALYSIS OF ENTERPRISE DATA: INDUSTRY DYNAMICS, FIRM
PERFORMANCE, AND WORKER OUTCOMES**

The Parties to this Memorandum of Understanding, declaring their common intention to participate in the concerted Action referred to above and described in the Technical Annex to the Memorandum, have reached the following understanding:

1. The Action will be carried out in accordance with the provisions of document COST 299/06 "Rules and Procedures for Implementing COST Actions" (or in any new document amending or replacing it), the contents of which the Parties are fully aware of.
2. The main objective of the Action is to enhance international collaboration to produce cross-country comparative research using improved data to study the firm-level sources of economic growth and the consequences of the growth process for workers.
3. The economic dimension of the activities carried out under the Action has been estimated, on the basis of information available during the planning of the Action, at 5 million EUR in 2007 prices.
4. The Memorandum of Understanding will take effect on being accepted by at least five Parties.
5. The Memorandum of Understanding will remain in force for a period of four years calculated from the date of the first meeting of the Management Committee, unless the duration of the Action is modified according to the provisions of Chapter V of the document referred to in Point 1 above.

A. ABSTRACT AND KEYWORDS

This Action will establish a network bringing together leading researchers from across Europe to work with national statistical agencies and to collaborate on new comparative research using large firm-level databases. The research exploits these unusual data to analyse the roles of industry dynamics and firm performance in economic growth and the tradeoff between improved performance and social costs for employees. One important subtopic is the measurement of competitive pressures and estimation of their relationship with economic policies and with firm-level productivity. A second concerns the many new insights made possible from recent data that combines firm- and employee-level information. The Action addresses the urgent need for comparative research on these topics, which have so far been studied almost exclusively at the national level. Comparing industry dynamics and productivity growth across European economies and some non-European comparators, with their variety of regulations and institutions, promises to shed light on ways in which policies can encourage smooth reallocation and economic growth while minimizing social costs.

Keywords: firm-level data, international comparisons, industry dynamics, firm performance, worker dislocation

B. BACKGROUND

B.1 General background

One of the most important developments in economic research over the last decade is the growing access to large panel databases on firms in a number of countries in Europe and around the world. Research using these microdata has already begun to have a major impact on several fields of economics, but further progress depends on two critical factors: improvements in data quality and cooperation in comparative research. This Action will create a network bringing together leading researchers from across Europe, as well as some non-European countries, to work with national statistical agencies and to collaborate on new research investigating the roles of industry dynamics and firm performance in economic growth as well as their consequences for employees.

Research on these topics requires comprehensive firm-level panel data with a rich set of variables. The firm is one of the major actors in the economy - together with the worker and the consumer - but the lack of appropriate data has meant that much less attention has been paid to firm decision-making, including investment, employment, location, expansion and contraction, entry and exit, imports and exports, innovation and adoption of new technologies, among others. When these topics have been studied, typically the data have been aggregated to the level of the whole economy or industries. But such aggregation is well-known to produce biased estimates of the micro-level behavior, and it also prevents many important questions from being addressed.

To take one example, a major problem with previous research on the effect of product market competition on firm performance is the lack of adequate firm-level data that permit measurement of market conditions. To fully assess these conditions requires information not only on market structure, conventionally measured, but also on patterns of entry, exit, and between-firm reallocation that indicate the extent of competition-inhibiting barriers to adjustment. That market pressures may stimulate firms to improve their efficiency is almost an article of faith among economists, yet because of the lack of appropriate data there has been very little research attempting to estimate the magnitude of such an effect.

Versions of such firm-level data are collected by national statistical offices in most countries, as they underlie the measurement of well-known aggregate indicators, such as industrial output, GDP, employment, and productivity. Spurred by the growing availability of such data and of econometric techniques to analyze them, research on industry dynamics, firm performance, and worker outcomes has begun to develop at a rapid pace. But nearly all of the research has consisted of single-economy studies, with very little genuinely comparative work that analyzes similar data from multiple countries. Comparative work can exploit variation in policies and economic conditions to estimate their effects on economic growth and the social consequences of the growth process. The purpose of this COST Action is to create the networking and capacity-building that will facilitate the international collaboration that is essential for the further development of this field.

In fostering international collaboration, the Action will face some important obstacles that need to be addressed directly. Despite the common uses of the aggregates of firm-level to the national macroeconomy, differences across countries in measurement concepts, sampling, and other procedures can be substantial at the micro level. These differences not only impede the construction of accurate and comparable aggregate indicators but they also prevent economists from drawing inferences from comparative research. Such questions about accuracy and comparability of measurement are particularly salient in the case of new member states such as the transition economies. In these countries, the institutions of data collection and variable definition developed differently during the central planning period, and they require special attention to understand their idiosyncrasies and how they might be improved and adjusted to increase comparability. The Action will put particular effort into capacity-building in these economies to enable them to be involved in reliable cross-country comparisons.

