

Annual Review
January 2007-December 2007
May 2008

1. RESEARCH HIGHLIGHTS

a) Productivity Programme Highlight

Social scientists have long believed that the management and organization of firms plays a central role in influencing firm and national economic performance. However, research has been held back by a lack of credible international data describing the “black box” of the firm. Pioneering work by the CEP has developed a survey methodology to collect exactly this data. Early CEP work on smaller samples of firms in the 1990s by Nickell showed the importance of organizational change. We built on this with a survey of 732 firms in 4 countries in 2004, publishing the results as the lead article in the *Quarterly Journal of Economics* (November 2007).¹

Intellectual content

Buoyed by this success, in 2006-2007 Bloom, Van Reenen, and Sadun led a team of over 50 interviewers to collect this data from over 4,000 firms in twelve countries across Europe, the US and Asia. Two main findings from this research are:

First, managerial quality shows tremendous variation across firms, even within narrowly defined industries. The cross-national patterns are mainly due to the long tail of poorly managed firms in some countries (like India or Greece) and the relative absence of abysmally managed firms in other countries (like the US). The UK appears as a middle-ranked country, significantly worse managed than those in the “Premier League” (led by the US, but closely followed by Japan, Germany and Sweden).

Second, better management appears to be systematically linked to stronger product market competition, greater trade-openness and higher supplies of skilled workers. Ownership also matters: family firms, where the CEO is appointed according to primogeniture (i.e. the eldest son of the owner) tend to be very poorly managed. Understanding dynastic management has been deepened by work in our Macro Programme by Caselli². Multinationals and private equity controlled firms, by contrast are generally well managed.

Alongside the empirical advances, there has been significant theoretical progress. First, attention has been focused on the role of technology in fostering the trend towards decentralization of decision making.³ Second, modern trade theory⁴ in CEP’s Globalisation programme has focused on the way in which practices are transferred internationally within the multinational firm. The survey provides evidence that this transplanting of practices across national boundaries does generally take place.⁵

We have expanded the management survey methodology into other areas including looking at work-life balance and piloting work in hospitals, schools and parts of the retail sector.⁶

¹ “Measuring and Explaining Management Practices Across Firms and Countries” by Nick Bloom and John Van Reenen, [Centre for Economic Performance Discussion Paper No.716](#), March 2006

² CEP Discussion Paper No741, Dynastic Management, Francesco Caselli, Nicola Gennaioli, August 2006

³ e.g. “Technology, Information and the Decentralization of the Firm” (Daron Acemoglu, Philippe Aghion, Claire Lelarge, John Van Reenen and Fabrizio Zilibotti), *Quarterly Journal of Economics*, (2007), 122 (4), 1759–1799. CEP DP No. 722 <http://cep.lse.ac.uk/pubs/download/dp0722.pdf>.

⁴ See for example CEP work in Firms in International Trade Andrew B. Bernard, J. Bradford Jensen, Stephen Redding, Peter K. Schott, May 2007 CEP Discussion Paper DP 795

⁵ Bloom, Sadun and Van Reenen (2008) “Americans do IT better” CEP DP; Bloom, Sadun and Van Reenen (2008) “Understanding and explaining Decentralization across firms and nations”, mimeo)

⁶ Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labour Markets on Hospital Performance”, Emma Hall, Carol Propper and John Van Reenen, CEP Discussion Paper Number 843, January 2008

Work-Life Balance, Management Practices and Productivity Nick Bloom, Tobias Kretschmer and John Van Reenen January 2006 CEP Report http://cep.lse.ac.uk/management/worklifebalance_research.pdf

Dissemination

This work is already having an impact on economics and is becoming heavily cited. This is helped by having been presented to all the top 10 economics departments in the world (Harvard, Stanford, Princeton, etc.). Presentations have been made to major groups of policy-makers including HM Treasury, President Barroso and most of the European Commissioners, DBERR, various Central Banks (Bank of England, ECB, several US Federal Reserves, etc.) and briefings to Permanent Secretaries and Downing Street.

It is too early to comment on policy impact, but the UK Treasury has shown interest in our proposed reforms⁷. Several other policy messages come out of our work: strong competition and flexible labour markets both lead directly to improved management performance. President Barroso was particularly interested in this aspect when we presented the work before him and the European Commission. The Chairman of the US Federal Reserve Ben Bernanke, has quoted some of this work in his speeches over productivity and FDI following our presentations at the US Fed.

The work has had enormous coverage in the international press including articles in the Economist, Financial Times, New York Times, Business Week, Washington Post and Newsweek. The global launch of the management work was presented jointly with McKinsey (who contributed to the development of the survey instrument and to training of interviewers) to 150 business leaders in June 2007 in London. This was followed by regional launches of countries included in the dataset with policy messages tailored to the host country. So far, these launches have been in Delhi (October 2007), New York (November 2007), Rome (December 2007), Stockholm (December 2008) and the European Central Bank in Frankfurt (January 2008). We are planning launches in Beijing and Tokyo.

We have created a unique data resource for future researchers. The 2004 data and methodology can be downloaded from our website <http://cep.lse.ac.uk/pubs/download/data0716.zip> and is being used by students and researchers. It has been translated into 9 languages and is being used by agencies in their own surveys. We will adopt a similar open source policy with the 2006 (and subsequent) waves of data once we have published the first papers⁸.

b) Education and Skills Programme Highlight

Background

Recent pioneering CEP research by Blanden and Machin on falling social mobility and on Britain's low mobility position in international comparisons, has been very widely cited. It has had a profound influence on government policy and has kick started what is now a rapidly growing literature both in the UK and internationally. The CEP work studies more recent changes, the factors underpinning Britain's poor record on mobility and connections with economic and social policy. Our findings that education is a key factor in promoting the mobility of future generations have now been generally accepted across the political spectrum.

Recent CEP Research

CEP education research finds that gaps in educational achievement and abilities begin early in the lives and school careers of disadvantaged children and that these inequalities persist over time. Machin and McNally have written for the Primary Review⁹ and OECD¹⁰ on connections between education experiences and social disadvantage. It is evident that, for many children, there is no way back once they get left behind either at school or at home through childhood poverty and disadvantage.

⁷ For example, our proposed reforms to inheritance tax (<http://cep.lse.ac.uk/pubs/download/pa004.pdf>). Our work has been heavily cited in government publications such as the Leitch Review of skills and Treasury's Productivity Report.

⁸ http://cep.lse.ac.uk/management/Management_Practice_and_Productivity.pdf

⁹ Machin, S. and McNally, 2007, An analytical survey of the literature on the changing national context of primary education, Primary Review Report 1/3.

¹⁰ Machin, S. and S. McNally, 2006, Tertiary Education Systems and Labour Markets, OECD Report.

CEP evaluations of the Literacy Hour¹¹ and the Excellence in Cities Programme (which offers extra resources to disadvantaged schools),¹² have found that these programmes significantly improved outcomes for many children. However, they also found that they have not been as successful in reaching the lower end of the education distribution. Other policies to help such children by improving failing schools have concentrated on introducing competition and choice between schools but Gibbons, Machin and Silva¹³ conclude that such policies have only had a minimal effect. The path-breaking work on house prices and schools by Gibbons and Machin has shown, for example, how competition is unfairly skewed by the ability of some parents to spend significant amounts in moving to within the catchment areas of better performing schools, thereby decreasing the chances of helping the “hard to reach”. Another mechanism of accessing better schooling has been to go private, and Green, Machin and Murphy¹⁴ have shown that labour market returns to an independent school education have been rising fast, and faster than returns for children attending state schools. This has had clear ramifications for slowing social mobility since children from above average income families are much more likely to attend private school.

