



Unemployment as the major macroeconomic challenge

TUREC, 22.9.2016
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Unemployment as the major challenge

- Unemployment, bargaining power and consumption
- Private and public investment
- The role of labour supply
- Conclusions



Unemployment – distribution – aggregate demand

- **Unemployment decreases the fall back position of labour**
- **... and increases functional and personal inequality**
- **Lack of demand in wage led economies such as the Euroarea (Bhaduri, Marglin 1990, Stockhammer, Onaran 2012, Onaran 2016)**
- **Studies on effects of rising inequality in personal income distribution on demand less common**



Inequality and consumption

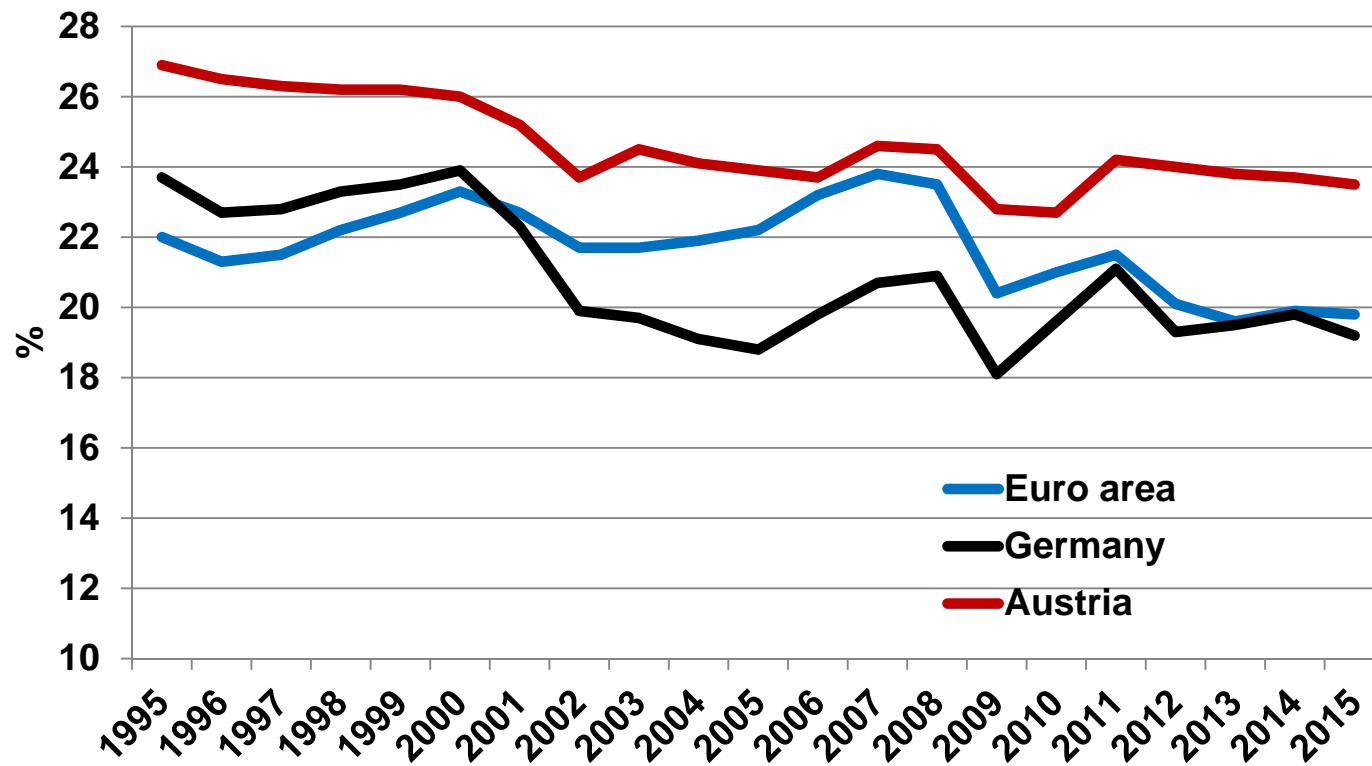
- **Marginal propensity to consume for different income groups in Austria**