An additional stumbling block to cross-country comparative research using firm-level data is the common (if not universal) legal requirement that such data be treated confidentially. With this rationale, some national statistical agencies have refused researchers any access to the data, while others have created very restricted access, usually by holding the data in anonymous form on a secure computer. Comparative research then generally requires that scholars from different countries are involved in processing data in a parallel fashion, each carrying out an analysis for her/his own country that is designed to be as similar as possible to those in other countries. In practice, very little of this sort of research has been carried out, despite the great benefits. For this reason, the Action will also undertake to assess existing methods of data provision in various countries and to develop innovative instruments for providing access while ensuring confidentiality.

In all of these examples, the most urgent need is not for direct funding of research, but rather for support of international networking and capacity-building. The crucial comparative dimension can only be achieved through collaboration, and the critical sources of learning arise from assessments of the different approaches in different countries and from economists putting their heads together with statisticians to come up with new solutions. Most funding sources focus on individual research projects, but this Action requires the backing of an organization of COST's stature and experience.

B.2 Current state of knowledge

Economics research is undergoing some fundamental transformations. Top-level research increasingly emphasizes the analysis of microdata, particularly large firm-level databases that can shed light on the microeconomic foundations of economic growth, but only in the last decade have such databases started to become widely available. Furthermore, the discipline of economics is rapidly internationalizing, moving from an Anglo-American dominated field – in terms of both topics and the nationality of the researchers themselves – to one in which well-trained economists are emerging in many countries around the world. Not least of the geographic extensions of the field is the growing participation of the formerly socialist countries of Eastern Europe and the former Soviet Union. These important changes in economics reinforce each other in raising the feasibility and the value of comparative cross-country research on the sources of differences in economic performance. While economists since Adam Smith have been concerned with the causes of the “wealth of nations” – the determinants of economic prosperity and stability – the availability of firm-level data opens completely new perspectives for research on this most central of economic research topics.

Despite these exciting developments, research on these topics is barely beyond its infancy. There are two key factors that constrain further progress: the availability and quality of data for different countries and the extent of international cooperation in carrying out comparative research. This Action will tackle these constraints by bringing together leading economists and representatives of statistical agencies from EU and COST-partner countries. At an initial conference, the economists will present research using firm-level data from their own countries, or in some cases the beginnings of comparative research, on the roles of industry dynamics and firm performance in economic growth as well as their consequences for employees. The statisticians will explore critical issues for developing high-quality and comparable firm-level data for research: sampling, variable definitions, data collection methods, and, most importantly, issues of confidentiality in making the data available to researchers. In both cases, some countries are much farther advanced, having made considerable progress in carrying out useful firm-level research and in producing high-quality data that researchers can use without violating confidentiality restrictions. Through the Action, representatives of other countries will learn how to improve their research and data, and all participants will find new possibilities for international collaboration.

The research basis for the emphasis on firm-level data stems from the important recent findings of enormous heterogeneity in firm-level outcomes in the U.S. and European economies. This result contradicts the standard “representative firm” assumption that is widely accepted in much of traditional economics. Within very narrowly defined industries in the same year and country, some firms prosper and grow, others decline, new firms enter, and some incumbents exit.

For the U.S. and U.K, previous research has shown that a substantial fraction of aggregate productivity growth is associated with reallocation of resources across firms, both reshuffling between continuing producers and turnover due to exit and entry. Other research has focused on firm-level determinants of productivity growth and the conditions under which improved firm performance increases or decreases employment, wages, and other outcomes for workers. This research clearly demonstrates the idiosyncratic nature of the determinants of productivity growth and employment and wage outcomes.

The implication of these results is that microdata, at the firm-level, is essential. If all firms within an industry behaved similarly, responding to changes in their environment in the same ways, then the traditional reliance on industry-level might be justified. The new research shows that this procedure is no longer viable. Research that uses firm-level information is not only at the frontier of current economic research, it is also central for understanding cross-country differences in why some economies are more successful at growing and reducing poverty and unemployment.

Nearly all of the previous research on firm behavior has studied data from only a single economy. But the cross-country comparative dimension is crucial to this line of research. Comparisons exploit variation in the business and policy environment across economies. For example, scholars and policymakers have discussed “flexibility” for years, but it is only through systematic analysis of the firm-level microdata that one can assess the benefits of rapid resource reallocation. Examining patterns of industry dynamics across Europe and some comparator-countries promises to shed light on how policies can encourage smooth reallocation while minimizing social costs. The goal of this Action is to enable and encourage cross-country collaboration in these types of research and in the improvement of the data on which further progress depends.

