



**Service gap**

The Impact of Service Sector  
Innovation and  
Internationalisation on  
Growth and Productivity



**INDICser**

Indicators for evaluating  
international performance  
in service sectors

**Service Sector Performance and its contributions to the Europe 2020 strategy:  
Results and policy implications arising from the *SERVICEGAP* and *INDICSER* projects**

**Tuesday 29 January 2013 and Wednesday 30 January 2013**

**CEPS**

Understanding the economic impact of market services on aggregate economic growth in the EU, and its comparative performance relative to competitor regions, e.g. the US, is of vital importance when formulating effective EU policies in this area. The SERVICEGAP and INDICSER research projects have been working on these issues since 2010, and are now presenting their results at a workshop to be held on Tuesday 29 January and Wednesday 30 January 2013. The workshop includes two lunchtime sessions focussed on the relevance of the findings to policymakers, comprising a short summary of the research findings and time to debate the implications for the Europe 2020 strategy. In addition there are two sessions presenting policy relevant research papers arising from the projects. While the workshop is open to all, we particularly invite guests from the European Commission to join us for some or all of these sessions. Each session is designed to be stand alone so participants can choose which to attend.

## Detailed Agenda

**Tuesday 29 January 2013**

12.30 – 13.00 *Welcome and Lunch*

- **Session I.**

13.00 –13.45 ***‘Determinants and Impacts of Innovation: Difference between Services and Manufacturing Firms’***, Irene Bertschek (ZEW)

This summarises the project research on innovation strategies by firms, including outsourcing of ICT and presents differences between manufacturing and services firms. It highlights the implications for the Europe 2020 strategy on smart and inclusive growth, especially as regards innovation policy.

13.45 –14.30 ***Internationalisation of Services and Enterprise Performance: Key Empirical Evidence and Policy Implications for Europe 2020***, Iulia Siedschlag (ESRI)

This paper summarises the project’s key findings on the effects of internationalisation of services on enterprise productivity and employment. Further, it highlights similarities and differences with manufacturing. Finally, it discusses policy implications in the context of the EU’s Strategy for Smart, Inclusive and Sustainable Growth.

14.30 - 15.00 *Coffee Break*

- **Session II**

15.00- 16.15 **Research Papers on Innovation and links between manufacturing and services**

***‘The Influence of Technological and Non-Technological Innovation on Employment Growth in European Service Firms’*** Bettina Peters (ZEW), Rebecca Riley (NIESR) and Iulia Siedschlag (ESRI)

This paper investigates the employment impacts of innovation, distinguishing product and process innovations and organisational changes. The results demonstrate that product innovation is conducive to employment growth in European service firms suggesting a role for policy in creating an innovation-friendly environment for service firms as well as for manufacturing.

***‘Linkages between services and manufacturing in EU countries’*** Martin Falk (WIFO).

This research focuses on both the use of services as inputs in manufacturing and the services content of manufacturing output. It highlights the fact that the distinction between manufacturing and services has become more blurred over time and the implications of this for services sector policy frameworks such as the single market.

16.15- 16.30 *Break*

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CENTRE FOR EUROPEAN POLICY STUDIES, Place du Congrès 1, B-1000 Brussels, Belgium

Tel: 32 (0)2 229 39 11 • Fax: 32 (0)2 219 41 51 • [www.ceps.eu](http://www.ceps.eu) • VAT: BE 0424.123.986

16.30 - 17.45 **Research papers on International trade and International investment in Services**

***‘A portrait of trading firms in the services sectors: Comparable evidence from four EU countries’***, Stefanie Haller (ESRI)

This paper sets out some stylised facts on service sector firms engaged in trade - both exporting and importing. It documents in detail the characteristics of the firms that trade, how important foreign markets are for these firms and what service sector firms trade. The paper further compares the patterns of trade by service sector firms to those of manufacturing firms. Finally, it discusses implications for trade policy.