	l1/3	m1/3	h1/3
short-term	0.8	0.5	0.4
long-term	1.2	1.0	0.9

Source: Ederer et al. 2016



Total investment in relation to GDP

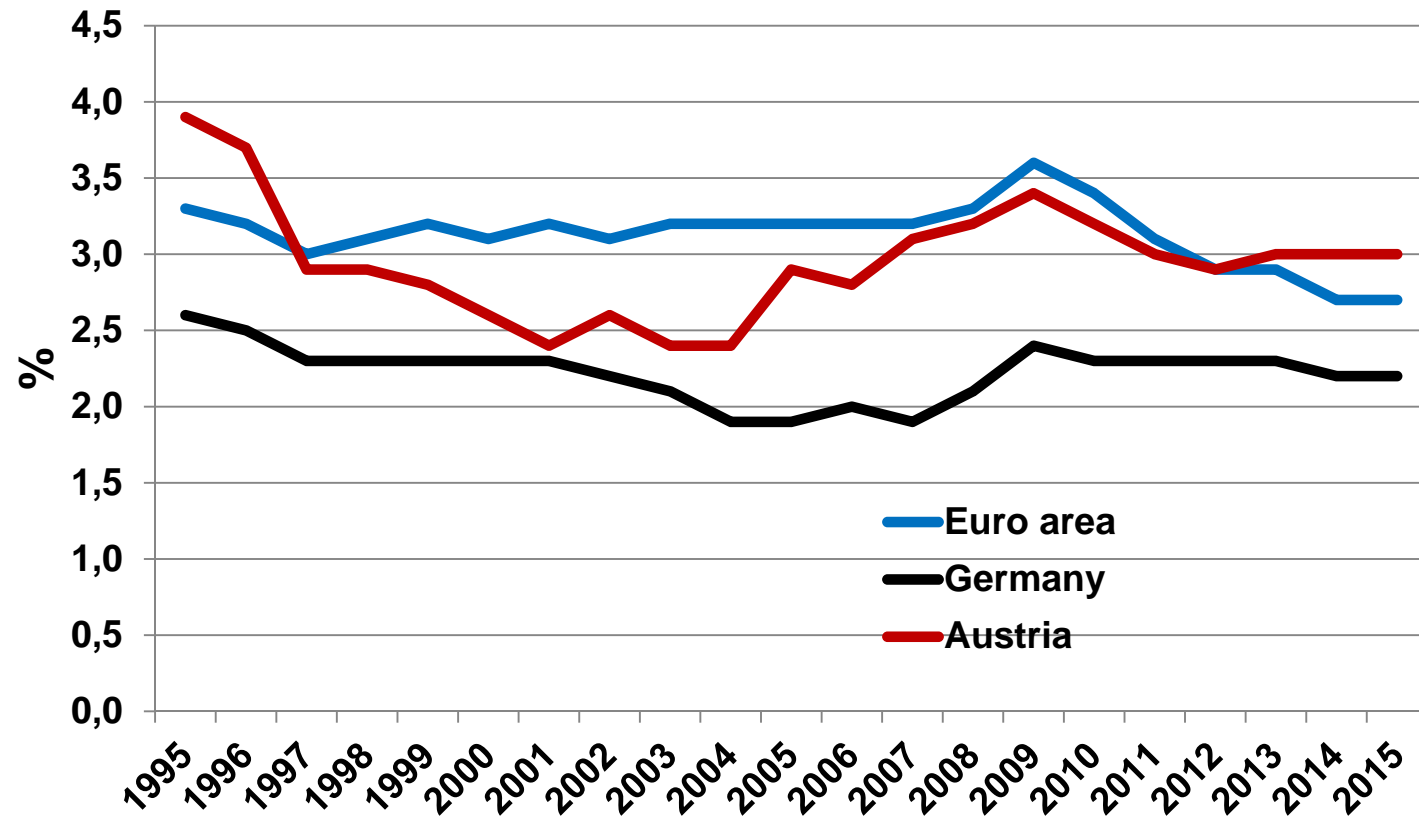




Public investment

- Investment as a driving force of the cycle
- Public investment as a kick start
- High multipliers (Christiano et al 2011, Auerbach et al 2012, Blanchard, Leigh 2013, Gechert 2015)
- Golden rule of public investment (Truger 2015, 2016)