B.3 Reasons for the Action

The purpose of this Action is to coordinate European research efforts on the analysis of the microeconomic foundations of growth and their consequences for workers. Policy makers need to know the relative importance of firm-level productivity and reallocation across firms in aggregate economic growth, and which factors increase firm-level productivity and which stimulate productivity-enhancing reallocation. They are also concerned with the consequences for employees, and how policies for growth can minimize worker dislocation and associated social costs.

Besides the potential impact on important policies, other benefits involve national statistical agencies, private companies, and industry. The quality of data that underlie influential aggregate indicators is an important concern for public and private decision-making. Through working with the data and the agencies supplying them, researchers can provide important feedback on collection and measurement issues and how they may be improved. The issues include sampling methods, conceptual definitions of variables, questionnaire design, weighting schemes, collection procedures, electronic assembly, and data processing. All of these are crucial issues in ensuring accurate data, which are the basis for economic assessments used by the private sector in choosing investments and business strategies.

While the Action emphasizes economic/societal needs, it is also relevant for scientific/technological advance. One of the important topics to be studied concerns firm-level decision-making concerning research and development expenditures, technological innovation, and adoption (and adaptation) of existing methods. A number of data sets have information on these activities and choices made by firms, and the Action aims to contribute to better understanding of this behavior.

Finally, firm-level data vastly widen the scope of questions that researchers can address, and they permit many important issues to be finally investigated at the appropriate level of aggregation. While data at either the aggregate, industry, or household levels can be useful for some questions about economic performance, they do not address firm-level determinants of performance nor the crucial interactions among firms that affect reallocation and growth. Moreover, research on the large firm-level data are stimulating innovations in both economic theory (handling firm heterogeneity and model the determinants of reallocation) and econometric methods (longitudinal data techniques and estimation methods).

B.4 Complementarity with other research programmes

The Action will be highly complementary with individual research programmes within several European countries as well as with some previous EU Framework Programmes. While those initiatives have begun to analyse some aspects of industry dynamics, firm performance, and worker outcomes in particular countries, there has been relatively little attention to firm-level data, and the comparative dimension has largely been missing.

The Action builds on the research of several FP6 projects. MICRODYN uses microdata from several European economies, but the major interest is aggregate variables rather than the idiosyncratic behavior of individual firms interacting in the market and responding heterogeneously to government policies. UPP and PRESOM are concerned with privatization, which is highly relevant to firm-level productivity, but these projects are more focused on political economy and social cohesion than on estimating effects on firm behavior. PIQUE also concerns privatization but the focus only concerns contracting out does not use the large, longitudinal data sets that are the focus of this Action. EUKLEMS focuses on international comparisons of productivity, but it mostly concerns aggregate data, while this COST Action stresses the essential nature of firm-level information for understanding the basis for international productivity comparisons. ENEPO's analysis of the development gap between the EU and CIS is also highly relevant, but the focus is on aggregate indicators while this Action takes the analysis to the microlevel, using already collected firm-level data for several CIS economies.

C. OBJECTIVES AND BENEFITS

C.1 Main/primary objectives

The main objective of the Action is to enhance international collaboration to produce cross-country comparative research using improved data to study the firm-level sources of economic growth and the consequences of the growth process for workers.

C.2 Secondary objectives

Stimulate international collaboration and widen the network to more participants, including early-stage and under-represented researchers (through conferences and workshops: 2 conferences expected, one in Year 1, the other in Year 3; 8-12 workshops expected in Years 2 and 4).

Use firm-level data to analyze the microeconomic sources of economic growth and the consequences for workers (through publications of books and working papers: 2-4 books and 40-60 papers anticipated).

Bring together academic researchers with policy makers and data providers from National Statistical Institutions (with expected proportions: 50%, 20%, 30%).

Share of data and econometric methodologies among researchers.

Share methods of data collection, variable definition, and access and confidentiality among data providers.

Work to include and mentor junior researchers and to improve the gender balance (with the goal of at least 50% early stage and at least 33% women).

Develop the capacity of new member states, East European, and former Soviet economies to produce high quality firm-level data and the scholarly abilities to analyze them.

Draw out policy implications of the research wherever possible and encouraging participants to publish such implications (20-40 policy briefs expected).

Encourage interdisciplinarity in recognition of the multi-faceted nature of the economic and social problems addressed in this research (sociologists, political scientists, demographers, geographers, and representatives of industry to be invited to the Conferences and Working Groups).

C.3 How will the objectives be achieved?

