

Determining Employment in the latest Austrian INFORUM Model

Topic: Econometric IO models

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Estimation of employment is a key element of the "price side" of any econometrically sound dynamic input/output model. Not only is employment the necessary multiplier to transform sectoral wage rates into corresponding wage bills but it might be as important in determining the wage rate itself via the role of unemployment in wage bargaining. Price determination without plausible employment estimates is not worthwhile.

This paper investigates improvement potentials for employment estimation in the most recent Austrian dynamic input/output model. This model has been labeled AEIOU II and is member of the mutually linked world-wide family of INFORUM input-output models. It is based on a 60-sector/60-goods classification (somewhat more disaggregated than official tables) and has been successfully applied to analyze different economic policy scenarios up to 2030.

In line with many other INFORUM models estimation of employment will be affected via estimation of sectoral labour productivities. It will not suffice for these estimates to being economically reasonable and statistically significant results. Much more, they should also prove useful in the forecasting environment, which involves all other parts of the model. The latter criterion touches issues of stability as well as of convergence speed.