Summary and Impact

The recent CEP research has been important in making connections between education and social mobility, by offering rigorous evidence on the determinants of educational achievement and analysis of the impact of education policies upon the distribution of educational achievement. It has made key contributions to the major revival of the economics of education as a research field that has been going on in the past decade or so.¹⁵

Various CEP researchers (e.g. Blanden, Gibbons, Machin and McNally) have given presentations to government departments and given evidence to Select Committees in this area. Machin is a member of the Liberal Democrats’ Social Mobility Commission. The research has been very widely quoted in the press, 68 times between April and December 07. Future research will aim to better understand how educational inequalities interact with social mobility and produce evidence that is able to inform education and social policies in this area.

e) Dissemination & impact of CEP work

Details of the year’s considerable efforts to disseminate our work to our key stakeholders will be found below under KPIs. We have had particularly strong impact in the press and a record 380 mentions of CEP work. In particular, articles drawing on work press released from our research magazine *CentrePiece* have been continually picked up by the press, especially work on intergenerational mobility, private schools, school segregation, happiness, mental health, management and productivity.

CEP researchers continue to advise government on a range of issues including this year Machin as Low Pay Commissioner, Metcalf as Chair, Wadsworth as member of Migrant Advisory Committee, Overman and Machin on the Eddington Committee, van Reenen member of the Chancellor’s Commission on Environmental Markets and Economic Performance, Steedman on the House of Lords Economic Affairs Committee and Layard advising the Department of Health on developing the Improvement of Access to Psychological Therapies programme. We have run productivity training sessions for the Treasury, and staff, including more junior staff. have made several presentations to HMT, Cabinet Office, DCFS,

¹¹ Machin, S. and S. McNally, 2008, ‘The Literacy Hour’, *Journal of Public Economics*, 92, 1441-62

¹² Machin, S., S. McNally and C. Meghir, 2007, ‘Resources and Standards in Urban Schools’, CEE DP 76

¹³ Gibbons, S., S. Machin and O. Silva, 2008, Competition, Choice and Pupil Achievement, *Journal of the European Economic Association* (forthcoming).

¹⁴ Green, F., S. Machin, R. Murphy and Y. Zhu, 2007, The Changing Economic Returns to Private Education, CEP mimeo.

¹⁵ See the review piece making this point using examples of CEP research by Machin, 2008, ‘The New Economics of Education: Methods, Evidence and Policy’, *Journal of Population Economics*, 21, 1-19 - Keynote talk from 2007 European Society of Population Economics Conference.

DBERR. Staff also work with departments such as ONS, DWP, DBERR in developing databases and in carrying out evaluations, for example for DBERR the evaluation of business support policies.

We have shown how our research has impact in academic circles by being published in the top journals, and has impressive citation levels (see KPI); and it enters “commonsense” ways of thinking about topics (such as intergenerational mobility in the Education Programme, and the spatial determinants of economic growth in the Globalisation Programme) But whilst we can cite numerous examples of interaction with the outside world, does CEP work continue to have impact on policy as previous work did in generating for example the New Deal, Working Family Tax Credits, the Minimum Wage, the R&D Tax Credit? The answer is Yes. This year we are able to cite two more concrete and major policy impacts that have come out of our Labour Markets, Education and Wellbeing Programmes this year.

After his book on Happiness, Layard focused on reforming the theory of public economics to take into account basic psychological facts like social comparisons, habituation, loss-aversion, inconsistent behaviour and socially determined tastes. The papers commissioned for a CEP conference from the world’s leading behavioural and public economists and including Layard and Nickell’s Marginal Utility of Income will come out in a special issue of the respected *Journal of Public Economics* in 2008. But Layard also developed a policy agenda out of his wellbeing work, focusing on adult mental health, above all the need for evidence-based psychological therapy. The Wellbeing programme helped write the Business Case for the Department of Health for IAPT (Improved Access to Psychological Therapy), and was accepted in full in the CSR settlement in October 2007, which pledged £170 million a year to be invested in psychological therapy provision by 2010/11. This drew heavily on our cost-benefit analysis¹⁶, and on CEP Mental Health Policy Group’s papers on the criteria for a good service and the performance targets which should be used. The social impact of this will improve access to treatment for those suffering from depression and anxiety, will help a far greater number keep their jobs, stay in education and maintain family life and will at the same time lessen costs to the Exchequer, even after the costs of the programme are taken into account, by reducing the number of mentally ill people on Incapacity Benefits (currently 1 million, more than the total number of unemployed people receiving unemployment benefits)

A second major policy impact arises from work over the past 12 years led by Steedman and Layard in the Labour Market and Education programmes on the labour market for low skills and on improving performance in producing skills. Using Labour Force and other national survey data, the work has involved rigorous benchmarking of skills and qualifications in a series of Skills Audit reports¹⁷, comparative research into systems of vocational training and qualifications in the UK, Europe, Singapore and the US and the analysis of supply and demand for skills of different sectors of the economy. For over ten years Steedman, Layard et al have been promoting the idea of a guaranteed apprenticeship for school-leavers¹⁸ and have in 2007 persuaded three local authorities to pilot such apprenticeships which the government has now agreed to fund. At the same time, the House of Lords Select Committee on Economic Affairs produced a report on Apprenticeship in July 2007, drafted by Hilary Steedman as advisor¹⁹. In October 2007 the government announced the forthcoming Apprenticeship Bill, which from 2013 will guarantee the offer of an apprenticeship place to all 17 yr olds with 5 GCSE’s (and from 2015 to all 18 yr olds) and the setting up of a new agency, the National Apprenticeship Service in 2009 which will have a "dedicated field force" to support employers and apprentices through the entire course of learning. We feel our long-running research in this area is at last impacting on real decisions vital to the future of our young people. The work took 12 years to have this impact and it was made possible not only by unceasing commitment of the individuals concerned, but also, importantly, by the infrastructure and

¹⁶ Richard Layard Cost-Benefit Analysis of Psychological Therapy *National Institute Economic Review*, 202 pp90-98 October 2007

¹⁷ **Lifelong Learning** Richard Layard, Hilary Steedman, December 1995 Paper No' CEPOP09: [Read Abstract](#) | [Full paper](#). See also publications at <http://cep.lse.ac.uk/research/skills/skillsforall.asp>

¹⁸ Apprenticeship and the skills gap Richard Layard The National Commission on Education Follow-Up Group Occasional Paper December 2003

¹⁹ the report of the House of Lords Committee Review of Apprenticeship Apprenticeships: a key route to skill – Vols 1 and 2 – Session 2006-7

longer term funding of a Centre such as the CEP which enabled researchers to accumulate the evidence and expertise necessary, establish a methodology for benchmarking qualifications and skills and to use every means possible – networks, workshops, special reports, secondment at DfES, working with the LSDA, press publicity of the findings, policy briefings, advising Select Committees and Ministers etc. in order to bring about the policy change.