Organize international conferences with open calls.

Arrange short-term scientific missions and exchanges to promote collaboration.

Establish Working Groups for particular research sub-areas.

Create special Working Group for data quality, accessibility, comparability issues.

Organize small workshops to bring together researchers with similar interests and similar data but from different countries.

Publish working papers.

Publish books or collections of papers on similar topics.

Establish and continually update website with descriptions of research initiatives, the latest working papers, data available for sharing, and new statistical methods.

Set up Action Think Tank for Early-Stage Researchers.

Develop strong links with data providers and scholars in the new member states, Eastern Europe, and the CIS.

C.4 Benefits of the Action

The purpose of this Action is to coordinate European research efforts on the analysis of the microeconomic foundations of growth. While the Action will establish a scientific network to enhance this research, particularly in its comparative dimension, the general research programme has many benefits, even leaving aside those arising from networking and collaboration.

A first set of benefits concerns the design of public policies. The crucial questions for policymakers seeking to enhance economic growth can be organised as follows: What is the relative importance of firm-level productivity and reallocation across firms in aggregate economic growth? What factors increase firm-level productivity and what factors stimulate productivity-enhancing reallocation? What are the consequences for employees, and how can policies for growth minimize worker dislocation and associated social costs? A wide variety of policy-relevant variables and measures can be considered here, but a principal focus in the research coordinated by this Action is the effect of product market competition on industry dynamics, firm performance, and worker outcomes. While the magnitude of competitive pressures is not a direct policy lever, it is influenced by a number of important public policies including competition and antitrust policies, regulation of entry, industrial policies that subsidize failing firms, and international commercial (trade) policies. Expansion of the European Union as well as internal EU policies like the Common Agricultural Policy fall into that last category.

Besides the potential impact on such policies, other benefits involve national statistical agencies, private companies, and industry. The quality of data that underlie influential aggregate indicators is an important concern for public and private decision-making. Through working with the data and the agencies supplying them, researchers can provide important feedback on collection and measurement issues and how they may be improved. The issues include sampling methods, conceptual definitions of variables, questionnaire design, weighting schemes, collection procedures, electronic assembly, and data processing. All of these are crucial issues in ensuring accurate data, which are the basis for economic assessments used by the private sector in choosing investments and business strategies.

Another set of benefits is purely scientific. These data vastly widen the scope of questions that researchers can address, and they permit many important issues to be finally investigated at the appropriate level of aggregation. While data at either the aggregate, industry, or household levels can be useful for some questions about economic performance, they do not address firm-level determinants of performance nor the crucial interactions among firms that affect reallocation and growth. Moreover, research on the large firm-level data are stimulating innovations in both economic theory (handling firm heterogeneity and model the determinants of reallocation) and econometric methods (longitudinal data techniques and estimation methods).

By creating a formal network of prominent researchers who at present only interact informally and sporadically, the Action aims to stimulate much more comparative and collaborative research using data from multiple European economies. The comparative approach takes advantage of variation in the business and policy environment across these economies. For example, scholars and policymakers have discussed “flexibility” for years, but it is only through systematic analysis of the firm-level microdata that one can assess the benefits of rapid resource reallocation.

Examining the patterns of industry dynamics across European economies as well as some comparator countries outside of Europe, with their variety of regulations and institutions, promises to shed light on ways in which policies can encourage smooth reallocation while minimizing social costs.

The direct results of the collaborative research under this Action will be scholarly journal publications containing comparative research on industry dynamics, firm performance, and the outcomes for workers. The participants in the Action are all prominent economists in their countries with outstanding publication records, and journal editors are keen to publish comparative analyses of enterprise data because they are such an important innovation. The Action will thereby contribute to broader understanding of the microeconomic factors underlying economic growth and the tradeoffs involving workers.

Increasing effort on the comparative dimension will serve more generally to improve the quality of research on firm behavior and economic growth, by providing clearer benchmarks for both the research designs and the interpretation of results. Local participants involved in the collaboration are likely to have greater knowledge of local policies and institutions, which are frequently essential in interpreting the data and results of the analysis. The comparative dimension will also stimulate improvement in the data used in this research, raising issues of the appropriate standards of measurement.

Other indirect benefits from the Action include capacity-building in new member states. In these countries, both the data and research tend to be less developed, but the growth implications of firm productivity and reallocation are even more pronounced. In all countries, early-career researchers will work with the senior partners in the network, and short-term mobility across institutions will be necessary for the comparative research.

