



Economic Effects of the Common Agricultural Policy on Employment in Austria

Julia Neuwirth

Karl Ortner

Klaus Wagner



Federal Institute of Agricultural Economics
Marxergasse 2, 1030 Vienna
+43 1 8773651 7437
Julia.neuwirth@awi.bmlfuw.gv.at

7th ERDN Conference
29 – 30 October 2009, Debrecen

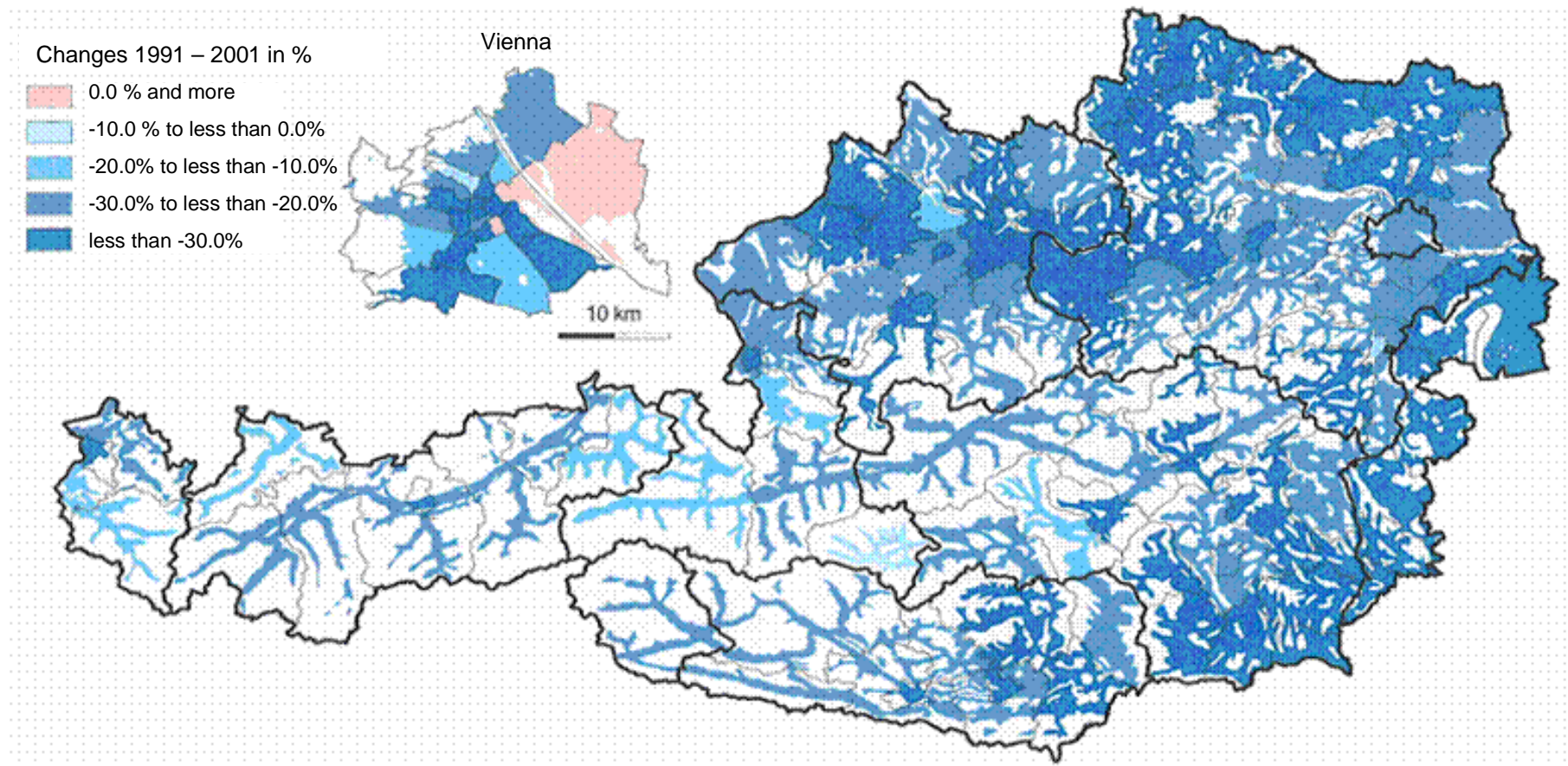
Content

- Employment in Austria
- Austrian agricultural budget (2000-2006)
- Partial analysis of income effects
- Macro-economic analysis of employment effects
- Conclusions