2. PROGRESS AGAINST OBJECTIVES

a) Research Objectives

Note: *only examples of outputs have been entered. Objectives added since those of our ESRC contract have been included at the end of the programme concerned*

LABOUR MARKET OBJECTIVES
<p>The functioning of the labour market is of crucial importance for material well-being and for the performance of economies. A critical aspect is the fact that the labour market does not reward all participants equally. The first major objective of the programme is therefore to understand inequality, but particularly from a dynamic perspective. In the 'dynamics of distribution', the aim is to move beyond a static cross-sectional view of inequality to find out more about inequality in lifetime resources. The second objective is to research which labour market institutions, if any, foster good performance and to consider how we can change them.</p>
<p>L1A. Why has wage inequality widened at for the top half of the wage distribution?</p>
<p>First milestone not till October 2008. Progress made to date: Machin and van Reenen "Changes in Wage Inequality", in Palgrave. Machin "Appraisal of Economic Research on Changes in Wage Inequality", keynote lecture to Italian Association of Labour Economists conference, Sept. 2007</p>
<p>L1B. How do changing consumption patterns affect the demand for low-skill workers?</p>
<p>On Track: Work on the minimum wage has shown little impact on employment or prices in an economy with strong demand for low wage work. Minimum wages also seem to act as efficiency wages boosting productivity. More evidence is being assembled that there is a polarisation of work into high and low skilled in many countries. Dickens and Draca, "The Employment Effects of the October 2003 Increase in the National Minimum Wage", Discussion Paper No.693, Centre for Economic Performance, London School of Economics, June J Wadsworth "Did the Minimum Wage Change Consumption Patterns?", Report to Low Pay Commission, February 2007.HMSO D. Metcalf, "Why Has the British National Minimum Wage Had Little or No Impact on Employment?" Journal of Industrial Relations, forthcoming 2008 Goos, M and Manning, A, "Lousy and Lovely Jobs: The Rising Polarization of Work in Britain," Review of Economics and Statistics, 89, 2007, pp. 118-133</p>
<p>L1C. How do workless households form and dissolve?</p>
<p>Abandoned: Household formation and dissolution were found to be too difficult to track given existing data sources see L1F instead. "Why we should (also) Measure Worklessness at the Household Level. Theory and Evidence from 5 OECD Countries", (with Paul Gregg) CEP Mimeo submitted Journal of Population Economics.</p>
<p>L1D. What is the level of inequality in lifetime resources?</p>
<p>On Track: although some data matching not legally feasible: Both intra- and intergenerational income mobility has been decreasing in various countries. JSA reform has led to reduced search effort and as a result claimants took worse jobs .Dickens and McKnight, "Earnings Mobility in Great Britain: 1978-2003", Working Paper No.1545, Centre for Economic Performance, London School of Economics. Petrongolo, B. "What are the long-term effects of unemployment insurance? Evidence from the UK JSA reform", CEP DP 841, December 2007</p>
<p>L1E. Why are there pockets of high unemployment often close to areas of high vacancies?</p>
<p>On Track: Establishment size is bigger in cities, a fact difficult to square with theories so far (which future</p>

<p>work will try to address). Infrastructure and local resources matter for wage inequality. Current work is applying matching function to small local areas.</p> <p>Manning, A, "The Plant Size-Place Effect: Agglomeration and Monopsony in Labour Markets", CEP DP 773, January 2007</p> <p>Michaels G., "The Effect of Trade on the Demand for Skill - Evidence from the Interstate Highway System", Review of Economics and Statistics, Forthcoming</p>
<p>L1F. Who are the winners and losers from labour market institutions?</p>
<p>On Track: Although using other data sets than the European LFS's (which seem to be of low quality). Labour market institutions, like EPL, are important for both distribution and incentives in practice, as well as flows between employment and unemployment. Some well meaning reforms can backfire. German unions don't set wage floors but compress the entire wage distribution. The WFTC doesn't lead to wage progression but more stable employment. The division of labour affects labour demand. There is little feedback from inequality to institutions through voting.</p> <p>Richard Freeman, "Labor Market Institutions Around the World", CEP Discussion Paper 844, January 2008</p> <p>Andreas Georgiadis and Alan Manning, "Spend it Like Beckham? Inequality and Redistribution in the UK, 1983-2004", CEP Discussion Papers Series no. 816, August 2007</p> <p>Petrongolo, B. and Pissarides, C., "The Ins and Outs of European Unemployment", American Economic Review, Papers and Proceedings 98, May 2008</p> <p>Petrongolo, B. "What are the long-term effects of unemployment insurance? Evidence from the UK JSA reform", CEP DP 841, December 2007</p> <p>M. Manacorda and A. Manning, "Shifts in the Demand and Supply of Skills. Evidence from Italy, the UK and the US", Oxford Bulletin of Economics and Statistics, 69</p>
<p>L2. Labour Market Performance (Manning)</p>
<p>L2A what institutions are associated with well-functioning labour markets?</p>
<p>On Track: Azmat, Manning, van Reenen show that privatization in network industries plays a big role in reducing labour's share while otherwise labour market deregulation does not. The effect is mainly through employment, not wages. Cross-country evidence shows that institutions do not have a clear impact on mean employment and wages (absent outright conflict, as in civil wars). An important channel for legal institutions is their effect on organisational structure: Various pieces of work link labour management relations and work place organisation to employee performance.</p> <p>Azmat, G, Manning, A, and Van Reenen, J, "Privatization, Entry Regulation and the Decline of Labour's Share of GDP: A Cross-Country Analysis of the Network Industries", CEP DP 806, June 2007</p> <p>Richard Freeman, "Labor Market Institutions Around the World", CEP Discussion Paper 844, January 2008</p> <p>Bryson, A. and Freeman, R. (2007) "Doing the Right Thing? Does Fair Share Capitalism Improve Workplace Performance?", Department of Trade and Industry Employment Relations Research Series Number 81, DTI: London</p> <p>Marsden, David and Belfield, Richard, "Pay for performance where output is hard to measure: the case of performance pay for school teachers", Advances in Labor and Industrial Relations, Vol. 15, 2006 edition. 2007, Winner of the 2006 LERA 'Best paper' competition.</p> <p>Guadalupe, M, "Product Market Competition, Returns to Skill and Wage Inequality", Journal of Labor Economics, Vol. 95, No. 3, 2007, pp. 439-474</p>
<p>L2B. Why do Americans work harder than Europeans?</p>
<p>Main work completed but extensions still going on: Faggio and Nickell find that neither taxes nor unions alone explain differences in work hours across the Atlantic. Inequality is associated with lower hours, compounding the puzzle. Current work is integrating the role of home production for a better understanding.</p> <p>Faggio, G. and Nickell, S., "Patterns of Work across the OECD", Economic Journal, 117 (Issue 521), June 2007</p>
<p>L2C. What will be the impact of ageing on the labour market and productivity?</p>
<p>Abandoned: Main researcher (Jackman)</p>
<p>L2D. What is the impact of the shift from collective to individual rights in the workplace?</p>
<p>Good Progress: There is more performance based pay in France than in Britain despite more unions, but such pay is gaining acceptance in Britain too. The decline in employee voice, associated with collective rights, is balanced by an increase in information sharing by management, a move that is generally productive.</p> <p>Bryson, A. Gomez, R., Kretschmer, T. and Willman, P. (2007) "The Diffusion of Workplace Voice and High-Commitment Human Resource Management Practices in Britain, 1984-1998", Industrial and Corporate Change, 16, 3: 395-426</p> <p>Marsden, David, "Individual employee voice: renegotiation and performance management in public services", International Journal of Human Resource Management, July 2007</p>

Gospel and Willman, "Is it Good to Talk? Information Disclosure and Organisational Performance in the UK", British Journal of Industrial Relations, Vol.43, No.1, March, pp.11-39.

L2E. What labour market institutions are appropriate at different stages of development?

On Track: Main outputs expected in 2008 and 2009: Focus shifted to African and Latin American countries. Much child labour is due to transitory shocks to households and has few long run consequences. Nevertheless, firm side determinants of child labour are important as well. The spread in the wage distribution in Latin America is explained by supply and demand. Half of the rise in inequality over 1990s is explained by minimum wage deterioration.

Manacorda, Marco. "Child Labor and the Labor Supply of Other Household Members, Evidence from 1920 America", American Economic Review (2006).

Manacorda, Marco and M. Bosch "Minimum wages and inequality in Mexico", CEP Mimeo May 2006

L2F. Why are wages so rigid over the business cycle?

On Track: Starting wages are not actually particularly rigid, and the existing cyclical volatility is enough to explain unemployment fluctuations in matching models.