C.5 Target groups/end users

The beneficiaries of this Action include researchers, statisticians, businesses, and policy makers. The systematic analysis of firm-level micro data is becoming the method of choice in many fields of economics, as well as other social science, and researchers from many different disciplines will be interested in the activities held under and publications resulting from this Action. The Action is unusual in inviting the participation of officials from national statistical agencies with the primary goal of working together with researchers and with each other to improve the quality, availability, and comparability of the micro data. Many of the topics addressed in firm-level research are of keen interest to industry, for instance in studies of the productivity of research and development expenditures, the industrial organization of certain sectors, and the roles of international trade and foreign investment, among other topics. Finally, the relevance of the research for policy includes the factors underpinning economic growth and the effects of policies of many types: labor market policy that affects reallocation and cushions the consequences for workers, competition policy affecting mergers and acquisitions, opening of markets to trade and factor flows, tax policies affecting business location and expansion decisions, administrative barriers to new firm start-ups, just to name some examples.

D. SCIENTIFIC PROGRAMME

D.1 Scientific focus

The three most important research tasks under this Action are as follows:

1. analysis of comparable firm-level data for many European economies to measure the contributions to industry productivity growth of each of the following components: within-firm, between-firm, entry, and exit. This analysis will indicate the relative importance of flexible reallocation in driving aggregate growth.
2. calculation of measures of competitive pressures based on industry dynamics and estimating the effects of these measures on firm-level productivity. This contributes to the goal of understanding product market competition and growth.
3. estimation of the employment and wage effects of variables that raise productivity and lower costs. This analysis will quantify key elements in the tradeoff between growth and outcomes for workers.

Beyond these specific research questions, the Action also lays out a broad agenda for analyzing the roles of firms in economic growth and worker welfare. For instance, economists have long assumed that resource allocation is a crucial determinant of efficiency, implying that flexible reallocation may play a large role in economic growth. Researchers did not have access to the firm-level data necessary to measure the contribution of reallocation to productivity growth until recently, however. As such data have become available, researchers have developed methods of measuring the extent to which aggregate productivity growth is driven by productivity improvements within firms, resource reallocation from less to more productive incumbent firms, and reallocation due to firm entry and exit. These studies have produced estimates of the decompositions for a number of countries around the world. Unfortunately, the estimates across studies are often difficult to compare due to differences in types of data used and decomposition methods. For example, one study may decompose labor productivity growth over five-year intervals, while another might decompose total factor productivity over 3-year intervals. The Action will coordinate the production of decomposition measures that are as comparable as possible across countries.

The productivity growth decomposition results are likely to vary considerably across time periods, countries, and sectors. It would be useful to know what lies behind these differences. The contribution of reallocation to productivity growth can be decomposed into three factors: reallocation intensity, cleansing potential, and targeting. *Ceteris paribus*, the more reallocation occurs across firms, the more it can contribute to productivity growth. This can be thought of as reallocation intensity or volume. Second, gaps in productivity across firms create the potential for productivity-enhancing reallocation – without these gaps, reallocation has no effect. Productivity dispersion can thus be considered a measure of cleansing potential. The third factor is the correlation between reallocation and the productivity of firms compared to their sector's average. A positive correlation is essential for reallocation to be productivity-enhancing. The stronger the correlation, the more precise is the targeting of reallocation toward more productive firms. The relative contributions of these factors have policy implications. If a country has large productivity gaps but low reallocation volume, then policies to enhance labor market flexibility could lead to large productivity gains. In a country where reallocation volume is high, but the targeting of reallocation is poor (perhaps due to industrial policy), policies addressing targeting would be more effective in stimulating productivity growth.

The Action thus proposes to facilitate the production of measures needed to decompose reallocation's contribution to productivity growth across countries and time periods.

Policy can significantly affect the ease of entry and exit of firms and the selection of firms for survival or exit. Bureaucratic red tape and underdeveloped financial markets may curb entry, and lack of financing can also deter growth of new firms. Unproductive firms may survive and crowd out new entrants due to industrial policies. With this in mind, the network will study entry and exit rates, the relative productivity of entrants and exiting firms to incumbents, the extent of learning (productivity improvements) and selection (which firms survive) by entrants, and entrant growth over time.

Some economists predicted that new firm entry would have a particularly large effect on productivity growth in the transition in Eastern Europe and the former Soviet Union, since it may be more effective to have new entrepreneurs start from scratch than reform enterprises molded by central planning. To date there is little evidence on how much the new sector has actually contributed to growth and how this has varied across countries with different reform policies (e.g., different degrees of domestic and international market liberalization, privatization of the old sector, and financial market development). The Action proposes to coordinate studies of this issue.