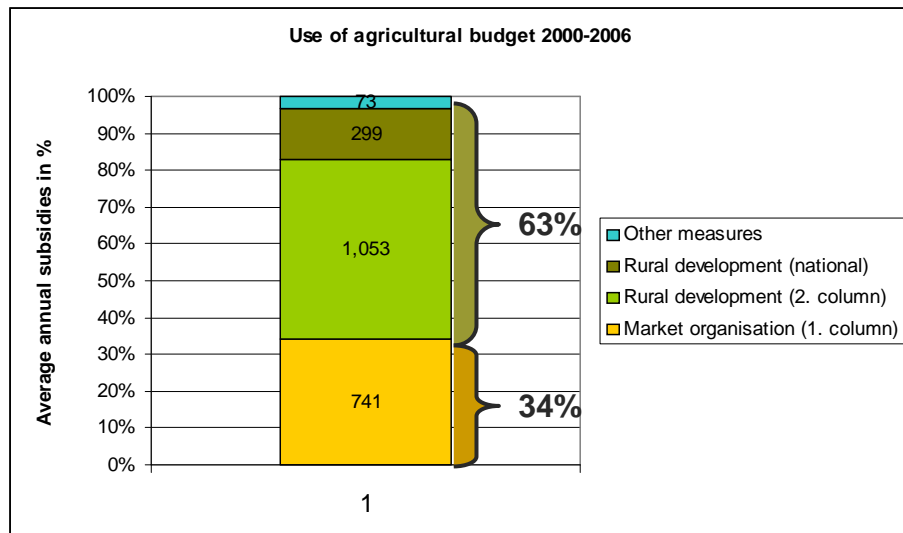
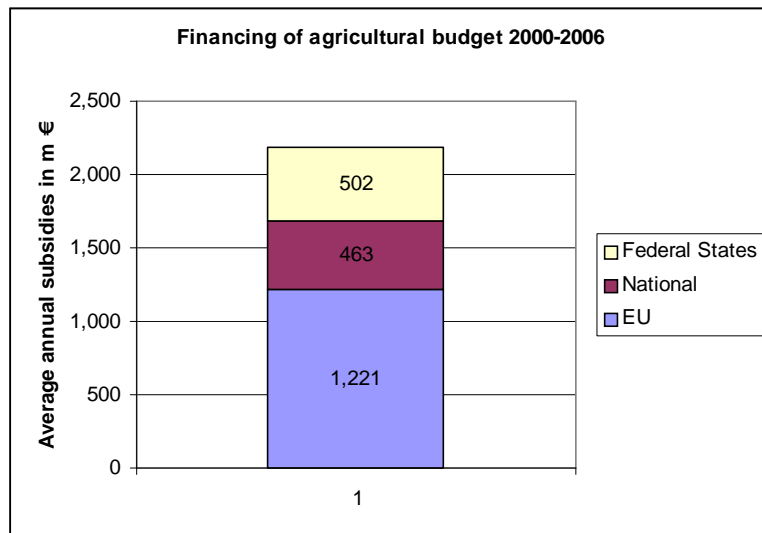
Employment in Austria

- 3.7 m persons were employed in 2004
- Development 1991-2001:
 - Decline in the primary and secondary sector
 - Growth in the service sector
- Primary sector:
 - 5% of the total number of employees
 - Since 1976 decline by 50%
 - Nearly 190,000 AWUs in 2004
 - 84% self-employed family members