Christopher A. Pissarides, "The Unemployment Volatility Puzzle: Is Wage Stickiness the Answer?", CEP Discussion Paper 839, November 2007

NEW LABOUR MARKETS OBJECTIVES

What is the impact of immigration on the host country economy? How fast do immigrants assimilate?

Good Progress: New immigrants to the UK affect mainly old immigrants but hardly natives, who are only imperfect substitutes. Immigration has a smaller macro impact in more flexible labour markets. Rates of assimilation of immigrants are slowing down. It takes 20 years to catch up with natives. Contrary to popular perception, Muslim immigrants integrate in terms of values. Language assimilation is found to progress similarly to earnings assimilation in Canada. Indian immigrants to the UK and US face lower status than at home. Studying abroad contributes to brain drain.

Marco Manacorda, Alan Manning, Jonathan Wadsworth, "The Impact of Immigration on the Structure of Male Wages: Theory and Evidence from Britain", CEP DP 754, October 2006

Manning, A and Roy, S, "Culture Clash or Culture Club? The Identity and Attitudes of Immigrants in Britain", CEP DP 790, April 2007

Can we understand why women are still paid less than men?

The male-female earnings gap grows with time in the labour market, and not more than half of this is explained by human capital factors. Newer hypotheses like women's lower proclivity to negotiate their wage or to choose performance based pay schemes explain virtually none of the gap. More divorce creates more inequality among women. Cross country differences in gender pay gaps are well explained by employment gaps. The UK has one of the largest part-time pay penalties in Europe, putting an additional burden on women.

Claudia Olivetti, Barbara Petrongolo "Unequal Pay or Unequal employment? A Cross-Country Analysis of Gender Gaps", CEP Discussion Paper 711, December 2005

Manning, A. and Petrongolo, B. "The Part-Time Penalty for Women in the UK", Economic Journal, 118, February 2008

Andreas Georgiadis and Alan Manning, "Royal Economic Society Survey on the Gender and Ethnic Balance of Academic Economics 2006", Royal Economic Society (RES) Newsletter, July 2007

Manning and Swaffield, "The Gender Gap in Early Career Wage Growth", Discussion Paper No.700, Centre for Economic Performance, London School of Economics, July.

EDUCATION & SKILLS PROGRAMMES OBJECTIVES

Our first objective is to understand the main drivers of pupil attainment looking at the quality of schools, the role of school competition, parental choice and school governance. Our second objective is to understand the determinants and impact (especially on intergenerational inequality) of educational inequality which may mean inequality in access to education, or inequality in pupil attainment where education is compulsory. Finally, comparative understanding of the way education systems and policies are organised and operated in different countries is critical for research and policy discussion.

E1C. What aspects of school quality do parents value? (note: this area of research also looks at how school competition and parental choice in education markets can impact on pupil achievement)

Good Progress:

S. Gibbons and S. Machin (2006), "Paying for Primary Schools: Supply Constraints Popularity or Congestion", Economic Journal, Vol. 116. Issue 510. pp.

<p>S. Gibbons and O. Silva (2006), "Competition and Accessibility in School Markets: Empirical Analysis using Boundary Discontinuities" in T. Gronberg and D. Jansen (eds), <i>Improving School Accountability: Check-Ups or Choice? Advances in Applied Microeconomics</i>. Vol. 14. Elsevier.</p> <p>S. Gibbons, S. Machin and O. Silva (2006), "Competition, Choice and Pupil Achievement", <i>Journal of the European Economic Association</i>. Forthcoming. Also, CEE Discussion Paper No. 64.</p> <p>S. Gibbons and O. Silva, "Faith Primary Schools: Better Schools or Better Pupils?" CEE Discussion Paper No. 72.</p>
<p>E2A. How can policies like childcare improve children's early development and education?</p> <p>Moderate Progress Only:</p> <p>Key participants, Anna Vignoles and Fernando Galindo Rueda who have left CEP have found that the project is fraught with identification difficulties.</p> <p>S. Berlinski, S. Galiani and M. Manacorda, (2007), "Giving Children a Better Start: Preschool Attendance and School-Age Profiles", <i>Journal of Public Economics</i>. Forthcoming.</p> <p>E. Tominey, "Timing of Human Capital Investment Across Children's Lives", Mimeo.</p>
<p>E2B. What role does education play in mitigating or reinforcing inequality across generations?</p> <p>Good Progress:</p> <p>J. Blanden. (2006). "Bucking the Trend: What enables those who are disadvantaged in childhood to succeed in later life?", Department of Work and Pensions. Discussion Paper 31.</p> <p>J. Blanden, L. Macmillan and P. Gregg, (2007), "Accounting for Intergenerational Persistence: Noncognitive Skills, Ability and Education", <i>Economic Journal</i>. Vol. 117. Conference volume. C43-C60.</p> <p>E. Maurin and S. McNally (2008), "Vive la Révolution! Long term educational returns from 1968 to the angry students", <i>Journal of Labor Economics</i> Vol. 26. No. 1. Pp. 1-35.</p>
<p>E2C. How do changes in the structure and behaviour of families affect the extent of intergenerational mobility?</p> <p>On Target:</p> <p>H. Holmlund, "Intergenerational Mobility and Assortative Mating. Effects of an Educational Reform", Working Paper No. 1505. Centre for Economic Performance, LSE.</p> <p>E. Tominey, "Family Marriage Formation and Child Outcomes", CEP Mimeo.</p>
<p>E2D NEW EDUCATION OBJECTIVE. How important are inequalities within the education system?</p> <p>Good Progress:</p> <p>S. Gibbons and O. Silva, (2007), "Urban Density and Pupil Attainment", <i>Journal of Urban Economics</i>. Forthcoming (online August 2007).</p> <p>S. Machin, S. McNally and C. Meghir, (2007), "Resources and Standards in Urban Schools", CEE Discussion Paper. 76.</p> <p>S. Gibbons and S. Telhaj, "Are Schools Drifting Apart? Intake Stratification in English Secondary Schools", <i>Urban Studies</i>. Vol. 44. No. 7, pp. 1281-1305</p> <p>E. Maurin and S. McNally, (2007), "Educational Effects of Widening Access to the Academic Track: A Natural Experiment", CEE Discussion Paper. No. 95. IZA Discussion Paper. No. 2596.</p>
<p>NEW EDUCATION OBJECTIVE: How does School Leadership affect wages and performance in schools?</p> <p>Completed:</p> <p>T. Besley and S. Machin, (2008), "Are Public Sector CEOs Different? Leadership Wages and Performance in Schools", Mimeo.</p>
<p>E3. Education Systems and Policies (Pischke)</p>
<p>E3A. Which education policies matter? Which systems of education matter more for educational outcomes?</p> <p>How successful is the German apprenticeship model and is it transferable to other countries?</p> <p>Good Progress:</p> <p>S. Machin and S. McNally, (2008), "The Literacy Hour", <i>Journal of Public Economics</i>, Vol. 92, pp. 1441-1462.</p> <p>S. Machin, S. McNally, and O. Silva, (2007), "New Technology in Schools: Is There a Payoff?" <i>Economic Journal</i> 117 (522): 1145-1167. A. Manning and J-S. Pischke, (2006), "Comprehensive versus Selective Schooling in England and Wales: What Do We Know?", CEE Discussion Paper No. 66. Also NBER Discussion Paper No. 12176.</p> <p>J-S. Pischke and T. von Wachter (2006), "Zero Returns to Compulsory Schooling in Germany: Evidence and Interpretation", <i>Review of Economics and Statistics</i>. Forthcoming. Also CEE Discussion Paper. No. 54.</p> <p>H. Steedman, (2007), "Adapting to Globalised Product and Labour Markets: New Models for Apprenticeship in Europe", Working Paper No. 12. Institute for Futures Studies. Stockholm.</p> <p>J. Fersterer and J-S Pischke, (2008), "Returns to Apprenticeship Training in Austria: Evidence from Failed Firms", CEE Discussion Paper 88. NBER Working Paper 13344</p>

PRODUCTIVITY OBJECTIVES

Our objectives have been to understand the reasons for the gap in productivity between the UK and other major OECD countries; the reasons why the EU has not had a productivity miracle post 1995 like the US and the reasons for firm heterogeneity.

