

Measuring Labour Services: Quality-Adjusting the Entry and Exit of Workers

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Paper Abstract:

Many statistical agencies use the sum of hours worked when measuring labour services. This implies that all workers provide work of equal quality. Various indices for adjusting for labour quality have been employed in a large body of literature. However, this literature has not yet addressed the issue of how to quality-adjust the impact of workers entering and exiting the labour market. We outline a theoretical framework for dealing with quality adjustment of labour services caused by workers entering and exiting employment. To illustrate the theoretical framework, we use the case of Norway in the period 1997 – 2013. The impact on labour services due to our quality adjustment of net entry is found to be cyclical. While the adjustment for the quality of net entry amounts to about -0.3 percentage point annually during expansions, it is offset by about the same magnitude during contractions.