“BIER INDEX”
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Introduction

- The service sector is paramount in all economies because it generates a large labour demand (in 2016, the percentage of employment in the Sector service over the total employment was 46% at the world level).
- Although it is true that the analysis of the mix between high-skilled and low-skilled labour is a critical ingredient.

Objectives

- A novel procedure to measure the relative proportion of low-skill over the total workforce if an economy by measuring the price differential of a common product -in our case, consumption of beer.
- A method to measure the behaviour of the Spanish population by regions during different years (2004-2017) and economic periods (growth, crisis, growth?).
- How the consumption patterns of a standard good like beer change over time taking into account different economic and social variables.

In this study we propose a novel procedure to measure the relative proportion of low-skill over the total workforce if an economy by measuring the price differential of a common and homogeneous product -in our case, consumption of beer.
What is the rationale for our methodology? 1/2

Beer is consumed by two ways:

a. At home, which could be called “Beer Consumption OFF Trade”; it represents 34% of Beer consumption in Spain.

b. Outside home, that beer that is served by somebody in the HORECA (Hotel, Restaurant and Catering) sector, which could be called “Beer Consumption ON Trade”. It represents 63% of Beer consumption in Spain.

What is the rationale for our methodology? 2/2

In Beer Consumption ON TRADE the Compound items of the final price of beer is explained by being as a service than by being a product, unlike OFF TRADE consumption, in which the main component of the price of beer is the product itself.

We know that there are many factors that depend on the beer consumption, e.g.: per capita income, culture, taxation, tourism (99.5% of adult tourists in Spain drink beer) and how it can affect substitute goods such as WINE.

USES

We want to know, for example the different variables that affect beer OFF TRADE prices (€ 0.76/liter in Murcia, 2004 vs € 1.97/liter in Cantabria, 2007), the spending per capita (€0.22 in Cantabria, Dec. 2005 vs. €3.21 Murcia August 2015) and per capita consumption (0.16 liters in Cantabria vs 3.44 in Murcia).

GOAL

The ultimate goal is to define and econometrically estimate a general equilibrium model of beer consumption by channels and demand, which would yield the so-called "BEER INDEX".
USES

The “Beer Index” indicator could be used as an index of outsourcing of the economy from the point of view of the labour force and as a comparison tool between areas or countries.

The obtained index would allow the estimation of the labour cost of unskilled labour in an area taking into account the difference in price between consuming beer at home or outside.

DATA

In this study, we apply this methodology to Spanish regions, using data for beer consumption and prices for the period 2004-2017, on a monthly basis, from MAPAMA (Spanish ministerial department of Agriculture and Fisheries, Food and Environment), DATA from SEPE (Spanish ministerial department of Public Service of Employment), Cerveceros (Brewers of Spain) and Ministerio de economía y competitividad (Spanish ministerial of Economy).

VALIDATION

Future work should extend this analysis to other countries to validate our proposed methodology.