We argue that much of these can only be understood by examining differences in managerial/organizational practices and launched several major surveys (in 2004 and 2006) to measure these (across 4000 firms in 12 countries). This work has had major academic and media impact.

P1A. When will the EU follow the US productivity growth acceleration?

In "Americans Do I.T. Better" we argue that US productivity acceleration was driven by fact that US firms have management/organization that enabled them to make better use of IT than Europeans. Because of adjustment costs, EU is slower but will catch up again. Process has probably started to happen now.

"Americans Do I.T Better: US multinationals and the productivity miracle " (Nick Bloom, Raffaella Sadun, John Van Reenen), CEP DP 788 and NBER Working Paper No. 13085 <http://cep.lse.ac.uk/pubs/download/dp0788.pdf>

P1B. How much do barriers to reallocating resources across sectors reduce economic growth?

These barriers matter a lot and have slowed down European productivity growth.

An R&D-Based Model of Multi-Sector Growth Rachel Ngai, Roberto M. Samaniego, December 2006 Paper No CEPDP0762:

P1C. How much of the UK's gap in productivity is due to mismeasurement?

Nick Oulton worked with the ONS and they have adopted his recommendations to capitalize software. This has now officially adopted by the "Blue Book" of UK National Accounts. This improved measurement reduces the productivity gap (in levels and growth between the UK and the US), but not by a huge amount.

"Chain indices, Divisia indices and the path-dependence problem: an empirical solution", forthcoming in Journal of Econometrics, 2008

P2A. Can we explain firm level productivity growth through models of selection and learning?

We showed that there has been a considerable increase in firm-level productivity dispersion and this accounts for much of the increase in wage dispersion "within groups".

"The Evolution of Inequality in Productivity and Wages: Panel Data", Evidence Giulia Faggio, Kjell Salvanes, John Van Reenen, August 2007 Paper No' CEPDP0821: <http://cep.lse.ac.uk/pubs/download/dp0821.pdf>

P2B. How can knowledge spillovers be tracked and how can they be separated from strategic rivalry?

We introduce a methodology to do exactly this & use it to analyse technology policies.

"Technology Spillovers and Product Market rivalry" (with Nick Bloom and Mark Schankerman), CEP Discussion Paper No. 675. <http://cep.lse.ac.uk/pubs/download/dp0675.pdf>

"How special is the special relationship: Using the impact of US R&D spillovers on British firms as a test of technology sourcing" (Rupert Harrison, Rachel Griffith and John Van Reenen) American Economic Review (2006) 96(5) 1859-1875 http://cep.lse.ac.uk/textonly/people/vanreenen/papers/aer_96_5.pdf

P2C. What determines the spread and impact of ICT on company performance?

Impact on firm performance (Depends on organization/management):

"Information Technology, Organizational Change and Productivity Growth: Evidence from UK Firms", Gustavo Crespi, Chiara Criscuolo, Jonathan Haskel, March 2007 Paper No' CEPDP0783

"ICT and Productivity" (Mirko Draca, Raffaella Sadun, John Van Reenen) (2007), Handbook of Information of Information and Communication Technologies" R. Mansell, C. Avgerou, D. Quah and R. Silverstone (eds) Oxford Handbook on ICTs, Oxford University Press, <http://cep.lse.ac.uk/pubs/download/dp0749.pdf>

<http://www.lse.ac.uk/collections/EDSInnovationResearchProgramme/pdf/EDSdp002.pdf>.

Drivers of adoption include competition induced by globalization:

"Trade induced technical change? The impact of Chinese imports on technology, jobs and plant survival - evidence from a panel of plants" (Nick Bloom, Mirka Draco and John Van Reenen), CEP mimeo presented in New Orleans AEA, Stanford, EDS

P2D. What is the nature of competition and innovation in the computer industry?

"Some Economics of Microsoft vs. European Commission" (Kai Uwe Kuhn and John Van Reenen) forthcoming Bruce Lyons (Editor) The Economics of European Competition Cases

"Is There a Market for Work Group Servers? Evaluating Market Level Demand Elasticities Using Micro and Macro Models" (John Van Reenen) CEP Discussion Paper No. 650, <http://cep.lse.ac.uk/pubs/download/dp0650.pdf>

"The Incentives of a monopolist to degrade interoperability" (with Christos Genakos, Kai Uwe Kuhn and John Van Reenen). Mimeo presented at NBER IO group, MIT, Michigan, and CEPR.

P3A. When introducing a common innovation, does establishment performance in the same multinational react differentially across countries?

This has mainly been examined using the 2004 and 2006 survey data (see below).
“Measuring and Explaining Organization across firms and countries” (Nick Bloom, Raffaella Sadun and John Van Reenen). Mimeo presented at NBER, Stanford, and Harvard.

P3B. Are management practices a reason for lower UK productivity?

This has been a major area. The answer is “yes”, poor quality UK management may explain up to a quarter of lower UK productivity with the US. The US advantage is due to tougher competition and meritocratic CEO selection.

“Measuring and Explaining Management practices across firms and nations” (Nick Bloom and John Van Reenen) Quarterly Journal of Economics (2007) 122(4), 1351–1408 <http://cep.lse.ac.uk/pubs/download/dp0716.pdf>

“Management Practices, work-life balance and productivity: A Review of recent evidence” (Nick Bloom and John Van Reenen) Oxford Review of Economic Policy (2006) 22(4) 457-481
<http://cep.lse.ac.uk/textonly/people/vanreenen/papers/oxrep.pdf>

“Technology, Information and the Decentralization of the Firm” (with Daron Acemoglu, Philippe Aghion, Claire Lelarge and Fabrizio Zilibotti), Quarterly Journal of Economics, (2007), 122 (4), 1759–1799.
<http://cep.lse.ac.uk/pubs/download/dp0722.pdf>

P3C. What determines the adoption of TWIST, a financial innovation?

Under closer examination we found that TWIST was not the ideal experiment for quantitative evaluation (although we did some qualitative analysis that was useful for hypothesis testing). We have focused on the diffusion of SWIFT as a better financial innovation to study and have matched the private confidential datasource of SWIFT with BVD’s Bankscope data. The matching process and security protocols to ensure confidentiality for SWIFT’s clients took long and protracted negotiation. We now have some initial results suggesting large positive effects of adoption, albeit with long lags. We are planning the qualitative work to complement the econometric analysis.

GLOBALISATION OBJECTIVES

The Globalisation programme attempts to explain the location of economic activity and how this affects productivity and living standards in different countries and regions. The programme objectives focus firstly on how firms respond to globalisation (that is to reduced costs of transport, low tariffs, and a more rapidly changing international environment); secondly on transport costs themselves, and how to estimate the value of transport improvements; thirdly on external economies of scale which are crucial in explaining the clustering of related economic activities in the same area – and indeed in explaining the existence of cities; the final objective is to consider these issues as they impact on developing countries

G1. How firms respond to globalisation (Redding)

G.1.A. Do firms respond to trade openness by innovating or changing their activities?

Good Progress:

“Comparative Advantage and Heterogeneous Firms” (joint with Andrew Bernard and Peter Schott), *Review of Economic Studies*, 73(1), 31-66, 2007.

“Firms in International Trade” (joint with Andrew Bernard and Peter Schott), *Journal of Economic Perspectives*, 21(3), 105–130, 2007.