As mentioned above, each of the indicators can be compared not only across countries and time periods, but also sectors. Comparing sectors that are heavily dependent on external financing to ones less dependent can give an indication of the role of financial market development in productivity growth and industry dynamics more generally. Comparing industry dynamics in R&D-intensive and other sectors can provide insights into the nature of the R&D process. Network members will create measures separately by sectors to facilitate this research.

Several of the above measures can be considered proxies for the extent of domestic competitive pressure. Markets where entry and exit barriers are low and where market shares change at high rates are likely to exhibit more competitive pressure. These measures can be used to study how competitive pressure affects within-firm productivity growth.

D.2 Scientific work plan – methods and means

The crucial requirements to carry out the scientific work plan consist of high quality data, appropriate statistical methods, adequate computing power, a group of well-trained scholars interested in the scientific issues, and interaction among these researchers.

The necessary data for the research tasks are already available to participants in the Action for the COST countries Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Netherlands, Norway, Portugal, Romania, Spain, UK, and in other countries China, Georgia, Russia, Ukraine, and USA. The Action will encourage the joint analysis of these data in collaborative research efforts and, where possible, direct sharing of data among researchers.

The methods for analyzing the large longitudinal business registers and linked employer-employee data have been rapidly developing. Participants in this Action have already made significant contributions, and the Action will foster much greater cooperation, for instance through an online Methods Forum for raising questions about programming estimators and related statistical issues. Analysis of databases of the size involved in this Action requires computers with substantial memory or specially written programs to conserve memory, so this may be a frequent topic of discussion on the Methods Forum.

The Action participants include most of the major scholars, particularly economists, who study firm-level data and are concerned with questions about industry dynamics, firm performance, and worker outcomes. Participants also include representatives from a number of National Statistical Agencies in COST countries. Outreach to other agencies and to junior and under-represented groups of researchers will ensure that the necessary scientific personnel are available.

The interaction among the researchers and statistical officials will be facilitated through the website and through conferences, workshops, and Working Groups. As detailed in Section E2, four WGs will be established: Data Quality, Industry Dynamics, Firm Performance, and Worker Outcomes. A separate WG on technological innovation and adoption may be created later on.

E. ORGANISATION

E.1 Coordination and organisation

The first step of the Action will be for the Core Group, consisting of members of the Management Committee (MC) and other deeply involved participants, to set up the basic organisation of the various activities. The MC will appoint four Working Groups (WGs) on Data Quality, Industry Dynamics, Firm Performance, and Worker Outcomes. At the first meeting, it will also appoint two Steering Committees (SCs) on conference organization and on encouraging and mentoring under-represented researchers. This is the first set of milestones in the Action.

Within a short time after their appointment by the MC, all the WGs and SCs will meet and the Action Website established, the second set of milestones. The work of the WGs is described further in Section E2 and the work of the SC on under-represented researchers in Section E4, below.

A conference organized by the conference SC will be held in Year 1 of the Action to bring together all participants, including not only those already identified and who have expressed interest, but any others who respond to an open call. The acceptance policy for proposals to present at the conference will be based on the quality of the submission, but through parallel sessions and poster sessions will attempt to accommodate all or most serious proposals, as well as to achieve gender balance and encourage early-stage researchers (and post-graduate students) to participate. The conference will be open for anyone to attend, and all accepted submissions will be posted on the Action Website. This conference is the third large milestone in the Action.

On the basis of the conference and the potential for international collaboration identified from the conference and the work of the WGs, short-term scientific missions and exchanges will be organized in Year 2. Small workshops will be organized by the WGs to bring together scholars and analysts from multiple countries. A critical mass of face-to-face interactions among researchers using similar data to investigate similar questions in different countries will galvanize a large increase in comparative research. The output of the research will be a number of initial working papers, which will be posted on the Action Website and represent the fourth milestone of the Action.

The MC will appoint a new SC to organize a conference in Year 3, where the new research can be presented and feedback provided, as well as remaining open to newcomers to the field, such as very junior researchers who did not participate in the first conference. This conference would be the fifth milestone.

Year 4 focuses on publishing the results of the Action in journals and books, together amounting to a sixth milestone. These results will of course be reflected on the continuously updated Action Website. The WGs will produce reports on the successes and failures in each area, so that there is a summary both of what has been accomplished and what steps can be taken in the future to ensure further progress. In its Final Report, the MC will consider these steps, together with any necessary future administrative support (such as to maintain the Action Website, or to find a “University Home” for the future, which could possibly rotate). Together, these reports constitute the final milestone of the Action.

E.2 Working Groups

The Data Quality Working Group (DQWG) will be charged with setting the agenda for improving measurement, data access, confidentiality, and comparability, as well as the research implications of these data issues. The data under consideration will include business registers, enterprise surveys, and linked databases that include information on both employers and employees. Members of the DQWG will include academic researchers (data users) and representatives of national statistical agencies (data providers).