Changes of workforce in the primary sector 1991-2001



Austrian agricultural budget 2000-2006

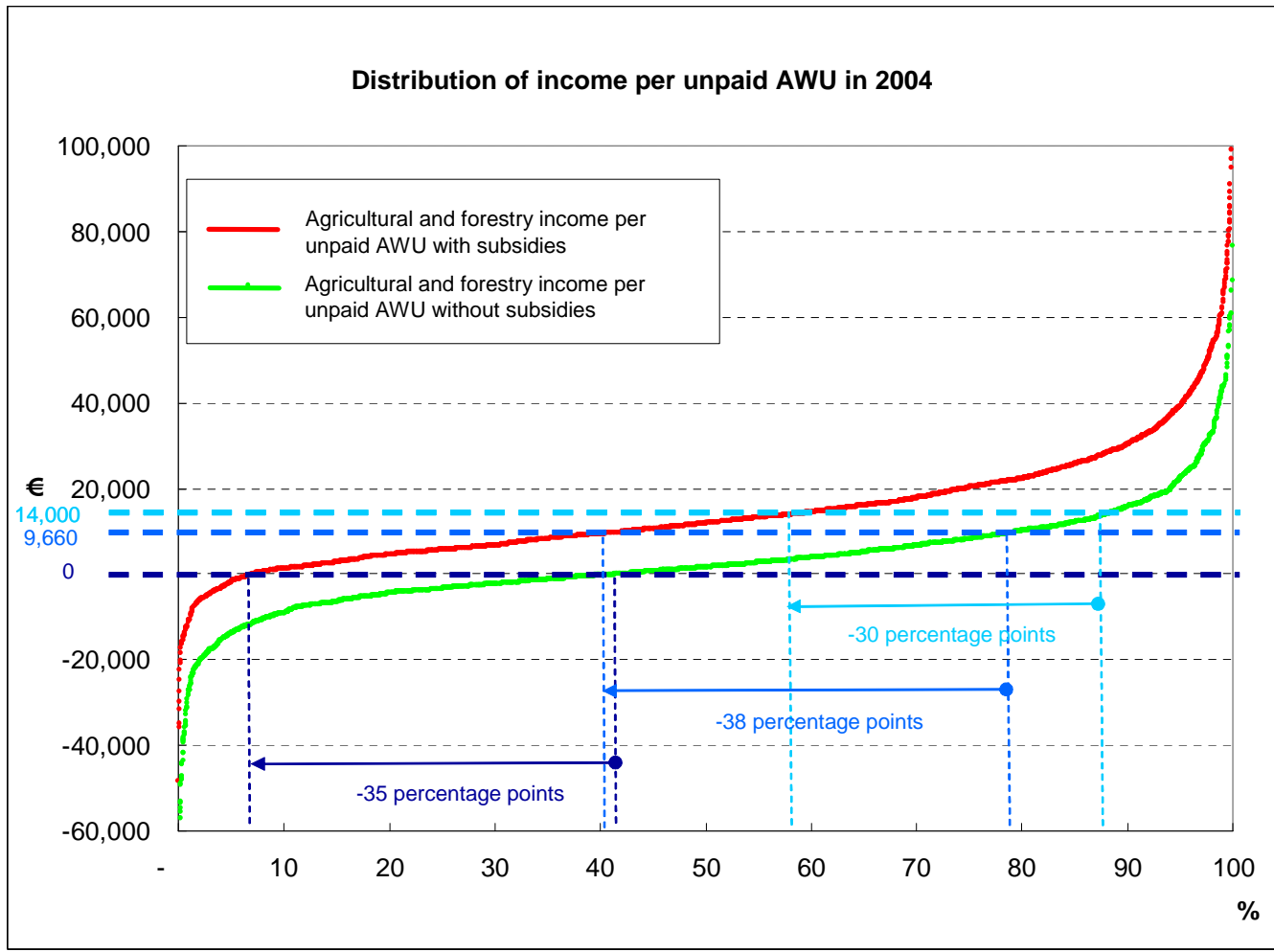


- 2nd column of the CAP is important
 - altogether € 7 bn expenditures
 - thereof 61% agri-environmental programme, 26% compensatory allowance

Theoretical approach - Scenario 1

- Investigation of income effects in agriculture & forestry of an abandonment of direct payments
- Partial analysis based on income distribution according to FADN data
 - Assumptions: no adjustment of economy, structure of income remains constant

Results of partial analysis



Theoretical approach - Scenario 2

- Employment effects of allocation of selected subsidies to all private sectors instead of to the primary sector
- Analysis of macro economic effects by input-output-analysis
 - Assumptions: fixed technology coefficients, budget is spent aliquot to the sectors' value of production
 - Data: input-output-table 2000 at cost prices

Results of macro economic analysis

- Direct employment effects: 68,455 AWUs
 - thereof 62% in other sectors, especially production of goods, accomodation and restaurant industry
- Accumulative employment effects:

Sector	No. of AWUs (domestic production)	Production value at basic prices	Direct employment coefficient	Employment multiplier	Cumulative employment coefficient
Agriculture	135,858	4,710	28.85	1.29	37.12
Forestry	18,033	1,740	10.37	1.77	18.32
Fishery	265	18	14.72	1.48	21.78
Primary sector	154,156	6,468	23.83	1.33	31.76
Other sectors	3,260,109	356,323	9.15	1.43	13.07
Total	3,414,265	362,791	9.41	1.42	13.36

Results of macro economic analysis

- Changes in employment and production caused by an aliquot redistribution of agricultural subsidies

Sectors	Change of employment	New output value	Former output value	Change of output value
	in 1,000 AWUs	in m €	in m €	in m €
Agriculture	-44.2	3.2	4.7	-1.5
Food industry	-2.9	11.4	11.7	-0.3
Forestry	-0.5	1.7	1.7	0
Total of shrinking sectors	-47.6	18.9	20.8	-1.9
Credit system	1.3	14.1	13.9	0.2
Real estate business	0.3	24.6	24.5	0.1
Services for companies	1.5	17.3	17.2	0.1
Building industry	1.1	29.3	29.2	0.1
Public administration	1.1	16.9	16.8	0.1
Information transmission	0.5	8.4	8.3	0.1
Education	0.8	11.5	11.4	0.1
Wholesale trade	0.4	21.8	21.7	0.1
Total of all sectors	-33.2	362.7	362.8	-0.1

Conclusions

- Agricultural subsidies are most effective in Austria's national economy to achieve the highest possible level of employment
- A loss of subsidies would worsen living conditions of many people already living at or below the poverty level