Public investment in relation to GDP





Unemployment – aggregate demand – labour supply

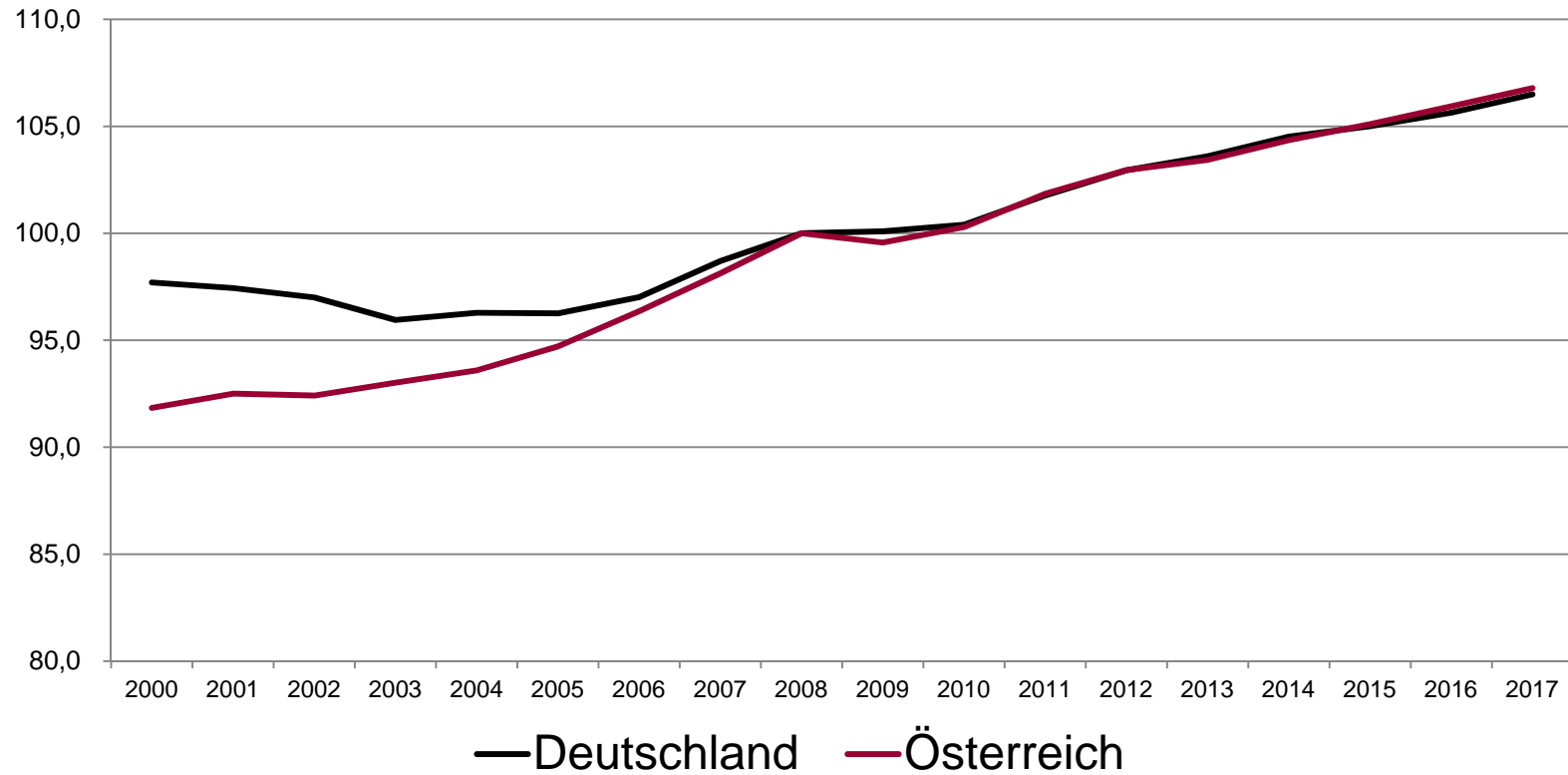
- **Improve bargaining position of labour**
- **Increase effective demand by public investment and distribution**
- **Public sector as employer of last resort (Minsky 1986, Wray 1997ff, Auerback 2014)**
- **Labour supply as major determinant of the unemployment rate**
- **Germany versus Austria**