The Industry Dynamics Working Group (IDWG) will coordinate cross-country comparative research on reallocation, including firm entry and exit, and the consequences for macroeconomic growth. To the extent that worker-level information is available for some countries, worker flows would also be part of the remit. The IDWG will include academic researchers who have extensive research programmes in this area. Most of them will come from COST countries, but there will likely be two IDWG members from the United States, where research on this area began and much experience has been accumulated. Because of the importance of a number of government policies for reallocation, policy makers and analysts may also be included.

The Firm Performance Working Group (FPWG) will focus on coordinating comparative research on firm-level determinants of productivity and profitability, and possibly other performance measures. Analysis of innovation and technology adoption decisions will initially be part of the FPWG agenda, but may be spun off into a separate WG in the future if the relative size merits. FPWG members will be primarily academic economists, but the group will also reach out to include sociologists, policy makers, and representatives of industry to contribute their own perspectives.

The Worker Outcomes Working Group (WOWG) will concentrate on the social consequences of the growth-enhancing policies that may be implied by firm-level reallocation, restructuring, and technical change. While the initial focus will be comparative research on the firm-level employment

and wage outcomes, the WOWG will work to broaden the set of outcome measures under consideration. This group will take a more interdisciplinary perspective and be open to political scientists, sociologists, and psychologists as well as economists, and it will pay more attention to data sources at the worker level, principally linked employer-employee data.

Each WG will begin with an assessment of existing research in its respective subfield, which should happen very quickly as the members of the WG are leading experts in these areas. On the basis of the assessment, which will no doubt show the fragmented nature of current research efforts, the WGs will propose plans for international collaboration on genuinely comparative projects in their respective areas. They will also identify relevant sub-questions and countries that may not yet be included in the Action, but which would be valuable to include.

The membership in each WG will be chosen to balance gender composition and to involve junior/early-stage researchers as well as senior mentors, leaders in these fields. As noted above, the membership may include not only academic economists but other types of social scientists, statisticians, industry representatives, and policy makers. The MC will periodically re-evaluate the WG membership and make appropriate changes to ensure the proper balance of different groups.

E.3 Liaison and interaction with other research programmes

The Action builds on previous research supported by European programmes, including FP and COST. For instance, FP5 and FP6 projects have included analyses of reallocation and firm productivity (e.g., ESCIRRU, with a focus on Russia and Ukraine). The EUKLEMS project is of particular interest, because of the focus on international comparisons of productivity, which overlaps with the goals of this Action. But EUKLEMS mostly concerns aggregate data, and only one Workpackage (WP 10) concerns links with micro databases. This COST Action stresses the essential nature of firm-level information for understanding the basis for international productivity comparisons.

The running COST Actions also included several with which this Action will interact. COST Action A23, on the evaluation of European labour market programmes, is clearly related to the social costs of measures to increase growth either through reallocation across firms or restructuring of existing enterprises. A34, on gender and well-being, is also relevant to this Action, particularly insofar as the social consequences of growth are gender-biased. The welfare policies studied in A34 are also relevant, both by impeding (or in some cases encouraging) restructuring and reallocation and by cushioning the social costs. Neither of these Actions devotes attention to firm-level analysis, but interaction with them would still be valuable. This Action will seek to liaise with A23 and A34 primarily through WOWG, which considers these social costs. The possibility of joint workshops will be considered.

Action IS0601, on current trends in public sector organization, is more similar to this Action in drawing attention to the value of comparative and longitudinal data. This Action focuses primarily on the business sector of economies, although the data frequently include public sector organizations as well.

Moreover, one of the interesting research sub-topics concerns interactions between the private and public sector, viewed from the organization level. For example, public sector wage setting policies may influence wages in the private sector. These topics would be most prominent for the FPWG, while will therefore take the initiative to contact Action IS0601 and try to organize a common workshop on spillovers, sectoral shifts, and related topics.

Other possibilities for interactions include A26 (on European city-regions) with which cooperation on topics in urban economics and economic development is possible, and IS0604 (on science and technology research) with which cooperation on innovation and adoption decisions could be fruitful.

E.4 Gender balance and involvement of early-stage researchers

This COST Action will respect an appropriate gender balance in all its activities and the Management Committee will place this as a standard item on all its MC agendas. The Action will also be committed to considerably involve early-stage researchers. This item will also be placed as a standard item on all MC agendas.

A special SC will be established to address issues of gender balance, geographic diversity, and junior researchers. This SC will organize special short-term scientific missions, action think tanks, and conference grants for these groups. It will set up mentoring relationships and also function to monitor the work of the WGs and the conference SCs.

