Economic Effects of the Common Agricultural Policy on Employment in Austria

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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

Changes 1991 – 2001 in %
- 0.0 % and more
- -10.0 % to less than 0.0%
- -20.0% to less than -10.0%
- -30.0% to less than -20.0%
- less than -30.0%

Vienna
Austrian agricultural budget 2000-2006

- 2\textsuperscript{nd} 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, accommodation and restaurant industry

- Accumulative employment effects:

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

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

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