Employment

Germany, Austria 2008 = 100

AMECO



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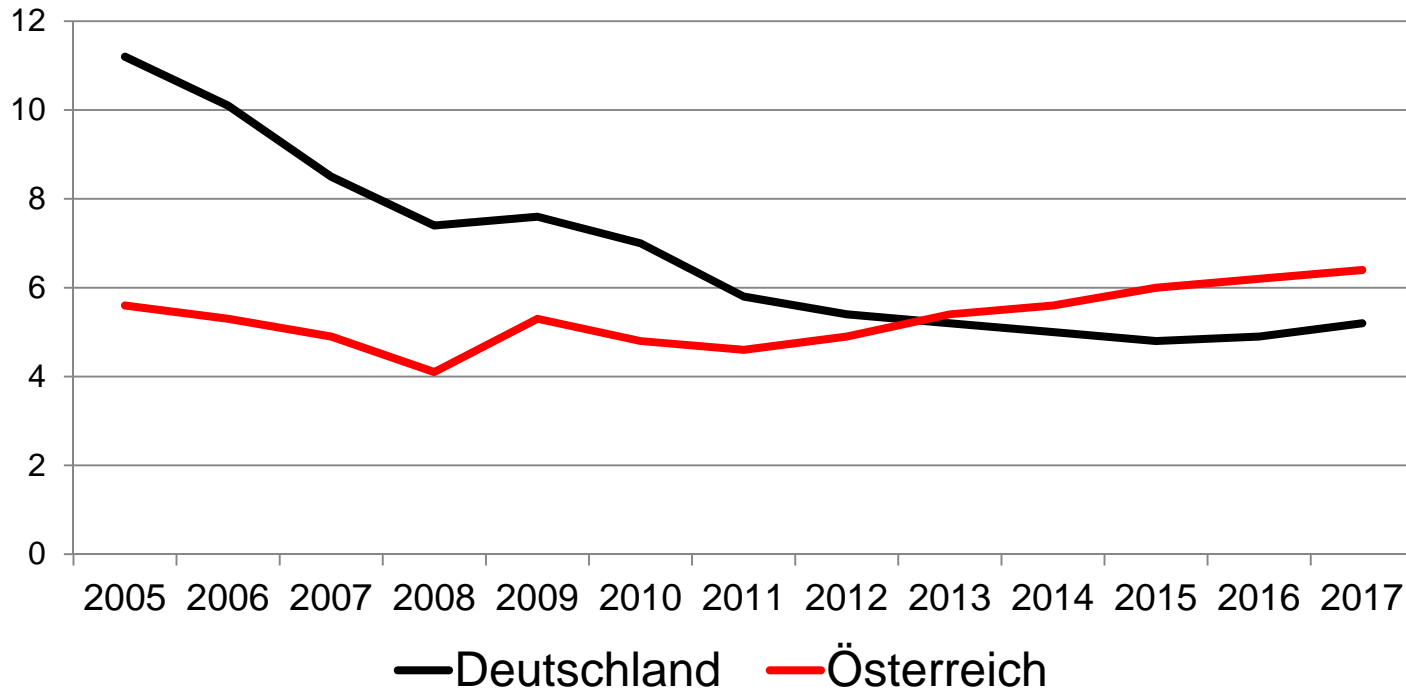


