Editorial: Everything stays different – Re-organization

Health and Education in Africa

“Diana international” researches strategies of female entrepreneurs

Presentation of the ESF-evaluation in Brussels

Coming up: Conference about demography

Science and development gets more international

New Discussion Papers

Call for Papers for the RWI : Mitteilungen

Personnel news

No. 3/2003
Everything stays different

During the past several years, the financial pressure on German economic research institutes has definitely increased. The institutes increasingly compete for subsidies against universities and consultancies. In the coming months, the RWI will develop a new organization to advance it as a progressive center for scientific research and evidence-based consulting service for the political sector.

Instead of static research groups, which are differentiated by units of observation, there will be areas of competence (see diagram), which are divided by their content. These are then divided into fields of research, in which single projects and research teams are combined.

Every scientist will simultaneously belong to various research teams so that the institute can be more flexible. Our goal is to create a structure that adjusts to changing frameworks and demands. At the same time, changing research teams will enable our scientists to improve their networking qualities.

I know that the re-organization is a big challenge for all participants. I am sure that the changes will empower our institute to work at a higher scientific level in the future. I am also certain that the RWI team will accept this new challenge with commitment.

Christoph M. Schmidt
Research News

Measuring the Burden of Disease and Returns to Education in Rural West Africa

For large parts of Sub-Saharan Africa little socio-economic data has been available up to now. Ralph Wuerthwein has collected and analyzed data of health statistics and the returns of schooling in the Nouna Health District in the North-West of Burkina Faso. The results show considerable deviations from the extrapolated data which have been previously used. Moreover it shows that literacy programs can increase the productivity of a country’s population.

The Nouna Health District is located in the northwest of Burkina Faso, a state south of the Sahara. Like many regions of Sub-Saharan Africa, comprehensive systems of health statistics were absent in the district. This study deals with the collection and analysis of mortality, morbidity, and socio-economic data. In addition to measuring the “burden of disease” (interferences caused by illnesses, BOD), income and returns to education should be identified.

Extrapolated data does not display the Sub-Saharan reality

Up until now, the BOD figures for Sub-Saharan Africa relied on extrapolations of South African data. The conclusion of the paper is that local health policy should be based on local BOD measurement instead of relying on extrapolations that might not represent the true BOD structure. For example, the ranking of diseases by BOD share differs substantially. There is also the need for measuring local disability weights across nations and/or cultures. A culturally-adapted Visual Analogue Scale (VAS) was introduced and validated in the study. It is able to detect the state of health and health problems for people, even those with low education. This was necessary because the adult illiteracy rate in the villages of the Nouna District is as high as 83.7%.

Education pays off

In the context of the study 1,751 persons from the ages of 20 to 50 years (representing 689 households) were questioned about their income and returns to educati-
me than on the productivity of traditional farming. Extraordinarily high returns to education were found for literacy programs: for subsistence income, the estimate for men is 20.7%, the estimate for women is 19.1%. Thus, from a policy perspective, alphabetization programs seem to be a very effective and efficient way to both raise the education level and the income of a country’s population. The question is why people invest so little in education if the investment in education is so profitable. One obvious reason is that the inhabitants of the Nouna region just cannot afford it.

Ralph Würthwein

Measuring the Burden of Disease and Returns to Education in Rural West Africa, RWI : Schriften, Heft 71
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Lectures and conferences

“Diana International” examines strategies of female entrepreneurs

RWI scientist PD Dr. Friederike Welter is member of the newly founded international consortium “Diana International” that studies women entrepreneurs and their strategies for financing and growing their businesses. The consortium was established at a meeting in Stockholm, Sweden, between June 20th and 23rd. The research collaborative is patterned after the “Diana Project,” which was established in the U.S. in 1999 as a consortium of scholars from different universities. During the Stockholm meeting, the scientists who come from 15 different nations planned a three-year agenda that includes researching the rate of women’s participation in entrepreneurship in each country, along with profiles of the sources and processes of financing that are available. These data should help explain why women entrepreneurs still face bigger problems than their male colleagues when it comes to securing the financing of their projects. “Diana International” will comprise a number of theoretical perspectives and methodologies to understand how attributes of the entrepreneur, aspects of the market, and country context affect women-owned enterprises. Among the factors to be considered are the presence of structural barriers, differences in entrepreneurs’ human capital, networking activities, varying aspirations, strategic choices and cultural contexts.

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Presentation of the ESF-evaluation in Brussels

During an EU presentation of the Leibniz-Gemeinschaft (WGL) in Brussels, RWI presented its project “Evaluation of the Intervention of the European Social Fund...
(ESF) in Germany – Period 2000 to 2006.”

Visitors of the event – about 20 member-institutes of the Leibniz-Gemeinschaft attended – were delegates of the European Parliament and staff members of the Research Directorate-General.

The project deals with the positive effects that result from the labor market policy of the German state and its Länder and has been co-financed by the ESF. The project is a cooperation between RWI, the Institut für Sozialökonomische Strukturanalysen (SÖSTRA Forschungs-GmbH) and Prof. Dr. Gerd Ronning (Eberhard-Karls-Universität Tübingen).

Further Information: www.rwi-essen.de, “Projekte”.

**Notification: Conference about demographic changes**

“Demographic Changes as challenge for economic, social and regional sciences” is the title of a conference of the Leibniz-Gemeinschaft (section B) to be held at the Germanisches Nationalmuseum in Nuremberg on November 19th. The lectures deal with the subjects “Macroeconomic implications of demographic changes” (morning) and “Challenges from an (inter)disciplinary sight” (afternoon). All lectures in German. Scientific directors of the conference are Prof. Dr. C.M. Schmidt and Dr. H.D. von Loefelholz of RWI Essen and Ruhr-Universität Bochum (RUB). More information about the conference and registration are available at: www.leibniz-gemeinschaft.de.