F. TIMETABLE

The duration of the Action will be four years. Year 1 will begin with a Management Committee meeting to plan the research cooperation of the network as well as the particular activities of the Action in greater detail. A website for the Action will be set up that permits electronic communication and discussion fora; most of it will be public, but Working Groups will have the possibility for confidential correspondence concerning preliminary ideas and results. A Steering Group for an Open Cost Conference on "Comparative Analysis of Enterprise Data: Industry Dynamics, Firm Performance, and Worker Outcomes" will be appointed, and the Conference will be held later in the year with the goal of inaugurating the network and extending it to a broad swath of interested economists throughout Europe and in participating COST countries. The Year will end with an MC meeting to review progress, including particular attention to questions of gender balance and involvement of early-stage researchers.

Year 2 will focus on meetings of the Working Groups and on the achievement of the research objectives. Working papers will be circulated among all participants for discussion and feedback. The MC will meet to assess the cooperative research being undertaken and to facilitate more of such cooperation. A Steering Group on early-stage and under-represented researchers will work to establish mentoring and partnerships to foster broader participation and development of these groups.

During Year 3, the Action participants will concentrate on preparing their papers for presentation at a Conference that will be organized by a Steering Group. The purpose of this Conference will be to help researchers revise their papers for publication as well as to stimulate the development of new ideas and forms of cooperation. Early-stage researchers will be given the opportunity to present their preliminary work to the experts in the field. Afterward, the MC will meet to evaluate the Conference papers and discuss possibilities for publications in the form of articles and one or more books.

A Steering Group to edit chapters and oversee this process will be appointed. Year 4 will be devoted to publishing the output of the Action. Working Groups will meet to polish their contributions, the Steering Group will meet to review manuscripts, and the MC will work to ensure that the network continues to function productively and expand to include still more researchers and countries.

G. ECONOMIC DIMENSION

The following COST countries have actively participated in the preparation of the Action or otherwise indicated their interest: BG, CZ, DK, FI, FR, DE, EE, HU, IE, IT, LV, LU, NL, NO, PL, PT, RO, RS, ES, TR, UK. On the basis of national estimates, the economic dimension of the activities to be carried out under the Action has been estimated at 5 Million € for the total duration of the Action. This estimate is valid under the assumption that all the countries mentioned above but no other countries will participate in the Action. Any departure from this will change the total cost accordingly.

Estimate of total person-years: 40.

Estimates of additional expenses (conferences, workshops, MC and WG meetings, short-term missions and exchanges): 800,000.

H. DISSEMINATION PLAN

H.1 Who?

The target audiences for this Action include researchers, statisticians, businesses, and policy makers. The systematic analysis of firm-level micro data is becoming the method of choice in many fields of economics, as well as other social science, and researchers from many different disciplines will be interested in the activities held under and publications resulting from this Action. The Action is unusual in inviting the participation of officials from national statistical agencies with the primary goal of working together with researchers and with each other to improve the quality, availability, and comparability of the micro data. Many of the topics addressed in firm-level research are of keen interest to industry, for instance in studies of the productivity of research and development expenditures, the industrial organization of certain sectors, and the roles of international trade and foreign investment, among other topics. Finally, the relevance of the research for policy includes the factors underpinning economic growth and the effects of policies of many types: labor market policy that affects reallocation and cushions the consequences for workers, competition policy affecting mergers and acquisitions, opening of markets to trade and factor flows, tax policies affecting business location and expansion decisions, administrative barriers to new firm start-ups, just to name some examples.

H.2 What?

This Action will result in scholarly publications on comparative research of industry dynamics, firm performance, and worker outcomes. Many participants are prominent economists with outstanding publication records, and the key speakers are world leaders in this field. Journal editors are keen to publish comparative analyses of enterprise data because they are such an important innovation. The Action will thereby contribute to broader understanding of the microeconomic factors underlying economic stability and growth and to international cooperation for further research and policy design on these fundamental topics.

The Action will make earlier versions of the research available through conferences and workshops. The Action Website will post early versions of working papers and research plans. Some of these may be password-protected if they involve communications within a Working Group, but most will be freely available for public benefit.

Where direct policy implications result from the research, the participants will write policy briefs summarizing these implications for a non-technical readership.

H.3 How?

The results of the COST Action research will be presented not only at the specific conferences organized by the Action, but also at other conferences and regular meetings of scientific organizations around the world. Besides the scientific publications and website postings, the policy briefs and related scientific papers will be sent to the relevant governments and policy makers.

The Management Committee will regularly review the research output of the Action and evaluate the planned dissemination. For example, a special Steering Committee to produce a conference volume may be appointed.