Overman, H and Winters, A (2006) “Trade shocks and industrial location: The Impact of EEC accession on the UK”, CEP DP 588

“Trade and growth with heterogeneous firms,” (Frederic Robert-Nicoud and Richard Baldwin), January 2008, *Journal of International Economics* 74(1), pp. 21-34.

G.1.B. What is the impact of trade on firms’ organisational structure?

Good Progress:

“Trade Liberalization and Industrial Restructuring through Mergers and Acquisitions”, Holger Breinlich, *Journal of International Economics*, forthcoming.

“Off-shoring of routine tasks and (de)industrialization: Threat or opportunity—and for whom?” Frederic Robert-Nicoud, March 2008, *Journal of Urban Economics* 63(2), pp. 517-35.

“Intra-Industry Foreign Direct Investment.” Andrew Charlton and Laura Alfaro, *NBER Working Paper*, 13447, Revise and resubmit, *American Economic Review*.

G.1.C. How are “production networks” developing in Europe, and what is the effect of EMU?

Good Progress:

Redding, S and Sturm, D (2008) “The Costs of Remoteness: Evidence from German Division and Reunification”, *American Economic Review*, forthcoming.

Breinlich, H (2006) “The Spatial Income Structure in the European Union – What Role for Economic Geography”, *Journal of Economic Geography*, 6(5)

“Spatial determinants of productivity; analysis for the UK regions”, Venables A with P.G. Rice and E. Patacchini,

<p><i>Regional Science and Urban Economics</i>, 36 (2006) 727-752.</p> <p>“Agglomeration and trade with input-output linkages and capital mobility”, Frederic Robert-Nicoud, June 2006, <i>Spatial Economic Analysis</i>, pp. 101-26.</p>
<p>G1D How does specialisation respond to external shocks, and what are the costs and benefits of flexibility?</p>
<p>Completed:</p> <p>“Timeliness and agglomeration”, J. Harrigan and A. Venables, <i>Journal of Urban Economics</i>, 59 (2006), 300-316.</p> <p>Cunat, A and Melitz, M (2006) “Volatility, Labor Market Flexibility and Comparative Advantage”, <i>NBER Working Paper</i> No. 13062, April 2007</p>
<p>G2. Measuring the impact of transport costs (Venables)</p>
<p>G2A Why can small differences in frictions matter so much for trade flows?</p>
<p>Completed: Additional questions answered: (a) the effects of international relations on trade (b) regionalism versus multilateralism</p> <p>“Interacting factor endowments and trade costs: a multi-country, multi-good approach to trade theory”, Venables A and J. Markusen, <i>Journal of International Economics</i>, 73, (2007), 333-354.</p> <p>Cunat, A and Maffezzoli, M (2006) “Can Comparative Advantage Explain the Growth of US Trade?”, <i>Economic Journal</i>, 2007.</p> <p>“Rising trade costs? Agglomeration and trade with endogenous transaction costs”, G.Duranton and M.Storper, <i>Canadian Journal of Economics</i>, 2008, 41 (1), 292 – 319</p> <p>“Freedom Fries”, Guy Michaels, Xiaojia Zhi, July 2007 Paper No CEPDP0815</p>
<p>G2B What are the wider benefits of transport improvements and how can they be measured?</p>
<p>Completed:</p> <p>“The Effect of Trade on the Demand for Skill Evidence from the Interstate Highway System,”, Guy Michaels, <i>Review of Economics and Statistics</i>, Forthcoming 2008</p> <p>“Evaluating urban transport improvement: cost benefit analysis in the presence of agglomeration and income taxation”, A. Venables, <i>Journal of Transport Economics and Policy</i>, 41 (2007), 173-188.</p> <p><i>Economics of Transition</i>, 13, (2005), 573-604</p>
<p>G2C Are places with better transport access more productive?</p>
<p>In Progress</p> <p>Rice, P G and Venables, A J (2006) “Spatial Determinants of Productivity: Analysis for the UK Regions”, <i>Regional Science and Urban Economics</i>, 36, 727-52.</p>
<p>G2D How is transport access valued in property prices?</p>
<p>Completed:</p> <p>Gibbons, S. and S. Machin (2005) “Valuing Rail Access Using Transport Innovations”, <i>Journal of Urban Economics</i>, 57(1): 148-169</p> <p>POLICY REPORT: Gibbons, S. and Machin, S. (2006) Transport and Labour Market Linkages: Empirical evidence, implications for policy and scope for further research, background paper for the Eddington report to the Department of transport, January</p>
<p>G2E How did 19th century transport improvements facilitate industrial reorganisation?</p>
<p>Completed:</p> <p>Leunig, Tim. “Time is money: a re-assessment of the passenger social savings from Victorian British Railways”, <i>Journal of Economic History</i> 66, no. 3 (2006), pp. 635-673.</p> <p>Nicholas Crafts & Tim Leunig, “Transport improvements, agglomeration economies and city productivity: at what point did nineteenth-century transport improvements raise British wages?”</p>
<p>G3A What is the process of learning which could explain clusters?</p>
<p>Completed:</p> <p>Duranton, G, “Some foundations for Zipf’s law: Product proliferation and local spillovers”, <i>Regional Science and Urban Economics</i>, 2006, 36(4), 543-563</p> <p>Duranton, G, “Agglomeration and the adjustment of the spatial economy” (with Pierre-Philippe Combes and Henry Overman), <i>Papers in Regional Science</i>, 2005, 84(3), 311-349</p>
<p>G3B How can we more accurately measure the extent of clustering?</p>
<p>Good Progress:</p> <p>Duranton, G and Overman, H (2005) “Testing for localisation using micro-geographic data”, <i>Review of Economic Studies</i>, 72(4), 1077-1106</p> <p>“Exploring the Detailed Location Patterns of UK Manufacturing Industries using Micro geographic Data” (G. Duranton and Henry Overman), <i>Journal of Regional Science</i>, 2007.</p>
<p>G3C Are the observed clusters simply due to better quality workers?</p>

<p>Good Progress: “Spatial wage disparities: Sorting matters!” (with Pierre-Philippe Combes and Laurent Gobillon), <i>Journal of Urban Economics</i>, 2008, 63(2), 723-742 Combes, P and Duranton, G (2006) “Labour pooling, labour poaching, and spatial clustering”, <i>Regional Science and Urban Economics</i>, 2006, 36(1), 1-28</p>
<p>G4 A What enables export growth to “take off” and in what sectors?</p>
<p>In Progress: Aghion, P, Burgess, R, Redding, S and Venables, A (2006) “The Unequal Effects of Liberalization: Evidence from Dismantling the License Raj in India”, <i>American Economic Review</i>, forthcoming, 2008. “Entry Liberalization and Inequality in Industrial Performance” (Philippe Aghion, Robin Burgess, Stephen Redding and Fabrizio Zilibotti), <i>Journal of the European Economic Association</i>, 3(2-3), 291-302, 2005.</p>
<p>G4B What determines technological upgrading and productivity growth?</p>
<p>In Progress: : “Technological Convergence, R&D, Trade and Productivity Growth” (joint with Gavin Cameron and James Proudman), <i>European Economic Review</i>, 49(3), 775-807, 2005. WORKING PAPER: “Technological Catch-up and the Role of Multinationals” (LSE / IFS Mimeo Rachel Griffith, Helen Simpson and Stephen Redding July 06).</p>