**Publications**

**Research and Development (R&D) is getting more international**

The survey deals with the internationalization of the R&D activities of multinational companies from a German perspective. The economic activities of 88 large German enterprises abroad and 47 foreign enterprises in auto building, electronics, chemistry and engineering with research activities in Germany were studied. The survey revealed that enterprises do research abroad because of two reasons: the motive of market and the motive of knowledge. The motive of market says that research abroad is mainly done to adapt products to foreign markets. The motive of knowledge means that companies generate their knowledge where they find the best conditions for this work.

During the nineties, the research activities of German enterprises abroad increased above-average. Therefore the motive of market was commanding. Research activities of foreign enterprises in Germany were often done with German cooperation-partners, especially in the field of basic research. This openness could be an advantage for locating R&D activities in Germany.

RWI: Discussion Papers

(5) Thomas K. Bauer, Patrick J. Dross and John P. Haisken-DeNew, Sheepskin Effects in Japan

The so-called Sheepskin Effect is that a university degree has a significant influence on the income whereas the time required to achieve the degree is of minor importance. For Japan, the results of the study indicate that this effect explains about 50% of the total returns to schooling. The size of the effect for various degrees is smaller than comparable estimates for the US. In Japan, the Sheepskin Effect is only important for workers in small firms because large firms tend to recruit new employees directly from universities, after extensive screening through written examinations and interviews. The effects are also decreasing with firm tenure, probably because employers gradually obtain better information on the true productivity of a worker over time.

(7) Michael Fertig, The Impact of Economic Integration on Employment

The ultimate aim of this analysis is to forecasts future labor market developments in the context of EU enlargement. It utilizes a longitudinal cross-country dataset for 13 EU member states from 1980–2000. At the focus of this empirical investigation are the experiences of the southern enlargement countries of Greece, Spain and Portugal, which joined the EU during the eighties. Based on the results, long-run higher economic integration leads to a positive employment effect especially in the enlargement countries. Their unemployment rates will decrease while unemployment rates in the EU-member states will slightly rise. Sectors services will benefit while the manufacturing sector will probably suffer from a shift of low-skilled jobs to regions with lower wages.

Call for Papers for RWI: Mitteilungen

External authors are invited to submit articles to RWI’s publication “RWI: Mitteilungen”. The journal is addressed to the scientific research community. Reviewers will ensure the quality of the submitted articles. Chief editor is Prof. Dr. Christoph M. Schmidt Ph.D., President of the RWI.

The publication covers a number of fields, including
- Labor Markets and Population
- Migration, Integration and Education
- Entrepreneurship and Enterprise Performance
- Public Finance
- Environment and Resources.

The RWI invites submission of papers in these areas of empirical research. The contributions should preferably be written in English. Submissions should include an abstract. Please send your paper as attachment in either MS Word, .pdf, or .ps format to rwi@rwi-essen.de. The institute guarantees a fast and objective referee process.

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Personnel news

Vice-President Prof. Dr. Ullrich Heilemann leaves RWI

After long term as vice-president, Prof. Dr. Ullrich Heilemann leaves the RWI. He will assume a professorship for economics at the Universität Duisburg-Essen. Prof. Heilemann worked at the RWI for almost 30 years; nearly ten years as vice-president.

Gossen-Preis for Harald Uhlig, member of the RWI advisory board

Prof. Dr. Harald Uhlig, member of the RWI advisory board, is laureate of the renowned Gossen prize of the German Economic Association. The prize honors economists under the age of 45 years who teach in German-speaking universities and whose work has earned high international repute. Its aim is to foster the internationalization of German economics. Harald Uhlig lectured at Princeton University, Universität Bonn, University of Chicago, Tilburg University and Stanford University. Since 2000, he has been professor for economic policy at the Humboldt-Universität zu Berlin. His main research is in business-cycle theory, economics of growth, financial markets and econometric models. His articles have been published in American Economic Review, Econometrica and Journal of Finance. RWI congratulates Harald Uhlig on this renowned award.

RWI-excursion: Lots of coal

This year’s excursion of the RWI was all about native-brown coal. In the morning, more than 40 staff members took part in a tour of the RWE power station Niederaußem. It is powered by brown coal and has an optimized installation engineering. Its new plant started working in September of 2002. The plant is the first of its kind with a degree of efficiency of more than 43 percent. During the tour, the power plant showed its impressive size. One of the cooling towers is 200 meters high, 40 meters higher than the Cologne Cathedral. After lunch at Schloss Paffendorf at Bergheim and a lecture about the surface mining of brown coal, the RWI team visited the surface mining area at Garzweiler. Some of the highlights there were the biggest brown coal digger of the world, mile-long conveyors and the size of the mining area.
New staff members

Since October 1, Dr. Manuel Frondel is research coordinator of the RWI and designated director of “Environment and Resources.” A physicist and industrial engineer, Frondel studied at the TU Karlsruhe. He earned his doctorate at the department of econometrics at Universität Heidelberg. The main focus of his work is applied econometrics, especially methodical questions concerning the evaluation of political instruments like voluntary commitments, estimations of the demand for water respectively energy and investigation of substitution between energy and other factors of production. He has worked as research associate in the field of research “Environmental and Resource Economics, Environmental Management” at ZEW, Mannheim before he came to the RWI.

Also since October 1, Dr. Jochen Kluve is research coordinator of the RWI. His scientific focus is the evaluation of state-run interventions especially in the field of labor market policy. Jochen Kluve studied economics in Heidelberg and Dublin, his dissertation at the Universität Heidelberg was “Causal Effects of European Active Labor Market Policy – Foundations and Empirics.” The last two years he worked as a postdoc at the Center for Labor Economics at the University of California, Berkeley.