DESCRIPTION FOR THE GENERAL PUBLIC (IN ENGLISH)

EFFECTS OF GLOBAL PRODUCTION NETWORKS ON EMPLOYMENT, EARNINGS AND FACTOR ALLOCATION IN THE PRESENCE OF WORKERS, FIRMS, AND TASKS HETEROGENEITY

Our research proposal focuses on the effects of global production networks (GPN) on the performance of firms and workers. The concept of GPN is strongly linked to that of global value chains (GVC) and trade in value added (TiVA). The proliferation of global production networks has altered fundamentally the geography and complexity of global production (OECD, 2013; Timmer et al., 2014; Johnson, 2014), affecting labor markets of both developed and developing countries (Stone and Bottini, 2012; Shepherd and Stone, 2013; Shepherd, 2013). **Main aim of the research project** is thus to assess microeconomic consequences of GPN in terms of changes in employment, earnings and resource allocation. We draw on recent developments in international economics stating that proper assessment of so-called 'second unbundling' (Baldwin 2012, 2014) cannot be fully explored without taking into account differences between single workers, tasks they perform and firms.

The project is mainly empirical in nature, even though we also plan to elaborate on the **theoretical side** of the analyzed phenomena. We build upon the recent theoretical approaches which bring economic theory closer to the reality and acknowledge substantial differences between single workers or firms. Given very complex nature of possible implications of global production networks on labour markets, we formulate a number of **detailed empirical hypothesis.** They are mainly connected with the influence of GPN on job loss risk, observed changes in wages of different workers or variations in firm productivity. Our main hypothesis is that effects of GPN are unevenly distributed. We also want to test whether effective labour market institutions smooth out possible negative effects of global division of production on employment and earnings and to accelerate the adjustment process.

Based on the theoretical framework, further empirical analysis will be performed. The milestone of the project is the construction of the database merging micro data from different sources (EU-SILC, SES, LIS, Amadeus) with recent decomposition of sector level statistics (e.g. from WIOD). We will examine consequences of belonging to a particular segment of GPN on the position of individuals and firms in different countries. In particular, in the empirical part of the project we will estimate a number of models to assess microlevel effects of GVC on earnings, employment and firm behavior.

Project results are expected to **contribute to the development of the research field and scientific discipline** by: providing evidence on labour market consequences of GPN proliferation at deepest level of disaggregation possible; creation of new knowledge by confronting empirically the effects of participation in GPN on workers and firms; providing quantitative arguments for the debate on the consequences of global production sharing on the labour markets for several economies and going beyond country specific studies; suggesting possible actions needed to smooth out possible negative effects of global division of production on labour markets (**policy implications**).

Scientific articles will be the main **output of the project.** They will be submitted to highly ranked journals indexed in Web of Science. In addition to the written output, the aim is to provide wide **societal impact**, not limited to the members of the project team. This will be possible through: (1) the organization of a **Training School** on Micro Data for Early Stage Researchers (learning process); (2) the organization of the **final conference** on "Workers and Firms in Global Production Networks - Policy Implications" (presenting results of the project, fostering national and international cooperation, sharing new methodological approaches); (3) creation of the **project's homepage** providing open access to all project outcomes (working papers, description of the data used, algorithms used in statistical analysis, ensuring easy reproducibility of the results and providing tools for other researchers to conduct their own analysis).