<p align="center">WELLBEING OBJECTIVES</p>
<p>Objective: Funding for most of this programme will be sought by Layard from non-ESRC sources</p>
<p>Good Progress: £350,000 raised from Esme Fairbairn Charitable Trust; £25,000 from Waller Memorial Trust; £20,000 from Computershare and Rutgers University £250,000 from Department of Children Evaluation of Penn Resiliency Programme and £101,000 from Department of Health (Improving Access to Psychological Therapies)</p>
<p>Objective: Theory of public economic policy needs to be restructured to take into account five key psychological facts: social comparisons, habituation, loss-aversion, taste formation and inconsistent behaviour. An international programme will produce a volume on how this should be done.</p>
<p>Achieved: International conference of public economics held at CEP 2006 and papers collected in special issue of <i>Journal of Public Economics</i> coming out 2008, including Layard, Nickell and Mayraz “Marginal Utility of Income” and Introduction by Layard</p>
<p>Objective: The social science profession needs to focus more on studying the causes of happiness. This will be promoted through an interdisciplinary conference, and prior to this a series of regular meetings of scholars interested in happiness</p>
<p>Good Progress: The programme has established a regular Wellbeing Workshops series with contributions from psychology, psychiatry, psychobiologists, social policy, and economics. R. Layard, “Happiness and Public Policy: a challenge to the Profession”, in B.S.Frey & A.Stutzer, <i>Economics and Psychology: A Promising New Cross-disciplinary Field (CESifo Seminar) MIT 2007</i></p>
<p>Objective: The impact of workplace arrangements on job satisfaction needs to be studied in a way that properly controls for individual differences in temperament. This will be done through a longitudinal design applied within a multi-workplace enterprise.</p>
<p>Good Progress: Funding raised by Freeman from Computershare. Survey on satisfaction issued to 1500 Computershare employees (as pilot: thereafter 8000 will be surveyed) D.Kruse, R.Freeman, J.Blasi, “Do Workers Gain by Sharing? Employee Outcomes under Employee Ownership, Profit Sharing, and Broad-based Stock Options”, forthcoming <i>Shared Capitalism</i>, NBER Conference Volume “Does changing employers improve job satisfaction”? Richard Freeman, Wei Chi, Morris Kleiner <i>Mimeo NBER</i>, June 2007</p>
<p>Objective: Suffering from different illnesses (including mental illness) needs to be measured in a consistent way for purposes of health-care planning.</p>
<p>In Progress: Some progress in planning the research methodology has been made in the wellbeing workshops. We will finalise our application for a study comparing mental and physical pain, in order to influence how experienced pain is reflected in the measurement of QALYs. Dolan, P. & White, M.P. (2007). “How can measures of subjective well-being be used to inform public policy”? <i>Perspectives on Psychological Science</i>, Vol. 2 (1), 71-85.</p>

<p>NEW WELLBEING OBJECTIVE Added 2006 Policy Initiatives to improve wellbeing a)of young people and b)for people suffering from anxiety and depression</p>
<p>Good Progress a) Bring about pilot implementation in UK Schools of Penn Resiliency Programme and evaluate it. Funding has been obtained for the implementation in 22 Schools. CEP has won a tender to evaluate it, coordinated by Amy Challen and Steve Machin</p>
<p>b) Cost benefit analysis and evaluation of evidenced based psychological therapies to promote expansion of (DOH) Improved Access to Psychological Therapy Achieved: £300m made available for expansion of IAPT 2008-10 announced October 07 in the CSR. CEP evaluation of two pilot programmes in Newham and Doncaster: Completed D. Clark, R. Layard and R. Smithies, “A Preliminary Evaluation of the Doncaster and Newham IAPT Demonstration Sites”, Centre for Economic Performance Working Paper 1648, March 2008. R. Layard, D. Clark, M. Knapp and G. Mayraz, “Cost-benefit Analysis of Psychological Therapy”, <i>National Institute Economic Review</i>, No.202, October 2007</p>

b) Progress with Capacity Building Objectives

Our objective for capacity building is to train future generations of social science professionals particularly in economics in the understanding and use of most advanced methods available. It does this mainly via apprenticing junior staff to a senior researcher whilst being enrolled on their PhD at the same time. The experience of working on a research project often helps defining a thesis topic and approach more quickly than in lone scholar mode. In 2007 11 PhD’s were awarded to staff and students in the Centre, the highest number awarded in a year since CEP began in 1990 (average annually awarded has been 7). As part of staff training, we run work-in-progress seminars for junior staff to trial out unfinished work in front of colleagues and senior staff and also encourage presentation of findings outside: 476 papers were presented at academic departments, centres, conferences and non academic events, 63% of them abroad. At the 2007 Annual Royal Economics Society Conference, 18 papers were given by Centre staff, 11 of them junior. We widened access to CEP by running Summer Internships and took on 12 students for up to three months during the summer of 2007 all of whom were allocated to projects under a research supervisor.

We develop other skills important for researchers: eight of our junior staff have been helped to put in research grant applications (Martin, Criscuolo, Challen, Sadun, Telhaj, Draca, Viarengo, Hussain). Junior as well as senior staff are encouraged to interact with civil servants and policymakers, for example Challen running the new Resilience Evaluation Programme in 22 schools; Criscuolo and Martin building up the database at ONS and advising DBERR on Business Support Initiatives. Finally, all CEP staff are encouraged to write for non-academic as well as academic audiences and to disseminate their work – this year 8 junior staff have contributed articles to CentrePiece magazine for example.

Judged by staff progression within CEP and career moves to jobs outside it, our training record is having good results. This year we promoted 2 to research officer, 1 to research fellow and one to Programme Director. Of the 17 which moved on, 9 moved to academic posts including Princeton, Harvard, NBER, Sussex and Kent; 3 to policy positions in governments (Australia, India and Mexico) 2 to the Bank of England and one to the IMF, who joins the other 13 ex-CEP staff who have moved there over the past 12 years.

3. PROGRESS WITH KPI's

If we are to take counts of events, publications, PhD's produced, newspaper appearances seriously, our tally for every group is significantly up on the first 2 years of the Centre's 5-year funding: Chapters: 39 (average previous 2 years,28); Refereed Journal: Articles 66 (44); Working Papers and Reports: 113 (78); and non Refereed papers: 52 (43). In the case of joint papers, these numbers discount fractions of non-CEP authors.

Was any of our work read? One good impact measure comes from citations data from the largest bibliographic database of economics papers in the world REPEC (Research Papers in Economics: <http://ideas.repec.org/top/top.wpseries.simple.html>). These show that at the end of March 2008, CEP Discussion Papers (828 deposited since 1998) have been cited on average 7.8 times each, putting the series 6th place in the world out of the 67 institutions registering over 500 papers since 1998²⁰ and well above the average citation level of 2.35. Another measure is downloads of papers (not "hits") from our website which this year reached 2.27 million compared to 1.99 million recorded last year. Finally quality is high and of world class standard: 13 of our journal articles appeared in the "Top 5" Economics Journals.

Our dissemination KPI's are also progressing well: Newspaper articles referring to the Centre's work increased over the past two year average by 59% to 380, and include 16 in the Economist, 29 in the Financial Times, 44 Guardian, 8 Independent, 10 Times, 17 Telegraph, 17 in the quality UK Sundays, 6 Handelsblatt, 2 New York Times, 2 Newsweek, 2 Washington Post, 1 Wall Street Journal. The Centre ran 220 events (previous two-year average, 159) of which 12% were for policy and business audiences. Individual Centre staff and students gave an incredible 476 presentations at conferences, seminars, and other events outside of the Centre, 20% to policy and business audiences. 63% of all events took place overseas, a healthy sign of the internationalism of the Centre.