***‘Offshoring, domestic outsourcing and productivity: evidence for a number of European countries’***, Tillman Schwörer (IfW)

This study provides novel empirical evidence on offshoring patterns in Europe comparing services and manufacturing. It draws out implications for long run productivity gains which have the potential to raise employment through enhancing global competitiveness.

## **Wednesday 30 January 2013**

- **Session III**

9.30 - 10.45 **Research Output**

***‘The research output of European Universities, 1996-2010’***, Jose Manuel Pastor, Lorenzo Serrano and Irene Zaera (IVIE)

This paper examines the scientific output of universities in the EU, using both quantity measures and adjusting for the quality of output based on citations, and how this has changed through time. This shows significant diversity across countries but with some convergence through time.

***‘Outsourcing and offshoring R&D in the pharmaceutical industry: Implications for firms and countries’***, Paulina Ramirez, University of Birmingham

Using case study interviews this research highlights the recent offshoring of R&D labs from European countries to emerging countries such as India and draws implications for policies related to scientific research

10.45 – 11.15 **Coffee break**

11.15 –12.30 **Regulation of Services**

***‘Providing Service Across Borders: Tracing, understanding and measuring market access barriers’*** Jacques Pelkmans and Federica Mustilli (CEPS)

The aim of the paper is to provide a detailed overview of the barriers to services market access, their restrictiveness, economic meaning and progress through time. It draws out the need to distinguish the GATS environment from the intra-EU services regime.

***‘Professional and Business Services in the EU: Linkages and Regulation’.***  
*Iain Paterson and Richard Sellner (IHS)*

This research produces new measures of linkages between business services and other sectors and regulation of professional services. It suggests some modest decrease in anti-competitive regulation in professional services, mainly with respect to market conduct behaviour: more openness to new forms of businesses, price setting, fees and advertising.

12.30 –12.45 **Break**

- **Session IV**

12.45 - 13.30 ***‘Productivity and its Drivers in Service Industries’***, *Mary O’Mahony (University of Birmingham)*

This presents an overview of the research results from both INDICSER and SERVICEGAP focusing especially on the varying use of intangible investments in services relative to manufacturing. It highlights areas of relevance of the research to the Europe 2020 strategy, in particular relating to education and training and their impact on smart growth.

13.30- 14.00 **Lunch**

14.00- 14.45 ***‘The INDICSER database: Overview of variables, country and time coverage and compatibility with EU KLEMS’.*** *Mary O’Mahony (University of Birmingham)*

This will go through the data series on innovation, intangible investments, market environment and regulation at industry level generated by the INDICSER project and the series for particular sectors, financial services, education and health.

14.15 - 15.00 Close of workshop

## Project details

**SERVICEGAP** “*The impact of Service Sector Innovation and Internationalization on Growth and Productivity*” (**SERVICEGAP**) is an EU FP7 funded project that aims to understand the economic impact of market services on aggregate economic growth in the EU and its comparative performance relative to competitor regions, like the US. The project analyzes developments in productivity and its drivers within market services, linkages between services and manufacturing industries, innovation in delivery and types of services and international relationships.

*This project is funded by the European Commission, Research Directorate General as part of the 7th Framework Programme, Theme 8: Socio-Economic Sciences and Humanities, Grant Agreement no. 24455*

[www.servicegap.org](http://www.servicegap.org)

**INDICSER** “*Indicators for evaluating international performance in service sectors*” (**INDICSER**) is an EU FP7 funded project that aims to develop indicators which provide information on the performance of service sectors in the EU. The indicators are divided into two broad areas, market services, whose performance are crucial for raising growth in the EU relative to its competitors, and non-market services, mostly government run, where it is important that tax-payers can assess how far public spending is effective, as well as their contribution to the economy. For market services the project constructs indicators that describe trends in growth and productivity in service sectors and indicators that are useful in analysing determinants of growth, such as innovation, ICT, intangible capital, competitive environment and regulation. In view of the global financial crisis, financial services is covered in greater detail with new output measures developed. For non-market services much of the analysis is focused on indicators for health and education, both the conceptual framework and practical implementation, and on experimental indicators on collective services.

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