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Unemployment rate

Germany, Austria



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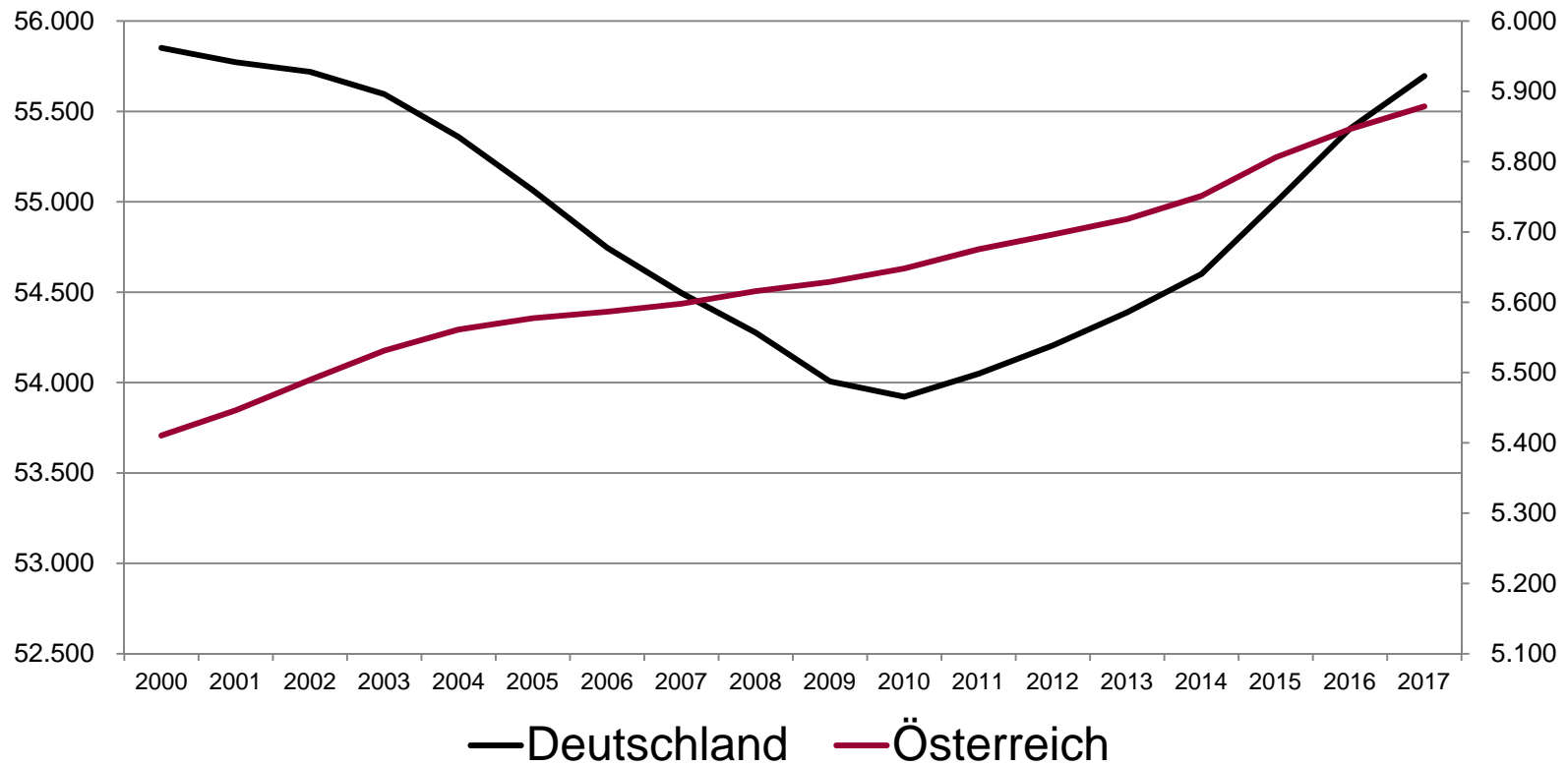


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Employment age population

Germany, Austria, in thousand
AMECO



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Labour supply

- In search of (progressive) ways of regulating labour supply
- Reduction of working time
- New efforts in Austria
 - „leisure time option“ in collective agreements since 2013 in manufacturing
 - Claim for 6th week of holidays (over 25 years)



Unemployment as the major challenge

- **Selfinforcing cycle of unemployment and lack of demand**
- **Bargaining power – public works**
- **Redistribution and consumption**
- **Public investment as a kick start**
- **Regulation of labour supply**