4. ESRC GENERAL INDICATORS FOR REPORTING TO GOVERNMENT

a) Number of activities and events involving general public = 7

1. CEP Public Lecture: Trade and Inequality Revisited: Paul Krugman
2. CEP Public Lecture: James Meade Memorial Lecture - Globalisation & Welfare; Paul Krugman
3. CEP Public Lecture: Lionel Robbins Memorial Lectures - Intertemporal Choice: David Laibson
4. CEP Public Lecture: Lionel Robbins Memorial Lectures - Investment for Dummies: David Laibson
5. CEP Public Lecture: Lionel Robbins Memorial Lectures - Sticky biases and the curse of education: David Laibson
6. CEP Public Lecture: Do we need more immigrants and babies? Adair Turner
7. CEP Workshop: Labour Markets and Immigration Policy Workshop Jonathan Wadsworth

b) Number of Co-funded Projects: 13 £1,327,424

1. Rutgers University NBER: Employee Satisfaction Survey £15,000 Sep 07-Jul 08
2. Computershare £10,000 Employee Satisfaction Survey Sep 07 – July 08
3. DCSF Evaluation of PENN Resilience Programme in UK Schools 2007 – 2010 £250,000
4. DCSF Impact of School Resources on School Performance (Holmlund) £73,000 Aug 07-Mar 08
5. DCSF: Projects and management of Centre for Economics of Education £316,000, Jan 2008- Dec 09
6. Princes Trust Evaluation of xl programme (Silva and Holmlund) £21,875 1/4/07-30/9/07
7. Waller Trust: Construction of Map of Mental Health (Layard/ Smithies) £25,000 1/1/08-15/7/08

²⁰ If we include in the count smaller institutions registering as few as 100 papers or more since 1998 (515 in total) we came 30th but it should be recognised that it is easy to inflate an average citation count by publishing a small number of very high quality discussion papers through the "batting average" effect.

8. Esmee Fairbairn Trust: Wellbeing Programme (Pt 2) 1.10.07 – 30.9.10 £234,000
9. British Academy: Preparing the UK for the Offshored Economy (travel and RA) £7,492 Criscuolo
10. The Economic Impact of Globalisation on Europe: organisation of conference 1st October 2007 - 30th September 2009. 20,000 euros
11. Leibniz Foundation & ZEW Non-cognitive skills and life chances (Machin & Blanden) 1.1.08 – 31.12.10 £92,600
12. EU SCIFIGLO Science Innovation Firms and Markets in a Globalised World £78,336 1.1.08-31.12.10
13. Foundation Georgsmarienhütte: Fellowship for CEP Productivity Research £180,000 2008-10
14. Low Pay Commission: Do Increases in the Minimum Wage Change Consumption Patterns? £10,121 Aug-Dec 07

c) Number of public policy, business and third sector orientated seminars and workshops = 25

1. CEP Business/Policy Event: Management Practice and productivity: why they matter John Van Reenen, Bloom, Casserly, D; Dowdy, J; Flanders, S Institute of Engineers 12/07/2007
2. CEP Business/Policy Event: Management Matters: A quantitative look at management and performance, John Van Reenen Marriott Marquis Hotel, New York 07/11/2007
3. CEP Business/Policy Event: Management Practice and productivity: why they matter: Delhi: John Van Reenen, Nick Bloom, McKinsey partners
4. CEP Business/Policy Event: AGF- Creating Sustainable Growth in Europe: Policy debate Tobias Kretschmer CEP & University of Munich, 29/11/2007
5. CEP Business/Policy Event: AGF- Creating Sustainable Growth in Europe: Research conference Tobias Kretschmer CEP & University of Munich, 30/11/2007
6. CEP Business/Policy Event: AGF- Creating Sustainable Growth in Europe: Midpoint policy debate Tobias Kretschmer CEP & University of Munich, 05/12/2007
7. CEP Business/Policy Event Management Practices and productivity: presentation to Hannes Drejhammer Management Consultancy: Rebecca Homkes 05/10/2007
8. CEE/DCSF Event - School Transition and Pupil Mobility Steve Gibbons CEP & LSE, 05/12/2007
9. CEE/TLRP Education Conference Eric Hanushek Stanford University Neumark, D 01/06/2007
10. CEP Wellbeing, Economics and Public Policy Workshop: Happiness and Health Andrew Oswald University of Warwick, 21/01/2008
11. CEP Wellbeing, Economics and Public Policy Workshop: Valuing Non-Market Goods Paul Dolan Imperial College London, 25/02/2008
12. CEP Wellbeing, Economics and Public Policy Workshop: Job Satisfaction and Job Stress Andrew Clark CEP & PSE Paris, 17/03/2008
13. CEP Workshop: Labour Markets and Immigration Policy Workshop Jonathan Wadsworth CEP & RHUL, 20/04/2007
14. CEP Workshop: Manpower Human Resources Lab Industry Forum - Skills and Earnings: Evidence from around the world Alex Bryson CEP & PSI, 26/04/2007
15. CEP Workshop: HM Treasury Productivity & Innovation Training Henry Overman, 25/05/2007
16. CEP Workshop: HM Treasury Productivity & Innovation Training Henry Overman, 21/01/2008
17. CEP Workshop: HM Treasury Productivity & Innovation Training Henry Overman, 29/02/2008
18. CEP/ EDS IRP Seminar: The impact of China on new technology Mirko Draca, 21/11/2007
19. CEP/Children's Society Wellbeing of Children Seminars: WORKING PARENTS: What is the impact of parents' employment and experience of child care on the emotional and cognitive development of the children? Gregg Paul CEP & Bristol Besley, J 23/03/2007
20. CEP/Children's Society Wellbeing of Children Seminars: FAMILY BREAK-UP: What is the impact of changing family relationships on child well-being? What determines the rate of family break-up? Kathleen Kiernan York University & CASE Ermisch, J 17/05/2007
21. CEP/Children's Society Wellbeing of Children Seminars: WITHIN-SCHOOL ORGANISATION: What is the effect of school ethos, teaching methods and exams on child well-being? Steve Machin CEP & UCL Mortimore, P 11/09/2007
22. CEP/Children's Society Wellbeing of Children Seminars: LIFESTYLE: How do the media, marketing and new technology affect child well-being? Philip Graham Institute of Child Health Livingstone, S 18/10/2007
23. CEP/Children's Society Wellbeing of Children Seminars: CHILD MENTAL HEALTH: Is emotional disturbance increasing? How effective is early intervention of differing kinds? Barbara Maughan Institute of Psychiatry Scott, S 17/12/2007

24. CEP/Children's Society Wellbeing of Children Seminars: VALUES: How do children acquire a sense of responsibility for others? What interventions work? Social and emotional learning: an overview Melanie Killen University of Maryland Banerjee, R 11/03/2008
25. CEP/PSI Conference: The survival and growth of firms Alex Bryson CEP & PSI, 07/12/2007

d) Number of non-academic research users hosted by the investment = 7

John McIntosh, June 06-June 07 (Pincus Warburg)
 Roberta Zizza Oct 07 – May 07 Banca D'Italia
 Pedro Castro, McKinsey, training of management survey staff at CEP
 Tom Rippin, McKinsey, training of management survey staff at CEP
 Blair McCallum McKinsey, training of management survey staff at CEP
 Kate Banyard Summer 07, McKinsey, training of management survey staff at CEP
 Romesh Vaitilingam Economics Journalist (ongoing)

Number of researchers placed in user organisations = 4

Gianluca Benigno (CEP Associate) New York Federal Reserve
 Michael McMahon (Occasional Research Assistant) Bank of England
 Ralf Martin ONS
 Chiara Criscuolo ONS, HMRC

e) Non Academic User Members of Advisory Committee = 8

Adair Turner	Standard Chartered, plc (Chair till Dec 07)
Gavyn Davies	Fulcrum Asset Management
Richard Freeman	ex ICI
Richard Lambert	CBI
Jean Lemierre	EBRD
Hamish McRae	The Independent
Nicholas Macpherson	Permanent Secretary, Treasury (Chair from Jan 08)
Sushil Wadhvani	Wadhvani Asset Management